THIS SECURITIES EXCHANGE AGREEMENT
made as of the 3rd day of November, 2006.

A M O N G:

SIERRA GEOTHERMAL POWER CORP.
a corporation incorporated
under the laws of British Columbia

- and -

CAYLEY GEOTHERMAL CORP.
a corporation incorporated
under the laws of Alberta

- and -

GARY R. THOMPSON
an individual resident in the Municipality of [Sherwood Park]
in the province of **[Alberta]**

(herein individually called "Thompson")

- and -

JOEL A. RONNE
an individual resident in the city of [Shawnigan Lake]
in the province of **[British Columbia]**

(herein individually called "Ronne")

- and -

2075605 ONTARIO INC.
a corporation incorporated under the laws of Ontario

(herein individually called "**20 O Inc.**")

(Thompson, Ronne and 20 O Inc. collectively called the "**Vendors**")

WHEREAS Sierra has made a proposal to acquire up to 100% of the issued and outstanding shares of Cayley from the Vendors as non-arms length vendors and the Arms Length Shareholders;

AND WHEREAS the Arms Length Shareholders own 42.11% of the issued and outstanding shares of Cayley and the Vendors owns 58.9% of the issued and outstanding shares of Cayley;

AND WHEREAS the Vendors holdings of Cayley shares are more particularly itemized in Schedule "A";

AND WHEREAS Sierra and the Vendors, as part of Sierra's acquisition of up to 100% of the issued and outstanding shares of Cayley, wish to exchange their securities in staged intervals on the terms and conditions herein contained;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree with each other as follows:

ARTICLE I
DEFINITIONS

1.1 **Definitions.** In this Agreement, unless there is something in the context or subject matter inconsistent therewith, the following words and terms set forth in this Article I shall have the following meanings:

(a) **"Affiliate"** means an affiliated body corporate within the meaning of s. 1(4) of the Ontario *Business Corporations Act*;

(b) **"Agreement"** means this securities exchange agreement and all instruments supplemental hereto or in amendment or confirmation hereof; "herein", "hereof" and similar expressions mean and refer to this Agreement and not to any particular article, section, clause or subclause; and "Article", "Section", "clause" or "subclause" means and refers to the specified article, section, clause or subclause of this Agreement;

(c) **"Arms Length"** has the meaning ascribed thereto in the Rules and Policies of the TSXV;

(d) **"Arm's Length Shareholders"** means the shareholders of Cayley more particularly itemized in Schedule "B";

(e) **"Business Day"** means a day other than a Saturday, Sunday or statutory holiday on which the principal commercial banks located in Toronto, Ontario, are open for business during normal banking hours;

(f) **"Cayley"** means Cayley Geothermal Corp. a corporation incorporated pursuant to the laws of the Province of Alberta and where applicable its wholly owned subsidiary Cayley Geothermal Inc., a corporation organized and existing under the laws of the State of Washington, USA;

(g) **"Cayley Assets"** means all of the undertaking, property and assets of Cayley of every kind and description and wheresoever situated including, but not limited to: (i) the rights, privileges and benefits arising under any contract to which Cayley is a party; and (ii) those assets set out in Cayley's Financial Statements;

(h) **"Cayley Business"** means the business previously and heretofore carried on by Cayley or its affiliates in Canada and the USA, including the exploration for geothermal power;

(i) **"Cayley JV Properties"** are the properties owned and controlled by Cayley more particularly described in Schedule "C";

(j) **"Cayley Propert(y/ies)"** means the Cayley Assets used in the Cayley Business;

(k) **"Cayley Share"** means one fully paid and non-assessable common share in the capital of Cayley;

(l) **"Cayley's Financial Statements"** means the consolidated audited financial statements of Cayley as at and for the period ended July 31, 2006, consisting of the balance sheet and the statements of earnings, retained earnings and changes in financial position and all notes thereto provided to Sierra;

(m) **"Closing"** means the completion of the Exchange, which shall take place on the Closing Date at the offices of Kjeld Werbes Law Corporation, Vancouver British Columbia;

(n) **"Closing Date"** means a date to be agreed to between the parties hereto for the completion of the transactions contemplated by this Agreement;

(o) **"Closing Time"** means 10:00 a.m. on the Closing Date;

(p) **"Exchange"** means the exchange of the Vendor's Shares in instalments for Sierra Shares in accordance with Section 2.1 hereof;

(q) **"GAAP"** means the generally accepted accounting principles approved by the Canadian Institute of Chartered Accountants, applicable as at the date on which such calculation is made or required to be made in accordance with such principles;

(r) **"Joint Venture Agreement"** means a separate agreement to be entered into by and between Cayley and Sierra outlining the terms and conditions upon which exploration programs will be undertaken on the Cayley properties and the funding arrangements between Sierra and Cayley following closing;

(s) **"Material Adverse Effect"** in respect of a Person means any change, effect, event, occurrence, condition or development that has or could reasonably be expected to have, individually or in the aggregate, a material adverse impact on the business, operations, results of operations, assets, capitalization or financial condition of such Person;

(t) **"Material Fact"** in relation to any party hereto includes, without limitation, any fact that materially affects, or would reasonably be expected to have a material effect on, the market price or value of the shares or of the business of such party;

(u) **"Minority Shareholders Agreements"** means separate agreements to be entered into by and between Sierra and each of the Arms Length Shareholders pursuant to which Sierra will acquire concurrently with the Sierra Private Placement and the Closing 42.11% of the issued and outstanding shares of Cayley;

(v) **"Person"** means an individual, corporation, partnership, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative;

(w) **"Securities Acts"** means the *Securities Acts* (Alberta) and (British Columbia), and the Rules, Instruments and Policy Statements promulgated thereunder;

(x) **"Vendors"** means Gary R. Thompson, Joel A. Ronne and 2075605 Ontario Inc.,

(y) **"Sierra"** means Sierra Geothermal Power Corp., a corporation incorporated pursuant to the laws of the Province of British Columbia;

(z) **"Sierra Assets"** means all of the undertaking, property and assets of Sierra of every kind and description and wheresoever situated including, but not limited to: (i) the rights, privileges and benefits arising under any contract to which Sierra is a party; and (ii) those assets set out in Sierra's Financial Statements;

(aa) **"Sierra Business"** means the business previously and heretofore carried on by Sierra, including the exploration for geothermal power;

(bb) **"Sierra Private Placement"** has the meaning ascribed thereto in Section 5.1;

(cc) **"Sierra Property"** means the Sierra Assets used in the Sierra Business;

(dd) **"Sierra Share"** means one fully paid and non-assessable common share in the capital of Sierra;

(ee) **"Sierra's Financial Statements"** means the audited financial statements of Sierra as at and for the period ended October 31, 2005, consisting of the balance sheet and the statements of earnings, retained earnings and changes in financial position and all notes thereto provided to Cayley and the unaudited quarterly reports of Sierra dated April 30, 2006 and July 31, 2006 published in Sierra's public records maintained under Sierra's corporate profile at www.sedar.com;

(ff) **"Subsidiary"** or **"Subsidiaries"** shall have the meaning attributed to those terms in s. 1(2) of the Ontario *Business Corporations Act*;

(gg) **"Tax Act"** means the *Income Tax Act* (Canada), as it may be amended from time to time, and any successor legislation thereto;

(hh) **"Tax Laws"** shall mean the Tax Act and any applicable provincial, territorial or foreign income or sales taxation statute(s), as amended from time to time;

(ii) **"Third Party"** means any Person other than the parties to this Agreement;

(jj) **"TSXV"** means the TSX Venture Exchange;

(kk) **"Vendor's Shares"** means the common shares of Cayley owned by each of the Vendors as more particularly set out in Schedule "A"; and

1.2 **Currency.** Unless otherwise indicated, all dollar amounts referred to in this Agreement are in Canadian funds.

1.3 **Tender.** Any tender of documents or money hereunder may be made upon the parties or their respective counsel and money may be tendered by official bank draft drawn upon a Canadian chartered bank or trust company or by negotiable cheque payable in Canadian funds and certified by a Canadian chartered bank or trust company.

1.4 **Number and Gender.** Where the context requires, words imparting the singular shall include the plural and vice versa, and words imparting gender shall include all genders.

1.5 **Headings.** Article and Section headings contained in this Agreement are included solely for convenience, are not intended to be full or accurate descriptions of the content thereof and shall not be considered part of this Agreement or affect the construction or interpretation of any provision hereof.

1.6 **Schedules.** The following Schedules to this Agreement shall be construed with and be considered an integral part of this Agreement to the same extent as if the same had been set forth *verbatim* herein:

Schedule "A"	-	Names and Addresses of the Vendors and Shareholders in Cayley
Schedule "B"	-	Names and Addresses of the Arms Length Shareholders and Particulars of their Shareholdings
Schedule "C"	-	Cayley JV Properties
Schedule "D"	-	Sierra Options and Warrants
Schedule "E"	-	Minority Shareholders Agreement

1.7 **Accounting Terms.** All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

1.8 **Reference to Sierra Shares.** Other than as specified herein, all references to Sierra Shares means the common shares of Sierra.

ARTICLE II
EXCHANGE OF SHARES WITH THE VENDORS

2.1 **Staged Exchange of Shares.** Subject to all of the terms and conditions hereof and in reliance on the representations and warranties set forth or referred to herein, each of the Vendors severally agree to transfer and assign to Sierra and exchange for Sierra Shares in instalments all of the Cayley Shares he or it owns in consideration of the issuance by Sierra of that number of fully paid, issued and outstanding Sierra Shares itemized as follows:

a. Thompson shall exchange 605,000 previously issued Cayley Shares (representing 26.84% of the issued and outstanding Cayley Shares) for 4,830,982 Sierra Shares to be issued in the following instalments:

i. 65,000 Cayley Shares in exchange for 400,000 Sierra Shares on the Closing Date.

ii. 125,233 Cayley Shares in exchange for 1,000,000 Sierra Shares on the first anniversary of the Closing Date subject to the conditions set forth in paragraph "2.2" below;

iii. 125,794 Cayley Shares in exchange for 1,004,472 Sierra Shares on the second anniversary of the Closing date subject to the conditions set forth in paragraph "2.2" below; and

iv. 288,973 Cayley Shares in exchange for 2,426,510 Sierra Shares to be issued on the third anniversary following the date of Closing Date subject to the conditions set forth in paragraph "2.2" below.

b. Ronne shall exchange 400,000 previously issued Cayley Shares (representing 17.74% of the issued and outstanding Cayley Shares) for 3,194,038 Sierra Shares to be issued in the following instalments:

i. 65,000 Cayley Shares in exchange for 400,000 Sierra Shares on the Closing Date.

ii. 125,233 Cayley Shares in exchange for 1,000,000 Sierra Shares on the first anniversary of the Closing of the transaction subject to the conditions set forth in paragraph "2.2" below;

iii. 125,234 Cayley Shares in exchange for 1,000,000 Sierra Shares on the second anniversary following the Closing Date subject to the conditions set forth in paragraph "2.2" below; and

iv. 84,533 Cayley Shares in exchange for 794,038 Sierra Shares to be issued on the third anniversary following the Closing Date subject to the conditions set forth in paragraph "2.2" below.

c. 20 O Inc. shall exchange 300,000 previously issued Cayley Shares (representing 13.31% of the issued and outstanding Cayley Shares) for 2,395,528 Sierra Shares to be issued in the following instalments:

i. 65,000 Cayley Shares in exchange for 400,000 Sierra Shares on the Closing Date;

ii. 125,233 Cayley Shares in exchange for 1,000,000 Sierra Shares on the first anniversary of the Closing Date subject to the conditions set forth in paragraph "2.2" below; and

iii. 109,767 Cayley Shares in exchange for 995,528 Sierra Shares on the second anniversary following Closing Date subject to the conditions set forth in paragraph "2.2" below.

d. For as long as the agreement with the Non Arms Length Shareholders remains in good standing, Sierra shall receive a proxy to vote the Cayley Shares of the Non Arms Length Shareholders at any Cayley shareholders meeting provided that each of Gary Thompson and Joel Ronne shall remain on the Board of Directors of Cayley and provided further that Sierra owns Cayley Shares.

