



**NGP**  
NEVADA GEOTHERMAL POWER

**NEVADA GEOTHERMAL POWER INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009**  
**(Expressed in US Dollars)**

**(UNAUDITED)**

## **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 BALANCE SHEETS**

(Unaudited)  
(Expressed in US Dollars)

	September 30, 2009	June 30, 2009
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,079,055	\$ 2,390,428
Restricted cash (Note 16 g)	12,130,923	16,370,100
Amounts receivable	329,900	115,039
Marketable securities (Note 4)	112,076	85,985
Prepaid expenses	511,860	901,427
	15,163,814	19,862,979
<b>Restricted Cash</b> (Note 16 g)	2,225,336	2,225,336
<b>Property, Plant and Equipment</b> (Note 5)	125,226,307	112,148,391
<b>Intangible Assets</b> (Note 6)	10,210	13,014
<b>Interests in Geothermal Properties</b> (Note 7)	91,608,129	88,561,126
	\$ 234,233,796	\$ 222,810,846
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 7,162,530	\$ 17,438,406
Deferred construction amounts payable (Note 8)	8,949,408	9,028,380
Short-term portion of long-term liabilities (Note 10)	171,107,480	149,095,125
	187,219,418	175,561,911
<b>Long-term Payables</b> (Note 9)	611,166	632,182
<b>Cash Settled Option</b> (Note 11)	2,478,720	1,820,844
<b>Asset Retirement Obligation</b> (Note 12)	951,073	932,689
<b>Future Income Tax Liability</b>	2,016,979	1,320,440
	193,277,356	180,268,066
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 13)	53,876,385	53,857,748
<b>Contributed Surplus</b>	4,288,319	4,250,432
<b>Accumulated Other Comprehensive Income</b>	2,055,025	1,862,302
<b>Deficit</b>	(19,263,289)	(17,427,702)
	40,956,440	42,542,780
	\$ 234,233,796	\$ 222,810,846

**Commitments** (Note 16)

**Subsequent Events** (Note 18)

Approved on behalf of the Board of Directors:

"Brian Fairbank"

\_\_\_\_\_  
Director

"Domenic Falcone"

\_\_\_\_\_  
Director

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

**NEVADA GEOTHERMAL POWER INC.**  
**CONSOLIDATED STATEMENTS OF LOSS**

(Unaudited)  
(Expressed in US Dollars)

	For the Three Months ended September 30,	
	2009	2008
<b>Operating Expenses</b>		
Accounting and audit	\$ 103,561	\$ 97,206
Administration	289,131	241,898
Accretion of asset retirement obligation	18,384	19,483
Amortization	19,325	19,568
Consulting fees	71,620	152,977
Conventions and publishing	28,364	66,871
Investor communication	2,608	17,697
Insurance	12,361	14,062
Legal	112,586	52,602
Office expenses	35,519	36,145
Rent and telephone	37,271	31,434
Stock-based compensation	42,171	121,202
Transfer agent and regulatory fees	5,124	4,667
Travel and business development	61,443	59,352
	<b>839,468</b>	935,164
<b>Other (Expenses) Income</b>		
Change in fair value of cash settled option	(657,876)	-
Financing Expenses	(283,499)	-
Foreign exchange loss	(71,363)	(1,737,199)
Interest income	16,619	71,957
	<b>(996,119)</b>	(1,665,242)
<b>Net Loss</b>	<b>\$ (1,835,587)</b>	<b>\$ (2,600,406)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares issued and outstanding</b>	<b>94,580,221</b>	<b>94,301,026</b>

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

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

	For the Three Months ended September 30,	
	<b>2009</b>	2008
<b>Net loss for the period</b>	<b>\$ (1,835,587)</b>	<b>\$ (2,600,406)</b>
<b>Other comprehensive income</b>		
Foreign translation gain (loss)	166,631	(2,043,505)
Increase (decrease) in unrealized holding gains on marketable securities	26,092	(67,198)
<b>Comprehensive loss</b>	<b>\$ (1,642,864)</b>	<b>\$ (4,711,109)</b>

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

**NEVADA GEOTHERMAL POWER INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)  
(Expressed in US Dollars)

	For the Three Months ended September 30,	
	2009	2008
<b>Cash flows used in operating activities</b>		
Net Loss for the period	\$ (1,835,587)	\$ (2,600,406)
Items not requiring (providing) cash:		
Amortization	19,325	19,568
Accretion of asset retirement obligation	18,384	19,483
Change in fair value of cash settled option	657,876	-
Foreign exchange loss	-	1,737,199
Stock-based compensation	42,171	121,202
Undrawn commitment fee	7,697	-
Changes in non-cash working capital:		
Increase in accounts receivable	(212,956)	(18,560)
Decrease in accounts payable	841,178	(8,688,486)
Decrease (increase) in prepaid expenses	397,212	(79,243)
	<b>(64,700)</b>	<b>(9,489,243)</b>
<b>Cash flows used in investing activities</b>		
Decrease (increase) in restricted cash	4,293,431	(16,751,917)
Acquisition of intangible assets	(280)	-
Acquisition and construction of property, plant and equipment	(16,474,889)	(3,950,310)
Geothermal property interests	(3,501,459)	(4,353,631)
	<b>(15,683,197)</b>	<b>(25,055,858)</b>
<b>Cash flows from financing activities</b>		
Loan advances	15,254,926	47,308,562
Loan repayment		(20,723,093)
Proceeds from options exercised	14,353	60,478
	<b>15,269,279</b>	<b>26,645,947</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>167,245</b>	<b>(323,143)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(311,373)</b>	<b>(8,222,297)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,390,428</b>	<b>11,473,360</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,079,055</b>	<b>\$ 3,251,063</b>
<b>Additional Cash Flow Information (Note 17)</b>		

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

**NEVADA GEOTHERMAL POWER INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**for the year ended June 30, 2009 and period ended September 30, 2009**  
(Unaudited)  
(Expressed in US Dollars)

	Share Capital	Contributed Surplus	Other Comprehensive Income		Deficit	Total Shareholders' Equity
			Currency Translation Differences	Revaluation of Marketable Securities		
Balance, June 30, 2008	\$ 53,701,819	\$ 4,004,103	\$ 3,519,697	\$ 33,824	\$ (12,338,942)	\$ 48,920,501
Issued for cash						
Stock options exercised	94,899	-	-	-	-	94,899
Stock options exercised - stock option valuation	61,030	(61,030)	-	-	-	-
Stock options granted	-	307,359	-	-	-	307,359
Currency translation differences	-	-	(1,596,563)	-	-	(1,596,563)
Decrease in marketable securities	-	-	-	(94,656)	-	(94,656)
Loss for the year	-	-	-	-	(5,088,760)	(5,088,760)
Balance, June 30, 2009	53,857,748	4,250,432	1,923,134	(60,832)	(17,427,702)	42,542,780
Issued for cash						
Stock options exercised	14,353	-	-	-	-	14,353
Stock options exercised - stock option valuation	4,284	(4,284)	-	-	-	-
Stock options granted	-	42,171	-	-	-	42,171
Currency translation differences	-	-	166,631	-	-	166,631
Increase in marketable securities	-	-	-	26,092	-	26,092
Loss for the period	-	-	-	-	(1,835,587)	(1,835,587)
<b>Balance, September 30, 2009</b>	<b>\$ 53,876,385</b>	<b>\$ 4,288,319</b>	<b>\$ 2,089,765</b>	<b>\$ (34,740)</b>	<b>\$ (19,263,289)</b>	<b>\$ 40,956,440</b>

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

**NEVADA GEOTHERMAL POWER INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**  
(Unaudited)  
(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 feasible geothermal projects, 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 closed a financing with Trust Company of the West ("TCW") to issue up to \$180 million of debt for the continued development of its Blue Mountain power plant project. As at September 30, 2009, \$180,977,328 had been drawn under the debt agreement with an additional \$4,683,295 drawn after period-end, which exceeds the \$180 million loan facility. At September 30, 2009, the Company was not in compliance with certain terms of the loan Agreement with TCW, principally those relating to the project capital costs. The Company is working closely with TCW to remedy this situation and no event of default has been asserted. The loan has been classified as a short-term liability. Consequently, as at September 30, 2009, the Company had a working capital deficiency of \$172,055,604. In addition, the Company's cumulative development costs have resulted in accumulated losses totalling \$19,263,289.

The Company's ability to continue as a going concern is dependent upon the Company's ability to obtain the necessary financing to complete its geothermal projects, and on refinancing any outstanding balance in excess of approximately \$70 million on the TCW loan by the earlier of closing a potential John Hancock Life Insurance Company ("John Hancock") loan or March 31, 2010 (see note 14(b) for further details). It is also dependent upon successful completion of its geothermal projects, primarily Blue Mountain, upon its ability to attain profitable operations and to generate power in accordance with the power purchase agreement. The Company is currently exploring a number of possibilities in this regard. There is no assurance that management will be successful in achieving these objectives. In addition, the Company continues to be subject to drilling risk, since the success of future drilling is not fully predictable.

