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

DECEMBER 31, 2008
(Expressed in US Dollars)

(UNAUDITED)

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

	December 31, 2008	June 30, 2008
ASSETS		
Current		
Cash and cash equivalents	$ 3,904,215	$ 11,473,360
Amounts receivable	205,079	143,638
Marketable securities (Note 5)	36,125	180,640
Prepaid expenses	100,327	124,303
	4,245,746	11,921,941
Restricted Cash (Note 13)	18,595,436	674,452
Property, Plant And Equipment (Note 6)	54,237,298	18,714,182
Interests In Geothermal Properties (Note 7)	67,589,318	47,268,248
	$ 144,667,798	$ 78,578,823
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 14,065,932	$ 10,540,408
Deferred construction amounts payable (Note 8)	5,047,932	-
	19,113,864	10,540,408
Bank Loan (Note 9)	78,323,583	20,903,323
Cash Settlement Option (Note 9)	1,937,331	-
Asset Retirement Obligation (Note 10)	1,216,614	1,054,645
	100,591,392	32,498,376
SHAREHOLDERS' EQUITY		
Share Capital (Note 11)	54,032,960	53,936,713
Contributed Surplus (Note 11)	4,121,788	4,020,807
Accumulated Other Comprehensive (Loss) Income	(1,422,835)	(734,311)
Deficit	(12,655,507)	(11,142,762)
	44,076,406	46,080,447
	$ 144,667,798	$ 78,578,823

Commitments (Note 13)
Subsequent Events (Note 15)

Approved on behalf of the Board of Directors:

"Brian Fairbank"	"Domenic Falcone"
Director	Director

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

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

	For the Three Month Period Ended December 31, 2008	2007	For the Six Month Period Ended December 31, 2008	2007
Operating Expenses				
Accounting and audit	$ **12,951**	26,408	$ **110,155**	$ 33,832
Administration	**239,735**	197,747	**481,630**	307,341
Accretion of asset retirement obligation	**19,482**	5,233	**38,964**	10,466
Accretion of cash settlement option	**177,830**	-	**177,830**	-
Amortization	**23,019**	16,359	**42,733**	21,837
Consulting fees	**114,171**	29,152	**267,146**	173,343
Conventions and publishing	**98,677**	116,842	**165,547**	150,120
Investor relations	**165**	36,603	**10,773**	67,491
Insurance	**12,082**	14,460	**26,143**	31,089
Legal	**25,775**	42,317	**78,242**	98,088
News dissemination	**2,844**	5,645	**9,933**	13,036
Office expenses	**33,324**	41,158	**69,469**	65,985
Recruitment fee	**-**	129,878	**-**	129,878
Rent and telephone	**30,471**	34,682	**61,904**	61,456
Stock-based compensation	**15,550**	31,320	**136,751**	116,896
Transfer agent and regulatory fees	**16,606**	14,764	**21,273**	25,099
Travel and business development	**22,933**	54,497	**82,284**	98,671
	845,615	797,065	**1,780,777**	1,404,628
Other Income				
Interest income	**196,077**	77,071	**268,032**	189,751
Option proceeds in excess of mineral property costs	**-**	100,681	**-**	103,989
	196,077	177,752	**268,032**	293,740
Net Loss for the period	**(649,538)**	(619,313)	**(1,512,745)**	(1,110,888)
Deficit, beginning of period	**(12,005,969)**	(8,518,521)	**(11,142,762)**	(8,026,946)
Deficit, end of period	$ **(12,655,507)**	$ (9,137,834)	$ **(12,655,507)**	$ (9,137,834)
Basic and diluted loss per share	$ **(0.01)**	$ (0.01)	$ **(0.02)**	$ (0.01)
Weighted average number of common shares issued and outstanding	**94,301,026**	53,324,997	**94,347,765**	76,938,763

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

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

	For the Three Months Ended December 31, 2008	2007	For the Six Months Ended December 31, 2008	2007
Net loss for the period	**$ (649,538)**	$ (619,313)	**$ (1,512,745)**	$ (1,110,888)
Other comprehensive income				
Foreign translation gain (loss)	**(269,846)**	112,490	**(544,009)**	525,910
Increase (decrease) in unrealized holding gains on marketable securities	**(70,998)**	103,615	**(144,515)**	130,624
Comprehensive loss	**$ (990,382)**	$ (403,208)	**$ (2,201,269)**	$ (454,354)

Accumulated comprehensive income	For the Three Months Ended December 31, 2008	2007	For the Six Months Ended December 31, 2008	2007
Balance at beginning of period	**$ (1,081,991)**	$ (647,907)	**$ (734,311)**	$ (1,088,336)
Foreign translation gain (loss)	**(269,846)**	112,490	**(544,009)**	525,910
Increase (decrease) in marketable securities	**(70,998)**	103,615	**(144,515)**	130,624
Balance at end of the period	**$ (1,422,835)**	$ (431,802)	**$ (1,422,835)**	$ (431,802)