2.2 **Conditions to the Future Releases.** The exchange of Cayley Shares and the issuance of Sierra Shares in each of the instalments set out above shall be conditional upon:

(a) Sierra and Cayley completing a recommended work program on at least two of the Cayley JV Properties to be developed pursuant to the Joint Venture Agreement in a minimum aggregate amount of $1,500,000 per year under the terms of the Joint Venture Agreement

(b) the receipt of positive recommendations from an independent geothermal consultant for the continued development of at least two of the Cayley JV Properties; and

(c) in respect of the Fourth Release, the completion of further financings by Sierra in order for Sierra and Cayley, to be able to continue with the recommended exploration programs on the **Cayley Properties.**

2.3 **Tax Filings.**

In respect of the exchanges of securities contemplated in this Article 2, the Parties hereto agree to file one or more election forms pursuant to the provisions of Section 85 of the *Income Tax Act* (Canada) with the Canada Revenue Agency ("CRA") within the time prescribed by the Tax Act and the Parties agree that the elected amount shall be the amount determined by the applicable Vendor.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

3.1 **Representations and Warranties of Sierra.** Sierra hereby represents and warrants to Cayley and the Vendors that:

(a) Sierra is a corporation incorporated and subsisting under the laws of the Province of British Columbia, has all requisite corporate power to own its properties and to conduct its business as it is presently being conducted and is registered or otherwise qualified to carry on business in the Province of British

Columbia;

(b) subject to obtaining any required regulatory approvals, as applicable, Sierra has full legal capacity and corporate power to enter into this Agreement and to take, perform or execute all proceedings, acts and instruments necessary or advisable to consummate the actions and transactions contemplated in this Agreement; all necessary corporate action has been taken, or will be taken prior to the Closing Date, by or on the part of Sierra to authorize the execution and delivery of this Agreement, and the taking, performing or executing of such proceedings, acts and instruments as are necessary or advisable for consummating the actions and transactions contemplated in this Agreement and for fulfilling its obligations hereunder;

(c) this Agreement has been duly executed and delivered on behalf of Sierra and constitutes a legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as such terms may be limited by bankruptcy, insolvency, reorganization or other laws relating to the enforcement of creditors' rights generally;

(d) neither the execution nor delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor compliance with and fulfillment of the terms and provisions of this Agreement will:

(i) conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under:

(1) any of the constating documents or by-laws of Sierra; or

(2) any instrument, agreement, mortgage, judgment, order, award, decree or other instrument or restriction to which Sierra is a party of or by which it is bound; or

(ii) require except as otherwise described herein (including the approval of the TSXV and other regulatory approvals) any affirmative approval, consent, authorization or other order or action by any court, governmental authority or regulatory body or by any creditor of Sierra or any party to any agreement to which Sierra is a party or by which Sierra is bound, except as shall have been obtained prior to Closing;

(e) the authorized capital of Sierra consists of an unlimited number of common shares, of which 8,459,543 common shares are presently issued and outstanding. All of the presently issued and outstanding common shares of Sierra have been validly allotted and issued and are outstanding as fully-paid and non-assessable shares;

(f) except as disclosed in Schedule "D" and the Sierra Private Placement, no Person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement or option, including convertible securities, warrants or convertible obligations of any nature, for the purchase from Sierra of any Sierra Shares or for the subscription, allotment or issuance of any unissued shares in the capital of Sierra;

(g) the books and records of Sierra fairly and correctly set out and disclose in all material respects, the financial position of Sierra as at the dates thereof and all material financial transactions of Sierra relating to Sierra Business have been accurately recorded in such books and records;

(h) Sierra does not have any of its records, systems, controls, data or information recorded, stored, maintained, operated or otherwise wholly or partly dependent upon or held by any means (including any electronic, mechanical or photographic process, whether computerized or not) which (including all means of access thereto and therefrom) are not under the exclusive ownership and direct control of Sierra;

(i) Sierra's Financial Statements fairly present the financial position of Sierra as at the dates indicated therein and fairly present the results of operations for the periods ended on such dates, all in accordance with GAAP consistently applied throughout the period covered thereby, save and except as stated therein. Sierra's books of account reflect items of income and expense and all assets and liabilities and accruals required to be reflected therein;

(j) as of the date hereof, the board of directors of Sierra, after considering this Agreement and the transactions contemplated herein, has determined unanimously that this Agreement and the transactions contemplated herein are fair to Sierra's security holders and are in the best interests of Sierra;

(k) in making private placements of Sierra Shares, Sierra has relied on representations made by purchasers and based on the assumption that such representations are true and correct all private placements of Sierra Shares have been completed in accordance with all applicable securities regulations;

(l) no employee has made any claim or, to the best of Sierra's knowledge, has any basis for any action or proceeding against Sierra arising out of any statute, ordinance or regulation relating to discrimination in employment or employment practices, harassment, occupational health and safety standards or workers' compensation;

(m) save and except for matters disclosed in Sierra's Financial Statements or otherwise expressly set out in this Agreement or disclosed in writing to Cayley and the Vendors, Sierra has not, except in the ordinary course of business (nor has it agreed to):

(i) incurred any debts, obligations or liabilities (absolute, accrued, contingent or otherwise and whether due or to become due), except debts, obligations and liabilities incurred in the ordinary course of business related to transactions contemplated in this Agreement and the Sierra Private Placement and Private Placement contemplated herein;

(ii) discharged or satisfied any liens or paid any obligation or liability other than liabilities shown on Sierra's Financial Statements, other than in the ordinary course of business;

(iii) declared or made any payment, distribution or dividend based on its shares or purchased, redeemed or otherwise acquired any of the shares in its capital or other securities or obligated itself to do so;

(iv) mortgaged, pledged or subjected to lien or other security interest any of its assets, either tangible or intangible, other than the usual security granted to secure a bank line of credit;

(v) sold, assigned, leased, transferred or otherwise disposed of any of its assets in the ordinary course of business;

(vi) increased materially the compensation payable or to become payable by Sierra to any of its officers, directors or employees, or in any bonus payment to or arrangement made with any officer, director or employee, or made any material changes in the personnel policies or employee benefits of Sierra;

(vii) cancelled, waived, released or compromised any debt, claim or right resulting in a Material Adverse Effect on the business, prospects or financial condition of Sierra;

(viii) significantly altered or revised any of its accounting principles, procedures, methods or practices;

(ix) entered into any transaction, contract or commitment except for the transactions set forth in this Agreement;

(x) changed its credit policy as to provision of services, sales of inventories or collection of accounts receivable except as dictated by competitive conditions and disclosed to Cayley;

(xi) suffered any material damage, destruction or loss (whether or not covered by insurance) materially and adversely affecting the properties, business, prospects or financial condition of Sierra;

(xii) made or authorized any capital expenditures in excess of $50,000 in the aggregate except as provided for in this Agreement;

(xiii) issued or sold any shares in its capital stock or other securities, or granted any options with respect thereto except as otherwise disclosed in Schedule "B" hereto and as contemplated in this Agreement and has not changed any shares of its capital stock, whether by way of reclassification, stock split or otherwise; or

(xiv) suffered or experienced any Material Adverse Effect in regard to, or event or circumstance affecting, the condition (financial or otherwise) of its properties, assets, liabilities, earnings, business, operations or prospects except as disclosed to Cayley and Sierra has no knowledge, information or belief of any fact, event or circumstances which might reasonably be expected to affect materially and adversely the condition (financial or otherwise) of its properties, assets, liabilities, earnings, business operations or prospects and it has not changed any Sierra Shares or any other shares of its capital stock, whether by way of reclassification, stock split or otherwise;

(n) the corporate records and minute books of Sierra as provided to Cayley or its legal counsel contain complete and accurate minutes of all meetings of and corporate actions or written consents by the directors and shareholders of Sierra, including all by-laws and resolutions passed by the board of directors and shareholders of Sierra since the incorporation of Sierra. The shareholders' list maintained by Sierra's registrar and transfer agent provided to Cayley and the Vendors is, to the best of Sierra's knowledge, complete and accurate in all respects;

(o) Sierra does not hold or own, beneficially or otherwise, any securities of any other corporate entity;

(p) except as expressly referred to in Sierra's Financial Statements,

(i) Sierra does not have outstanding any bonds, debentures, mortgages, notes or other similar indebtedness or liabilities whatsoever and Sierra is not bound under any agreement to create, issue or incur any bonds, debentures, mortgages, notes or other similar indebtedness or liabilities whatsoever, and

(ii) Sierra is not a party to or bound by any agreement of guarantee, indemnification, assumption or endorsement or any other like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person.

(q) during the period covered by Sierra's Financial Statements up to the Closing Date, no payments have been made or authorized by Sierra to its officers, directors or shareholders or former directors, officers or shareholders or to any person not dealing at Arm's Length with any of the foregoing, except those expressly disclosed herein, reflected in Sierra's Financial Statements or made in the ordinary course of business and at the regular rates payable to them of salary, pension, bonuses or other remuneration of any nature;

(r) as at the date of Closing, Sierra will have filed all tax returns required to be filed by it prior to the date hereof in all applicable jurisdictions and will have paid, collected and remitted all taxes, customs duties, government charges, tax instalments, levies, assessments, reassessments, penalties, interest and fines due and payable, collectible or remittable by it at present. All such tax returns will properly reflect, and will not in any respect understate the income, taxable income or the liability for taxes of Sierra in the relevant period and the liability of Sierra for the collection, payment and remittance of tax under applicable Tax Laws;

(s) adequate provision has been made in Sierra's Financial Statements for all taxes, government charges and assessments, including interest and penalties thereon, payable by Sierra for all periods up to the date of the balance sheets comprising part of Sierra's Financial Statements;

(t) Sierra has withheld and remitted all amounts required to be withheld and remitted by it in respect of any taxes, government charges or assessments in respect of any taxable year or portion thereof up to and including the Closing Date;

(u) there are no actions, suits or other proceedings, investigations or claims in progress or pending and, to the best of Sierra's belief and knowledge, there are no actions, suits or other proceedings or investigations or claims threatened, against Sierra in respect of any taxes, governmental charges or assessments and no waivers have been filed by Sierra with any taxing authority;

(v) Sierra is conducting and has always conducted the Sierra Business in substantial compliance with all applicable laws, rules and regulations of each jurisdiction in which the Sierra Business is carried on or has been carried on, is not currently in breach of any such laws, rules or regulations and is duly licensed, registered or qualified in each jurisdiction in which Sierra owns or leases property or carries on the Sierra Business, to enable the Sierra Business to be carried on as now conducted and its property and assets to be owned, leased and operated, and all such licences, registrations and qualifications are valid and subsisting and in good standing and none of the same contains any burdensome term, provision, condition or limitation which has or may have an adverse effect on the operation of the Sierra Business;