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.

**NEVADA GEOTHERMAL POWER INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) Basis of Presentation and Consolidation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are expressed in US dollars. The interim consolidated financial statements have been prepared following the same accounting policies as the consolidated financial statements for the year ended June 30, 2009, except as noted below. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended June 30, 2009.

b) Changes in Accounting Policies

The Company made the following changes to its accounting policies during the three months ended September 30, 2009:

i) CICA handbook section 3064, 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 also prescribes the recognition and measurement of impairment losses. The Company implemented the new standard during the current reporting period, and reclassified software in the amount of \$10,210 at September 30, 2009 (June 30, 2009 - \$13,014) from property, plant and equipment to intangible assets at the time of implementation.

ii) CICA handbook section 3862, Financial Instruments – Disclosures

Section 3862 was amended during June 2009 to enhance the disclosure requirements regarding liquidity risk of financial instruments and to add new disclosure requirements about fair value measurements of financial instruments. (See Note 14(a))

**3. FUTURE ACCOUNTING CHANGES**

a) CICA handbook section 1582, Business Combinations, section 1601, Consolidated Financial Statements and section 1602, Non-controlling Interests

The abovementioned sections were released in January 2009. Section 1582 should be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 apply to interim and consolidated financial statements for financial years beginning on or after January 1, 2011. Earlier application of all three sections is permitted, but all three sections have to be adopted together. The adoption of the new standards will result in a number of changes to the treatment of acquisitions, notably the measurement of non-controlling interests at fair value by the parent group, the requirement to expense acquisition costs, and the accounting for contingent consideration as a financial liability, measured at fair value. The effect of the new standard on the Company will depend on the circumstances of future business combinations, if any.

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**3. FUTURE ACCOUNTING CHANGES (Continued)**

b) International Financial Reporting Standards

During 2008, the CICA Accounting Standards Board ("AcSB") confirmed that International Financial Reporting Standards ("IFRS") adoption will be mandatory for publicly accountable enterprises for financial years beginning on or after January 1, 2011. The Company will therefore prepare its first annual report under IFRS in respect of the year ending June 30, 2012, and its first interim report under IFRS for the quarter ending September 30, 2011. Comparative information in respect of the 2011 financial year will be provided in both cases.

**4. MARKETABLE SECURITIES**

	September 30, 2009		June 30, 2009	
	Number of Shares	Amount	Number of Shares	Amount
Sierra Geothermal Power Corp.				
Cost – common shares	400,000	\$ 146,817	400,000	\$ 146,817
Unrealized loss	-	34,741	-	60,832
	<b>400,000</b>	<b>\$ 112,076</b>	<b>400,000</b>	<b>\$ 85,985</b>

The unrealized loss on marketable securities, recorded in accumulated other comprehensive income, has not been recognized as an impairment loss due to the high volatility of the Sierra Geothermal share price.

**5. PROPERTY, PLANT AND EQUIPMENT**

	Computers	Office Furniture and Equipment	Field Equipment	Vehicles	Land	Construction in Progress	Total
<b>Cost</b>							
Balance as at June 30, 2009	\$ 93,742	\$ 54,341	\$ 131,430	\$ 68,340	\$ 161,188	\$ 111,768,024	\$ 112,277,065
Additions	-	9,212	-	22,295	-	13,057,294	13,088,801
Foreign exchange movement	7,002	3,548	-	-	-	-	10,551
<b>Balance as at September 30, 2009</b>	<b>\$ 100,745</b>	<b>\$ 67,101</b>	<b>\$ 131,430</b>	<b>\$ 90,635</b>	<b>\$ 161,188</b>	<b>\$ 124,825,318</b>	<b>\$ 125,376,417</b>
<b>Accumulated amortization</b>							
Balance as at June 30, 2009	\$ 48,797	\$ 23,729	\$ 49,313	\$ 6,834	\$ -	\$ -	\$ 128,674
Amortization for the period	3,541	2,057	6,159	4,190	-	-	15,947
Foreign exchange movement	3,809	1,680	-	-	-	-	5,489
<b>Balance as at September 30, 2009</b>	<b>\$ 56,147</b>	<b>\$ 27,467</b>	<b>\$ 55,472</b>	<b>\$ 11,024</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 150,110</b>
<b>Carrying amounts</b>							
At June 30, 2009	\$ 44,945	\$ 30,611	\$ 82,117	\$ 61,506	\$ 161,188	\$ 111,768,024	\$ 112,148,391
<b>At September 30, 2009</b>	<b>\$ 44,598</b>	<b>\$ 39,634</b>	<b>\$ 75,958</b>	<b>\$ 79,611</b>	<b>\$ 161,188</b>	<b>\$ 124,825,318</b>	<b>\$ 125,226,307</b>

**NEVADA GEOTHERMAL POWER INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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(Unaudited)  
(Expressed in US Dollars)

**6. INTANGIBLE ASSETS**

	<b>Software</b>	
<b>Cost</b>		
<b>Balance as at June 30, 2009</b>	\$	66,556
Foreign exchange movement		3,398
<b>Balance as at September 30, 2009</b>	\$	69,954
<b>Accumulated amortization</b>		
<b>Balance as at June 30, 2009</b>	\$	53,542
Amortization for the period		3,378
Foreign exchange movement		2,824
<b>Balance as at September 30, 2009</b>	\$	59,744
<b>Carrying amounts</b>		
At June 30, 2009	\$	13,014
<b>At September 30, 2009</b>	\$	<b>10,210</b>

**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:

	<b>September 30,</b>	June 30,
	<b>2009</b>	<b>2009</b>
Blue Mountain Project - Nevada	\$ 90,533,617	\$ 87,565,210
Pumpnickel Valley Project - Nevada	156,865	118,455
Crump Geyser - Oregon	533,250	501,709
Black Warrior Peak Project - Nevada	384,397	375,752
	\$ 91,608,129	\$ 88,561,126

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.

**NEVADA GEOTHERMAL POWER INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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(Unaudited)  
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**7. INTERESTS IN GEOTHERMAL PROPERTIES (Continued)**

a) Blue Mountain Project, Nevada (Continued)

The following costs have been incurred on the project:

	<b>Three Months ended September 30, 2009</b>	Year ended June 30, 2009
Acquisition		
Property leases, permits and regulatory	<b>\$ 30,006.00</b>	\$ 132,250.00
Deferred exploration		
Geological and geophysical	<b>334,668</b>	1,071,345
Non-geological consulting	<b>750</b>	159,461
Drilling	<b>(131,744)</b>	31,734,701
Road Maintenance	-	9,060
Camp and field supplies	<b>177,155</b>	4,624,079
Testing	<b>14,958</b>	1,077,433
Interest capitalized	<b>2,792,614</b>	2,602,175
Decrease in drilling advances	<b>(250,000)</b>	(152,750)
Decrease in asset retirement obligation	-	(348,782)
Costs incurred during the period	<b>2,968,407</b>	40,908,972
Balance, beginning of period	<b>87,565,210</b>	46,656,238
Balance, end of period	<b>\$ 90,533,617</b>	\$ 87,565,210

b) Pumpnickel 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 Ormat a right of first refusal for the supply of the Pumpnickel project equipment in return for a BLM lease and preferred equipment pricing. The Newmont lease grants the Company the exclusive geothermal, surface and water rights. The Company pays \$3/acre, with all rental payments creditable to royalties due upon production of:

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

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**7. INTERESTS IN GEOTHERMAL PROPERTIES (Continued)**

b) Pumpnickel Valley Project, Nevada (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, of by-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.