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

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

	For the Three Months Ended December 31, 2008	For the Three Months Ended December 31, 2007	For the Six Months Ended December 31, 2008	For the Six Months Ended December 31, 2007
Cash flows from (used in) operating activities				
Net Loss for the period	$ **(649,538)**	(619,313)	$ **(1,512,745)**	$ (1,110,888)
Items not requiring (providing) cash:				
Amortization	**23,019**	16,359	**42,733**	21,837
Accretion of asset retirement obligation	**19,482**	5,233	**38,964**	10,466
Accretion of cash settlement option	**177,830**	-	**177,830**	-
Marketable securities received as option payment	**-**	(68,597)	-	(68,597)
Stock-based compensation	**15,550**	31,320	**136,751**	116,896
Adjustments to reconcile net loss to net cash used from (used in) operation activities				
(Increase) decrease in accounts receivable	**(50,765)**	101,664	**(61,440)**	29,400
(Decrease) increase in accounts payable	**2,631,883**	(202,781)	**152,206**	167
(Increase) decrease in prepaid expenses	**103,076**	(376,048)	**23,976**	(463,557)
	2,270,537	(1,112,163)	**(1,001,725)**	(1,464,276)
Cash flows used in investing activities				
Geothermal property interests	**(8,391,458)**	(2,243,722)	**(17,916,614)**	(7,270,322)
Restricted cash	**(1,552,146)**	-	**(17,920,984)**	-
Acquisition of capital assets	**(19,360,279)**	(840,460)	**(29,301,530)**	(581,501)
	(29,303,883)	(3,084,182)	**(65,139,128)**	(7,851,823)
Cash flows from financing activities				
Bank loan advances	**28,041,818**	5,000,000	**59,166,294**	5,000,000
Options exercised	**-**	90,950	**60,477**	167,298
	28,041,818	5,090,950	**59,226,771**	5,167,298
Effect of exchange rate changes on cash and cash equivalents	**(355,320)**	(257,722)	**(655,063)**	(1,011,501)
Increase (decrease) in cash and cash equivalents	**653,152**	636,883	**(7,569,145)**	(5,160,302)
Cash and cash equivalents, beginning of period	**3,251,063**	6,985,138	**11,473,360**	12,782,323
Cash and cash equivalents, end of period	$ **3,904,215**	$ 7,622,021	$ **3,904,215**	$ 7,622,021
Supplementary Non-Cash Information				
Accounts payable for geothermal property interests	$ **6,478,000**	$ 3,182,305	$ **6,478,000**	$ 3,182,305
Accounts payable for property, plant and equipment	$ **7,067,654**	$ 355,955	$ **7,067,654**	$ 355,955
Capitalized amortization on the opening value of the cash settled option	$ **13,467**	$ -	$ **13,467**	$ -

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
DECEMBER 31, 2008
(Expressed in US 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.

On August 29, 2008, the Company raised $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.

As at December 31, 2008, the Company had working capital deficiency of $14,868,118, and had accumulated losses totalling $12,655,507.

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 US 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 October 1, 2008, the Company changed its reporting currency to the US dollar. The change in reporting currency is to better reflect the Company's business activities comprising primarily the construction of the geothermal power plant facility in Nevada and the associated US dollar denominated financing. Prior to October 1, 2008, the Company reported its annual and quarterly consolidated balance sheets and the related consolidated statements of operations and cash flows in Canadian dollars (CAD). In making this change in reporting currency, the Company followed the recommendations of the Emerging Issues Committee (EIC) of the Canadian Institute of Chartered Accountants (CICA), set out in EIC-130, Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency. In accordance with EIC-130, the financial statements for all years and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in Accounting Policies (Continued)

periods presented have been translated into the new reporting currency using the current rate method. Under this method, the statements of operations and cash flow statement items for each year and period have been translated into the reporting currency using the average exchange rates prevailing during each reporting period. All assets and liabilities have been translated using the exchange rate prevailing at the consolidated balance sheets dates. Shareholders' equity transactions have been translated using the annual average rate of exchange for the transaction dates. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income. All comparative financial information has been restated to reflect the Company's results as if they had been historically reported in US dollars.

b) 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 CICA 3861, Financial Instruments – Disclosure and Presentation. The standards increase the disclosure required and enable users to evaluate the significance of financial instruments in 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 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 settled option.

Held-for-trading financial instruments include cash, cash equivalents and restricted cash and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in Accounting Policies (Continued)

i) Financial Assets and Liabilities (Continued)

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

The bank loan is classified as other financial liability and is recorded 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 continued development of the Company's geothermal properties, and to limit exposure to credit and market risks. The types of risk exposure and the way in which such exposures are managed are as follows:

<u>Credit Risk</u>

Credit risk primarily arises from the Company's cash and cash equivalents, restricted cash and amounts receivable. The risk exposure is limited to the 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 the previous 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.

<u>Liquidity Risk</u>

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in Accounting Policies (Continued)

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

The Company ensures there is sufficient capital to meet short-term business requirements, after taking into account the Company's holdings of cash, cash equivalents and undrawn funds from the committed Trust Company of the West ("TCW") 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.

The Company periodically draws on cash, cash equivalents and the TCW loan to fund costs associated with the geothermal properties. At December 31, 2008, the Company's working capital is negative due primarily to the TCW loan draw that occurred subsequent to the quarter-end (see Note 15(a)), and the construction holdback payable upon completion of the Blue Mountain project.

Market Risk

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

a. Currency risk

The operating results and financial position of the Company are reported in US dollars. The Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the US dollar. The results of the Company's operations are subject to currency transaction and translation risk. Changes in the US equivalent amount of Canadian denominated net assets are recorded as a component of accumulated other comprehensive income on the balance sheet.

