

NEVADA GEOTHERMAL POWER INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended December 31, 2004

(Unaudited – Prepared by Management)

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2004	June 30, 2004
ASSETS		
Current		
Cash	\$ 834,745	\$ 984,429
Accounts receivable and GST recoverable	5,398	337,788
Prepaid expenses	18,118	28,470
	858,261	1,350,687
Resource property costs (Note 3)	3,537,670	2,642,067
Investment (Note 4)	101,305	-
Equipment (Note 5)	10,778	11,018
	\$ 4,508,014	\$ 4,003,772
LIABILITIES		
Current		
Accounts payable	\$ 236,457	\$ 404,766
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	8,476,349	7,474,528
Contributed Surplus (Note 7)	378,141	351,272
Deficit	(4,582,933)	(4,226,794)
	4,271,557	3,599,006
	\$ 4,508,014	\$ 4,003,772

Approved by the Directors:

 "Brian D. Fairbank"

 "Jack W. Milligan"

See accompanying notes to the consolidated financial statements

NEVADA GEOTHERMAL POWER INC.

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

	Three Month Period Ended December 31		Six Month Period Ended December 31	
	2004	2003	2004	2003
EXPENSES				
Administration fees	\$ 19,400	\$ 14,523	\$ 34,618	\$ 34,911
Amortization	843	607	1,514	1,214
Bank charges and interest	174	145	343	251
Consulting fees	21,482	15,550	33,302	37,617
Foreign exchange loss	11,851	(8,455)	(3,295)	(4,823)
Investor relations & shareholder information	55,070	23,958	134,819	34,049
Legal and accounting	12,998	3,835	34,088	24,937
Office and miscellaneous	12,004	5,351	15,022	10,337
Site investigation	-	-	270	-
Regulatory and transfer agent	10,465	3,545	22,147	10,409
Rent and telephone	8,006	4,212	13,900	10,400
Stock based compensation	23,736	34,784	47,473	67,752
Travel and business development	15,808	8,682	30,040	25,346
	191,837	106,737	364,241	252,400
OTHER INCOME				
Interest income	(3,943)	(2)	(8,102)	(52)
Gain on disposal of shares	—	—	—	(6,000)
	(3,943)	(2)	(8,102)	(6,052)
Loss for the period	\$ 187,894	\$ 106,735	\$ 356,139	\$ 246,348
Deficit, beginning of period	4,395,039	3,573,561	4,226,794	3,433,948
Deficit, end of period	\$ 4,582,933	\$ 3,680,296	\$ 4,582,933	\$ 3,680,296
Loss per share	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02
Weighted Average Number of Shares Outstanding	24,249,536	14,912,813	23,443,594	15,987,969

See accompanying notes to the consolidated financial statements

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Month Period Ended December 31		Six Month Period Ended December 31	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (187,894)	\$ (106,735)	\$ (356,139)	\$ (246,348)
Items not affecting cash:				
Stock-based compensation	23,736	34,784	47,473	67,752
Amortization	843	607	1,514	1,214
	<u>(163,315)</u>	<u>(71,344)</u>	<u>307,152</u>	<u>(177,382)</u>
Changes in non-working capital items:				
Accounts receivable (Increase) decrease in amounts receivable	18,243	(3,400)	332,390	(2,220)
Prepaid expenses	6,575	—	10,352	—
Accounts payable	<u>(347,767)</u>	<u>50,785</u>	<u>(168,309)</u>	<u>(39,021)</u>
Net cash used in operating activities	(486,264)	(23,959)	(132,719)	(54,590)
INVESTING ACTIVITIES				
Mineral property costs	(422,739)	(1,166)	(996,908)	(43,412)
Capital Assets	<u>(1,274)</u>	<u>—</u>	<u>(1,274)</u>	<u>(3,233)</u>
Net cash (used) received from investing activities	(424,013)	(1,166)	(998,182)	(46,645)
CASH FLOWS FROM FINANCING ACTIVITIES				
Shares issued for cash, net	<u>104,086</u>	<u>31,860</u>	<u>981,217</u>	<u>268,227</u>
Net cash provided by financing activities	<u>104,086</u>	<u>31,860</u>	<u>981,217</u>	<u>268,227</u>
Change in cash and equivalents during the period	(806,191)	6,735	(149,684)	2,959
Cash and equivalents, beginning of period	\$ 1,640,936	\$ 8,979	\$ 984,429	\$ 12,755
Cash and equivalents, end of period	<u>\$ 834,745</u>	<u>\$ 15,714</u>	<u>\$ 834,745</u>	<u>\$ 15,714</u>

See accompanying notes to the consolidated financial statements

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

1. NATURE OF OPERATIONS AND GOING CONCERN

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

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the realization of assets and discharge of liabilities in the normal course of business. As at December 31, 2004, the Company has a working capital of \$621,804 and has incurred losses totalling \$4,582,933.