The following costs have been incurred on the project:

	<b>Three Months ended</b>		<b>Year ended</b>
	<b>September 30,</b>		<b>June 30,</b>
	<b>2009</b>		<b>2009</b>
Acquisition			
Property leases, permits and regulatory	<b>\$ 14,894</b>	\$	24,852
Deferred exploration			
Camp and field supplies	<b>4,849</b>		8,007
Drilling	<b>-</b>		(5,739)
Feasibility study	<b>1,504</b>		-
Geological and geophysical	<b>16,666</b>		23,107
Non-geological consulting	<b>87</b>		33,471
Testing	<b>410</b>		4,128
Sierra Geothermal funding and option payments	<b>-</b>		30,629
Costs incurred during the period	<b>38,410</b>		118,455
Balance, beginning of period	<b>118,455</b>		-
Balance, end of period	<b>\$ 156,865</b>	\$	118,455

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**7. INTERESTS IN GEOTHERMAL PROPERTIES (Continued)**

c) Crump Geyser, Oregon

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

The following costs have been incurred on the project:

	<b>Three Months ended September 30, 2009</b>	Year ended June 30, 2009
Acquisition		
Property leases, permits and regulatory	\$ -	\$ 29,577
Deferred exploration		
Camp and field supplies	<b>2,390</b>	2,964
Geological and geophysical	<b>10,343</b>	37,506
Legal and consulting (non-geological)	<b>18,808</b>	4,786
Reports and maps	-	1,340
Costs incurred during the period	<b>31,541</b>	76,173
Balance, beginning of period	<b>501,709</b>	425,536
Balance, end of period	<b>\$ 533,250</b>	\$ 501,709

**NEVADA GEOTHERMAL POWER INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. INTERESTS IN GEOTHERMAL PROPERTIES (Continued)**

d) Black Warrior Peak Project, Nevada

The project is located in Washoe and Churchill Counties, Nevada. The Company has a total of 2,539 hectares (6,273 acres) of both private land and federal lands including water and surface rights. The private leases are subject to a royalty of 3.5% on gross revenue from electricity sales. The Company can purchase the royalty for \$1 million.

The following costs have been incurred on the project:

	Three Months ended September 30, 2009	Year ended June 30, 2009
Acquisition		
Property leases, permits and regulatory	\$ 289	\$ 33,409
Deferred exploration		
Camp and field supplies	1,343	5,199
Drilling	-	26,857
Geological and geophysical	6,968	110,654
Legal and consulting (non-geological)	45	12,678
Reports and maps	-	535
Costs incurred during the period	<b>8,645</b>	189,332
Balance, beginning of period	<b>375,752</b>	186,420
Balance, end of period	<b>\$ 384,397</b>	\$ 375,752

**8. DEFERRED CONSTRUCTION AMOUNTS PAYABLE**

At September 30, 2009, deferred construction amounts payable consisted of \$3,000,000 in deferred payments (June 30, 2009 - \$3,000,000) and holdbacks payable of \$5,949,408 (June 30, 2009 - \$6,028,380). These amounts are due upon completion of the Blue Mountain construction project, subject to satisfactory review by the Company.

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**9. LONG-TERM PAYABLES**

Long-term payables consist of Nevada Sales and Use Tax deferred on plant construction purchases. The taxes are payable over a period starting during 2009/2010 and ending October 31, 2013. Payments of approximately \$23,000 are due each month until October 2013. The amounts recorded in the financial statements are the scheduled repayments discounted at an effective interest rate of 14% per year. During the three month period ended, September 30, 2009, interest accretion of \$11,745 was capitalized to construction in progress (2008 – nil). The current portion of the Sales and Use Tax has been included in accounts payable.

	<b>September 30, 2009</b>	June 30, 2009
Taxes payable	\$ 1,062,609	\$ 1,012,448
Short-term portion included in accounts payable	(451,443)	(380,266)
Long-term portion	<b>\$ 611,166</b>	<b>\$ 632,182</b>

**10. LONG-TERM LIABILITIES**

	<b>September 30, 2009</b>	June 30, 2009
Long-term liabilities	<b>\$ 171,107,480</b>	\$ 149,095,125
Short-term portion	<b>(171,107,480)</b>	(149,095,125)
	<b>\$ -</b>	<b>\$ -</b>

a) TCW financing

On August 29, 2008, the Company closed a financing with TCW, a New York based investment management firm, for an amount of up to \$180 million.

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;
- Accrued interest will be added to the principal prior to commercial operation and thereafter 6% interest per annum may be deferred if enough cash is not available to fund the full interest payments;
- The principal will be repaid from available cash flow – the lender has the right to receive cash interest plus 60% of available project cash, which will increase to 100% if target loan balances are exceeded;
- Upon the earlier of repayment of the debt and maturity, the lender can exercise a cash settled option for a nominal exercise price and receive in cash an amount equal to 7.5% of the fair market value of the equity of NGP Blue Mountain I LLC (“NGP I”) (See Note 11).
- The last \$10 million of the \$180 million commitment, when drawn, resulted in an increase of the cash settled option by 0.5% interest in the project for each million drawn;

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**10. LONG-TERM LIABILITIES (Continued)**

- The loan may be refinanced under certain circumstances. Refinancing of the balance in excess of \$70 million prior to refinancing target date is subject to a 2% prepayment fee. Refinancing of the balance below \$70 million, and the total balance after refinancing target date, is subject to a make-whole premium equal to the difference between the present value of the remaining payments discounted at the yield of similar maturity United States Treasury securities and the principal amount of the loan being repaid;
- The refinancing target date is the later of 30 days after commercial operation or substantial completion, and may not be later than February 28, 2010.

The total amount due under the TCW loan is \$180,977,328 at September 30, 2009 (June 30, 2009 - \$159,598,619). 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 I, and over substantially all the assets of NGP I. Holdco's assets comprise the equity interests of NGP I. NGP I's assets include the Company's Blue Mountain leases and the electricity generation plant under construction. 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.

The terms of the loan are structured in such a way as to require the Company to refinance a significant portion of the debt outstanding as at balance sheet date shortly after the later of commercial operation and substantial completion of the electricity generation plant, in order to avoid debt covenant violations (see note 18, subsequent events, for an anticipated waiver). As at September 30, 2009, the Company was not in compliance with certain of the terms of the loan agreement, principally those relating to the project capital costs, and while no event of default has been asserted, the loan has been disclosed as a short-term liability.

	<b>Three Months ended September 30, 2009</b>	Year ended June 30, 2009
Opening balance	\$ 149,095,125	\$ -
Loan proceeds	15,306,603	148,166,680
Transaction costs	(51,676)	(8,874,089)
Net cash raised during the period	15,254,927	139,292,591
Fair value of cash settled option at inception	-	(1,759,501)
Interest added to loan balance	6,064,409	11,167,014
Commitment fee added to loan balance	7,697	264,925
Interest accretion	1,006,717	907,974
Adjustment: change in estimate of future cash flows	(321,395)	(777,878)
Balance, end of period	<b>\$ 171,107,480</b>	<b>\$ 149,095,125</b>

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**11. CASH SETTLED OPTION**

	<b>Three Months ended</b>	<b>Year ended</b>
	<b>September 30, 2009</b>	<b>June 30, 2009</b>
Opening balance	\$ 1,820,844	\$ -
Fair value at inception	-	1,759,501
Change in fair value recorded in income	657,876	61,343
Balance, end of period	<b>\$ 2,478,720</b>	<b>\$ 1,820,844</b>

Due to the Company drawing the final \$10 million of the \$180 million commitment, the lender can now exercise the cash settled option equal to 12.5% of the fair market value of the equity in NGP Blue Mountain I LLC. The fair value of the cash settled option at September 30, 2009 incorporates the additional 5% interest in the fair market value of the equity NGP Blue Mountain I, LLC that the holder is entitled to. .

**12. ASSET RETIREMENT OBLIGATION**

The asset retirement obligation arises from the Company's investment in the Blue Mountain project. Although the ultimate amount of the site restoration and reclamation costs is uncertain, the present value of these obligations is based on information currently available. Such costs include: land rehabilitation, demolition of buildings, removal of cement from and the restoration of well holes, removal of power poles and other costs. The majority of costs attributed to these commitments and contingencies are expected to be incurred after 2039, 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. The total undiscounted amount of expected cash flows required to settle the asset retirement obligation is estimated at \$10,580,156 (June 30, 2009 - \$10,580,156). The liability for the expected cash flows, as reflected in the consolidated financial statements, has been discounted at a credit adjusted risk-free rate of 9.31% (June 30, 2009 - 9.31%).

	<b>Three Months ended</b>	<b>Year ended</b>
	<b>September 30, 2009</b>	<b>June 30, 2009</b>
Opening Balance	\$ 932,689	\$ 1,054,645
Additonal liabilities incurred - plant	-	168,380
Additonal liabilities incurred - wells	-	235,140
Revision of prior years estimates	-	(583,922)
Accretion expense	18,384	58,446
Balance, end of period	<b>\$ 951,073</b>	<b>\$ 932,689</b>

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**13. 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

	<b>Shares</b>	<b>Amount</b>
Balance, June 30, 2008	94,169,504	\$ 53,701,819
Issued for cash		
Stock options exercised	378,000	94,899
Stock options exercised - stock option valuation	-	61,030
Balance, June 30, 2009	94,547,504	\$ 53,857,748
Issued for cash		
Stock options exercised	35,000	14,353
Stock options exercised - stock option valuation	-	4,284
Balance, September 30, 2009	94,582,504	\$ 53,876,385

c) Stock Options

During the quarter ended September 30, 2009, the Company received \$14,353 (2008 - \$60,478) from the exercise of 35,000 (2008 – 225,000) stock options.