The Company's exploration and development costs are denominated in US dollars; fluctuations of the Canadian dollar in relation to the US 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.

b. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in Accounting Policies (Continued)

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

c. Commodity price risk

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

c) 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.

d) 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 Cdn Accounting Standards Board has announced 2011 is 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,

(Expressed in US Dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

b) International Financial Reporting Standards (Continued)

will require restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. The Company has completed a preliminary review of IFRS, has begun developing an implementation plan, 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

The Company currently does not have any of its projects producing revenue. The Blue Mountain project is funded by a loan provided from TCW. Revenues are expected to begin in 2010. The Pumpernickel Valley, Black Warrior and Crump Geyser projects are currently funded by equity financing. The TCW bank loan has been obtained to 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.

The Company has a commitment from MS Greenrock LLC, a wholly owned subsidiary of Morgan Stanley, to fund a tax equity financing that will replace a large portion of the construction funds provided by TCW when the Blue Mountain project begins commercial operation.

5. MARKETABLE SECURITIES

	December 31, 2008		June 30, 2008	
	NUMBER OF SHARES	**AMOUNT**	NUMBER OF SHARES	AMOUNT
Sierra Geothermal Power Corp.				
Cost – common shares	**400,000**	**$ 142,845**	400,000	$ 142,845
Unrealized gain (loss)	**-**	**(106,720)**	-	37,795
	400,000	**$ 36,125**	400,000	$ 180,640

(Expressed in US Dollars)

6. PROPERTY, PLANT AND EQUIPMENT

		December 31, 2008		June 30, 2008
Computer Equipment	**$**	**85,159**		93,052
Field Equipment		**157,085**		157,085
Office Furniture and Equipment		**51,585**		58,510
Vehicles		**27,744**		-
Computer Software		**46,214**		44,617
Land		**153,628**		153,716
		521,415		506,980
Accumulated amortization		**139,444**		111,299
		381,971		395,681
Assets under construction		**53,855,327**		18,318,501
	$	**54,237,298**	$	18,714,182

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:

		December 31, 2008		June 30, 2008
Blue Mountain Geothermal Project - Nevada	**$**	**66,808,566**	$	46,656,294
Pumpernickel Valley Geothermal Project - Nevada		**54,421**		**-**
Black Warrior Peak Project - Nevada		**261,674**		186,418
Crump Geyser - Oregon		**464,657**		425,536
	$	**67,589,318**	$	47,268,248

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 1.75% to 3.5% on sales of electrical power, and 5% to 10% from sales of energy for other uses.

a) At December 31, 2008 the Company had 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 December 31, 2008, the Company drilled wells 89-11 and 57-15 that, subject to further work, are not commercial and well 58A-15 that will be a successful injector well. On November 12, 2008, following a review of detailed engineering, the State of Nevada issued a full Chemical Accident Prevention Plan ("CAPP") permit to construct the contracted power plant.

(Expressed in US Dollars)

7. INTERESTS IN GEOTHERMAL PROPERTIES (Continued)

a) Blue Mountain Project, Nevada (Continued)

The following costs have been incurred on the project:

	For the Six Months Ended Dec. 31, 2008	For the Year Ended June 30, 2008
Acquisition		
Property leases, permits and regulatory	**$ 22,712**	$ 108,657
Deferred exploration		
Geological and geophysical	**349,567**	1,107,446
Non-geological consulting	**68,895**	90,982
Drilling	**13,820,978**	18,442,257
Road Maintenance	**9,060**	-
Camp and field supplies	**1,985,769**	2,967,878
Reports and maps	**-**	38,366
Testing	**272,508**	690,941
Water analysis	**-**	24
Borrowing costs	**3,099,778**	1,092,273
Drilling advances	**400,000**	402,750
Provision for remediation	**123,005**	633,094
Costs incurred during the period	**20,152,272**	25,574,668
Balance, beginning of period	**46,656,294**	21,081,626
Balance, end of period	**$ 66,808,566**	$ 46,656,294

b) Pumpernickel Valley Project, Nevada

The Company has private and federal geothermal leases comprising a total holding of 2,810 hectares (6,942 acres). The Company leases geothermal rights from Newmont USA, certain private land owners and the United States Bureau of Land Management (“BLM”). Under an agreement with Ormat Nevada Inc. (“Ormat”), the Company gave a right of first refusal for the Pumpernickel 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;

(Expressed in US Dollars)

7. INTERESTS IN GEOTHERMAL PROPERTIES (Continued)

b) Pumpernickel Valley Project, Nevada (Continued)

- 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 December, 2008 Sierra Geothermal Power Corp ("SRA") notified the Company it will not be able to meet the final commitments in order to earn a 50% joint-venture interest in the Pumpernickel Project. As at December 31, 2008, the Company is owed $132,259 from SRA.

The following costs have been incurred on the project:

	For the Six Months Ended Dec. 31, 2008	For the Year Ended June 30, 2008
Acquisition		
Property leases, permits and regulatory	**$ 22,213**	$ 3,392
Deferred exploration		
Camp and field supplies	**5,143**	8,360
Drilling	**(5,853)**	277,464
Geological and geophysical	**14,516**	83,764
Non-geological consulting	**22,721**	1,364
Reports and maps	**-**	164
Testing	**4,128**	1,635
Water analysis	**-**	1,357
Sierra Geothermal funding and option payments	**(8,447)**	(377,500)
Costs incurred during the period	**54,421**	-
Balance, beginning of period	**-**	-
Balance, end of period	**$ 54,421**	$ -

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.