(w) other than required regulatory approvals, no consent, licence, approval, order or authorization of, or registration, filing or declaration with any governmental authority that has not been obtained or made by Sierra and no consent of any Third Party is required to be obtained by Sierra in connection with the execution, delivery and performance by Sierra of this Agreement or the consummation of the transactions contemplated hereby; and the issuance of Sierra Shares to the Vendors will not result in the loss of any regulatory consent, licence, approval, order, authorization or registration materially benefiting Sierra;

(x) there is no action, lawsuit, claim, proceeding, or investigation pending or, to the best knowledge of Sierra, threatened against, relating to or affecting Sierra before any court, government agency, or any arbitrator of any kind, and Sierra is not aware of any existing ground on which any such proceeding might be commenced with any reasonable likelihood of success and there is not presently outstanding against Sierra any judgment, decree, injunction, rule or order of any court, governmental agency, or arbitrator relating to or affecting Sierra in connection with Sierra Business;

(y) there is not now outstanding any arrangement (contractual or otherwise) between Sierra and any Person which will or may be, terminated or, to the best of the knowledge of Sierra, prejudicially affected as a result of the issuance of Sierra Shares as contemplated in this Agreement;

(z) Sierra does not operate or engage in any business activities, operations or management of any nature or kind whatsoever other than the Sierra Business;

(aa) the books and records of Sierra fairly and correctly set out and disclose in all material respects, the financial position of Sierra as at the dates thereof and all material financial transactions of Sierra relating to the Sierra Business have been accurately recorded in such books and records;

(bb) Sierra has not made any agreements with any labour union or employee association nor made any commitments to or conducted any negotiations with any labour union or employee association with respect to any future agreements;

(cc) no trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent holds bargaining rights with respect to any of the employees of Sierra or with Sierra by way of certification, interim certification, voluntary recognition, designation or successor rights;

(dd) Sierra is a reporting issuer under the Securities Acts and does not appear on the list of defaulting issuers published by the BC and Alberta Securities Commissions.

(ee) no representation or warranty made by Sierra in this Agreement and no statement made in any schedule, exhibit, certificate or other document furnished pursuant to this Agreement, contains, or will contain, any untrue statement of a Material Fact or omits, or will omit, to state any Material Fact necessary to make such representation or warranty or any such statement is not misleading. Sierra does not know of any undisclosed fact which, if known to the Vendors, would deter them from consummating the transactions contemplated herein.

3.2 **Non-Waiver.** No investigations made by or on behalf of the Vendors at any time shall have the effect of waiving, diminishing the scope of or otherwise affecting any representation, warranty or covenant made by Sierra herein or pursuant hereto and no waiver by Cayley or the Vendors of any condition, in whole or in part, shall operate as a waiver of any other conditions.

3.3 **Representations and Warranties of Cayley.** Each of Cayley and the Vendors jointly and severally hereby represents and warrants to Sierra that:

(a) Cayley has all legal capacity and requisite corporate power to own its properties and to conduct its business as presently being conducted, and is duly registered or otherwise qualified to carry on business in all jurisdictions in which the nature of its assets or business makes such registration or qualification necessary or advisable;

(b) the Vendors are the registered and beneficial owners of the Cayley Shares referred to in Schedule "A" and on the date each instalment of Cayley Shares is exchanged for Sierra Shares, the Cayley Shares will be transferred to Sierra, free and clear of all liens, charges, pledges, security interests, demands, adverse claims, rights or any other encumbrances whatsoever and no Person has any right, option, agreement or arrangement capable of becoming an agreement for the acquisition of any of the Vendor's Cayley Shares or any interest therein from the Vendors;

(c) each of Cayley and the Vendors has the full legal capacity and corporate power to enter into this Agreement and to take, perform or execute all proceedings, acts and instruments necessary or advisable to consummate the other actions and transactions contemplated in this Agreement and to fulfill its respective obligations under this Agreement;

(d) this Agreement has been duly executed and delivered by each of Cayley and the Vendors and this Agreement constitutes a legal, valid and binding obligation of each of Cayley and the Vendors enforceable against each of Cayley and the Vendors in accordance with its terms, except as such terms may be limited by bankruptcy, insolvency, re-organization or other laws relating to the enforcement of creditors' rights generally;

(e) neither the execution, nor delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor compliance with and fulfillment of the terms and provisions of this Agreement will:

(i) conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under:

(1) any of the constating documents or by-laws of any of Cayley; or

(2) any instrument, agreement, mortgage, judgment, order, award, decree or other instrument or restriction to which Cayley is a party or by which Cayley is bound; and

(ii) except as otherwise described herein require any affirmative approval, consent, authorization or other order or action by any court, governmental authority or regulatory body or by any creditor of Cayley or the Vendors or any party to any agreement to which Cayley or the Vendors are a party or by which Cayley or the Vendors are bound, except as shall have been obtained prior to Closing;

(f) no person, firm or corporation has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement or option, including convertible securities, warrants or convertible obligations of any nature, for the purchase of any unissued shares in the securities of Cayley;

(g) Cayley does not have any of its records, systems, controls, data or information recorded, stored, maintained, operated or otherwise wholly or partly dependent upon or held by any means (including any electronic, mechanical or photographic process, whether computerized or not) which (including all means of access thereto and therefrom) are not under the exclusive ownership and direct control of Cayley;

(h) Cayley has filed all tax returns required to be filed by it prior to the date hereof in all applicable jurisdictions and has paid, collected and remitted all taxes, customs duties, tax instalments, levies, assessments, reassessments, penalties, interest and fines due and payable, collectible or remittable by it at present. All such tax returns properly reflect, and do not in any respect understate the income, taxable income or the liability for taxes of Cayley in the relevant period and the liability of Cayley for the collection, payment and remittance of tax under applicable Tax Laws;

(i) Cayley has withheld and remitted all amounts required to be withheld and remitted by it in respect of any taxes, governmental charges or assessments in respect of any taxable year or portion thereof up to and including December 31, 2005;

(j) there are no actions, suits or other proceedings, investigations or claims in progress or pending and, to the best of each of Cayley's and the Vendors' belief and knowledge, there are no actions, suits or other proceedings or investigations or claims threatened, against Cayley in respect of any taxes, governmental charges or assessments. No waivers have been filed by Cayley with any taxing authority;

(k) in making private placements of Cayley Shares, Cayley has relied on representations made by purchasers and based on the assumption that such representations are true and correct all private placements of Cayley Shares have been completed in accordance with all applicable securities regulations;

(l) no employee has made any claim or, to the best of each of Cayley's and the Vendors' knowledge, has any basis for any action or proceeding against Cayley arising out of any statute, ordinance or regulation relating to discrimination in employment or employment practices, harassment, occupational health and safety standards or workers' compensation;

(m) Cayley has not made any agreements with any labour union or employee association nor made any commitments to or conducted any negotiations with any labour union or employee association with respect to any future agreements;

(n) no trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent holds bargaining rights with respect to any of the employees of Cayley or with Cayley by way of certification, interim certification, voluntary recognition, designation or successor rights;

(o) there are no actions, lawsuits, claims, proceedings, or investigations pending or, to the best knowledge of Cayley and the Vendors, threatened against, relating to or affecting Cayley before any court, government agency, or any arbitrator of any kind. Neither Cayley nor the Vendors are aware of any existing ground on which any such proceeding might be commenced with any reasonable likelihood of success and there is not presently outstanding against Cayley any judgment, decree, injunction, rule or order of any court, governmental agency, or arbitrator relating to or affecting Cayley, the Cayley Assets or the Cayley Business;

(p) there is not now outstanding any arrangement (contractual or otherwise) between Cayley and any Person which will, or may be, terminated or, to the best knowledge of Cayley and the Vendors, prejudicially affected as a result of the Vendors' transfer and sale of the Cayley Shares to Sierra in exchange for Sierra Shares as contemplated herein;

(q) no representation or warranty made by any of Cayley or the Vendors in this Agreement and no statement made in any schedule, exhibit, certificate or other document furnished pursuant to this Agreement, contains, or will contain, any untrue statement of a Material Fact or omits, or will omit, to state any Material Fact necessary to make such representation or warranty or any such statement not misleading. None of Cayley or the Vendors knows of any undisclosed fact which, if known to Sierra would deter it from consummating the transactions contemplated herein;

(r) Cayley is conducting and has always conducted the Cayley Business in substantial compliance with all applicable laws, rules and regulations of each jurisdiction in which the Cayley Business is carried on or has been carried on, is not currently in breach of any such laws, rules or regulations and is duly licensed, registered or qualified in each jurisdiction in which Cayley owns or leases property or carries on the Cayley Business, to enable the Cayley Business to be carried on as now conducted and its property and assets to be owned, leased and operated, and all such licences, registrations and qualifications are valid and subsisting and in good standing and none of the same contains any burdensome term, provision, condition or limitation which has or may have an adverse effect on the operation of the Cayley Business;

(s) adequate provision has been made in Cayley's Financial Statements for all taxes, governmental charges and assessments, including interest and penalties thereon, payable by Cayley for all periods up to the date of the balance sheets comprising part of Cayley's Financial Statements;

(t) the books and records of Cayley fairly and correctly set out and disclose in all material respects, the consolidated financial position of Cayley as at the dates thereof and all material financial transactions of Cayley relating to the Cayley Business have been accurately recorded in such books and records;

(u) the authorized capital of Cayley is an unlimited number of common shares of which 2,254,200 common shares are presently validly issued and outstanding as fully paid and non-assessable shares in the capital of Cayley;

(v) Cayley does not hold or own beneficially or otherwise any securities of any other corporate entity except for shares in its wholly owned subsidiary, Cayley Geothermal Inc.