The Company's ability to continue as a going concern is dependent upon successful completion of additional financing, and upon its ability to attain profitable operations. Management intends to seek further funds through public offerings and private placements to finance its ongoing exploration activities. These consolidated financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries, Noramex Corp, incorporated in the State of Nevada, U.S.A and Blue Mountain Power Company Inc., incorporated in the province of British Columbia. All significant inter-company balances and transactions have been eliminated.

Accounting for companies acquired by the purchase method of accounting include the results of those companies from the date of acquisition.

b) Resource Property Costs

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

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

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Option Payments Received

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

d) Investments

Investments in which the Company owns up to 20% of the issued common shares are accounted for at cost, unless a permanent impairment in value has been determined, at which time they are written down to market value.

e) Equipment

Capital assets are recorded at cost and are depreciated over their useful lives by the declining balance method at the following rates:

Computer equipment	30%
Office equipment	20%

f) Stock Based Compensation

In September 2003, the CICA issued an amendment to Section 3870 – “Stock Based Compensation and Other Stock Based Payments”. The amended section is effective for fiscal years beginning on or after January 1, 2004. The amendment requires that companies measure all stock based payments using the fair value method of accounting and recognize the compensation expense in their financial statements. The Company implemented this amended standard in their fiscal year ended June 30, 2004 on a prospective basis in accordance with the early adoption provisions of the standard. According to the transitional provisions, early adoption requires that compensation expense be calculated and recorded in the statement of operations for options granted on or after July 1, 2003.

Under this amended standard, the Company must account for compensation expense based on the fair value of rights granted under its stock based compensation plan. Under this method, compensation costs attributable to share options granted to employees or directors is measured at fair value at the grant date, and expensed over the expected exercise time frame with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Use of Estimates

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

h) Earnings (Loss) Per Share

The Company calculates earnings per share using the treasury stock method. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations. In computing diluted earnings per share, no shares were added to the weighted average number of common shares outstanding during the period ended December 31, 2004 as the effect of potentially issuable common shares is anti-dilutive.

i) Income Taxes

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. Future income tax liabilities or assets are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

j) Foreign Currency Translation

The financial statements of the 100% owned U.S. Subsidiary have been translated using the temporal method whereby the assets and liabilities are translated at the year end exchange rate, capital accounts at the historical exchange rate, and revenues and expenses at the average exchange rate for the period. Foreign exchange gains and losses resulting from these transactions are reflected in the consolidated statement of loss and deficit.

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

3. MINERAL PROPERTY COSTS

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

	December 31	
	2004	2003
Pogo Area Project – Alaska	\$ -	\$ 87,997
Blue Mountain Geothermal Project – Nevada	3,437,727	2,224,689
Pumpnickel Valley Geothermal Project – Nevada	54,405	575
Black Warrior Peak Geothermal Project – Nevada	45,538	-
	\$ 3,537,670	\$ 2,313,261

a) Pogo Area Project

During the period ended December 31, 2004, the Company sold Blue Desert Mining (US) Inc., a Nevada limited company beneficially owned by the Company which holds the claims for the Gobi/Portal and Mojave properties, to Running Fox Resource Corp. (“RUN”). The Company received 450,000 shares of RUN with resale restrictions. Management decided due to the illiquid trading volume of RUN and the resale restrictions to value the shares received equal to the book value of the Gobi/Portal and Mojave costs incurred to date. The following costs have been incurred by the Company on the Pogo Area project:

	December 31	
	2004	2003
Acquisition		
Issue of shares	\$ -	\$ -
Deferred exploration		
Property leases, permits and regulatory	-	-
Geological and geophysical	-	(5,761)
	-	(5,761)
Costs incurred during the period	-	(5,761)
Proceeds from sale	(101,305)	-
Balance, beginning of period	101,305	93,758
	\$ -	\$ 87,997

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

3. MINERAL PROPERTY COSTS (Continued)

b) Blue Mountain Geothermal Project, Nevada, U.S.A.