(Expressed in US Dollars)

7. INTERESTS IN GEOTHERMAL PROPERTIES (Continued)

c) Crump Geyser, Oregon (Continued)

The following costs have been incurred on the project:

	For the Six Months Ended Dec. 31, 2008	For the Year Ended June 30, 2008
Acquisition		
Property leases, permits and regulatory	**$ (110)**	$ 44,791
Deferred exploration		
Camp and field supplies	**2,906**	1,871
Geological and geophysical	**32,819**	18,683
Legal and consulting (non-geological)	**2,165**	2,624
Reports and maps	**1,341**	310
Costs incurred during the period	**39,121**	68,279
Balance, beginning of period	**425,536**	357,257
Balance, end of period	**$ 464,657**	$ 425,536

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 million.

The following costs have been incurred on the project:

	For the Six Months Ended Dec. 31, 2008	For the Year Ended June 30, 2008
Acquisition		
Property leases, permits and regulatory	**$ 1,702**	$ 43,187
Deferred exploration		
Camp and field supplies	**3,645**	1,524
Drilling	**26,857**	-
Geological and geophysical	**38,163**	57,859
Legal and consulting (non-geological)	**4,354**	-
Reports and maps	**535**	30
Costs incurred during the period	**75,256**	102,600
Balance, beginning of period	**186,418**	83,818
Balance, end of period	**$ 261,674**	$ 186,418

8. DEFERRED CONSTRUCTION AMOUNTS PAYABLE

Deferred construction amounts payable consist of $3,000,000 in deferred payments and holdbacks payable of $2,047,932. These amounts are due on completion of the Blue Mountain construction project in approximately December 2009.

9. BANK LOAN

On August 29, 2008, the Company closed a financing with Trust Company of the West , a New York based investment management firm, for up to $180 million. Concurrently, the Company issued a full notice to proceed ("FNTP") to Ormat, repaid a bridge loan, and provided cash as collateral for both the $15 million Ormat letter of credit and the $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, payable quarterly, 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 $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 settled option";
- the last $10 million of the $180 million commitment, if drawn, results in an increase of the cash settled option by 0.5% interest in the project 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 $3.6 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.

(Expressed in US Dollars)

9. BANK LOAN (Continued)

On August 29, 2008, the Company allocated $1,759,501 of the first draw-down of $47,730,968 as the value of the cash settled option. As at December 31, 2008, the cash settlement option was valued at $1,937,331. The value of the option at maturity date, November 30, 2023, is estimated to be approximately $8.5 million.

The change in the fair value of the cash settled option for the period of $177,830 is expensed. The value of the option as at August 29, 2008 was estimated by an independent valuator.

The bank loan is recorded at amortized cost and interest, amortized for the period to December 31, 2008, of $ 13,467 has been charged to the capital costs of assets under construction and geothermal property interest.

The following is a summary of the components of bank loan liability as at December 31, 2008:

Loan proceeds received	$	80,069,617
Less: August 29, 2008 opening value of the cash settled option		(1,759,501)
		78,310,116
Amoritzation to December 31, 2008		13,467
	$	78,323,583

10. ASSET RETIREMENT OBLIGATION

		Dec. 31, 2008		June 30, 2008
Opening Balance	$	**1,054,645**	$	400,620
Additonal liabilities incurred		**123,005**		633,094
Accretion expense		**38,964**		20,931
Balance	$	**1,216,614**	$	1,054,645

The majority of costs attributed to these commitments and contingencies are expected to be incurred in 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.

(Expressed in US Dollars)

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	$	53,936,713	$	4,020,807
Issued for cash					
Stock options exercised	225,000		60,477		-
Stock options exercised - stock option valuation	-		35,770		(35,770)
Compensation options granted	-		-		136,751
Balance, December 31, 2008	94,394,504	$	54,032,960	$	4,121,788

c) Stock Options

During the six month period ended December 31, 2008, the Company received $60,477 (2007 - $153,686) from the exercise of 225,000 (2007 – 250,000) stock options.

A summary of the changes in stock options for the quarter ended December 31, 2008 below:

	NUMBER OF SHARES		WEIGHTED AVERAGE EXERCISE PRICE CAD$
Balance, June 30, 2008	8,009,000	$	0.78
Granted	442,000		0.94
Exercised	(225,000)		0.28
Expired	-		0.00
Balance, Dec. 31, 2008	8,226,000	$	0.80

(Expressed in US Dollars)

11. SHARE CAPITAL (Continued)

c) Stock Options (Continued)

As at December 31, 2008, the following stock options were outstanding:

EXERCISE PRICE CAD$	NUMBER OUTSTANDING AT DEC 31 2008	REMAINING CONTRACTUAL LIFE (YRS)	WEIGHTED AVERAGE EXERCISE PRICE CAD$	NUMBER EXERCISABLE AT DEC 31 2008
$0.28	153,000	0.05	**$0.28**	153,000
$0.35	297,000	0.40	**$0.35**	297,000
$0.50	100,000	4.88	**$0.50**	100,000
$0.65	3,575,000	3.26	**$0.65**	3,575,000
$0.80	250,000	3.59	**$0.80**	250,000
$0.81	80,000	3.75	**$0.81**	80,000
$0.90	1,423,000	2.05	**$0.90**	1,423,000
$1.02	100,000	4.53	**$1.02**	100,000
$1.03	1,341,000	4.41	**$1.03**	1,296,000
$1.08	200,000	4.62	**$1.08**	200,000
$1.10	42,000	4.58	**$1.10**	10,500
$1.12	410,000	4.16	**$1.12**	410,000
$1.15	255,000	3.92	**$1.15**	255,000
	8,226,000	3.23	**$0.80**	8,149,500

