

## **NEVADA GEOTHERMAL POWER INC.**

### **INFORMATION CIRCULAR**

#### **SOLICITATION OF PROXIES**

This Information Circular is provided in connection with the solicitation of proxies by the management of Nevada Geothermal Power Inc. (the "Company"). The form of proxy which accompanies this Circular (the "Proxy") is for use at the annual general meeting of the shareholders of the Company to be held on January 14, 2004 (the "Meeting"), at the time and place set out in the accompanying notice of meeting. The Company will bear the cost of this solicitation. The solicitation will be made by mail, but may also be made by telephone.

#### **APPOINTMENT AND REVOCATION OF PROXY**

##### Registered Shareholders

Registered shareholders may vote their common shares by attending the Meeting in person or by completing the enclosed proxy. Registered shareholders should deliver their completed proxies to Computershare Investor Services Inc., of 2<sup>nd</sup> Floor, 510 Burrard Street, Vancouver, B.C., V6C 3B9 (by mail, fax, telephone or internet according to the instructions on the proxy), not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting, otherwise the shareholder will not be entitled to vote at the Meeting by proxy. The persons named in the proxy are directors and officers of the Company. A shareholder who wishes to appoint some other person to represent them at the Meeting may do so by striking out the printed names and inserting the desired person's name in the blank space provided.

A registered shareholder may revoke a proxy by:

- (a) signing a proxy with a later date and delivering it at the time and place noted above;
- (b) signing and dating a written notice of revocation and delivering it to the registered office of the Company, Suite 1000, 840 Howe Street, Vancouver, British Columbia, V6Z 2M1, at any time up to and including the last business day preceding the day of the Meeting or to the Chairman of the Meeting on the day of the Meeting or in any other manner provided by law; or
- (c) attending the Meeting or any adjournment of the Meeting and registering with the scrutineer as a shareholder present in person.

##### Non-Registered Shareholders

In many cases common shares of the Company beneficially owned by a holder (a "Non-Registered Holder") are registered either:

- (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares, such as, among others, banks, trust companies,

securities dealers or brokers and trustees or administrators of self-administered RRSP's, RRIF's, RESP's and similar plans; or

(b) in the name of a clearing agency (such as the Canadian Depository for Securities Limited) of which the Intermediary is a participant.

Intermediaries are required to forward meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often Intermediaries will use service companies to forward the meeting materials to Non-Registered Holders. Generally Non-Registered Holders who have not waived the right to receive meeting materials will *either*:

(a) be given a proxy which has been signed by an Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and return it in accordance with the instructions provided in the form; or

(b) more typically, be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions on the voting instruction form. In this case, the Non-Registered Holder should return it in accordance with the instructions provided in the form.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares they beneficially own. Should a Non-Registered Holder who receives either a proxy or a voting instruction form wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the cases of a voting instruction form, follow the corresponding instructions on the form. ***In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies. If Non-Registered Holders do not follow such instructions and attend the Meeting, they will not be entitled to vote at the Meeting.***

A Non-Registered Holder may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary is not required to act on a revocation of a voting instruction form or a waiver of the right to receive materials and to vote that is not received by the Intermediary at least seven days prior to the Meeting.

## **PROVISIONS RELATING TO VOTING OF PROXIES**

The shares represented by proxy in the enclosed form will be voted by the designated holder in accordance with the direction of the shareholder appointing him. If there is no direction by the shareholder, those shares will be voted for all proposals set out in the Proxy and for the election of directors and the appointment of the auditor as set out in this Circular.

The Proxy or voting instruction form gives the person named in it the discretion to vote as they see fit on any amendments or variations to matters identified in the notice of meeting, or any

other matters which may properly come before the Meeting. At the time of printing this Circular, the management of the Company knows of no other matters which may come before the Meeting other than those referred to in the notice of meeting.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

On December 12, 2003, the Company had 17,097,083 common shares outstanding. All shares in the capital of the Company are of the same class and each carries the right to one vote.