(w) save and except for matters which are disclosed in Cayley's Financial Statements or otherwise expressly set out in this Agreement, Cayley has not, except in the ordinary course of business (nor has it agreed to):

(i) incurred any debts, obligations or liabilities (absolute, accrued, contingent or otherwise and whether due or to become due), except debts, obligations and liabilities incurred in the ordinary course of business and related to the transactions contemplated in this Agreement and Private Placement contemplated herein;;

(ii) discharged or satisfied any liens or paid any obligation or liability other than liabilities shown on Cayley's Financial Statements;

(iii) declared or made any payment, distribution or dividend based on its shares or purchased, redeemed or otherwise acquired any Cayley Shares or any other shares in its capital or other securities or obligated itself to do so;

(iv) mortgaged, pledged or subjected to lien or other security interest any of its assets, tangible or intangible other than the usual security granted to secure a bank line of credit;

(v) sold, assigned, leased, transferred or otherwise disposed of any of its assets (excluding inventory) having either a book value or fair market value in excess of $50,000, whether or not in the ordinary course of business, except for transactions involving the Cayley Property previously disclosed to Sierra;

(vi) increased materially the compensation payable or to become payable by Cayley to any of its officers, directors or employees, or in any bonus payment to or arrangement made with any officer, director or employee, or made any material changes in the personnel policies or employee benefits of Cayley;

(vii) cancelled, waived, released or compromised any debt, claim or right resulting in a Material Adverse Effect on the business, prospects or financial condition of Cayley;

(viii) significantly altered or revised any of its accounting principles, procedures, methods or practices;

(ix) changed its credit policy as to provision of services, sales of inventories or collection of accounts receivable except as dictated by competitive conditions and disclosed to Sierra;

(x) suffered any material damage, destruction or loss (whether or not covered by insurance) materially and adversely affecting the properties, business, prospects or financial condition of Cayley;

(xi) entered into any transaction, contract or commitment other than in the ordinary course of business except for the transactions set forth in this Agreement;

(xii) made or authorized any capital expenditures in excess of $50,000 in the aggregate except for commitments made in respect of the Cayley Property previously disclosed to Sierra;

(xiii) issued or sold any Cayley Shares or any other shares in its capital stock or other securities, or granted any options with respect thereto; or

(xiv) suffered or experienced any Material Adverse Effect in regard to, or event or circumstance affecting, the condition (financial or otherwise) of its properties, assets, liabilities, earnings, business, operations or prospects and Cayley has no knowledge, information or belief of any fact, event or circumstances which might reasonably be expected to affect materially and adversely the condition (financial or otherwise) of its properties, assets, liabilities, earnings, business operations or prospects and it has not changed any Cayley Shares or any other shares of its capital stock, whether by way of reclassification, stock split or otherwise;

(x) Cayley's consolidated Financial Statements fairly present the financial position of Cayley as at the date thereof and fairly present the results of operations for the periods ended on such dates, all in accordance with GAAP consistently applied throughout the period covered thereby, save and except as stated therein. Cayley's books of account reflect items of income and expense and all assets and liabilities and accruals required to be reflected therein;

(y) the corporate records and minute books of Cayley as provided to Sierra or its legal counsel contain complete and accurate minutes of all meetings of and corporate actions or written consents by the directors and shareholders of Cayley, including all by-laws and resolutions passed by the board of directors and shareholders of Cayley since the incorporation of Cayley and all such meetings were duly called and held;

(z) Cayley does not operate or engage in any business activities, operations or management of any nature or kind whatsoever other than the Cayley Business;

(aa) except as expressly referred to in Cayley's Financial Statements,

(i) Cayley does not have outstanding any bonds, debentures, mortgages, notes or other similar indebtedness or liabilities whatsoever and Cayley is not bound under any agreement to create, issue or incur any bonds, debentures, mortgages, notes or other similar indebtedness or liabilities whatsoever; and

(ii) Cayley is not a party to or bound by any agreement of guarantee, indemnification, assumption or endorsement or any other like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other Person; and

(bb) except as disclosed to Sierra, since incorporation, no payments have been made or authorized by Cayley to its officers, directors, employees, shareholders or former directors, officers, employees or shareholders or to any Person not dealing at Arm's Length with any of the foregoing, except those payments expressly disclosed herein, reflected in Cayley's Financial Statements or made in the ordinary course of business and at the regular rates payable to such Persons in respect of salary, pension, bonuses or other remuneration of any nature.

3.4 No investigations made by or on behalf of Sierra at any time shall have the effect of waiving, diminishing the scope of or otherwise affecting any representation, warranty or covenant made by each of Cayley and the Vendors herein or pursuant hereto and no waiver by Sierra of any condition, in whole or in part, shall operate as a waiver of any other condition.

ARTICLE IV
COVENANTS

4.1 **Filings.** Sierra, Cayley and theVendors shall prepare and file any filings required under any applicable laws or rules and policies of the TSXV or other regulatory bodies relating to the Exchange. Sierra covenants and agrees to take, in a timely manner, all commercially reasonable actions and steps necessary in order that effective as at the Closing Date the

Sierra Shares issuable pursuant to the Exchange be listed and posted for trading on the TSXV subject to all applicable resale restrictions and TSXV restrictions placed on the Sierra Shares;

4.2 **General Covenants of Sierra.** Sierra covenants and agrees that, unless otherwise contemplated herein, Sierra shall:

(a) take all requisite action to:

(i) approve this Agreement and the Exchange; and

(ii) approve such actions as Cayley or the Vendors may determine to be necessary or desirable for the purposes hereof;

(b) prepare and file all documentation necessary to effect the Exchange all in accordance with applicable laws;

(c) use its reasonable commercial efforts to preserve intact as a going concern its business organization;

(d) upon Sierra receiving notification other information from any regulatory authority or body concerning the transactions contemplated hereunder, such information shall be promptly disclosed in writing to the solicitor for Cayley;

(e) take all steps necessary to intake proper disclosure within such time as required by any regulatory authority and any other applicable statutes and laws concerning this Agreement and the transactions contemplated herein;

(f) use its best efforts to maintain its status as a reporting issuer in Alberta and British Columbia;

(g) cause its Board of Directors to nominate Thompson and Ronne as Cayley's nominees to the board of directors of Sierra;

(h) use all reasonable commercial efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder set forth in Article V to the extent the same is within its control and take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable laws to complete the Exchange, including using its reasonable commercial efforts to:

(iii) obtain all necessary consents, approvals and authorizations as are required to be obtained by it under any applicable laws;

(iv) effect all necessary registrations and filings and submissions of information requested by governmental entities required to be effected by Sierra in connection with the Exchange;

(v) oppose, lift or resend any injunction or restraining order with respect to affairs of Sierra or other order or action seeking to stop or otherwise adversely affect the ability of the parties to consummate the transactions contemplated hereby or by the Exchange;

(vi) fulfill all conditions and satisfy all provisions of this Agreement and the TSXV; and

(vii) not take any action, refrain from taking any action or permit any action to be taken or not taken that is inconsistent with this Agreement or that would reasonably be expected to significantly impede the consummation of this Agreement;

(i) not incur any material liabilities of any kind whatsoever, whether or not accrued and whether or not determined or determinable, in respect of which Sierra may become liable on or after the Closing Date, save and except for the liabilities and expenses incurred in connection with the transactions contemplated by this Agreement;

(j) validly issue the Sierra Shares hereunder as fully paid and non-assessable common shares in the capital of Sierra;

(k) except as disclosed to Cayley to file, duly and timely, all tax returns required to be filed by it and to pay promptly all taxes, assessments and governmental charges which are claimed by any governmental authority to be due and owing if any; and

(l) neither declare nor pay any dividends or other distributions or returns of capital on Sierra Shares from the date of this Agreement until the Closing Date without the prior consent of Cayley.

(m) Sierra will not solicit, initiate, invite or make any competing offer to purchase shares of any other entity or Corporation unless this Agreement is terminated by non performance of Cayley.

4.3 **General Covenants of Cayley and the Vendors.** Each of Cayley and the Vendors covenant and agree that, until Closing or the date on which this Agreement is terminated, and unless otherwise contemplated herein, they shall:

(a) take all requisite action to:

(i) approve this Agreement and the Exchange; and

(ii) approve such actions as Sierra may determine to be necessary or desirable for the purposes hereof, including the completion of any actions necessary to ensure compliance with all securities laws and regulatory authorities;

(b) abide by all resale restrictions imposed on the Sierra Shares under the Securities Acts and the Rules and Policies of the TSXV;

(c) give their consent (and provide such other reasonable assurances as may be required) and use their best efforts to obtain (including the provision of such reasonable assurances as may be required), consents of all other Persons to the transactions contemplated by this Agreement, as may be required pursuant to any statute, law or ordinance or by any governmental or other regulatory authority having jurisdiction and the Rules and Policies of the TSXV;

(d) use all reasonable commercial efforts to satisfy (or cause the satisfaction of) the conditions precedent to their obligations hereunder set forth in Article V to the extent the same is within their control and take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable laws to complete the Exchange, including using their reasonable commercial efforts to:

(i) obtain all necessary consents, approvals and authorizations as are required to be obtained by them under any applicable laws;

(ii) effect all necessary registrations and filings and submissions of information requested by governmental entities required to be effected by them in connection with the Exchange;

(iii) fulfill all conditions and satisfy all provisions of this Agreement;

(iv) not take any action, refrain from taking any action or permit any action to be taken or not taken that is inconsistent with this Agreement or that would reasonably be expected to significantly impede the consummation of the Exchange;

(e) not incur any material liabilities of any kind whatsoever, whether or not accrued and whether or not determined or determinable, in respect of which Cayley may become liable on or after the Closing Date, save and for costs and expenses and liabilities incurred in connection with the transactions contemplated in this Agreement and the Private Placement; and

(f) except as disclosed to Sierra, to file, duly and timely, all tax returns required to be filed by them and to pay promptly all taxes, assessments and governmental charges which are claimed by any governmental authority to be due and owing.

4.4 **Conduct of the Sierra Business.** Sierra covenants and agrees that, during the period from the date of this Agreement until the earlier of the Closing Date and the date this Agreement is terminated in accordance with its terms, unless Cayley shall otherwise consent in writing (such consents not to be unreasonably withheld or delayed), except as required by law or as otherwise expressly permitted or specifically contemplated by this Agreement:

(a) the business of Sierra shall be conducted only in the ordinary course of business and consistent with past practice, and Sierra shall use all commercially reasonable efforts to maintain and preserve its business, assets and business relationships;

(b) Sierra shall notify Cayley of any Material Adverse Effect on their business; and

(c) Sierra shall not directly or indirectly:

(i) take any action which may interfere with or be inconsistent with the successful completion of the transactions contemplated herein or take any action or fail to take any action which may result in a condition precedent to the transactions described herein not being satisfied;

(ii) issue or sell any shares of any class or other securities or any right, option or warrant with respect thereto except as provided for herein;

(iii) amend or propose to amend its articles of incorporation or by-laws;

(iv) split, combine or reclassify any of its securities or declare or pay any dividend or distribute any of its properties or assets to any Person;

(v) other than in the ordinary course of business, enter into or amend any employment contracts with any officer or employee, create or amend any employee benefit plan, make any increases in the base compensation, bonuses, paid vacation time allowed or fringe benefits for its officers, directors, employees or consultants;

(vi) make any capital expenditures, additions or improvements or commitments for the same, except for licensing in the ordinary course of business and expenditures contemplated herein associated with the Exchange;

(vii) enter into any contract, commitment or agreement under which it would incur indebtedness for borrowed money or for the deferred purchase price of property (other than such property acquired in the ordinary course of business consistent with past practice), or would have the right or obligation to incur any such indebtedness or obligation, or make any loan or advance to any Person except for contracts with Cayley;

(viii) acquire or agree to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares or assets or otherwise) any Person, partnership, joint venture or other business organization or division or acquire or agree to acquire any material assets;

(ix) enter into any contracts, other than in the ordinary course of business consistent with past practice;

(x) create any new option or bonus plan, pay any bonuses, deferred or otherwise, or defer any compensation to any of its officers or employees;

(xi) make any material change in accounting procedures or practices;

(xii) mortgage, pledge or hypothecate any of the its assets, or subject them to any lien, except as permitted by Cayley;

(xiii) except in the ordinary course of business consistent with past practice, enter into any agreement or arrangement granting any rights to purchase or lease any of its assets or requiring the consent of any Person to the transfer, assignment or lease of any of its assets;

(xiv) dispose of or permit to lapse any rights to the use of any intangible property, or dispose of or disclose (without appropriate confidentiality protection) to any Person any trade secret, formula, process, method or know how not previously a matter of public knowledge;

(xv) engage in any business or other activity that is outside of the ordinary course of business that is being currently conducted by Sierra, whether as a partner, joint venture participant or otherwise;

(xvi) except in the ordinary course of business consistent with past practice, sell, lease, sublease, assign or transfer (by tender offer, exchange offer, merger, amalgamation, sale of shares or assets or otherwise) any of the its assets, or cancel, waive or compromise any debts or claims, including accounts payable to and receivable from Affiliates;

(xvii) enter into any other material transaction or any amendment of any contract, lease, agreement, license or sublicense which is material to its business except as disclosed herein;

(xviii) settle any outstanding claim, dispute, litigation matter, or tax dispute;

(xix) transfer any assets to any of its shareholders, officers or directors or any of their Subsidiaries or Affiliates or assume any indebtedness from any of tits shareholders, officers or directors or any of their Subsidiaries or Affiliates or enter into any other related party transactions; or

(xx) enter into any agreement or understanding to do any of the foregoing.