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and consultants. The maximum number of outstanding options is 10% of the issued and outstanding shares at any point in time. During the six months ended December 31, 2008, the Company recorded $136,751 (2007 - $116,896) 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	**1.11-3.76%**	4.13-4.21%
Expected life	**2 years**	1-2 years
Expected volatility	**58-73%**	57-66%
Expected dividend yield	**0%**	0%
Weighted average value of options granted	**$0.25**	$0.30

(Expressed in US Dollars)

11. SHARE CAPITAL (Continued)

d) Share Purchase Warrants

As at December 31, 2008, the following share purchase warrants were outstanding:

NUMBER OF WARRANTS	EXERCISE PRICE CAD$	EXPIRY DATE
3,850,000	$ 1.10	February 12, 2009
19,202,000	$ 1.10	February 28, 2009
23,052,000		

e) Agents' Compensation Units and Options

As at December 31, 2008, the following agents' compensation units and options were outstanding:

EXPIRY DATES	EXERCISE PRICE CAD$	NUMBER OUTSTANDING AT DECEMBER 31 2008	REMAINING CONTRACTUAL LIFE (YRS)	NUMBER EXERCISABLE AT DECEMBER 31 2008
Agents units				
March 1, 2009	$ 0.65	1,846,160	0.16	1,846,160
Agents options				
November 15, 2009	$ 1.00	1,050,000	1.13	1,050,000

f) Escrow Shares

As at December 31, 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 December 31, 2008, a total of $520,362 (June 2008 - $79,694) was owing to directors, officers and companies controlled by directors of the Company. This amount is included in accounts payable and accrued liabilities, is unsecured and repayable on demand. A portion of the payable balance results from an extension of payment terms provided by a Company Director, deferring one half the TCW success fee payment to January, 2009 in return for 5% (annualized) interest.

(Expressed in US Dollars)

12. RELATED PARTY TRANSACTIONS AND AMOUNTS OWING (Continued)

During the six months ended December 31, 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
Administration	**$ 192,803**	$ 193,403
Director fees	**$ 42,837**	$ 30,327
Consulting, including financing success fee – geothermal	**$1,061,026**	$ 465,981
Rent	**$ -**	$ 11,484

Administration is 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 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 $2.6 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	$ 621,680
2010	690,090
2011	709,707
2012	676,255
2013	680,908
2014 and thereafter	1,117,537
	$ 4,496,177

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 was secured by a cash collateralized $645K letter of credit issued by Royal Bank of Canada.

c) A Large Generator Interconnect Agreement ("LGIA") Agreement, entered into in November 2007, 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 $700,000. In February 2008, an Amendment to the LGIA Agreement resulted in a letter of credit commitment of $1.37-million, which was issued during September, 2008 by Bank of the West. It is cash collateralized.

(Expressed in US Dollars)

13. COMMITMENTS (Continued)

c) On August 29, 2008, concurrently with the TCW financing, a FNTP was issued to Ormat committing the Company to an approximately $76 million fixed price, date certain (substantial completion at December 31, 2009), guaranteed performance EPC contract. Simultaneously the $ 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
NV Energy – PPA	Royal Bank Of Canada	$ 645,000
Ormat	Bank of the West	15,000,000
NV Energy – LGIA	Bank of the West	1,370,100
NV Energy – PPA	Bank of the West	1,580,336
		$ 18,595,436

d) On September 12, 2008, the Company entered into approximately $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.

e) 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 US$243,000 plus construction inspection and other support time billed on a hourly rate.

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 the same time an additional cash collateralized letter of credit was provided to NVE in the amount of approximately $1.6 million.

14. ADDITIONAL CASH FLOW INFORMATION

	December 31, 2008	December 31, 2007
Cash and cash equivalents is comprised of:		
Cash	$ 1,534,610	$ 783,215
Short term deposits	2,369,605	6,701,611
	$ 3,904,215	$ 7,622,021

15. SUBSEQUENT EVENTS

Except as disclosed elsewhere in these consolidated financial statements, the following are significant events subsequent to December 31, 2008:

a) Subsequent to December 31, 2008, the Company drew down a further $19,531,929 to pay construction and drilling expenses of the Blue Mountain project including those incurred prior to December 31, 2008.

b) Subsequent to December 31, 2008, the Company began drilling wells 15-14 and 17-14. Well 14-14 was completed in early February and is currently being tested.

c) On January 21, 2009, the Company granted 162,000 stock options, exercisable at CAD$0.45 per share, expiring five years from the date of grant.

d) On January 19, 2009, the Company received CAD$42,840 from the exercise of 153,000 options.

e) On February 12, 2009, 3,850,000 share purchase warrants, exercisable at CDN$1.10, expired.

f) On February 27, 2008, a total of 180,000 options expired.

g) During 2008 the Company requested an extension of time to re-file US taxes for the years 2004, 2005, and 2006 and make certain elections that improve projected tax benefits. As of the date of this report, subsequent to December 31, 2008 the Company received approval to re-file tax returns for 2005 and 2006. Tax benefits relating to 2004 were small in relation to the years 2005 and 2006.

h) Subsequent to December 31, 2008, the US Bureau of Land Management (BLM) proposed simplifications to calculate the lease payments. The Company was given the option of paying Royalties calculated under the old “net back” method or changing to the new simplified Royalty structure. The Company selected the new simplified method of 1.75% of revenue for the first 10 years of commercial operation and 3.5% thereafter. The Company anticipates the change to benefit NGP. Additionally, the change will add predictability, significantly reduce the administration/accounting costs to the Company and avoid costly and time coming disputes about the calculation with the BLM.

i) During February, 2009 the CFO entered into an amended Employment Contract with the Company. Also, contracts with the Manager, Project Development and the Director of the Company providing financial advisory services were amended.