By an agreement dated December 13, 2002, the Company acquired 100% of the issued capital of Blue Mountain Power Company Inc. ("Blue Mountain"), a company with two common directors, by the issue of 5,500,000 common shares of the Company. The acquisition closed on July 30, 2003.

Blue Mountain (incorporated in British Columbia) owns 100% of the issued capital of Noramex Inc. (incorporated in Nevada, USA). Noramex holds a 100% leasehold interest on certain lands located in Humboldt County, Nevada. The leasehold interest entitles the Company to explore, develop and produce any geothermal resources located on the properties. The Company also has the option to purchase the freehold interest, consisting of four square miles out of a total of the eleven square miles of the leasehold interest. The property interests are subject to production royalties ranging from 1.5% to 3.5% on sales of electrical power, and 5% to 10% from sale proceeds of direct energy.

b) Blue Mountain Geothermal Project, Nevada, U.S.A. (Continued)

The components of the purchase price and allocation are as follows:

Purchase price	
5,500,000 shares issued	\$ 1,705,000
100,000 shares transferred (Note 4)	31,000
Acquisition costs and deferred expenditures incurred by the Company on the Blue Mountain Geothermal Project	<u>383,567</u>
	<u>\$ 2,119,567</u>
Allocation of purchase price	
Current assets	\$ 840
Resource properties	2,175,489
Capital assets	437
Current liabilities	<u>(57,199)</u>
	<u>\$ 2,119,567</u>

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

3. MINERAL PROPERTY COSTS (Continued)

The following costs have been incurred on the project (six months):

	December 31,	
	2004	2003
Acquisition		
Issue and transfer of shares	\$ -	\$ 2,176,091
Option payment	-	-
Property leases, permits and regulatory	6,017	-
	6,017	2,176,091
Deferred exploration		
Assaying	13,848	-
Geological and geophysical	358,667	48,598
Drilling	554,539	-
Road maintenance	93,102	-
Camp and field supplies	91,393	-
U.S. Department of Energy grant	(184,965)	-
	932,601	48,598
Costs incurred during the period	932,601	48,598
Balance, beginning of period	2,505,126	-
	\$ 3,437,727	\$ 2,224,689

c) PumperNickel Valley Geothermal Project, Nevada

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

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

- 3½% of gross proceeds from electrical power sales (less taxes and transmission costs),

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

3. MINERAL PROPERTY COSTS (Continued)

- 5% of the gross proceeds of a sale of any substances in an arm's length transaction
- 2% of the gross proceeds from the sale of or manufacture there-from of bi-products,
- 10% of net profits from the use of substances at a commercial facility other than an electric power generating facility (such as an vegetable drying/processing facility)
- Substances or electrical power used by the Company for operations at an on-site electrical generating plant or other commercial facilities are not subject to royalties.

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

In addition, Noramex Corp., a wholly owned US subsidiary company of the Company, has been awarded a US Department of Energy (DOE) cost sharing contract signed on October 13, 2004 whereby DOE will fund 80% of an initial field evaluation program at the Pumpnickel Project. The Noramex/DOE joint program will include an advanced technology, three-dimensional "E-SCAN" resistivity survey to map the deep geothermal resource waters and six temperature gradient drill holes to 250 metres to test the E-SCAN interpretation. The DOE cost share is US\$692,272 of the total budget of US\$740,340. ISI will cover Noramex's cost share obligation of US\$148,068 out of the first year work commitment. Noramex (NGP) will manage the DOE sponsored work.

Combined funding to come from ISI and DOE for the 2005 Pumpnickel Project work equals C\$1,335,000 or US\$1,037,000.

The following costs have been incurred on the project:

	December 31	
	2004	2003
Acquisition		
Lease payments	\$ 7,966	\$ —
	<u>7,966</u>	
Deferred exploration		
Camp and field supplies	562	
Geological and geophysical	10,241	—
	<u>10,241</u>	
Costs incurred during the period	18,769	—
Balance, beginning of period	35,636	—
	<u>35,636</u>	
Balance, end of period	<u>\$ 54,405</u>	<u>\$ —</u>

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

3. MINERAL PROPERTY COSTS (Continued)

d) Black Warrior Peak, Nevada, U.S.A.

The Company initiated field investigations at the Black Warrior project during the quarter and acquired seven square miles of private land and has 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.