4.5 **Conduct of the Cayley Business**. Each of Cayley and the Vendors covenant and agree that, during the period from the date of this Agreement until the earlier of the Closing Date and the date this Agreement is terminated in accordance with its terms, unless Sierra shall otherwise consent in writing (such consents not to be unreasonably withheld or delayed), except as required by law or as otherwise expressly permitted or specifically contemplated by this Agreement:

(a) the business of Cayley shall be conducted only in the ordinary course of business and consistent with past practice, and Cayley shall use all commercially reasonable efforts to maintain and preserve its business, assets and business relationships;

(b) Cayley shall notify Sierra of any Material Adverse Effect on their business; and

(c) Cayley shall not directly or indirectly:

(i) take any action which may interfere with or be inconsistent with the successful completion of the transactions contemplated herein or take any action or fail to take any action which may result in a condition precedent to the transactions described herein not being satisfied;

(ii) issue or sell any shares of any class or other securities or any right, option or warrant with respect thereto;

(iii) amend or propose to amend its articles of incorporation or by-laws;

(iv) split, combine or reclassify any of its securities or declare or pay any dividend or distribute any of its properties or assets to any Person;

(v) other than in the ordinary course of business, enter into or amend any employment contracts with any officer or employee, create or amend any employee benefit plan, make any increases in the base compensation, bonuses, paid vacation time allowed or fringe benefits for its officers, directors, employees or consultants;

(vi) make any capital expenditures, additions or improvements or commitments for the same, except for licensing in the ordinary course of business and expenditures which do not exceed $5,000;

(vii) enter into any contract, commitment or agreement under which it would incur indebtedness for borrowed money or for the deferred purchase price of property (other than such property acquired in the ordinary course of business consistent with past practice), or would have the right or obligation to incur any such indebtedness or obligation, or make any loan or advance to any Person;

(viii) acquire or agree to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares or assets or otherwise) any Person, partnership, joint venture or other business organization or division or acquire or agree to acquire any material assets;

(ix) enter into any contracts, other than in the ordinary course of business consistent with past practice;

(x) create any option or bonus plan, pay any bonuses, deferred or otherwise, or defer any compensation to any of its officers or employees;

(xi) make any material change in accounting procedures or practices;

(xii) mortgage, pledge or hypothecate any of the its assets, or subject them to any lien, except as permitted by Sierra;

(xiii) except in the ordinary course of business consistent with past practice, enter into any agreement or arrangement granting any rights to purchase or lease any of its assets or requiring the consent of any Person to the transfer, assignment or lease of any of its assets;

(xiv) dispose of or permit to lapse any rights to the use of any intangible property, or dispose of or disclose (without appropriate confidentiality protection) to any Person any trade secret, formula, process, method or know how not previously a matter of public knowledge;

(xv) engage in any business or other activity that is outside of the ordinary course of business that is being currently conducted by Cayley, whether as a partner, joint venture participant or otherwise;

(xvi) except in the ordinary course of business consistent with past practice, sell, lease, sublease, assign or transfer (by tender offer, exchange offer, merger, amalgamation, sale of shares or assets or otherwise) any of the its assets, or cancel, waive or compromise any debts or claims, including accounts payable to and receivable from Affiliates;

(xvii) enter into any other material transaction or any amendment of any contract, lease, agreement, license or sublicense which is material to its business;

(xviii) settle any outstanding claim, dispute, litigation matter, or tax dispute;

(xix) transfer any assets to any of the Vendors or any of their Subsidiaries or Affiliates or assume any indebtedness from any of the Vendors or any of their Subsidiaries or Affiliates or enter into any other related party transactions; or

(xx) enter into any agreement or understanding to do any of the foregoing.

4.6 **Covenants of the Vendors.** Each of the Vendors covenant as follows:

(a) that he or it will exchange all securities that he or it holds in Cayley in the instalments provided for herein in whatever and all forms the securities may be held at the Closing Date free of all liens, encumbrances and charges;

(b) he or it will use reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the Exchange and the transactions contemplated by this Agreement and to cooperate with all other parties hereto in connection with the foregoing; and

(c) upon reasonable notice, the Vendors shall afford to Sierra's directors, officers, counsel, accountants and other authorized representatives and advisors complete access (or, where necessary, the provision of the information requested), during normal business hours and at such time or times as Sierra or its counsel may reasonably request, from the date hereof until the earlier of the Closing Date and the termination of this Agreement, to its properties, books, contracts and records.

(d) none of the Vendors will solicit, initiate or invite any competing offer to purchase the Cayley Shares unless this Agreement is terminated by non performance of Sierra.

ARTICLE V
CONDITIONS TO CLOSING

5.1 **Conditions Precedent to Obligations of the Vendors.** The obligations of the Vendors to complete the transactions contemplated hereunder shall be subject to the satisfaction of, or compliance with, at or before the Closing Date, each of the following conditions precedent (each of which is hereby acknowledged to be for the exclusive benefit of the Vendors and may be waived by the Vendors in whole or in part on or before the Closing Date):

(a) all of the representations and warranties of Sierra made in or pursuant to this Agreement shall be true and correct in all material respects as at the Closing Date and with the same effect as if made at and as of the Closing Date (except as such representations and warranties may be affected by the occurrence of events or transactions expressly contemplated and permitted hereby that are not materially adverse and arise in the ordinary course of business) and the Vendors shall have received certificates dated as at the Closing Date in form satisfactory to the Vendors and their solicitors, acting reasonably, signed by a senior officer or director of Sierra on behalf of Sierra, certifying the truth and correctness in all material respects of the representations and warranties of Sierra set out in this Agreement;

(b) Sierra will have performed and complied with all terms, covenants and conditions required by this Agreement to be performed or complied with by it on or before the Closing Date;

(c) at the Closing Date, there shall have been no material change in the condition (financial or otherwise), of the properties, assets, liabilities, or business operations or prospects of Sierra from that shown on or reflected in Sierra's Financial Statements or Sierra's public records maintained at www.sedar.com;

(d) Sierra shall deliver to the Vendors at Closing a favourable opinion of its solicitors (it being understood that such counsel may rely, to the extent appropriate in the circumstances, as to matters of fact on a certificate(s) of a senior officer of Sierra and on a certificate(s) of Pacific Corporate Trust., the registrar and transfer agent of Sierra) in form satisfactory to the solicitors for the Vendors acting reasonably, that:

   (i) Sierra is a corporation incorporated and validly existing under the laws of the Province of British Columbia;

   (ii) all necessary corporate actions and proceedings have been taken by Sierra to permit the due and valid issuance by Sierra of the Sierra Shares at the Closing Date and upon the completion of the transactions contemplated hereunder such shares will be issued and outstanding as fully paid and non-assessable;

   (iii) the consummation of the transactions contemplated by this Agreement will not result in a breach of any term or provision of or constitute a default under the constating documents, by-laws or resolutions of Sierra nor to the best knowledge of such counsel, any indenture, agreement, instrument, licence, permit or understanding to which Sierra is a party or by which they are bound nor, to the best knowledge of such counsel, will the consummation of such transactions accelerate any commitment or obligation of Sierra or result in the creation of any lien or encumbrance upon any of the assets or property of Sierra;

   (iv) the execution and delivery of this Agreement by Sierra has not breached and the consummation of the transactions contemplated by this Agreement will not cause Sierra to be in breach of the laws of the Province of British Columbia and of Canada applicable therein;

   (v) Sierra has the full power and authority to enter into and perform its obligations under this Agreement and all corporate action necessary to authorize the performance by Sierra of its obligations under this Agreement has been duly taken and the Agreement is a legal, valid and binding obligation of Sierra enforceable against it in accordance with its terms, subject to usual qualifications respecting equitable remedies and creditors' rights;

   (vi) the distribution of Sierra Shares to the Vendors is exempt from the registration and prospectus requirements of the Securities Acts, as applicable;

(vii) Sierra is a reporting issuer and does not appear on the list of defaulting issuers maintained by the securities commissions under the Securities Acts as at the Closing Date; and

(viii) such other matters as counsel for the Vendors may consider advisable, acting reasonably;

(e) all consents, approvals, orders and authorizations of any Persons or governmental authorities in Canada or elsewhere (or registrations, declarations, filings or records with any such authorities), including, without limitation, all such registrations, recordings and filings with such securities regulatory and other public authorities as may be required to be obtained by Sierra in connection with the execution of this Agreement, the Closing or the performance of any of the terms and conditions hereof, shall have been obtained on or before the Closing Date;

(f) Sierra shall be a reporting issuer in good standing in the provinces of Alberta and British Columbia and neither Sierra nor its shares shall be the subject of any cease trade order or regulatory enquiry or investigation in any jurisdiction;

(g) no more than 8,459,543 Sierra Shares will be issued and outstanding in the capital of Sierra unless previously outstanding warrants and options disclosed in Schedule "B" are exercised prior to Closing;

(h) Sierra shall deliver, or cause to be delivered to the Vendors on or before the Closing Date such other certificates, agreements or other documents as may reasonably be required by the Vendors or their solicitors, acting reasonably, to give full effect to this Agreement;

(i) Sierra completing the Sierra Private Placement;

(j) Sierra causing its Board of Directors to nominate and appoint Thompson and Ronne to the board of directors of Sierra;

(k) Sierra and Cayley execute a Joint Venture Agreement, which will govern the development of the Cayley JV Properties; and

(l) the approval by the shareholders of Sierra of the potential change in control of Sierra as a result of the acquisition of the Cayley Shares from the Vendors and the Arm's Length Shareholders, either in writing by 51% of the shareholders of Sierra or at a meeting of shareholders of Sierra duly convened in accordance with the requirements of applicable securities laws and corporate laws.