EFFECTIVE DATE

This Management Discussion and Analysis ("MD&A") is an overview of the activities of Nevada Geothermal Power Inc. ("the Company") for the six months ended December 31, 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 US dollars except where indicated otherwise. The effective date of this Management Discussion and Analysis is February 27, 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 base load 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 the cost of exploration and development (drilling), and 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"), hold leases on four properties: Blue Mountain, Pumpernickel 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 September 30, 2008, a third party geothermal consulting company had estimated the Company's Blue Mountain resource at 40 MW (net) (90% probability), and the Company had signed a Power Purchase Agreement ("PPA") 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 – 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 can be used for injection if this proves advantageous. The Company had obtained all licenses and permits available without detailed engineering, contracted all transmission line rights of way and concluded a fixed price approximately $4.5 million transmission line contract with Wilson Utility Construction Co. In addition, the Company closed a financing with Trust Company of the West ("TCW"), a major New York based investment management firm, for up to $180 million and issued a Full Notice to Proceed ("FNTP") to Ormat, representing a commitment of approximately $76 million. As at September 30, 2008, Ormat had completed approximately one quarter of the construction.

During the quarter ended December 31, 2008, the Company completed wells 89-11, 58A-15 and 57-15, began drilling well 14-14, negotiated a revised PPA contract with NVE (to improve pricing and to increase power sales consistent with the size of the resource and the plant under construction), and continued EPC work. On November 12, 2008, following a review of detailed engineering, the State of Nevada issued a Chemical Accident Prevention Plan ("CAPP") permit to construct the contracted power plant. At December 31, 2008, the construction by Ormat was approximately 42% complete. Well 58A-15 is a successful injector well. Wells 89-11 and 57-15 are not commercial, pending further work. Subsequent to the quarter end, the Company completed well 14-14 and began drilling wells 17-14 and 15-14. Well 14-14 encountered a very hot production zone, and has yet to be flow tested.

On October 3, 2008, the US federal government extended production tax credits for geothermal projects until the end of 2010, favourably affecting the Company's project at Blue Mountain, Nevada. Subsequent to the quarter end, on February 17, 2009, the President of the United States signed into law the American Recovery and Reinvestment Act of 2009 ("ARRA") containing several provisions favourably affecting the Company's projects. Most importantly, production tax credits were extended through 2013.

GEOTHERMAL PROPERTY INTERESTS

As at December 31, 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 km^2 (4 mi^2).

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 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).

A second 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 third 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.

Well, 58-15, was completed May 8, 2008, and it can be used for injection or production. Production and injection tests indicate the highest temperatures yet (213°C, 415°F) at Blue Mountain. A third party geothermal consulting company determined that data from flow test results indicate the potential to produce 8.4 MW (net) of power. Nevertheless, since wells 13-11 and 89-11 encountered poor permeability north east of the first three production wells, the Company decided to focus injection in the south west and use well 58-15 as an injector. Well 58A-15, also in the south west, was completed as a successful injector during November.

Prior to calendar year end, the Company began drilling well 14-14. Subsequent to the year end, well 14-14 encountered a strong production zone with temperatures similar to those in 58-15. It has yet to be flow tested. Well 57-15, completed during the most recent quarter, did not encounter the anticipated shallow injection zone. Deeper drilling is planned. The Company is currently drilling wells 17-14 and 15-14.

2) Pumpernickel Geothermal Project – Humboldt County - Nevada

The Company has private and federal geothermal leases comprising a total holding of 2,810 hectares (6,942 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, 1405 hectares (3471 acres) leased from BLM, 1045 hectares (2,582 acres) transferred from Ormat with an agreement to provide preferred equipment pricing in exchange for $15,000 and a right of first refusal to supply Pumpernickel power plant equipment, and 129 hectares (320 acres) under four private leases negotiated during the most recent quarter. The lease transferred from Ormat is encumbered by an overriding (0.5%) royalty interest payable to Ehni Enterprises Inc.

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.

In September 2007, a third party consultant prepared a report regarding structural geological analysis of seismic reflection data in Pumpernickel Valley that may indicate permeable pathways for up-flowing geothermal fluids. That report 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 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. A deep exploratory well is planned when funding is available.

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.

NGP terminated the option agreement with Sierra Geothermal Power Corp., a TSX Venture listed company ("SRA") December 19, 2008. SRA had an option to earn a 50% joint venture interest in the Pumpernickel geothermal land under lease to NGP. Under the terms of the option, Sierra was to provide funding for the Pumpernickel work program, make a final cash payment and issue common shares of SRA to NGP by December 15, 2008. Sierra did not meet its commitments.

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 $1 million. A gravity survey was conducted July 14, 2007 through July 25, 2007.

Field reconnaissance and data reviews are continuing. A thermal anomaly contour map helped identify a target location for an exploration well, to assess deep resource temperatures, fluid characteristics and geothermometry. 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 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 km^2 (2 mi^2).

A third party geothermal consulting company reported a 40MW (90% probability) geothermal resource, a most likely resource 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 drilling shallow and intermediate depth thermal gradient wells. In August 2008, a third party consultant completed a comprehensive report covering permitting issues pertaining to leases, exploration, and power plant development in Oregon. Well designs, drilling programs and drilling permit applications are in progress and will be submitted to the Oregon Department of Geology and Mineral Industries prior to planned drilling later in 2009.