A summary of the changes in stock options for the quarter ended September 30, 2009 is below:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price CAD \$</b>
Balance, June 30, 2009	9,296,000	\$ 0.76
Granted	130,000	0.66
Exercised	(35,000)	0.45
Forfeited or Expired	(410,000)	(1.12)
Balance, September 30, 2009	8,981,000	\$ 0.75

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**13. SHARE CAPITAL (Continued)**

c) Stock Options (Continued)

As at September 30, 2009, the following stock options were outstanding:

Exercise Price CAD \$	Number Outstanding	Remaining Contractual Life (Yrs)	Weighted Average Exercise Price CAD \$	Number Exercisable
0.45	1,089,000	4.44	<b>0.45</b>	828,000
0.50	100,000	4.14	<b>0.50</b>	100,000
0.54	367,000	3.18	<b>0.54</b>	367,000
0.63	150,000	4.58	<b>0.63</b>	37,500
0.64	30,000	4.81	<b>0.64</b>	7,500
0.65	3,535,000	2.51	<b>0.65</b>	3,535,000
0.66	100,000	4.81	<b>0.66</b>	25,000
0.80	250,000	2.84	<b>0.80</b>	250,000
0.81	80,000	3.01	<b>0.81</b>	80,000
0.90	1,360,000	1.30	<b>0.90</b>	1,360,000
1.02	100,000	3.78	<b>1.02</b>	100,000
1.03	1,323,000	3.66	<b>1.03</b>	1,323,000
1.08	200,000	3.87	<b>1.08</b>	200,000
1.10	42,000	3.83	<b>1.10</b>	42,000
1.15	255,000	3.15	<b>1.15</b>	255,000
	<b>8,981,000</b>	<b>2.93</b>	<b>0.75</b>	<b>8,510,000</b>

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 quarter ended September 30, 2009, the Company recorded \$42,171 (2008 - \$124,981) 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. Historically, most options granted vested immediately. During the prior fiscal year, the Board approved a policy under which employee options vest over an 18 month period. 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:

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**13. SHARE CAPITAL (Continued)**

c) Stock Options (Continued)

	<b>2009</b>	2008
Risk free interest rate	<b>1.33%</b>	2.76-3.76%
Expected life	<b>3 years</b>	2 years
Expected volatility	<b>70%</b>	58-65%
Expected dividend yield	<b>0%</b>	0%
Weighted average value of options granted	<b>\$0.32</b>	\$0.31

d) Agents' Compensation Units and Options

As at September 30, 2009, the following agents' options were outstanding:

<b>Expiry</b>	<b>Exercise Price CAD\$</b>	<b>Number Outstanding</b>	<b>Remaining Contractual Life (Yrs)</b>
November 15, 2009	\$ 1.00	1,050,000	0.13
		<b>1,050,000</b>	

**14. FINANCIAL INSTRUMENTS**

a) Fair value of financial assets and financial liabilities

The carrying values of the following financial assets and liabilities are assumed to approximate their fair values, due to the relatively short periods to maturity of these items: Cash and cash equivalents, amounts receivable, restricted cash, accounts payable and accrued liabilities and deferred construction amounts payable.

The fair value of the marketable securities is based on market prices as at September 30, 2009 (a Level 1 input). The fair value of the cash settled option is based on a discounted cash flow model (Level 3 inputs). The calculation was performed using an interest rate of 10% and a discount rate varying between 8.99% and 13.18%

The fair value of the long-term liability is estimated for disclosure purposes by discounting the future contractual cash flows at the interest rate that would be available to the Company at the balance sheet date. The effective interest rate of the instrument over its expected life is 17%. The calculation was performed using an estimated interest rate of 9%.

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**14. FINANCIAL INSTRUMENTS (Continued)**

a) Fair value of financial assets and financial liabilities (Continued)

In accordance with Section 3862 of the CICA Handbook, the following table outlines the classification, carrying amounts and fair values of our financial assets and liabilities.

<u>Financial asset (liability)</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets held for trading		
Cash and cash equivalents	\$ 2,079,055	\$ 2,079,055
Restricted cash	14,356,259	14,356,259
Loans and receivables		
Amounts receivable	329,900	329,900
Available-for-sale financial assets		
Marketable securities	112,076	112,076
Financial liabilities held for trading		
Cash settled option	(2,478,720)	(2,478,720)
Other financial liabilities		
Accounts payable and accrued liabilities	(7,162,529)	(7,301,475)
Deferred construction amounts payable	(8,949,408)	(8,949,408)
Long-term payables	(611,166)	(735,287)
Long-term liability	(171,107,480)	(182,026,668)

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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**14. FINANCIAL INSTRUMENTS (Continued)**

b) Financial risk factors

The Company's activities expose it to a variety of financial risks, including market risk (this includes currency risk, interest rate risk and other price risk) as well as credit risk and liquidity risk. 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:

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices.

*Currency risk*

The operating results and financial position of the Company are reported in US dollars. The Company operates in Canada and the United States. The Company's US operations' functional currency is the US dollar, and these operations are therefore subject to risk arising from future transactions as well as recognized assets and liabilities which are denominated in currencies other than US dollar. The Company's Canadian operations' functional currency is the Canadian dollar and these operations are therefore subject to risk arising from future transactions as well as recognized assets and liabilities which are denominated in currencies other than Canadian dollar.

The sensitivity analysis below provides details on the effect of a reasonably possible change in exchange rates on the net income and other comprehensive income of the Company. The effect on other comprehensive income arises from the translation of the financial statements of the Company's Canadian operations into US dollar.

	Carrying amount of asset (liability) September 30, 2009	5% increase in value of CAD	5% decrease in value of CAD
<b>Effect on net income</b>			
Cash and cash equivalents denominated in USD in Canadian Operations	\$ 657,500	\$ (32,057)	\$ 32,057
<b>Effect on other comprehensive income</b>			
Cash and cash equivalents denominated in CAD	875,795	46,063	(41,679)
Amounts receivable denominated in CAD	26,717	1,405	(1,271)
Accounts payable and accrued liabilities	(219,281)	(11,533)	10,435
	<b>\$ 1,340,732</b>	<b>\$ 3,878</b>	<b>\$ (458)</b>

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**14. FINANCIAL INSTRUMENTS (Continued)**

b) Financial risk factors (Continued)

*Cash flow and fair value interest rate risk*

Financial instruments with floating rates are subject to cash flow interest rate risk; financial instruments with fixed rates are subject to fair value interest rate risk. The Company invests its cash and cash equivalents in certificates of deposit and guaranteed investment certificates and bankers' acceptances with terms of 90 days or less in order to maintain liquidity while achieving a satisfactory return for shareholders. A balance is maintained between fixed and floating rate instruments. The long-term liability has a fixed interest rate of 14% and is subject to fair value interest rate risk. The instrument is carried at amortized cost, and changes in market interest rates will not affect income.

	Carrying amount of asset (liability) September 30, 2009	1% increase in interest rates	1% decrease in interest rates
<b>Effect on net income</b>			
Cash and cash equivalents with floating rates	\$ 2,464,277	\$ 10,989	\$ (1,004)
Cash settled option	(2,478,720)	315,998	(352,579)
	<b>\$ (14,443)</b>	<b>\$ 326,987</b>	<b>\$ (353,583)</b>

*Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as commodity or equity prices. The Company is subject to other price risk, since the fair value of the marketable securities is affected by equity prices.

	Carrying amount of asset (liability) September 30, 2009	50% increase in share price	50% decrease in share price
<b>Effect on other comprehensive income</b>			
Marketable securities	\$ 112,076	\$ 56,038	\$ (56,038)

In addition the fair value of the cash settled option is affected by estimated market prices for electricity.

**Sensitivity analysis to cash flow electricity price risk:**

	Carrying amount of asset (liability) September 30, 2009	2% increase in electricity prices	2% decrease in electricity prices
<b>Effect on net income</b>			
Cash settled option	\$ (2,478,720)	\$ (106,955)	\$ 106,978

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**14. FINANCIAL INSTRUMENTS (Continued)**

b) Financial risk factors (Continued)

*Credit Risk*

The Company has limited exposure to credit risk, since 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 of these items 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 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, amounts due from a previous joint-venture partner, Sierra Geothermal Power Corp ("SRA"), and from NV Energy ("NVE") for electricity sales. 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. In December 2008, SRA notified the Company that it will not be able to meet the final commitments in order to earn a 50% joint-venture interest in the Pumpnickel Project, and is disputing the amount owing to the Company. The Company has reduced the amount of the receivable from SRA to the estimated recoverable amount as at balance sheet date.

ii) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company ensures there are sufficient funds available to meet short-term business requirements, taking into account the Company's holdings of cash and cash equivalents and undrawn funds from the committed TCW loan. Management prepares annual operating and capital expenditure budgets and prepares cash flows and liquidity forecasts.