5.2 **Conditions Precedent to Obligations of Sierra.** The obligation of Sierra to complete the transactions contemplated hereunder shall be subject to the satisfaction of or compliance with, at or before the Closing Date, each of the following conditions precedent (each of which is hereby acknowledged to be for the exclusive benefit of Sierra and may be waived by Sierra in writing, in whole or in part, on or before the Closing Date):

(a) Sierra shall on or before the Closing Date have received from Cayley and the Vendors all other documents and instruments as Sierra may reasonably request for the purpose of effecting the Exchange in accordance with the terms of this Agreement;

(b) the representations, warranties and covenants of each of Cayley and the Vendors made in or pursuant to this Agreement shall be true and correct in all material respects as at the Closing Date and with the same effect as if made at and as of the Closing Date (except as such representations and warranties may be affected by the occurrence of events or transactions expressly contemplated and permitted hereby that are not materially adverse and arise in the ordinary course of business) and Sierra shall have received a certificate of Cayley dated as at the Closing Date in form satisfactory to Sierra's solicitors, acting reasonably certifying the truth and correctness in all material respects of the representations, warranties and covenants of Cayley set out in this Agreement;

(c) each of Cayley and the Vendors shall have performed and complied with all agreements and conditions required by this Agreement to be performed and complied with by them prior to or on the Closing Date;

(d) at the Closing Date, there shall have been no material change in the condition (financial or otherwise) of the properties, assets, liabilities, earnings, or business operations or prospects of any of Cayley from that shown on or reflected in the respective financial statements of Cayley;

(e) Cayley shall deliver to Sierra at Closing a favourable opinion of its solicitors (it being understood that such counsel may rely, to the extent appropriate in the circumstances, as to matters of fact on a certificate(s) of a senior officer of Cayley) in form satisfactory to the solicitors for Sierra acting reasonably, that:

(i) Cayley is a corporation incorporated and validly existing under the laws of the Province of Alberta;

(ii) all necessary corporate actions and proceedings have been taken by Cayley to effect the completion of the transactions contemplated hereunder;

(iii) the consummation of the transactions contemplated by this Agreement will not result in a breach of any term or provision of or constitute a default under the constating documents, by-laws or resolutions of Cayley nor to the best knowledge of such counsel, any indenture, agreement, instrument, licence, permit or understanding to which Cayley is a party or by which it is bound, nor, to the best knowledge of such counsel, will the consummation of such transactions accelerate any commitment or obligation of Cayley or result in the creation of any lien or encumbrance upon any of the assets or properties of Cayley;

(iv) the execution and delivery of this Agreement by Cayley has not breached and the consummation of the transactions contemplated by this Agreement will not cause Cayley to be in breach of the laws of the Province of Alberta and of Canada applicable therein;

(v) except as disclosed, Cayley has no outstanding options, convertible securities, warrants or other convertible obligations, agreements or other commitments to allot, reserve, set aside, create, issue or sell any securities or any of its unissued share capital;

(vi) Cayley has the full power and authority to enter into and perform its respective obligations under this Agreement and all corporate action necessary to authorize the performance by Cayley of its obligations under this Agreement have been duly taken and the Agreement is a legal, valid and binding obligation of Cayley enforceable against it in accordance with its terms, subject to usual qualifications respecting equitable remedies and creditors' rights; and

(vii) such other matters as counsel for Sierra may consider advisable, acting reasonably.

(f) all consents, approvals, orders and authorizations of any Persons or governmental authorities in Canada or elsewhere (or registrations, declarations, filings or records with any such authorities), including, without limitation, all such registrations, recordings and filings with such securities regulatory and other public authorities as may be required to be obtained by Cayley in connection with the execution of this Agreement, the Closing or the performance of any of the terms and conditions hereof, shall have been obtained on or before the Closing Date;

(g) Cayley shall deliver, or cause to be delivered to Sierra on or before the Closing Date such other certificates (including all outstanding share certificates), agreements or other documents as may reasonably be required by Sierra or its solicitors, acting reasonably, to give full effect to this Agreement;

(h) Cayley Geothermal Corp. shall cause its Board of Directors to nominate and appoint Daniel McGee and Ed Muir to the board of directors of Cayley Geothermal Corp.;

(i) 100% of the Arm's Length Shareholders shall have tendered their Cayley shares to Sierra for Exchange as provided for under the Arms Length Shareholders Agreement a copy of which is attached to Shareholders Agreement as Schedule "E" ;

(j) the receipt of a final approval by the TSXV for the acquisition of the Cayley Shares from the Vendors and the Arm's Length Shareholders and the Sierra Private Placement.

ARTICLE VI
TERMINATION

6.1 **Termination.** This Agreement may be terminated by written notice given by the terminating party to the other parties hereto, at any time prior to the Closing:

(a) by mutual written consent of each of Cayley and Sierra;

(b) by Cayley or Sierra, if there has been a misrepresentation, breach or non-performance by a party (other than the party seeking to terminate this Agreement pursuant to this Section 6.1) of any representation, warranty, covenant or obligation contained in this Agreement, which could reasonably be expected to have a Material Adverse Effect on another party, provided the breaching party has been given notice of and thirty (30) days to cure any such misrepresentation, breach or non-performance;

(c) by Cayley or Sierra, if a condition for the terminating party's benefit has not been satisfied or waived; or

(d) by Cayley or Sierra, if the Closing has not occurred on or before November 14, 2006 or such later date as may be agreed to by Cayley and Sierra (provided, that the right to terminate this Agreement under this Section 6.1(d) shall not be available to any party whose failure to fulfill any of its obligations under this Agreement has been the cause of or resulted in the failure to consummate the transactions contemplated hereby by such date).

6.2 **Effect of Termination.** In the event of the termination of this Agreement as provided in Section 6.1, this Agreement shall forthwith have no further force or effect and there shall be no obligation on the part of the parties hereunder except with respect to (i) Section 8.3 and Article VII, which will survive such termination, and (ii) a breach arising from the fraud or wilful misconduct of any party.

6.3 **Waivers and Extensions.** At any time prior to the Closing Time, each of the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of another party hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the party to be bound thereby.

ARTICLE VII
INDEMNIFICATION

7.1 **Mutual Indemnifications for Breaches of Warranty.** Subject to section 7.3, Sierra hereby covenants and agrees with the Vendors and Cayley, and the Vendors and Cayley hereby covenant and agree severally with Sierra (the parties covenanting and agreeing to indemnify another party under this section are hereinafter individually referred to as the "Indemnifying Party" and the parties being indemnified by another Party under this section are hereinafter individually referred to as the "Indemnified Party") to indemnify and save harmless the Indemnified Party from and against any claims which may be made or brought against the Indemnified Party and/or which it may suffer or incur as a result of, or arising out of any non-fulfillment of any covenant or agreement on the part of the Indemnifying Party under this Agreement or any incorrectness in or breach of any representation or warranty of the Indemnifying Party contained in this Agreement.

7.2 **Undisclosed Liabilities Indemnity.** Notwithstanding section 7.1 and without limiting the generality of section 7.1:

(a) the Vendors and Cayley shall indemnify Sierra from all claims arising from liabilities or obligations to Persons that arise from the acts or failure to act of the Vendors and Cayley that are not disclosed to Sierra pursuant to section 3.3; and

(b) Sierra shall indemnify the Vendors and Cayley from all Claims arising from liabilities or obligations to Persons that arise from the acts or failure to act of Sierra that are not disclosed to the Vendors and Cayley pursuant to section 3.1.

7.3 **Limitation on Mutual Indemnification.** The indemnification obligations of each of the Parties pursuant to sections 7.1 and 7.2 shall be subject to the following:

(a) the applicable limitation limitations contained in the *Limitations Act, 2002* (Ontario);

(b) the indemnity obligations under section 7.2 shall survive for a period of two (2) years from the Closing Date;

(c) there shall be no limit as to amount in respect of breaches of the representations and warranties of the Parties other than as specifically limited by the provisions of this section; and

(d) an Indemnifying Party shall not be required to indemnify an Indemnified Party until the aggregate claims sustained by that Indemnified Party exceeds a value of $10,000, in which case, the Indemnifying Party shall be obligated to the Indemnified Party for all claims without limit as to amount.

7.4 **Procedure for Indemnification.** The following provisions shall apply to any Claims for which an Indemnifying Party may be obligated to indemnify an Indemnified Party pursuant to this Agreement:

(a) upon receipt from a third party by the Indemnified Party of notice of a claim or the Indemnified Party becoming aware of a claim in respect of which the Indemnified Party proposes to demand indemnification from the Indemnifying Party, the Indemnified Party shall give notice to that effect to the Indemnifying Party with reasonable promptness, provided that failure to give such notice shall not relieve the Indemnifying Party from any liability it may have to the Indemnified Party except to the extent that the Indemnifying Party is prejudiced thereby;

(b) in the case of claims arising from third parties, the Indemnifying Party shall have the right by notice to the Indemnified Party not later than 30 days after receipt of the notice described in paragraph (1) above to assume the control of the defense, compromise or settlement of the claims, provided that such assumption shall, by its terms, be without costs to the Indemnified Party and the Indemnifying Party shall at the Indemnified Party's request furnish it with reasonable security against any costs or other liabilities to which it may be or become exposed by reason of such defense, compromise or settlement;

(c) upon the assumption of control by the Indemnifying Party as aforesaid, the Indemnifying Party shall diligently proceed with the defense, compromise or settlement of the claims at its sole expense, including employment of counsel reasonably satisfactory to the Indemnified Party and, in connection therewith, the Indemnified Party shall co-operate fully, but at the expense of the Indemnifying Party, to make available to the Indemnifying Party all pertinent information and witnesses under the Indemnified Party's control, make such assignments and take such other steps as in the opinion of counsel for the Indemnifying Party are necessary to enable the Indemnifying Party to conduct such defense; provided always that the Indemnified Party shall be entitled to reasonable security from the Indemnifying Party for any expense, costs or other liabilities to which it may be or may become exposed by reason of such co-operation;

(d) the final determination of any such claims arising from third parties, including all related costs and expenses, will be binding and conclusive upon the Parties as to the validity or invalidity, as the case may be, of such claims against the Indemnifying Party hereunder; and

(e) should the Indemnifying Party fail to give notice to the Indemnified Party as provided in paragraph (2) above, the Indemnified Party shall be entitled to make such settlement of the claims as in its sole discretion may appear advisable, and such settlement or any other final determination of the claims shall be binding upon the Indemnifying Party.

ARTICLE VIII
GENERAL

8.1 **Confidentiality & Public Notices.** Except for disclosure required under applicable law, Sierra, Cayley and the Vendors shall maintain the confidentiality of any information received from each other in connection with the transactions contemplated by this Agreement. In the event that Exchange provided for in this Agreement is not consummated, each party shall return any confidential schedules, documents or other written information to the party who provided same in connection with this Agreement. Each of Cayley and the Vendors agree that they will not, directly or indirectly, make reciprocal use for their own purposes of any information or confidential data relating to Sierra or the Sierra Business discovered or acquired by them, their representatives or accountants as a result of Sierra making available to them, their representatives and accountants, any information, books, accounts, records or other data and information relating to Sierra or the Sierra Business and each of Cayley and the Vendors agree that they will not disclose, divulge or communicate orally, in writing or otherwise, any such information or confidential data so discovered or acquired by any other Person. Sierra agrees that it will not, directly or indirectly, make reciprocal use for its own purposes of any information or confidential data relating to Cayley or the Vendors discovered or acquired by it, its representatives or accountants as a result of Cayley or the Vendors making available to it any information, books, accounts, records or other data and information relating to Cayley and Sierra agrees that it will not disclose, divulge or communicate orally, in writing or otherwise, any such information or confidential data so discovered or acquired to any other Person.