Shareholders registered on December 12, 2003 are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the Proxy or voting instruction form to attend and vote, deliver their proxies or voting instruction forms at the place and within the time set forth in the notes to the Proxy or voting instruction form.

To the knowledge of the senior officers of the Company, as of the date of this Circular, no persons beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the common shares of the Company except for:

Frank Diegmann who controls 2,351,333 shares representing 14% of the outstanding shares of the Company; and

Brian D. Fairbank who controls 5,298,580 shares representing 31% of the outstanding shares of the Company.

## **ELECTION OF DIRECTORS**

The directors of the Company are elected annually to hold office until the next annual general meeting of the shareholders or until their successors are elected or appointed, unless otherwise sooner terminated. The management of the Company proposes to nominate the persons listed below for election as directors of the Company to serve until their successors are elected or appointed. In the absence of instructions to the contrary, proxies given pursuant to the solicitation by the management of the Company will be voted for the nominees listed in this Circular. Management does not contemplate that any of the nominees will be unable to serve as a director.

The number of directors on the board of directors of the Company is currently set at five. Shareholders will be asked at the Meeting to pass an ordinary resolution to fix the number of directors at four.

The following table sets out the names of the nominees for election as directors, the offices they hold within the Company, their occupations, the length of time they have served as directors of the Company and the number of shares of the Company and its subsidiaries which each beneficially owns directly or indirectly or over which control or direction is exercised as of the date of the notice of Meeting.

	<b>Five Year History of Principal Occupations</b>	<b>Date of Becoming a Director</b>	<b>No. of Shares Beneficially Held <sup>(1)</sup></b>
<b>BRIAN DAVID FAIRBANK</b> PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR <sup>(2)(3)</sup> Canada	President of the Company and President of Fairbank Engineering Ltd., a firm of consulting geologists and engineers since 1986.	Since April, 1995	5,298,500
<b>JOHN WADDELL MILLIGAN</b> CHIEF FINANCIAL OFFICER, SECRETARY AND DIRECTOR <sup>(3)</sup> Canada	Independent Consultant in engineering and construction management since 1982	Since April, 1995	524,000
<b>JAMES ERNEST YATES</b> DIRECTOR <sup>(2)(3)</sup> Canada	Founder and President of Hycroff Realty Ltd., a company involved in real estate sales and development	Since December, 1996	22,223
<b>MICHAEL MARCHAND</b> DIRECTOR <sup>(2)</sup> Canada	Mineral Exploration Consultant and professional geologist from July 1991 to the present	Since August, 1995	6,667
<b>MARKUS K. CHRISTEN</b> DIRECTOR USA	Independent financial advisor; former managing director of Credit Suisse First Boston, NY, specializing in energy and geothermal transactions from 1997 to 2000	Since January, 2003	Nil
<b>R. GORDON BLOOMQUIST</b> DIRECTOR USA	Senior Scientist and director of the Integrated Community Energy Program at Washington State University.	Since March, 2003	100,000

(1) includes direct and beneficial holdings.

(2) member of the audit committee of the Company.

(3) member of the compensation committee of the Company.

## EXECUTIVE COMPENSATION

### Interpretation

Form 41 of the *Securities Act* (British Columbia) defines “Executive Officer” to mean the Chairman and any Vice-Chairman of the board of directors of the Company, where the functions of the office are performed on a full-time basis, the President, any Vice-President in charge of a principal business unit such as sales, finance or production, and an officer of the Company or of a subsidiary who performs a policy-making function in respect of the Company, whether or not the officer is also a director of the Company or the subsidiary.

### Summary Compensation Table

The number of current Executive Officers of the Company is two (2), namely Brian D. Fairbank, President and CEO and John W. Milligan, Secretary and CFO.

