

NEVADA GEOTHERMAL POWER INC.

Report For the Year
Ended June 30, 2005

Form 51-102F1

Management Discussion and Analysis

The following management discussion and analysis is prepared as at September 13, 2005 and should be read in conjunction with the audited financial statements for the year ended June 30, 2005. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and the measurement currency is in Canadian dollars.

Description of Business

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

Exploration Properties

As at June 30, 2005, the Company's exploration properties are comprised of:

1) Blue Mountain Geothermal Property - Nevada

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

In September 2004, the Company completed a temperature gradient drilling program where eight widely-spaced holes to depths up to 1020 feet were drilled using air rotary drilling techniques. The eight temperature gradient holes drilled nearly doubled the known aerial extent of the shallow temperature anomaly outward to cover 10 square kilometres. The size of the zone is still open to further expansion.

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

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

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

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

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

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

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

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

In May 2005, the Company started deepening the Deep Blue 2 ("DB2") well by an additional 700 metres (2,300 feet). Deepening of DB2 will allow the Company to investigate if a potential hotter production zone exists, whereby a more efficient and cost effective dual-flash technology power plant then may be used. The extension of DB2 provided new data on the geometry of important permeable fault structures and the thermal system. Permitting for the first three of thirteen production wells were filed with the state of Nevada and an initial transmission line study was underway with Sierra Pacific Power Company Regional Planning.

In June 2005, the Company submitted a power bid based on a 30MW plant to Sierra Pacific and Nevada Power in response to a Request for Proposal issued on May 4, 2005.

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2) Pumpernickel Geothermal Project – Nevada

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

On October 14, the Company announced that Invision Solutions Inc. (ISI), a TSX-V listed company, will fund up to C\$5,000,000 in exploration and development expenditures for the Pumpernickel Geothermal Project under an option agreement to earn a 50% joint venture interest. In order to earn its interest, ISI must complete C\$5,000,000 in project expenditures, make C\$120,000 in cash payments and issue 600,000 shares to NGP over a five year period. In the first year, ISI must fund a C\$400,000 work program, issue 100,000 shares and make a C\$10,000 cash payment to maintain its option. NGP will be project manager.

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

Combined funding to come from ISI and DOE for the 2005 Pumpernickel Project work equals C\$1,335,000 or US\$1,037,000. The Company started the E-Scan survey in May, results reported in July provided images of a potential underground geothermal reservoir. A drilling program commenced in August 2005.

3) Black Warrior Peak Project - Nevada

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

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

Further information will be released as results are available.

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Results of Operations

As at June 30, 2005, the Company has a net working capital of \$1,901,042. The funds will be used to deepen the Deep Blue 2 (DB2) well by an additional 700 metres (2,300 feet) and maintain an aggressive market awareness program. The current net working capital is expected to carry the Company into the third quarter of 2005.

The Company incurred a net loss of \$1,308,233 or \$0.05 per share for the year ended June 30, 2005. This compares with a loss of \$792,846 or \$0.05 per share for the year ended June 30, 2004.

Among the more significant expenses, investor relations/shareholder information costs increased by \$462,731 to \$577,448 (2004 - \$114,717). Investor relations and shareholder information costs were higher than the comparable period due to: Coal Harbour Communication and Equicom investor relations fees, website design, advertising in the Bull & Bear newspaper, San Francisco, Toronto, Vancouver and New Orleans Gold Shows booth costs, Stockgroup advertising program, purchase of mailing lists, and news dissemination costs to Canada and the United States. The expenditures are broken down as follows: conventions, website and publishing \$99,748; information distribution \$349,146; and investor relation services \$128,554.

The increase of \$39,053 to \$119,729 (2004 - \$80,676) for consulting costs are directly attributed to the preparation of the Geothermex report, further review of the report by outside consultants, and corporate governance implementation. The Geothermex report stated: "The potential megawatt (MW) capacity of the Blue Mountain reservoir has been estimated by Monte Carlo simulation to have a minimum value of 30 MW (90% probability) and a most likely value of 47 MW. This is based on volumetric estimates of heat in place assuming an area of 5 to 8 square kilometres (2 to 3 square miles), a reservoir thickness of 350 to 1,500 m, an average reservoir temperature in the range of 145 to 220 °C "

Legal fees and regulatory & transfer agent costs increased \$21,556 to \$67,708 (2004 - \$46,152) and \$13,973 to \$46,292 (2004 - \$32,319) respectively, due to the costs associated with the two financings completed during the period and the exercise of warrants. The Company issued a total of 5,000,000 units for net proceeds of \$2,718,900; 1,776,988 common shares were issued from the exercise of warrants for proceeds of \$845,342; and 437,000 common shares were issued from the exercise of stock options for proceeds of \$136,950. Warrants outstanding at the end of the period stand at 8,188,430 while there are 2,278,000 employee/management stocks options outstanding of which 2,203,000 are vested.

Travel and business development costs increased \$28,945 to \$61,685 (2004 - 32,740) for expenses relating to business travel and accommodations, to various locations in regards to the financings and corporate presentations. Office costs such as administration fees, office & sundry, rent & telephone increased as personnel and office space increased with a larger operation.

The Company had an unrealized loss on market securities of \$106,599 (2004 - nil) due to the write down of marketable securities received from the sale of Blue Desert Mining (US), Inc. which held the Gobi/Mojave/Portal properties in Alaska. Upon the sale of Blue Desert Mining (US) Inc., the Company recorded a gain on sale of the subsidiary of \$159,695 (2004 - nil), as the value of the shares received from Running Fox Resources Corp. were greater the recorded

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property costs of the Alaska properties.

Direct resource property expenditures for the year were \$2,441,062 (2004 – \$1,364,985) not including US Department of Energy grants and joint-venture interest; including the grants and joint-venture interest, resource property expenditures were \$1,782,993 (2004 - \$1,398,957) (Blue Mountain - \$1,722,358; Black Warrior Peak - \$60,009; Pumpnickel - \$(20,477), and other \$21,106) for the year.

Summary of Quarterly Results

For the quarter ended	Jun 05 \$	Mar 05 \$	Dec 04 \$	Sep 04 \$	Jun 04 \$	Mar 04 \$	Dec 03 \$	Sep 03 \$
Net Loss	250,545	701,549	187,894	168,245	373,490	173,007	106,735	139,614
Net loss per share	0.01	0.03	0.01	0.01	0.02	0.01	0.01	0.01

Related Party Transactions

During the year ended June 30, 2005 the Company incurred \$113,540 (2004 - \$98,484) for administration and professional services and \$651,111 (2004 - \$389,644) in geological consulting fees to directors, companies controlled by directors or companies with directors in common. Included in the accounts payables at year end to related parties is \$160,401 (2004 - \$237,698).

Investor Relations

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

Liquidity

The Company does not have operations that generate cash flow. At June 30, 2005, the Company has \$1,964,047 (2004 - \$984,429) in cash on hand. At June 30, 2005, the Company had a working capital of \$1,901,042 (2004 – \$945,921). The Company's activities have been funded primarily by the proceeds from private placements of the Company's securities, the exercise of incentive stock option and warrants, US Department of Energy funding on certain properties and earn-in interests on certain properties. Cash on hand will be used to advance all

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of the geothermal properties, to fund general office and administrative costs, and acquisition of new geothermal properties.

Subsequent Events

Subsequent to June 30, 2005, the Company:

- 1) Issued 258,000 common shares at prices from \$0.10 - \$0.54 from the exercise of incentive stock options.
- 2) Issued 753,145 common shares at a price of \$0.50 per share upon the exercise of share purchase warrants.

Cautionary Note

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

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