FINANCIAL SUMMARY

During the quarter ended December 31, 2008, the Company continued developing its Blue Mountain, Nevada property by completing wells 89-11, 58A-15 and 57-15, beginning well 14-14, negotiating a revised PPA contract with NVE to improve pricing and increase power sales consistent with the size of the resource and the plant under construction, and continuing EPC work. At quarter end the Ormat EPC contract was approximately 42% complete. Given the extent of project work and the size and scope of US dollar investment in NGP Blue Mountain 1 LLC ("NGP1"), as at October 1, 2008, the Company changed its reporting currency to US dollars. The change better reflects the Company's business activities comprising construction of a geothermal power plant in Nevada and associated US dollar borrowing.

Until plant startup, operating expenses remain primarily those of the Canadian office, and are incurred in Canadian dollars. While they are a small part of the Company's total expenditures Canadian dollar denominated operating expenses dominate the current and prior period income statements. Consequently, we include the table below showing Canadian dollar operating expenses and prior period comparison.

	For the Three Month Period Ended December 31,		For the Six Month Period Ended December 31,	
	2008	2007	**2008**	2007
	(expressed in CDN dollars)			
Operating Expenses				
Accounting and audit	**$ 15,700**	26,676	**$ 116,959**	$ 34,176
Administration	**283,277**	199,760	**535,262**	310,469
Accretion of asset retirement obligation	**21,932**	5,480	**42,227**	10,766
Accretion of cash settlement option	**200,201**	-	**200,201**	-
Amortization	**24,730**	16,638	**45,266**	22,172
Consulting fees	**137,544**	30,837	**296,900**	176,496
Conventions and publishing	**119,622**	118,030	**189,281**	151,647
Investor relations	**200**	36,976	**11,250**	68,178
Insurance	**14,647**	14,687	**29,295**	31,485
Legal	**31,145**	43,845	**85,800**	100,183
News dissemination	**3,448**	5,703	**10,833**	13,169
Office expenses	**37,778**	41,653	**75,420**	66,734
Recruitment fee	**-**	131,200	**-**	131,200
Rent and telephone	**34,229**	35,212	**66,973**	62,259
Stock-based compensation	**18,849**	31,639	**145,106**	118,086
Transfer agent and regulatory fees	**20,130**	14,914	**24,992**	25,354
Travel and business development	**27,654**	55,134	**89,481**	99,758
	991,086	808,384	**1,965,246**	1,422,132
Other Income				
Interest income	**222,273**	77,854	**297,230**	191,681
Option proceeds in excess of mineral property costs	**-**	108,511	**-**	105,169
	222,273	186,365	**297,230**	296,850
Net Loss for the period	**(768,813)**	(622,019)	**(1,668,016)**	(1,125,282)

During the quarter ended December 31, 2008 the Company's net loss was Cdn $768,813 (US$649,538, or US$ 0.01 per share) compared to a loss for the quarter ended December 31, 2007, of Cdn $622,019 (US$619,313, or US$0.01 per share). The (Cdn $) net loss increase results from growth in operating expenses and elimination of the proceeds in excess of mineral property costs.

Operating expenses continue to increase with the size and scope of operations as the Company continues to invest in its Blue Mountain project. Administration and consulting costs of Cdn $420,821 (2007 – Cdn $230,597) increased as the number of employees, as well as the size and complexity of operations, increased. Convention and publishing costs as well as legal, investor relations, travel, transfer agent and regulatory fees of Cdn $198,751 (2007 – Cdn $268,899) declined primarily as a result of a reduction in third party investor relations services and the lack of financing activity during the quarter. The one time recruitment fee, associated with NGP Inc. hiring the employees of Fairbank Engineering, did not recur during 2008.

Proceeds in excess of mineral property costs were eliminated since Sierra Geothermal Power stopped funding its commitment under the Pumpernickel option agreement.

Losses are partially offset by interest income Cdn $222,273 (2007 – Cdn $77,584). The increase during the most recent quarter results from interest from Bank of the West on cash securing project letters of credit

SUMMARY OF QUARTERLY RESULTS

	Period	Revenue	Loss (Income)	Loss (income) per share (Basic and fully diluted)
2nd	Quarter 2009	$ Nil	$649,538	$ 0.01
1st	Quarter 2009	$ Nil	$863,207	$ 0.01
4th	Quarter 2008	$ Nil	$1,390,055	$ 0.01
3rd	Quarter 2008	$ Nil	$615,057	$ 0.01
2nd	Quarter 2008	$ Nil	$619,313	$ 0.01
1st	Quarter 2008	$ Nil	$491,575	$ 0.01
4th	Quarter 2007	$ Nil	$583,137	$ 0.01
3rd	Quarter 2007	$ Nil	$1,058,208	$ 0.02

The loss for the disclosed periods results primarily from the operating expenses (people and associated costs), offset by interest income and, until recently, option proceeds in excess of mineral property costs associated with the Pumpernickel joint venture agreement. The Company's operating expenses also 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 expenses, some of which are billed to the Blue Mountain project, are approximately Cdn $800,000 per quarter. Management anticipates that the Company will incur losses until its Blue Mountain project is in commercial operation.