The terms of the TCW loan are structured in such a way as to require the Company to refinance a significant portion of the debt outstanding as at balance sheet date shortly after the later of commercial operation and substantial completion of the electricity generation plant, in order to avoid debt covenant violations. As at September 30, 2009, the Company was not in compliance with certain of the terms of the loan agreement, principally those relating to the project capital costs, and while no event of default was asserted, the loan was disclosed as a short-term liability.

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**14. FINANCIAL INSTRUMENTS (Continued)**

b) Financial risk factors (Continued)

ii) Liquidity Risk (Continued)

In November, 2009 the Company received a cash grant of \$57.9 million from the US Department of Treasury facilitating a \$30 million repayment of the TCW loan. The Company is currently negotiating terms under which it may use the remaining proceeds to complete the Blue Mountain project, particularly the required additional drilling. Further partial repayment of the TCW loan will take place if and when new long term debt, such as the potential John Hancock debt, is issued.

On November 20, 2009 the Company reached an agreement in principle with TCW regarding the use of grant proceeds for drilling. The agreement is subject to legal due diligence and final approval by both parties. The agreement provides the Company with \$2 million for general corporate purposes and the remaining \$25.9 million from the grant proceeds to complete the required additional drilling and to pay final project costs. The agreement also waives the previous non compliance with capital budget requirements and, until the earlier of the closing of a potential John Hancock loan and March 31, 2010, the agreement waives a yield maintenance penalty on early loan repayment and the interest coverage covenant.

The Company intends to raise additional long term debt in order to repay a portion of the loan and comply with the TCW loan terms, particularly the interest coverage covenant. The Company has engaged John Hancock to provide long term debt up to \$95 million, however this long term loan is subject to due diligence and final credit committee approval. John Hancock is applying for a loan guarantee from the US Department of Energy under its new Financial Institutions Partnership Program (FIPP). The Company hopes John Hancock's work will be completed before year end, but it may extend into the early months of 2010. Interest coverage will depend upon the size of the term loan, the power production after new drilling and the interest rate at the funding date. None of these variables can be predicted with certainty as of the date of these financial statements.

The Company is highly dependant upon successfully drilling wells to support an increase in power supply, and/or agreement by NVE and/or TCW to certain contract waivers and/or changes. In the event that the Company is unable to raise sufficient financing to repay the TCW loan to approximately \$70 million, or further drilling at Blue Mountain is either unsuccessful or is not completed on time or on budget, then the Company could default on its obligations to TCW and/or NVE, which may have a material adverse effect on the Company.

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**14. FINANCIAL INSTRUMENTS (Continued)**

b) Financial risk factors (Continued)

iii) Liquidity Risk (Continued)

The Company will continue to incur operating losses until closing the potential John Hancock loan. Without additional new financing or restructuring of current financing the Company may not be able to maintain operations. The Company is drilling additional wells to support higher power production and also seeking debt financing from John Hancock to resolve this issue, however the additional drilling may not be successful and the John Hancock financing is not certain to occur.

Repayment of the TCW loan will take place on a quarterly basis based on "available cash flow" as defined in the TCW loan agreement. In the event that cash flows available for the repayment are not sufficient to cover the interest payment then due, interest up to a maximum of 6% may be added to the outstanding balance. Principle repayments may be deferred until November 30, 2023 if sufficient cash flows are not available earlier.

The table below presents a maturity analysis of the Company's financial liabilities that shows the remaining contractual maturities:

	Carrying amount	Contractual cash flows	Within 1 year	1 - 5 years	More than 5 years
<b>Non-derivatives</b>					
Accounts payable and accrued liabilities	\$ 7,162,529	\$ 7,301,475	\$ 7,301,475	\$ -	\$ -
Deferred construction amounts payable	8,949,408	8,949,408	8,949,408	-	-
Long-term payables	611,166	735,287	-	735,287	-
Long-term liability	171,107,480	259,555,731	126,025,660	49,430,625	84,099,446
<b>Derivatives</b>					
Cash settled option	2,478,720	10,442,420	-	-	10,442,420

For balance sheet purposes, the TCW liability has been classified as short-term, since the Company was not in compliance with all the terms of the loan agreement as at September 30, 2009. The contractual cash flows presented above were calculated with reference to the total expected cash flows over the expected life of the liability. Actual cash flows could ultimately take place significantly earlier than indicated above and/or at significantly different amounts. The cash flow could occur earlier if TCW demands payment due to the non-compliance with the terms of the loan agreement. Under this scenario, the Company would have to pay the full balance outstanding which was \$180,978,328 as at September 30, 2009. The total cash repayable will also be affected by the amount of the available cash flow from the project.

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**15. 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.

As at September 30, 2009, a total of \$110,611 (June 30, 2009 - \$108,386) 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.

During the quarters ended September 30, 2009 and 2008, the following were paid or accrued to directors, officers, former officers and to companies controlled by directors of the Company:

	For the Three Months ended September 30,	
	<b>2009</b>	2008
Administration	<b>\$ 95,490</b>	101,465
Director fees	17,315	23,758
Consulting, including financing success fee	<b>62,008</b>	1,041,093

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 primarily result from success fees paid to a director of the Company in connection with successfully arranging the Company's TCW loan and letters of credit in support of the Limited Notice to Proceed contracted with Ormat.

**16. 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:

2010	\$ 703,330
2011	711,876
2012	677,583
2013	694,329
2014	487,523
2015 and thereafter	2,117,149
	<b>\$ 5,391,790</b>

- 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.

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**16. COMMITMENTS (Continued)**

On November 3, 2008, the Company and NVE amended the PPA at higher pricing and 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. The agreement also commits the Company to an increase in the letter of credit by \$1.6 million, within five days following commercial operation which was provided on November 27, 2009.

- c) A Large Generator Interconnect Agreement (“LGIA”), 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, initially 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.
- d) After declaring commercial operation under the PPA, in certain circumstances, particularly if the minimum 36.1 MW is unavailable, then the Company will be liable for the cost of alternative power and renewable energy credits for a maximum of three years.
- e)

**Restricted Cash (relating to collateralized amounts) Short-term**

Beneficiary	Issuing Bank	September 30, 2009	June 30, 2009
Ormat	Bank of the West	\$ 10,760,823	\$ 15,000,000
NV Energy – LGIA	Bank of the West	1,370,100	1,370,100
		<b>\$ 12,130,923</b>	<b>\$ 16,370,100</b>

**Restricted Cash (relating to collateralized amounts) Long-term**

Beneficiary	Issuing Bank	September 30, 2009	June 30, 2009
NV Energy – PPA	Royal Bank	\$ 645,000	\$ 645,000
NV Energy – PPA	Bank of the West	1,580,336	1,580,336
		<b>\$ 2,225,336</b>	<b>\$ 2,225,336</b>

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**17. ADDITIONAL CASH FLOW INFORMATION**

a) <b>Cash and cash equivalents is comprised of:</b>	<b>As at September 30,</b>	
	<b>2009</b>	<b>2008</b>
Cash	\$ 1,290,682	\$ 211,861
Short-term deposits	788,373	3,039,202
	<b>\$ 2,079,055</b>	<b>\$ 3,251,063</b>

b) <b>Interest</b>	<b>For the Three Months ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
Interest Received	\$ 16,619	\$ 71,957
Interest Paid	-	962,357

c) <b>Supplementary Non-Cash Investing Information</b>	<b>As at September 30,</b>	
	<b>2009</b>	<b>2008</b>
Amount of accounts payable for geothermal property interests	\$ 406,983	\$ 2,534,668
Amount of accounts payable for property, plant and equipment	6,748,687	11,266,310
Amount of deferred construction amounts payable	8,949,408	-
Amount of future income tax included in construction in progress	2,016,979	-

**18. SUBSEQUENT EVENTS**

Except as disclosed elsewhere in these consolidated financial statements, the following are significant events subsequent to September 30, 2009:

- a) Subsequent to September 30, 2009, the Company drew down a further \$4,683,295 on the TCW financing to pay construction and drilling expenses of the Blue Mountain project including those incurred prior to September 30, 2009.

On October 13, 2009, the Company engaged John Hancock to provide a term loan facility up to \$95 million for the Blue Mountain, Faulkner 1 geothermal project. The loan facility is subject to John Hancock's satisfactory project and legal due diligence, documentation and final credit approval. The interest rate per annum under the term facility will be fixed at the time of the financing date at the current yield to maturity on the U.S. Treasury securities with a term equal to the average life of the loan plus a spread.

- b) On October 31, 2009, the Company was awarded from the US Department of Energy approximately \$3.4 million as part of a cost sharing proposal. The funds will be used for exploration and drilling on both the Crump Geyser and Black Warrior projects.