8.2 **Notices.** All notices or other communications required to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery, by registered mail or by transmittal by facsimile, electronic mail (in portable document format ("PDF")) or other form of recorded communication addressed to the recipient as follows:

To Sierra:

304-850 Burrard Street
Vancouver, British Columbia
V6Z 2J1

Attention: Daniel McGee
Fax No.: 604 683-0342

with a copy to:

Kjeld Werbes Law Corporation
708-1111 West Hastings Street
Vancouver, BC, V6E 2G6

Attention: Kjeld Werbes
Fax No.: (604) 689-4626

To Cayley:

24 Galveston Avenue
Sherwood Park, Alberta
T8A 2N6

Attention: Gary Thompson
Email.: grtgeo@shaw.ca

with a copy to:

Ogilvy Renault LLP
Royal Bank Plaza, South Tower, Suite 3800
200 Bay Street, P.O. Box 84
Toronto, Ontario M5J 2Z4
Canada

Attention: Ali Kermalli
Email: akermalli@ogilvyrenault.com

To the Thompson, Ronne and 20 O Inc.:

As per the respective addresses as set out in Schedule "A" hereto;

or to such other address, facsimile number or individual as may be designated by notice given by either party to the other. Any such communication given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the fifth Business Day following the deposit thereof in the mail and, if given by facsimile or electronic mail or other form of recorded communication, shall be deemed given and received on the date of such transmission if received during the normal business hours of the recipient and on the next Business Day if it is received after the end of such normal business hours on the date of its transmission. If the party giving any such communication knows or ought reasonably to know of any difficulties with the postal system which might affect the delivery of mail, any such communication shall not be mailed but shall be given by personal delivery or by facsimile or electronic mail transmittal.

8.3 **Expenses.** Except as otherwise provided herein, all costs and expenses (including, without limitation, the fees and disbursements of legal counsel) incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

8.4 **Time of the Essence.** Time shall be of the essence hereof.

8.5 **Further Assurances.** The parties hereto shall with reasonable diligence do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated hereby, and each party shall execute and deliver such further documents, instruments, papers and information as may be reasonably requested by another party hereto in order to carry out the purpose and intent of this Agreement.

8.6 **Law and Jurisdiction.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. The parties hereby attorn to the non-exclusive jurisdiction of the courts of Ontario in any dispute that may arise hereunder.

8.7 **Counterparts.** For the convenience of the parties, this Agreement may be executed in several counterparts, each of which when so executed shall be, and be deemed to be, an original instrument and such counterparts together shall constitute one and the same instrument (and notwithstanding their date of execution shall be deemed to bear date as of the date of this Agreement). A signed facsimile or PDF copy of this Agreement shall be effective and valid proof of execution and delivery.

8.8 **Entire Agreement.** This Agreement, including the schedules attached hereto, together with the agreements and other documents to be delivered pursuant hereto, constitute the entire agreement between the parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties and there are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth herein and therein. This Agreement may not be amended or modified in any respect except by written instrument signed by all parties.

8.9 **Severability.** The invalidity or unenforceability of any provision of this Agreement or any covenant herein contained shall not affect the validity or enforceability of any other provision or covenant hereof or herein contained, and this Agreement shall be construed and interpreted as if such invalid or unenforceable provision or covenant were omitted.

8.10 **Enurement.** This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the successors and permitted assigns of the parties hereto.

8.11 **Waivers.** The parties hereto may, by written agreement:

(a) extend the time for the performance of any of the obligations or other acts of the parties hereto;

(b) waive any inaccuracies in the warranties, representations, covenants or other undertakings contained in this Agreement or in any document or certificate delivered pursuant to this Agreement; or

(c) waive compliance with or modify any of the warranties, representations, covenants or other undertakings or obligations contained in this Agreement and waive or modify performance by any of the parties thereto.

8.12 **Form of Documents.** All documents to be executed and delivered by Sierra to Cayley and the Vendors on the

Closing Date shall be in form and substance satisfactory to Cayley and the Vendors, acting reasonably. All documents to be executed and delivered by Cayley and the Vendors to Sierra on the Closing Date shall be in a form and substance satisfactory to Sierra, acting reasonably.

8.13 **Construction Clause.** This Agreement has been negotiated and approved by counsel on behalf of all parties hereto and, notwithstanding any rule or maxim of construction to the contrary, any ambiguity or uncertainty will not be construed against any party hereto by reason of the authorship of any of the provisions hereof.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

Cayley Geothermal Corp.

Name: Gary Thompson
Title: President
I have authority to bind the company.

Sierra Geothermal Power Corp.

Name:
Title: President
I have authority to bind the company.

Witness

Gary Thompson

Jane Ronne

Witness

Joel Ronne

Witness

2075605 Ontario Inc.

Schedule "A"
Names and Addresses of Vendors and Shareholders in Cayley

Shareholder	Number of Common Shares of Cayley Owned	Number of Common Shares of Sierra to be Received
Gary R. Thompson 24 Galveston Ave. Sherwood Park, Alberta T2A 2N6	605,000	4,830,982
Joel A. Ronne 1847 Radway Road Shawnigan Lake, B.C. V0R 2W1	400,000	3,194,038
2075605 Ontario Inc Suite 401, 250 Dundas Street West Toronto, Ontario M5T 2Z5	300,000	2,395,528
Total	**1,305,000**	**10,420,548**

Schedule "B"

Names and Addresses of the Arms length Shareholders and Particulars of their shareholdings

				HOLDINGS
Exploration Capital Partners 2005 Limited Partnership	7770 EL Camino Real	Carlsbad	CA 92009	200,000
Richard Sali	#4, 2435 West 1st Ave	Vancouver	BC V6K 1G5	150,000
Brenda K. Doi,	24 Galveston Ave	Sherwood Park	AB T28A 2N6	123,850
Kashim Ltd.	#5 George Street	Nassau	Bahamas P.O. Box N8166	100,000
Cale Moodie,	2695 West 15th Avenue	Vancouver	BC V6K 2Z6	50,200
K.C. Lam	2639 Sandstone Crescent	Coquitlam	BC V3E 2T8	15,000
Harvey Klatt,	219 1561 Vidal Street	White Rock,	BC V4B 5A7	10,000
Carl J. Doi	201, 2137 16th Street SW	Calgary	AB T2T 4E5	10,000
Craig Dunn,	29 Springborough Pt SW	Calgary	AB T3H 5T5	10,000
Dean Gagnon,	2831- 23A Street N.W	Calgary	AB T2M 3Y6	2,000
Keith Barnard	55 Coville Close	Calgary	AB T3K 5W1	500
Kyle Bennett	31 Hawthorn Way	Olds	AB T4H 1X7	500
Curtis Marr	327 Powell Street	Vancouver	BC V6A 1G4	28,600
Paul Pellegrini	37 Trevi Court	Vaughan	ON L4L 8S7	59,000
Brett James	60 Bolton Drive	Toronto	ON M4V 2V6	17,650
Joeseph Ragusa	203-101 Yorkville Avenue	Toronto	ON M5R 1C1	11,800
Christopher Barnes	132 Waverley Road	Toronto	ON M4L 3T3	5,000
J.P. Jacob	1065 Townline RR#4,	Tottenhay	ON L0G 1W0	13,000
Jeffrey Parkes	46 Ralph Street	Ottawa	ON K1S 4A5	10,000
Frank Mancuso	25 Nazer Street	Georgetown	ON L7G 5X8	11,800
Siavash Taheri	493 Spadina Road	Toronto	ON M5P 2W6	20,000
Laura Dawson,	134 Stibbard Ave	Toronto	ON M4P 2C2	14,500
Sasha Jacob	363 Adelaide street East	Toronto	ON M5A 1N3	60,000
Jason Mclaughlin	583 Lowrys Road	Parksville	BC V9P 2R8	6,000
556369 BC Ltd	2927 Tower Hill	West Vancouver	BC V7V 4W6	19,800

SCHEDULE "C" – CAYLEY JV PROPERTIES

CAYLEY GEOTHERMAL CORP
LISTING OF GEOTHERMAL LEASES / APPLICATIONS of AUG 16, 2006

Play Area	Serial #	Status	Appln Date	Issue Date	State	County	Acres	Lease Holder
Gerlach 1,662 acres	NVN 077268	ISSUED	6/4/2003	12/1/2003	NV	Washoe	1,662	WGP
Reese River	NVN 076676	ISSUED	11/01/2003	11/01/2003	NV	Lander	1,420	CAYLEY
6,145 acres	NVN 077247	ISSUED	11/01/2003	11/01/2003	NV	Lander	1,020	CAYLEY
	NVN 078687	ISSUED	06/11/2004	10/01/2004	NV	Lander	1,180	CAYLEY
	NVN 078688	ISSUED	06/11/2004	10/01/2004	NV	Lander	2,525	CAYLEY
Silver Peak	NVN 077110	ISSUED	05/14/2003	09/01/2003	NV	Esmeralda	640	WGP
7,493 acres	NVN 077111	ISSUED	05/14/2003	09/01/2003	NV	Esmeralda	640	WGP
	NVN 077112	ISSUED	05/14/2003	08/01/2003	NV	Esmeralda	628	WGP
	NVN 077113	ISSUED	05/14/2003	08/01/2003	NV	Esmeralda	640	WGP
	NVN 078144	ISSUED	03/02/2004	08/01/2004	NV	Esmeralda	1,280	WGP
	NVN 078780	ISSUED	07/02/2004	10/01/2004	NV	Esmeralda	1,918	WGP
	NVN 080604	ISSUED	08/05/2005	01/01/2006	NV	Esmeralda	487	WGP
	NVN 080605	ISSUED	08/05/2005	01/01/2006	NV	Esmeralda	619	WGP
	NVN 080603	ISSUED	08/05/2005	01/01/2006	NV	Esmeralda	640	WGP
Alum	NVN 76332	ISSUED	10/04/2002	03/01/2003	NV	Esmeralda	2,319	GEO-ENERGY
7,238 acres	NVN 76333	ISSUED	10/04/2002	03/01/2003	NV	Esmeralda	2,359	GEO-ENERGY
	NVN 76334	ISSUED	10/04/2002	03/01/2003	NV	Esmeralda	2,560	GEO-ENERGY
Salt Wells	NVN 075609	ISSUED	02/22/2002	06/01/2003	NV	Churchill	640	WGP
3,786 acres ISS	NVN 075815	ISSUED	04/29/2002	06/01/2003	NV	Churchill	1,280	WGP
5,189 acres PEN	NVN 077273	ISSUED	06/26/2003	12/01/2003	NV	Churchill	1,866	WGP
	NVN 077712	PENDING	10/14/2003		NV	Churchill	1,297	WGP
	NVN 077711	PENDING	10/14/2003		NV	Churchill	1,280	WGP
	NVN 080600	PENDING	08/05/2005		NV	Churchill	1,266	WGP
	NVN 080597	PENDING	08/05/2005		NV	Churchill	1,346	WGP
North Salt Wells	NVN 077435	PENDING	07/24/2003		NV	Churchill	1,260	WGP
10,863 acres	NVN 077436	PENDING	07/24/2003		NV	Churchill	2,560	WGP
	NVN 077722	PENDING	10/16/2003		NV	Churchill	1,920	WGP
	NVN 080609	PENDING	08/05/2005		NV	Churchill	1,891	WGP
	NVN 080607	PENDING	08/05/2005		NV	Churchill	1,280	WGP
	NVN 080606	PENDING	08/05/2005		NV	Churchill	1,952	WGP
Soda Lake	NVN 075816	ISSUED	04/29/2002	10/01/2002	NV	Churchill	465	WGP
944 acres	NVN 075817	ISSUED	04/29/2002	10/01/2002	NV	Churchill	480	WGP
Spencer Hot Springs	NVN 077779	ISSUED	10/30/2003	07/01/2006	NV	Lander	1,920	WGP
4,841 acres	NVN 077780	ISSUED	10/30/2003	07/01/2006	NV	Lander	1,280	WGP
	NVN 077778	ISSUED	10/30/2003	07/01/2006	NV	Lander	1,641	WGP
Sulphur	NVN 080599	APPLIED	08/05/2005		NV	Humboldt	1,795	WGP
3,664 acres	NVN 080602	APPLIED	08/05/2005		NV	Humboldt	1,869	WGP
Wells	NVN 077538	PENDING	08/29/2003		NV	Elko	2,659	WGP
4,016 acres	NVN 077551	PENDING	09/02/2003		NV	Elko	160	WGP
	NVN 077552	PENDING	09/02/2003		NV	Elko	160	WGP
	NVN 077550	PENDING	09/02/2003		NV	Elko	1,037	WGP
Howard	NVN 077657	ISSUED	09/24/2003	6/1/2006	NV	Humboldt	1,589	WGP
2,234 acres	NVN 077658	ISSUED	09/24/2003	08/01/2004	NV	Humboldt	645	WGP
Wilson Hot Springs	NVN 077602	APPLIED	09/11/2003		NV	Lyon	1,311	WGP
5,686 acres	NVN 077600	APPLIED	09/11/2003		NV	Lyon	1,280	WGP
	NVN 077601	APPLIED	08/05/2005		NV	Lyon	2,449	WGP
	NVN 080598	APPLIED	08/05/2005		NV	Lyon	646	WGP
Hawthorne	NVN 077983	PENDING	01/08/2004		NV	Mineral	200	WGP
2,968 acres	NVN 077984	PENDING	01/08/2004		NV	Mineral	945	WGP
	NVN 077985	PENDING	01/08/2004		NV	Mineral	1,823	WGP
Salton Sea	CACA 046141	APPLIED	04/07/2004		CA	Imperial	640	WGP
3,442 acres	CACA 046142	APPLIED	04/07/2004		CA	Imperial	2,162	WGP
	CACA 047196	APPLIED	05/05/2005		CA	Imperial	640	WGP
Acreage Issued	**34,344**				**48.9%**			
Acreage Pending		**23,036**			**32.8%**			
Acreage in Application			**12,792**		**18.2%**			
Total Acreage				**70,171**	**100.0%**			