Set out below is a summary of the compensation paid to the Chief Executive Officer and all Executive Officers receiving total compensation in excess of \$100,000 (collectively “Named Executive Officers”) of the Company for the three most recently completed fiscal years is set out below:

Name and Principal Position and Country of Residence	Fiscal Year	Annual Compensation			Long Term Compensation			All Other Compensation (\$)
		Salary(\$)	Bonus(\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Option/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Brian D. Fairbank, President, CEO Canada	2003	30,000 <sup>(1)</sup>	nil	nil	258,000 <sup>(2)</sup>	nil	nil	nil
	2002	30,000 <sup>(1)</sup>	nil	nil	234,000 <sup>(2)</sup>	nil	nil	nil
	2001	30,000 <sup>(1)</sup>	nil	nil	180,000 <sup>(2)</sup>	nil	nil	nil
John W. Milligan, Secretary	2003	nil	nil	nil	105,000	Nil	Nil	nil
	2002	nil	nil	nil	125,000	nil	nil	nil
	2001	nil	nil	nil	100,000	nil	nil	nil

- (1) consisting of a management fee paid to Fairbank Engineering Ltd, a non-reporting company controlled by Brian D. Fairbank.
- (2) indirectly through Tywell Management Inc., a private company controlled by Brian D. Fairbank.

The Company does not provide any pension, retirement plan or other remuneration for its directors or officers that constitutes an expense to the Company, nor are there any plans or

arrangements in respect of compensation received or that may be received by Executive Officers in the Company's most recently completed or current financial year to compensate such officers in the event of the termination of employment or a change in control of the Company.

### **Options and Stock Appreciation Rights (SARS)**

Until the present time, the Company has not maintained a formal plan under which stock options are granted. Stock options have been determined by the Company's directors and are only be granted in compliance with applicable laws and regulatory policy. The policies of the TSX Venture Exchange ("TSX-V") limit the granting of stock options to directors, officers and employees of the Company and provide limits on the length, number and exercise price of such options. The Company proposes to establish an option plan if approved by shareholders at the meeting.

The following table sets forth options granted to Named Executive Officers of the Company during the most recently completed financial year ended June 30, 2003:

#### **Option/SAR Grants During the Most Recently Completed Financial Year**

<b>Name</b>	<b>Securities Under Options/SARs Granted(#)</b>	<b>% of Total Options/SARs Granted to Employees in Financial Year</b>	<b>Exercise or Base Price (\$/Security)</b>	<b>Market Value of Securities Underlying Options/SAR's on the Date of Grant (\$/security)</b>	<b>Expiration Date</b>
Brian D. Fairbank	180,000	33.3%	\$0.28	nil	Jan 15, 2008
John W. Milligan	30,000	5.6%	\$0.28	nil	Jan 15, 2008

The following table sets forth details of all exercises of stock options or SARS during the most recently completed fiscal year by each of the Named Executive Officers and the fiscal year end value of unexercised options or SARS on an aggregated basis:

#### **Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-End Option/SAR Values**

Name	Securities Acquired or Exercised	Aggregate Value Realized <sup>(1)</sup> (\$)	Unexercised Options/SARs at June 30, 2003	Value of Unexercised in-the-Money Options/SARs at June 30, 2003 <sup>(2)</sup>
Brian D. Fairbank Chief Executive Officer	156,000	\$21,600	180,000 @ \$0.28 78,000 @ \$0.10 unexercised options	\$11,700
John W. Milligan Secretary	45,000	\$8,500	30,000 @ \$0.28 80,000 @ \$0.10 unexercised options	\$12,000

Note:

(1) “Aggregate Value Realized” is calculated by determining the difference between the market value of the securities underlying the options or SARs at the date of exercise and the exercise price of the options or SARs and is not necessarily indicative of the value (i.e. loss or gain) actually realized by the Named Executive Officer.

(2) This represents the closing price of the Company’s shares on the Exchange (being \$0.25) on the last day the shares traded on or before June 30, 2003 (being June 20, 2003) less the per option exercise price.

**Option and SAR Repricings**

None of the options or SARs held by any Named Executive Officer have been repriced downward during the most recently completed financial year of the Company.