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**18. SUBSEQUENT EVENTS (Continued)**

- c) On November 12, 2009, the Company received \$57.9 million from the US Department of the Treasury as part of the cash grant filed under the American Recovery and Reinvestment Act of 2009.
- d) On November 13, 2009, the Company repaid \$30 million of the TCW loan.
- e) On November 15, 2009, 735,000 of the agents' options expired unexercised. Prior to this expiry date, in October and November 2009, 315,000 of the agents' options were exercised for proceeds of CDN\$315,000.
- f) On November 20, 2009 the Company reached an agreement in principle with TCW regarding the use of grant proceeds for drilling. The proposed agreement is subject to legal due diligence and final approval by both parties. The proposed agreement provides the Company with \$2 million for general corporate purposes and the remaining \$25.9 million from the grant proceeds to complete the required additional drilling and to pay final project costs. The proposed agreement also waives the previous non compliance with capital budget requirements and, until the earlier of the closing of the potential John Hancock loan and March 31, 2010, the agreement waives a yield maintenance penalty on early loan repayment and the interest coverage covenant. In return for these concessions, the Company will give TCW 4.5 million five year warrants exercisable at a Cdn\$1.50 that must be exercised within 30 days if the Company's stock closes above \$2 for a period of 20 consecutive days. The Company expects final approval of this agreement in principal over the next several weeks.
- g) On November 20, 2009 the Company declared commercial operation under the PPA with NV Energy, facilitating charging a higher contract power price, rather than a startup rate.
- h) On November 27, 2009 the Company increased the letter of credit in favour of NV Energy by approximately \$1.6 million as required by the PPA. The Company has secured the increase with \$1.6 million cash on deposit with Bank of the West.

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### **EFFECTIVE DATE**

This Management Discussion and Analysis ("MD&A") is an overview of the activities of Nevada Geothermal Power Inc. ("the Company") for the quarter ended September 30, 2009 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, 2009. 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 November 30, 2009. This MD&A contains statements that constitute "forward-looking statements" and other cautionary notices (Refer to "Forward Looking Statements and Estimates" on page 12).

### **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 turbine 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 the demand for renewable power 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, Pumpnickel and Black Warrior, all located in Nevada, and Crump Geyser located in Oregon.

### **OVERALL PERFORMANCE**

The Company's short term strategy remains 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.

The Company has also begun assessing and planning development of its other properties, with a view to maximizing power plant development and value created before a US production tax credit extension expires on December 31, 2013. As part of this work, on October 29, 2009, NGP was granted \$1,764,272 for the Crump Geyser Geothermal Project and \$1,597,847 for the Black Warrior Geothermal Project. The DOE funding, combined with equal funding from NGP, is sufficient to conduct confirmation drilling to demonstrate the viability of geothermal resources at both projects.

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At Blue Mountain, by June 30, 2009, 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 an amended Power Purchase Agreement ("PPA") with NV Energy Company ("NVE") for the sale of power up to 44 MW (net). The Company had also signed a Large Generator Interconnection Agreement ("LGIA") with NVE 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, and Industrial Builders of Ontario Oregon for construction of its wellfield gathering system. The transmission line from the plant to the NVE interconnection was complete. Financing up to \$180 million was committed by Trust Company of the West ("TCW"), a major New York based investment management firm. The Company had drilled six production wells, two deep injection wells and two shallow injection wells. The Company had obtained all licenses and permits, and following a review of detailed engineering the State of Nevada had issued a Chemical Accident Prevention Plan ("CAPP") permit to construct the contracted power plant. As at June 30, 2009, Ormat had completed approximately 91% of the work under the fixed price EPC contract. Following the injection drilling GeothermEx's computer simulation modeling indicated that the Blue Mountain reservoir has the long term capacity to produce over 40 MW net; but the current production and injection wells support approximately 70% of the targeted 40 MW (net) power production. Two additional wells are necessary to achieve the approximately 40 MW (net) planned. During August the Company completed construction, tested the power plant, and began power sales to NV Energy more than three months before the originally planned December 31, 2009 completion date. Testing indicated the plant will produce significantly greater than 49.5 MW (gross) output when new wells support additional power generation.

Subsequent to the quarter end, on October 9, 2009 the Company acknowledged substantial completion of the power plant, applied for a \$57.9 million US Department of Treasury grant, paid Ormat approximately \$2.8 million in bonuses for early completion and higher than contracted plant performance, and took custody and control of the plant. The grant was received in mid November. The Company promptly repaid \$30 million of the TCW loan balance and subsequently negotiated a waiver with TCW that provides approximately \$27.9 million for the required additional drilling, some final project costs and \$2 million for general corporate purposes. The waiver also results in full compliance with the Loan Agreement and waives a yield maintenance repayment penalty and an interest coverage covenant until the earlier of a subsequent potential financing by John Hancock or March 31, 2010. The TCW waiver facilitates declaring Commercial Operation under the PPA and full contract electricity pricing pending the potential John Hancock loan and drilling the required new wells.

On October 13, 2009 the Company announced that it appointed John Hancock Life Insurance Company ("John Hancock") to be the exclusive debt provider for up to \$95 Million 20 year term loan. The John Hancock Facility is expected by management to close prior to March 31, 2010, possibly as early as December 2009. It is subject to satisfactory project and legal due diligence, documentation and final credit approval. Further to the above, on October 7, 2009, the U.S. Department of Energy (DOE) issued its first Loan Guarantee Solicitation under its Financial Institutions Partnership Program (FIPP). The new DOE program is designed to facilitate long term financing for renewable development projects using commercial technology and applies to 80 percent of the loan amount. DOE will make available up to \$750 million to pay for the Credit Subsidy Cost of loan guarantees which it estimates will support guarantees for \$4-8 billion in loans. John Hancock, as Lender for the 'Faulkner 1' geothermal project, has made an application to DOE for a Loan Guarantee under the FIPP. The interest rate per annum under the potential term facility will be fixed at the funding date at the current yield to maturity on the U.S. Treasury securities with a term equal to the average life of the loan plus a spread. Based on the current treasury yield and depending on the DOE participation with a Loan Guarantee, the John Hancock facility should be priced between 5.0% and 7.5%.

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### **GEOTHERMAL PROPERTY INTERESTS**

As at September 30, 2009, 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<sup>2</sup> (4 mi<sup>2</sup>).

The first production well, 26A-14, was completed in September 2006 to a total depth of 858 m (2815 ft). Data from flow-test results indicated a prolific well, with the potential to produce 7 MW (net) of power. Subsequently, production wells 23-14, 25-14, 14-14, 15-14 and 17-14 were completed. Flow tests indicated each well had the potential to produce approximately 7 MW – 7.5 MW (net) of power.

Well 58-15 was completed May 8, 2008. It can be used for injection or production. Production and injection tests indicated the highest temperatures (213°C, 415°F) at Blue Mountain and a third party geothermal consulting company determined that data from flow test results indicated the potential to produce 8.4 MW (net) of power. Nevertheless, 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 2008 and drilling in the same area resulted in additional injection capacity at wells 57-15, 61-22, and 58B-15.

During June, GeothermEx Inc. developed a simulation of the power production supported by the wells drilled to date, concluding an additional two wells are necessary to support production of the originally planned approximately 40 MW (net). The Company will use funds from the recently received cash grant to drill up to three new wells, hoping to enhance the wellfield output beyond the originally planned 40 MW (net) up to as much as 47 MW (net) which may be possible given the above contract Ormat plant performance.

#### **2) Pumpnickel 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, 1,405 hectares (3,471 acres) leased from BLM, 1,045 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 Pumpnickel power plant equipment, and 129 hectares (320 acres) under four private leases. 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).

In September 2007, a third party consultant prepared a report regarding structural geological analysis of seismic reflection data in Pumpnickel Valley that may indicate permeable pathways for up-flowing geothermal fluids. 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

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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.

During the quarter we completed a Low Sun Angle Photography survey and are in the process of performing a photo geological and lineament analysis to help refine our structural model. This work completed our annual work commitment.

NGP terminated an option agreement with Sierra Geothermal Power Corp., a TSX Venture listed company ("SRA") on December 19, 2008.

### **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.

Field reconnaissance and data reviews are continuing. A thermal anomaly contour map helped identify a target location for an exploration well which will help 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. Tubing has been installed in abandoned 2-meter boreholes, and will be used for experimental / exploratory soil gas sampling and a 3-point schlumberger resistivity study has been completed.

### **4) Crump Geyser Project – Lake County – Oregon**

The Crump Geyser project is located 48 km (30 miles) 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<sup>2</sup> (2 mi<sup>2</sup>).

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 2010. Fiscal 2009 work commitments are complete and field reconnaissance in preparation for upcoming geophysical work continues. An ultralight Aeromag geophysical study is planned for 2010 which will contribute to a data-sharing program with the United States Geological Survey ("USGS"), who will be undertaking

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precision gravity work in the same area. An environmental study is planned, to determine appropriate actions, prior to drilling and or plant construction, to manage wetlands and lakes.