TRANSACTIONS WITH RELATED PARTIES

During the six months ended December 31, 2008 and 2007, the following payments were made or accrued for payment to directors, officers, former officers and to companies controlled by directors of the Company:

	2008	2007
Administration	**$ 192,803**	$ 193,403
Director fees	**$ 42,837**	$ 30,327
Consulting, including financing success fee – geothermal	**$ 1,061,026**	$ 465,981
Rent	**$ -**	$ 11,484

Administration is mainly comprised of salary paid to the CEO and CFO, who are also directors and/or officers of the Company, during the normal course of their employment. Geothermal consulting fees primarily result from success fees paid to a director of the Company in connection with successfully arranging the loan with TCW. The Company estimates success-based financing fees, associated with the Blue Mountain project, will reach $2.6 million.

As at December 31, 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 unsecured and payable on demand. A portion ($451,250) of the payable balance results from an extension of payment terms provided by the relevant Company Director, deferring one half the TCW success fee to January, 2009 in return for 5% (annualized) interest.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2008, the Company had provided $2.2 million letters of credit under revised terms of an expanded 20-year PPA concluded November 3, 2008 with NVE, a $1.37 million letter of credit to secure the grid interconnection investment (also contracted with NVE), and a $15 million letter of credit to Ormat to secure EPC payments.

Ormat has the right to draw upon the $15 million EPC letter of credit if the Company fails to make required payments. NVE has the right to draw upon the letters of credit 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.

The letters of credit are cash collateralized by deposits at Bank of the West, a AA- rated US bank and Royal Bank of Canada.

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

The Note Purchase Agreement with Trust Company of the West includes a further 0.5% cash settled option at loan maturity for each US $1 million drawn in excess of $ 170 million, a maximum 5% if the entire $ 180 million loan commitment is drawn.

The Company has a Commitment Letter from MS Greenrock, a wholly owned subsidiary of Morgan Stanley, to provide funding for tax equity financing prior to commercial operation. It is anticipated these funds will pay down a substantial portion of the TCW loan.

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.

Effective October 1, 2008 the Company changed its reporting currency to the US dollar. The change in reporting currency is to better reflect the Company's business activities comprising primarily the construction of the geothermal power plant facility in Nevada and the associated US dollar denominated financing.

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, term debt, deferred construction payables, and cash settlement option. The debt is recorded 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 and, 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 of the date of this report, the Company had 94,547,504 common shares outstanding, 8,055,000 stock options outstanding at various exercise prices and future dates, 19,202,000 share purchase warrants outstanding exercisable at Cdn $1.10 per warrant expiring at February 28, 2009, 1,846,160 agents' units, exercisable at Cdn $0.65 per unit, expiring March 1, 2009 and 1,050,000 agents' options, exercisable at Cdn $1.00 per option, expiring November 15, 2009. Each Cdn $0.65 unit consists of one common share and one share purchase warrant. Each Cdn $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 126,546,824 common shares would be issued and outstanding.

INVESTOR RELATIONS

The Company employs Ms. Shelley Kirk as Director, Investor Relations.

CAPITAL RESOURCES AND LIQUIDITY

The Company does not have operations that generate positive cash flow. At December 31, 2008 the Company had $3,904,215 in cash and equivalents on hand, and a working capital deficit of $14,868,118.

The TCW loan allows draws every 30 days. Some of the Company's payables, including the construction holdback, are due beyond 30 days. The Company does not draw funds until necessary and, 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 December 31, 2008 includes approximately Cdn $2.4 million in the parent company accounts. In addition, the parent company has over-contributed to the Blue Mountain project by approximately $1.8 million, 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 were 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 $20 million bridge loan and $15 million letters of credit with Glitnir Banki hf.

On August 29, 2008, the Company closed a financing with TCW for up to $180 million. The Company believes these funds will be sufficient to complete its investment in the 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 through a tax equity financing with MS Greenrock LLC, a subsidiary of Morgan Stanley, and 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

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

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

In the short term, management believes the primary risks to the Company relate to the cost of resource development (drilling) and the tax equity financing. Exploration and development costs, as a result of unsuccessful wells, are above those budgeted and while the Company estimates drilling can be completed within the available TCW funds, there is no assurance of it, and it is likely some portion of the last $10 million TCW funding will be drawn. If TCW funds are fully drawn, one result is payment of the previously discussed 5% increase in the size of the cash settled option, at loan maturity. In addition, the Company has a commitment to tax equity financing from MS Greenrock LLC, a wholly owned subsidiary of Morgan Stanley that will monetize substantial Blue Mountain project tax benefits. Blue Mountain's economic return and TCW loan compliance are dependent upon this financing. The Company is assessing the impact of recent changes in the tax equity market.

The Company is at risk from changes in general economic conditions and financial markets, changes in the price of oil, gas and electricity, changes to current favorable 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.

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.

During 2008 the Company requested an extension of time to re-file US taxes for the years 2004, 2005, and 2006 and make certain elections that improve projected tax benefits. As of the date of this report, subsequent to the December 31, 2008 the Company received approval to re-file tax returns for 2005 and 2006. Tax benefits relating to 2004 were small in relation to the years 2005 and 2006.

The Company operates in both Canada and the United States, and is subject to currency fluctuations. The exploration activities expose the Company to potential environmental liabilities relating to the development of the geothermal concessions in accordance with United States laws and regulations.

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

FORWARD LOOKING STATEMENTS AND ESTIMATES

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

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

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 discussions and analyses, previously published financial statements, and other information, is available on the Company's web site or on the SEDAR website at www.sedar.com. The Company is listed on the TSX Venture Exchange with the trading symbol **"NGP"** and OTC Bulletin Board in the United States under the symbol **"NGLPF".**

APPROVAL

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

DISCLAIMER

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