The following costs have been incurred on the project:

	December 31	
	2004	2003
Acquisition		
Lease payments	\$ 12,001	\$ —
Deferred exploration		
Camp costs and field supplies	2,851	
Geological and geophysical	30,686	—
Costs incurred during the period	45,538	—
Balance, beginning of period	—	—
Balance, end of period	<u>\$ 45,538</u>	<u>\$ —</u>

4. INVESTMENT

	December 31	
	2004	2003
450,000 shares in Running Fox Resource Corp., at cost	<u>\$ 101,305</u>	<u>\$ -</u>

During the period the Company sold Blue Desert Mining (US) Inc. to Running Fox Resource Corp., in return the Company received 450,000 shares Running Fox with resale restrictions.

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

5. EQUIPMENT

	December 31, 2004
Computer equipment	\$ 23,861
Office equipment	10,701
	34,562
Accumulated depreciation	23,784
	\$ 10,778

6. SHARE CAPITAL

- a) Authorized: 100,000,000 common shares - no par value
 25,000,000 first preferred shares - no par value
 25,000,000 second preferred shares - no par value

- b) Common Shares Issued:

	SHARES	AMOUNT
Balance, June 30, 2004	22,189,084	\$ 7,474,528
For cash		
Private placement, net of financing costs	1,500,000	687,947
Options exercised	100,000	29,000
Warrants exercised	614,845	264,272
Options exercised – stock option valuation	-	20,602
	24,403,929	\$ 8,476,349

- c) Stock Options

As at December 31, 2004, the following share purchase options were outstanding:

EXERCISE PRICE	NUMBER OUTSTANDING	REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE
\$ 0.10	160,000	1.47 years	\$ 0.10	160,000
0.25	65,000	2.29 years	0.25	65,000
0.28	233,000	3.04 years	0.28	233,000
0.28	525,000	3.62 years	0.28	525,000
0.28	162,000	4.06 years	0.28	162,000
0.35	310,000	4.16 years	0.35	267,500
0.50	280,000	4.46 years	0.50	215,000
0.54	500,000	4.76 years	0.50	500,000
	2,235,000	3.83 years	\$ 0.36	2,127,500

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

6. SHARE CAPITAL (continued)

A summary of the changes in stock options for the period ended December 31, 2004 is presented below:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2004	1,835,000	\$ 0.30
Granted	500,000	0.54
Exercised	(100,000)	0.29
Cancelled	-	-
Balance, December 31, 2004	2,235,000	\$ 0.36

d) Share Purchase Warrants

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2004	5,091,208	\$ 0.49
Issued	1,500,000	0.80
Exercised	(614,845)	0.45
Expired	(125,790)	0.40
Balance, December 31, 2004	5,850,573	0.58

d) Share Purchase Warrants (Continued)

Share purchase warrants outstanding at December 31, 2004:

NUMBER OF SHARES	EXERCISE PRICE	EXPIRY DATE
4,350,573	0.50	April 14, 2005
1,500,000	0.80	September 23, 2006
5,850,573		

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

7. CONTRIBUTED SURPLUS

	December 31	
	2004	2003
Balance, beginning of period	\$ 351,272	\$ 80,695
Compensation options granted	47,473	67,752
Stock options exercised	(20,602)	-
Balance, end of year	<u>\$ 378,143</u>	<u>\$ 148,447</u>

8. FINANCIAL INSTRUMENTS

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

9. RELATED PARTY TRANSACTIONS

During the six month period ended December 31, 2004 the Company incurred \$53,938 company controlled by a director for administration and professional services; and \$374,178 in geological consulting fees. Included in the accounts payables is \$137,474.

10. SUBSEQUENT EVENTS

Subsequent to December 31, 2004, the Company:

- i) issued 49,000 common shares from the exercise of share purchase warrants at a price of \$0.50.
- ii) the Company reported a brokered private placement for up to 3,500,000 units at a price of \$0.65 per unit to raise gross proceeds of up to \$2,275,000 (the "Offering").

Each unit will consist of one common share and one share purchase warrant (a "Unit"). One warrant will entitle the holder to purchase one additional common share for a period of 24 months at a price of \$1.00 per warrant share, subject to an exercise acceleration provision such that if, after six months following closing of the Offering, the closing price per share on the TSX Venture Exchange is \$1.35 or higher for twenty consecutive trading days, then the Company shall give the investors notice that the warrants must be exercised or they will expire within 30 days.