## FINANCIAL SUMMARY

During the quarter ended September 30, 2009, the Company continued developing its Blue Mountain, Nevada property by completing power plant and gathering system construction and most testing. Substantial completion under the EPC contract was declared just after quarter end on October 9, 2009. The Company delivered power to NV Energy early as a result of an early power plant start up. Simultaneously, the Company continued negotiating permanent funding to replace a large portion of the TCW loan as well as fund project expenditures, such as the additional drilling, in excess of the available TCW funds (\$180 million).

The Company reports its results in US currency since its most significant expenditures and the funds borrowed for construction are denominated in US dollars. Also, after startup, revenue and operating costs will be generated and incurred within Nevada and denominated in US dollars.

During the quarter, operating expenses remained 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, to assist in understanding trends we include the table below showing Canadian dollar operating expenses and prior period comparisons.

	For the Three Month Period Ended September 30,	
	2009	2008
	(expressed in Cdn dollars)	
<b>Operating Expenses</b>		
Accounting and audit	\$ 113,637	101,259
Administration	317,263	251,985
Accretion of asset retirement obligation	20,173	20,295
Amortization	21,205	20,384
Consulting fees	78,589	159,356
Conventions and publishing	31,124	69,659
Investor communication	2,862	18,435
Insurance	13,564	14,648
Legal	123,541	54,656
Office expenses	38,975	37,652
Rent and telephone	40,897	32,745
Stock-based compensation	46,274	126,256
Transfer agent and regulatory fees	5,623	4,862
Travel and business development	67,421	61,827
	<b>921,148</b>	<b>974,019</b>
<b>Other Income (expenses)</b>		
Change in fair value of cash settled option	(721,887)	-
Financing expenses	(311,083)	-
Foreign exchange	(78,307)	(1,809,640)
Interest income	18,236	74,958
	<b>(1,093,041)</b>	<b>(1,734,682)</b>
<b>Net Loss</b>	<b>\$ (2,014,190)</b>	<b>\$ (2,708,701)</b>

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During the quarter ended September 30, 2009 the Company's net loss was Cdn \$2,014,190 (US\$1,835,587 or US\$ 0.02 per share) compared to a loss for the quarter end September 30, 2008 of Cdn \$2,708,701 (US\$2,600,406, or US\$0.03 per share). The net loss decrease results primarily from a lower foreign exchange loss, offset in part by the change in cash settled option value and undrawn commitment fees on the TCW loan. The change in foreign exchange loss results largely from designating the Company's US subsidiary self sustaining and changing the reporting currency to the US dollar, which resulted in translation to the reporting currency using the current rate method. The change in reporting currency was made 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 and US dollar denominated power purchase agreement.

Operating expenses continue to increase with the size and scope of operations as the Company continues to invest in its Blue Mountain project. The reduction in the quarter, compared to the prior year period, results from the timing of accounting expenses and lower stock based compensation. Administration and consulting costs of Cdn \$395,852 (2008 – Cdn \$411,341) did not increase since the number of administration employees has not increased.. Convention and publishing costs as well as investor relations expenses of Cdn \$39,609 (2008 – Cdn \$92,956) declined as a result of a reduction in third party investor relations services and careful management in light of the limited financing activity.

The Company recorded a non-cash stock-based compensation expense of Cdn \$46,274 (2008 – Cdn \$126,256), which was lower than the previous year due primarily to a lower stock price and partial vesting. Also, the Company recorded a non-cash loss resulting from the charge relating to the change in fair value of the cash settled option of CDN \$721,887 (2008 – Cdn \$nil), which results largely from the increase from 7.5% to 12.5% consistent with the higher borrowings from TCW.

Losses are partially offset by interest income Cdn \$18,236 (2008 – Cdn \$74,958). The decrease during the most recent quarter results from a lower cash balance and lower short term interest rates.

### SUMMARY OF QUARTERLY RESULTS

	<b>Period</b>	<b>Revenue</b>	<b>Loss (Income)</b>	<b>Loss (income) per share</b> (Basic and fully diluted)
1 <sup>st</sup>	Quarter 2010	\$ Nil	\$1,835,587	\$ 0.02
4 <sup>th</sup>	Quarter 2009	\$ Nil	\$1,362,539	\$ 0.01
3 <sup>rd</sup>	Quarter 2009	\$ Nil	\$476,277	\$ 0.01
2 <sup>nd</sup>	Quarter 2009	\$ Nil	\$649,538	\$ 0.01
1 <sup>st</sup>	Quarter 2009	\$ Nil	\$2,600,406	\$ 0.03
4 <sup>th</sup>	Quarter 2008	\$ Nil	\$1,301,975	\$ 0.01
3 <sup>rd</sup>	Quarter 2008	\$ Nil	\$1,052,864	\$ 0.01
2 <sup>nd</sup>	Quarter 2008	\$ Nil	\$619,313	\$ 0.01

The loss for the disclosed periods results primarily from operating expenses (people and associated costs), offset by interest income and, until 2009, option proceeds in excess of mineral property costs associated with the Pumpnickel joint venture agreement. The Company's operating expenses also relate to the Cdn/US dollar exchange rate, the charge for the cash settled option provided to TCW, financial resources available and the development work undertaken. Observable trends may not be meaningful.

The current trend is generally increasing losses as the Company grows and develops its most

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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.

### **TRANSACTIONS WITH RELATED PARTIES**

As at September 30, 2009, a total of \$110,611 (June 2008 - \$108,386) 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.

During the quarters ended September 30, 2009 and 2008, the following were paid or accrued to directors, officers, former officers and to companies controlled by directors of the Company:

	<b>2009</b>	<b>2008</b>
Administration	<b>\$ 95,490</b>	\$ 101,465
Director fees	<b>17,315</b>	23,758
Consulting, including financing success fee	<b>62,008</b>	1,041,093

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 primarily result from success fees paid to a director of the Company in connection with successfully arranging the Company's TCW loan and letters of credit in support of the Limited Notice to Proceed contracted with Ormat. The Company estimates financing success fees payable to a director of the Company could reach, in total, approximately \$2.6 million upon obtaining senior financing replacing all or a portion of the TCW financing.

### **OFF-BALANCE SHEET ARRANGEMENTS**

As at June 30, 2009, the Company 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. Subsequent to the quarter end, simultaneously with final Ormat EPC payment, the Ormat letter of credit was terminated.

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 provided for an increase of 0.5% cash settled option at loan maturity for each \$1-million drawn in excess of \$170-million, a maximum 5% if the entire \$180 million loan commitment were drawn. The full 5% has been earned by TCW.

At June 30, 2009 the Company had a Commitment Letter from MS Greenrock, a wholly owned subsidiary of Morgan Stanley, to provide ten year tax equity funding in the amount of up to \$100 million prior to commercial operation. It was anticipated these funds would pay down a substantial portion of the TCW loan. The commitment was terminated during the quarter.

Following the Commercial Operation Date ("COD") on November 20, 2009 the Company has an obligation to pay NV Energy its replacement cost for any shortfall in the supply of power and/or Portfolio Energy (environmental) Credits beyond contractual allowances, for a maximum of three years, unless the shortfall relates to a Force Majeure event or an NV Energy emergency.

Following COD, within five days, the Company had an obligation to increase the letter of credit in

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favour of NVE by \$1.6 million to approximately \$3.8 million. The letter of credit was increased on November 27, 2009.

Subsequent to the quarter end the Company reached an agreement in principle with TCW under which TCW agreed to provide certain waivers and that \$27.9 million grant funds can be used to complete the Blue Mountain project. In return for these concessions the Company will issue TCW 4.5 million five year warrants at Cdn\$1.50 per share, that must be exercised within 30 days if the Company's shares close above Cdn\$2 for 20 consecutive days.

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**

Effective October 1, 2008 the Company designated its US subsidiary self sustaining and 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 in Nevada and the associated US dollar denominated financing.

During 2008, the CICA Accounting Standards Board ("AcSB") confirmed that IFRS adoption will be mandatory for publicly accountable enterprises for financial years beginning on or after January 1, 2011. The Company will therefore prepare its first annual report under IFRS in respect of the year ending June 30, 2012, and its first interim report under IFRS for the quarter ending September 30, 2011. Comparative information in respect of the 2011 financial year will be provided in both cases.

The Company's IFRS conversion plan is comprised of the following key elements:

1. Project team and training:

The Company has established a project team to lead the conversion process, and has obtained in-house IFRS expertise to complement assistance provided by consultants. Training of accounting personnel in the requirements of IFRS is taking place on a continuous basis, but a more formalized training program will be utilized where appropriate.