**Directors**

There was no compensation paid to directors in their capacity as such during the Company’s most recently completed financial year. The Company has granted the following incentive stock options to directors, officers, consultants and employees of the Company during the Company’s most recently completed financial year:

Number Granted <sup>(1)</sup>	Exercise Price per Share	Date of Grant
440,000	\$0.28	January 15, 2003
100,000	\$0.28	May 13, 2003

(1) includes the number granted to Named Executive Officers previously disclosed

**Compensation Committee and Report on Executive Compensation**

The compensation committee of the board of directors is comprised of Brian D. Fairbank, John W. Milligan and James E. Yates. None of the members of the compensation committee serve as executive officers of the Company.

The compensation of executive officers is composed primarily of two elements: namely a base salary and the allocation of incentive stock options. To date, the company has not paid any base salaries nor is there currently any intention by the compensation committee to do so. In establishing levels of remuneration and in granting stock options the compensation committee takes into consideration an individual's performance, level of expertise, responsibilities, length of service to the company and comparable levels of remuneration paid to executives of other companies of comparable size and development within the industry. The individual interested executive does not participate in review, discussions or decisions of the compensation committee regarding this remuneration.

The Company pay (or accrues) a management fee of \$2,500 per month to Fairbank Engineering Ltd., a non-reporting company controlled by Brian D. Fairbank.

## **INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS**

Since the beginning of the last completed financial year there has been no indebtedness to the Company by any director, senior officer, proposed nominee for election as a director or associate of any such person.

## **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

None of the persons who were directors or officers of the Company at any time during the Company's last financial year, the proposed nominees for election to the board of directors of the Company, the insiders of the Company or the associates or affiliates of those persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction or proposed transaction which has materially affected or would materially affect the Company, except for Brian D. Fairbank and Jack W. Milligan, who were directors officers and substantial shareholders of Blue Mountain Power Company Ltd. ("Blue Mountain"). The Company acquired Blue Mountain pursuant to an agreement dated December 13, 2002, which completed subsequent to the last fiscal year end. This transaction is described in the Information Circular dated January 29, 2003, prepared for an Extraordinary General Meeting of Shareholders of the Company held on February 28, 2003. A total of 4,442,000 common shares of the Company were issued to Mr. Fairbank and Mr. Milligan under the Blue Mountain transaction. Refer to the Information Circular for further details, which is available on SEDAR ([www.sedar.com](http://www.sedar.com)).

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as otherwise set out herein, no director or senior officer of the Company or any proposed nominee of management of the Company for election as a director of the Company, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting.

## **MANAGEMENT CONTRACTS**

There are no management functions of the Company or its subsidiaries which are to any substantial degree performed by a person or company other than the directors or senior officers (or private companies controlled by them, either directly or indirectly) of the Company.

## **APPOINTMENT OF AUDITORS**

The Company will move to re-appoint Morgan & Company, Chartered Accountants, of Vancouver, British Columbia as Auditors of the Company, at a remuneration to be negotiated between the Auditors and the Directors.

## **OTHER MATTERS TO BE ACTED UPON**

In addition to the appointment of Directors and Auditors and acceptance of Financial Statements the Meeting will be asked to consider the following items:

### **a) Shareholders Report**

Acceptance of written report to the shareholders from the Board of Directors as supplemented at the Meeting by verbal comments by management officials present at the meeting.

### **b) Incentive Share Option Plan**

The Company wishes to renew the existing Incentive Share Option Plan (the "Plan") for directors, officers, employees and consultants of the Company.

Pursuant to the Plan, the Company has authorized the reservation of up to 10% of the issued and outstanding common shares of the Company for the grant of options from time to time. Under the Plan, the Board may from time to time grant to directors, officers, employees and consultants of the Company, as the Board shall designate, options to purchase from the Company such number of its common shares as the Board shall designate. Some of the significant terms of the Plan are as follows:

1. Options may be granted on authorized but unissued common shares up to but not exceeding 10% of the issued and outstanding common shares of the Company at the time of any such grant of options.
2. The total number of common shares to be reserved for issuance over the previous 12 month period for any optionee shall not exceed 5% of the issued common shares of the Company at the time of grant with the exception that, as long as the Company's common shares are listed on Tier 2 of the TSX Venture Exchange ("TSX-V"), the total number of common shares that may be reserved for issuance over the previous 12 month period for individuals engaged in an investor relations capacity shall not exceed 2% of the issued common shares of the Company at the time of grant. In addition, the total number of common shares to be reserved for issuance over the previous 12 month period for any one consultant, shall not exceed 2% of the issued common shares of the Company at the time of grant.