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The Company has appointed Dundee Securities Corporation ("Dundee") to act as its exclusive agent for the Offering. Dundee will receive an 8% commission and will be granted an option (the "Compensation Option") to acquire that number of Units that is equal to 8% of the number of Units issued under the Offering. The Compensation Option shall be exercisable at the offering price of the Units for a period of 24 months following closing of the Offering. Dundee shall also have the right of first refusal to lead and manage all equity offerings by NGP and to act as its financial advisor in the event of a sale, merger, amalgamation, arrangement, reorganization or other similar transaction for a period of 18 months following closing of the Offering.

If all of the Units are sold the net proceeds to be realized by Nevada Geothermal from the private placement will be \$2,043,000, which shall be used to fund further development at the Blue Mountain, Nevada geothermal project, and for general working capital. The securities to be issued under the Offering shall be subject to a four month hold period, and the Offering is subject to the acceptance of the TSX Venture Exchange.

NEVADA GEOTHERMAL POWER INC.

Quarterly Report For the Three Months
Ended December 31, 2004

Form 51-102F1

Management Discussion and Analysis

The following interim management discussion and analysis is prepared as at February 18, 2005 and should be read in conjunction with the unaudited financial statements for the six months ended December 31, 2004 and the audited annual financial statements for the year ended June 30, 2004. 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 demand for power. The Company holds leases on three projects, Blue Mountain, Pumpernickel and Black Warrior Peak. The Company plans to develop an initial 30 megawatt geothermal power plant at Blue Mountain with the potential of having additional power capacity.

Results of Operations

As at December 31, 2004, the Company has a net working capital of \$621,804. The funds will be used to complete a radon survey on Blue Mountain and maintain a market awareness program. The current net working capital is expected to carry the Company into the second quarter of 2005. Working capital on hand does not include the market value of Running Fox Resource shares as they are not freely tradable.

The Company incurred a net loss of \$356,139 (2004 - \$246,348) for the six months ended December 31, 2004. Among the more significant expenses are legal and audit fees of \$34,088 (2004 - \$24,937); consulting fees of \$33,302 (2004 - \$37,617); administration fees of \$34,618 (2004 - \$34,911); office and sundry costs of \$15,022 (2004 - \$10,337); rent and telephone costs of \$13,900 (2004 - \$10,400); regulatory and transfer agent fees of \$22,147 (2004 - \$10,409); stock based compensation of \$47,473 (2003 - \$67,752); travel and related costs of \$30,040 (2004 - \$25,346); and investor relations-shareholder information costs of \$134,819 (2004 - \$34,049). Direct resource property expenditures for the period were \$996,908 (2004 - \$43,412) not including US Department of Energy grants, including the grants resource property expenditures were \$1,181,873 (Blue Mountain - \$1,117,566; Black Warrior - \$45,538; and PumperNickel Valley - \$18,769) on exploration for the period. Investor relations and shareholder information costs were higher than the comparable period as costs included Coal Harbour Communication fees, website design, advertising in the Bull & Bear, San Francisco, Toronto, Vancouver and New Orleans Gold Shows costs, Stockgroup advertising program, purchase of mailing lists, and news dissemination costs to Canada and the United States.

The Company completed the sale of Blue Desert Mining (US) Inc. to Running Fox Resource Corp. on August 27, 2004. Blue Desert Mining (US) Inc. owns mineral interests at both the Portal/Gobi and Mohave claims in Alaska, Nevada Geothermal received 450,000 common shares of Running Fox.

The Company received from Running Fox, four certificates with resale restrictions as follows:

100,000 shares with a 6-month transfer restriction legend expiring March 1, 2005;

100,000 shares with a 12-month transfer restriction legend expiring September 1, 2005;

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Quarterly Report For the Three Months
Ended December 31, 2004

Form 51-102F1

100,000 shares with an 18-month transfer restriction legend expiring March 1, 2006;

150,000 shares with a 24 month transfer restriction legend expiring September 1, 2006.

During the six month period, the Company issued 1,500,000 shares via private placement for net proceeds of \$687,947, 614,845 common shares from the exercise of warrants for proceeds of \$264,272, and 100,000 common shares from the exercise of stocks options for proceeds of \$29,000. Warrants outstanding at the end of the period stand at 5,850,573 while there are 2,235,000 employee/management stocks options outstanding of which 2,127,500 are vested.