2. Accounting policies:

The Company has performed an initial review of the differences between IFRS and Canadian GAAP, and has identified a number of areas that will require additional investigation. The next step in the process will be to rank the differences identified according to urgency, using indicators such as the materiality of the expected change and the expected lead-time required for implementation. It will then be possible to focus our attention on the matters that require immediate attention. The Company plans to complete the analysis during the 2010 financial year, to enable the collection of information required for the 2011 comparative numbers during 2011.

The Company continues to monitor the development of standards by the International Accounting

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Standards Board ("IASB"). A number of IASB projects currently under way are expected to have an impact on our conversion to IFRS. The most important of these are the projects relating to classification and measurement of financial instruments, financial statements presentation and income taxes. The Company will not be able to complete its analysis of these standards until publication in their final form.

IFRS 1, First-time Adoption of International Financial Reporting Standards, contains a number of accounting choices that can be made when converting, such as exemptions from full retrospective application for certain standards. These exemptions and exceptions will be addressed together with analysis of the standards to which they relate.

### 3. Financial statement preparation:

Financial statements prepared under IFRS contain significant additional disclosures not currently required under Canadian GAAP. The Company has incorporated a limited number of these disclosures in its financial statements and plans to expand the disclosures in 2010 and 2011, where possible. The Company will perform a final disclosure review before commencing the preparation of the comparative numbers in respect of the 2011 financial year that will be required in the Company's first IFRS financial statements.

### 4. Information technology and internal controls:

The adoption of IFRS will require changes to both IT systems and systems of internal control. The Company will analyze the changes required as a part of the analysis of the impact of the different standards. Specific areas will require immediate attention, such as property, plant and equipment, and revenue. These areas are important as the Company is currently in the process of establishing the systems required for the start of commercial operation of the Blue Mountain project, and therefore has the opportunity to establish IFRS compliant systems from the outset.

### 5. Business impacts:

The adoption of IFRS will affect the business activities of the Company, such as its planning and budgeting activities and debt covenants. The Company has identified debt covenants in its current agreements that will be affected by conversion, but does not expect a significant impact. The Company will continue to monitor the impact on future agreements, if any, and will attempt to deal with potential issues proactively.

With the adoption of IFRS, there will be no requirement to present a US GAAP reconciliation in the annual financial statements. In addition, only one year of comparative income statement information is required in the first set of IFRS financial statements.

The transition to IFRS is expected to have a material impact on the Company's financial statements, and to consume significant resources over the next three years.

During the quarter the Company reviewed the revenue standard and found no difference from Canadian GAAP as it relates to the Company's accounts, and also set up its asset registers.

## **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, long-term payables, and the cash settled option. The term debt and long term payables are carried at amortized cost. The fair value of the remaining instruments approximates their

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carrying value.

Cash equivalents include money market based investments and term deposits where maturity at inception 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.

Term debt is initially recognized at fair value, net of transaction costs, and subsequently at amortized cost using the effective interest rate method.

### **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 12 of the financial statements. As of the date of this report, the Company had 95,564,504 common shares outstanding and 8,424,000 stock options outstanding at various exercise prices and future dates.

At the effective date of this MD&A, if all of these options and warrants were exercised, a total of 103,988,504 common shares would be issued and outstanding.

### **INVESTOR RELATIONS**

The Company employs Mr. Paul Mitchell to provide Investor Relations.

### **CAPITAL RESOURCES AND LIQUIDITY**

The Company does not have operations that generate positive cash flow. At September 30, 2009 the Company had \$2,079,055 in cash and equivalents on hand, and a working capital deficit of \$172,055,604. 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. In addition, since the Company was not in compliance with the terms of the TCW loan, the loan (which is over-drawn) is classified short term.

Cash on hand at November 30, 2009 includes approximately Cdn \$1-million in the parent company accounts and approximately \$27.9 million in the Blue Mountain project accounts controlled by TCW. During November, the Company received a \$57.9 million cash grant from the US Department of Treasury, repaid \$30 million of the TCW loan and reached an agreement in principle with TCW providing \$2 million from the grant for general corporate purposes and \$25.9 million for completing the Blue Mountain project, particularly additional drilling. The agreement in principle is subject to final approval by both parties. 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, and loans from TCW and Glitnir Banki hf.

The agreement in principle with TCW also provides waivers that result in compliance with the loan, despite exceeding budgeted expenditures, and relief from both an interest coverage covenant and yield maintenance penalty until the earlier of funding from a potential John Hancock loan and March 31, 2010. The yield maintenance penalty and interest coverage covenant were to take effect at commercial operation and the relevant waivers enable the Company to declare commercial operation

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and begin charging NVE the contracted power price, rather than a start up rate. The Company must raise funds both to pay down the TCW loan and complete the additional wells required by the project. The Company is dependent upon successfully arranging financing to pay down the TCW loan to approximately \$70 million and successfully completing additional drilling to produce at least the minimum PPA power supply of 36.1 MW. Historically, the Company has been able to complete all of its exploration activities and to meet its commitments. While it has been successful to date, there is no assurance that the Company will be successful in the future.

### **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) as well as raising funds to complete the project and provide permanent financing to replace a portion of the TCW loan. Exploration and development costs are above those budgeted and at least two additional wells must be drilled. At the time of writing approximately \$155 million has been drawn from the TCW facility, following repayment of \$30 million from a recently received \$57.9 million US Department of Treasury cash grant.

In August 2009, the Company began supplying power to NV Energy ("NVE") under a power purchase agreement (the "PPA") at 60% - 80% of the anticipated 40 net MW target. However, this supply is less than the minimum of 36.1 MW that is required under the PPA to be delivered by February 12, 2010. The PPA contract provides for 10% less power production during the first year of operation and the Company intends to proceed with drilling additional wells, which are intended to increase power production. However there is no certainty that the additional drilling will be successful or that it will be completed before February 12, 2010. In the event that the Company is unable to fulfill the requirements of the PPA on schedule, and if NVE will not agree to amend the terms of the PPA, then the Company will be in default of the PPA. As a result, the Company may be subject to penalties and NVE may elect to terminate the PPA, which could result in a material adverse effect on the Company, including delay or indefinite postponement of operations and further exploration and development of our projects with the possible loss of such assets.

On November 12, 2009 the Company received a \$57.9 million grant from the US Department of Treasury and repaid \$30 million of the TCW loan. The Company intends to use the remaining \$27.9 million to complete the Blue Mountain project, particularly to complete the required additional drilling. The Company also intends to issue long term debt in order to further repay the loan with TCW down to approximately \$70 million so that it can continue compliance with the TCW loan terms, particularly an interest coverage covenant. The Company has engaged John Hancock Life Insurance ("John Hancock") to provide long term debt up to \$95 million which will be used to pay down the TCW loan. However, this potential John Hancock loan is subject to due diligence and final credit committee approval by John Hancock. There is no certainty that the anticipated debt financing through John Hancock will be obtained. Failure to obtain the John Hancock loan, or a similar loan from another lender, may result in a default under the terms of the TCW loan agreement. In the event of a default TCW may elect to call the loan and execute upon the security, which would result in a material adverse effect on the Company, including delay or indefinite postponement of operations and further exploration and development of our projects with the possible loss of such assets.

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On November 20, 2009 the Company reached an agreement in principle with TCW regarding the use of grant proceeds for drilling. The proposed agreement is subject to legal due diligence and final approval by both parties. The proposed agreement provides the Company with \$2 million for general corporate purposes and \$25.9 million to complete the required additional drilling and to pay final project costs. The proposed agreement also would waive the previous non compliance with budget requirements and, until the earlier of the closing of the potential John Hancock loan and March 31, 2010, the agreement waives a yield maintenance penalty and the interest coverage covenant. The waivers facilitate declaring "Commercial Operation" under the PPA with NV Energy which results in the contracted power price, rather than a lower start up rate. In return for these concessions, the Company will give TCW 4.5 million five year warrants exercisable at Cdn \$1.50 that must be exercised within 30 days if the Company's shares close above Cdn \$2 for 20 consecutive days. The Company expects final approval of this agreement in principle shortly.

Upon approval of the waiver agreement with TCW the Company will be incurring operating losses until closing the potential John Hancock loan. Without the new John Hancock financing or restructuring of current financing the Company may not be able to maintain operations. The Company is drilling additional wells to support higher power production and also seeking debt financing from John Hancock to resolve this issue, however the additional drilling may not be successful and the John Hancock financing is not certain to occur.

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 favorable tax incentives with respect to production tax credits and investment 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 NVE letters of credit, the Company holds a large investment (approximately \$5.2 million) in certificates of deposit at Bank of the West, an AA- (S&P) rated Western US bank. 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 interest in 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

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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](http://www.nevadageothermal.com). A copy of this management discussion and analysis, the 2009 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](http://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.