3. While the Company's common shares are listed on the TSX-V, the purchase price per common share for any option granted under the Plan shall not be less than the discounted market price of the Company's common shares in accordance with the policies of the TSX-V. At such time as the Company's common shares are listed on the Toronto Stock Exchange (the "TSX") the purchase price per common share for any option granted under the Plan shall be not less than the fair market value in accordance with the policies of the TSX.
4. Options granted must expire not later than a maximum of five years from the date of the grant while the Company's common shares are listed on Tier 2 of the TSX-V. At such time as the Company's common shares are listed on Tier 1 of the TSX-V or the TSX options granted must expire not later than a maximum of 10 years from the date of grant.
5. In the event that the Plan is amended to permit the number of common shares reserved for issue under the Plan to exceed of 10% of the outstanding shares of the Company, then, provided the Company's common shares are listed on Tier 2 of the TSX-V all options will vest in equal amounts over consecutive quarterly periods for a period of no less than 18 months from the date of grant. At such time as the Company's common shares are listed on Tier 1 of the TSX-V or the TSE, options will vest at the discretion of the board of directors.
6. All options granted pursuant to the Plan shall be non-assignable and non-transferable.
7. Subject to the receipt of disinterested shareholder approval for the grant of options under the Plan, the Plan will allow:
  - (i) the number of Common Shares reserved for issuance under stock options granted to insiders to exceed 10% of the outstanding Common Shares of the Company;
  - (ii) the issuance to insiders, within a one year period of a number of shares exceeding 10% of the outstanding Common Shares of the Company;
  - (iii) the issuance to any one insider and such insider's associates, within a one year period, of a number of Common Shares exceeding 5% of the outstanding Common Shares; and
  - (iv) the Company to have the ability to decrease the exercise price of stock options previously granted to insiders.

Accordingly, the shareholders will be asked at the Meeting to pass an ordinary resolution in the following terms:

"RESOLVED THAT, the Company's Incentive Share Option Plan (the "Plan"), as described in the Company's Information Circular dated December 12, 2003, be approved and the Board of Directors of the Company be granted the discretion pursuant to the Plan to grant stock options to directors, officers, employees and consultants of the Company, as the Board of Directors of the Company sees fit, provided, however, that the aggregate number of shares of the Company subject

to options under this Plan shall not exceed 10% of the issued and outstanding common shares or such greater number as may be approved from time to time by the shareholders of the Company. Such grants shall be made under the terms of the Plan and within the rules and policies of the TSX Venture Exchange or the TSX Exchange at such time as the Company's common shares are listed on such exchange, which are in effect at the time of granting and the exercise of any options granted pursuant to such authorization is hereby approved."

An ordinary resolution requires the approval of a simple majority (50% plus one vote) of the votes cast by those shareholders of the Company, who, being entitled to, vote in person or by proxy at a general meeting of the Company. The Plan must also be approved by the TSX-V. The outstanding options previously granted by the Company shall not be subject to the Plan.

**c) Other Business**

Approval of such other business as may properly come before the meeting or any adjournment thereof.

Save for the matters referred to herein, management knows of no other matters intended to be brought before the Meeting. However, if any matters which are not now known to management shall properly come before the Meeting, the Proxy given pursuant to this solicitation by Management will be voted on such matters in accordance with the best judgement of the person voting the Proxy, in the event such discretionary authority is provided in the Proxy.

**BOARD APPROVAL**

The contents of this Circular have been approved and its mailing authorized by the directors of the Company.

**DATED** at Vancouver, B.C., this 12th day of December, 2003.

**ON BEHALF OF THE BOARD**

*"Brian D. Fairbank"*

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Brian D. Fairbank  
President and Chief Executive Officer