Related Party Transactions

During the six month period ended December 31, 2004 the Company incurred \$53,938 company controlled by a director for administration and professional services; and \$374,178 in geological consulting fees. Included in the accounts payables is \$137,474.

Investor Relations

The Company engaged Coal Harbor Communications pursuant to an agreement dated November 2003 to provide corporate and investor relations activities. Under the terms of the agreement, Coal Harbor receives a service fee of \$5,000 per month plus expenses. Coal Harbor was granted 200,000 stock options after an initial three-month probationary period. The exercise price was set in February 2004 at \$0.35 per share for 100,000 options and June 17, 2004 at \$0.50 for another 100,000 options. The options shall be subject to a vesting schedule whereby 25,000 options will vest, and thereby become exercisable, every three months after the date the options are granted. Both parties have agreed to a service fee of \$3,000 plus expenses per month beginning in December. The Company also retains Shelley Kirk for in-house investor relations duties.

Exploration Properties

As at December 31, 2004, 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).

The Company plans to develop at the Blue Mountain Geothermal site an initial 30 megawatt geothermal power plant with the potential of having additional power capacity. The Company conducted further testing of its successful Deep Blue No. 2 (DB2) in the fall of 2004; flow and injection tests conducted indicate good permeability through the high temperature zone. Eight temperature gradient holes drilled in 2004 increased 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. Geothermal water chemistry of samples collected from DB-2 and from five of the gradient wells is encouraging for the future development potential of Blue Mountain.

Exploration Properties (cont'd)

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2) PumperNickel Valley Geothermal Project – Nevada

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

On October 14, the Company announced that Inovision 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\$692,272 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.

3) Black Warrior Peak Project - Nevada

The Company initiated field investigations at the Black Warrior project during the quarter and acquired seven square miles of private land and has 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.

The Company has initiated field investigations at the Black Warrior project. The geology and regional fault structures appear to permit deep-circulating groundwater to be heated by anomalously high rock formation temperatures. Further information will be released as results are available.

Summary of Quarterly Results

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For the quarter ended	Dec 04 \$	Sep 04 \$	Jun 04 \$	Mar 04 \$	Dec 03 \$	Sep 03 \$	Jun 03 \$	Mar 03 \$
Net Loss	187,894	168,245	373,490	173,007	106,735	139,614	220,298	108,121
Net loss per share	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.03

Liquidity

The Company does not have operations that generate cash flow. At December 31, 2004, the Company had \$834,745 (2004 - \$15,714) in cash on hand. At December 31, 2004, the Company had a working capital of \$621,804 (2004 - (\$139,040)). 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, and US Department of Energy funding on certain properties. Cash on hand will be used to advance the Blue Mountain geothermal property, to fund general office and administrative costs, and acquisition of new geothermal properties.

Subsequent Events

Subsequent to December 31, 2004, the Company:

- i) issued 49,000 common shares from the exercise of share purchase warrants at a price of \$0.50.
- ii) the Company reported a brokered private placement for up to 3,500,000 units at a price of \$0.65 per unit to raise gross proceeds of up to \$2,275,000 (the "Offering").

Each unit will consist of one common share and one share purchase warrant (a "Unit"). One warrant will entitle the holder to purchase one additional common share for a period of 24 months at a price of \$1.00 per warrant share, subject to an exercise acceleration provision such that if, after six months following closing of the Offering, the closing price per share on the TSX Venture Exchange is \$1.35 or higher for twenty consecutive trading days, then the Company shall give the investors notice that the warrants must be exercised or they will expire within 30 days.

The Company has appointed Dundee Securities Corporation ("Dundee") to act as its exclusive agent for the Offering. Dundee will receive an 8% commission and will be granted an option (the "Compensation Option") to acquire that number of Units that is equal to 8% of the number of Units issued under the Offering. The Compensation Option shall be exercisable at the offering price of the Units for a period of 24 months following closing of the Offering. Dundee shall also have the right of first refusal to lead and manage all equity offerings by NGP and to act as its financial advisor in the event of a sale, merger, amalgamation, arrangement, reorganization or other similar transaction for a period of 18 months following closing of the Offering.

If all of the Units are sold the net proceeds to be realized by Nevada Geothermal from

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the private placement will be \$2,043,000, which shall be used to fund further development at the Blue Mountain, Nevada geothermal project, and for general working capital. The securities to be issued under the Offering shall be subject to a four month hold period, and the Offering is subject to the acceptance of the TSX Venture Exchange.

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 indicate 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.