Schedule "D"
Sierra Options and Warrants

Options

Name of Optionee	Date of news release disclosing grant (if applicable)	Position of Optionee (Director/ Officer /Employee/ Consultant	Date of Grant	No. of Optioned Shares	Exercise Price	Expiry Date
Daniel McGee	August 12, 2005	Director	August 12, 2005	295,000	$0.25	August 12, 2010
Judy Pullman	August 12, 2005	Director	August 12, 2005	100,000	$0.25	August 12, 2010
Edward Muir	August 12, 2005	Director	August 12, 2005	100,000	$0.25	August 12, 2010
John Oness	August 12, 2005	Director	August 12, 2005	100,000	$0.25	August 12, 2010
Joseph Anthony Kizis	August 12, 2005	Director	August 12, 2005	50,000	$0.25	August 12, 2010
Malcolm Bell	January 27, 2006	Consultant	January 27, 2006	57,500	$0.40	January 27, 2008
Daryl Pollock	January 27, 2006	Consultant	January 27, 2006	20,000	$0.40	January 27, 2006
Total				722,500		

Warrants

Name and Address of Shareholder	Share Purchase Warrants
Jane Macdonald 4170 Ripple Road West Vancouver, BC V7V 3L2	25,000
Daryl Pollock 2927 Tower Hill West Vancouver, BC V6V 4W6	15,000
Daryl Pollock 2927 Tower Hill West Vancouver, BC V6V 4W6	15,000
556369 BC Ltd. 2927 Tower Hill West Vancouver, BC V6V 4W6	20,000
PB Energy Partners Ltd. 2223 Folkestone Way West Vancouver, BC V7S 2Y6	30,000

Name and Address of Shareholder	Share Purchase Warrants
Haywood Securities Inc. ITF Barry Muir **A/C #BR2-4032-C** 2000-400 Burrard Street Vancouver, BC V6C 3A6	50,000
Canaccord Capital Corp. ITF Barb Langer **RSP A/C #139-167S-9** 2200-609 Granville St. Vancouver, BC V7Y 1H2	50,000
ROYTOR & CO., Royal Bank of Canada Ltd., 25th Floor, North Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J5 A/C M12078211, Bank Sal. Oppenheim Zurich	50,000
Canaccord Capital ITF David L. Hamilton-Smith **A/C #131-601s-5** 2200-609 Granville St. Vancouver, BC V7Y 1H2	25,000
Total	**280,000**

Schedule "E"
Minority Shareholders Agreement

THIS AGREEMENT made the * day of October, 2006.

BETWEEN:

THE UNDERSIGNED SHAREHOLDER of Cayley Geothermal Corp., having the address set out in Schedule "A";

(hereinafter called "the Shareholder")

OF THE FIRST PART,

- and –

SIERRA GEOTHERMAL POWER CORP., a body corporate, duly incorporated under the laws of the Province of British Columbia and having a registered office situate at Suite 708, 1111 West Hastings Street, in the City of Vancouver, in the Province of British Columbia, V6E 2J3;

(hereinafter called "SRA")

OF THE SECOND PART,

WHEREAS:

A. The Shareholder is the registered and beneficial owner of the shares (the "Shares") of Cayley Geothermal Corp. (the "Company"), more particularly described in Schedule "A";

B. SRA has agreed to purchase 57.89% of the issued and outstanding shares of the Company from three (3) majority Shareholder of the Company in timed increments conditional upon the minority Shareholder representing 42.11% of the issued and outstanding Shares of the Company agreeing to exchange their Shares of the Company for shares of SRA at the Closing as hereinafter defined;

C. The Shareholder is one of the minority Shareholder that has conditionally agreed to tender his Shares of the Company to SRA on the terms and conditions hereinafter contained;

NOW THEREFORE THIS AGREEMENT WITNESSETH that for and in consideration of the premises, the mutual covenants and agreements to be kept and performed by each of the parties hereto, the parties hereto hereby agree as follows:

1.00 EXCHANGE OF SHARES

1.01 Delivery of Shares by the Shareholder

On the terms and subject to the conditions of this Agreement, the Shareholder shall on the Closing Date (as defined in Section 2.00 hereof) sell, convey, transfer and deliver to SRA the Shares of the Company owned by the Shareholder free and clear of all liens, security interests, claims, charges and encumbrances of any nature and kind whatsoever;

1.02 Exchange of Shares

As consideration for the assignment and transfer by the Shareholder of the Shares, to SRA shall issue to the Shareholder in exchange for the Shares such number of previously unissued common shares of SRA as are set out in Schedule "A" (the "SRA Shares"). The exchange shares of SRA shall be issued to the Shareholder for an in consideration of a deemed value of $0.25 per share.

The SRA Shares shall be issued and allotted to the Shareholder as fully paid and non-assessable.

1.03 Securities Act Exemptions

The parties acknowledge and agree that the Shares are being exchanged under exemptions from registration under applicable Securities Acts. In British Columbia the Shares are being issued under the exemption contained in Section 74(2)(25) of the Securities Act RSBC 1996, c. 418. The exemption relied upon by SRA in distributing the SRA Shares to the Shareholders residing outside of the Province of British Columbia as exemptions are provided for in the applicable Securities Act in the Shareholder's province of residence is more particularly set out in Schedule "A".

1.04 Resale Restrictions

The exchange of the Shareholder's Shares for shares of SRA has been conditionally approved by the TSX Venture Exchange (the "Exchange") subject to the Shareholder agreeing to the resale restrictions of the Exchange if applicable as the resale restrictions are more specifically referred to in the Seed Share Resale Rules – Matrix set out in Exchange Listing Policy 5.4, Section 10.9 and extract of which is attached as Schedule "B". The Shareholder warrants and represents to SRA that the information set out in Schedule "A" as to the date of acquisition of the Shares, and the consideration paid for the Shares is true and accurate. If Section 10.9 of the Exchange Listing Policy 5.4 imposes resale restrictions on the Shareholder shares, the Shareholder agrees to abide by the terms of such resale restrictions.

1.05 Securities Act Resale Restrictions

In addition to any other resale restrictions imposed on the SRA Shares to be issued to the Shareholder, the SRA Shares to be issued to the Shareholder will be subject to the following additional legends which will be placed on the certificates representing the SRA Shares:

> *"Unless permitted under securities legislation, the holder of this security must not trade the security before [insert a date that is 4 months and a day after the distribution date]*
>
> *"Without prior written approval of the Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until [insert date]."*

2.00 CLOSING

2.01 Closing Date, Time and Place

(a) Subject to paragraph 2.01(b), the closing of the transaction contemplated by Section 1.00 hereof (the "Closing") shall take place at the offices of Ogilvy Renault LLP, Barristers & Solicitors, Suite 3800, P.O. Box 84, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario, M5J 2Z4 on a day to coincide with the Closing contemplated under the Agreement SRA has entered into with the three majority Shareholder for the acquisition of the minority Shareholder Shares in the Company which will coincide with the date SRA closes a financing pursuant to which it will receive sufficient proceeds to enable it to fund the development of the assets of the Company (the "Closing Date").

(b) If Closing does not occur by November 17th, 2006, the date and time for Closing may be extended by mutual agreement of the Shareholder and SRA. Alternatively either the Shareholder or SRA may terminate this Agreement by notice in writing to the other of them, in which case this Agreement shall be of no further force or effect.

2.02 Deliveries by the Shareholder

Pending the Closing, the Shareholder shall deliver to Ogilvy Renault LLP, in trust share certificates representing the Shares duly endorsed in blank for transfer to SRA together with such other documents and instruments as counsel for SRA may reasonably require to effectuate or evidence the transactions contemplated hereby. The Shares shall be held in trust by Ogilvy Renault LLP and only released against tender of certificates representing the SRA shares due to be issued to the Shareholder at the Closing.

2.03 Deliveries and Action by SRA

At the Closing, SRA shall deliver to Ogilvy Renault LLP for the account of the Shareholder :

(a) certificates representing the SRA Shares together with a letter issued by the Exchange confirming final acceptance of the transaction involving SRA's acquisition of up to 100% of the issued and outstanding shares of the Company;

(b) such other documents and instruments as counsel for the Shareholder may reasonably require to effectuate or evidence and transactions contemplated hereby.

3.00 REPRESENTATIONS AND WARRANTIES OF THE SHAREHOLDER

The Shareholder represents and warrants to SRA as follows:

3.01 Effect of Agreement, Etc.

The execution, delivery and performance of this Agreement by the Shareholder and the consummation of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time, or both, violate any provision of law, statute, rule or regulation to which the company or the Shareholder is subject, including any act of the Legislature of the Province of Residence governing family relations or the rights of a spouse.

3.02 Restrictions, Burdensome Agreements

Neither the Shareholder nor to the best of the Shareholder's knowledge information and belief the Company is a party to any agreement, debt instrument, commitment or agreement and neither the Shareholder nor the Company nor any of their respective properties and assets are subject to or bound or affected by any charter, by-law or other corporate restriction, or any order, judgment, decree, law, statute, ordinance, rule, regulation or other restriction of any kind or character which would:

(a) prevent the Shareholder from entering into this Agreement or from consummating the transactions contemplated hereby; or

(b) adversely affect, or in the future adversely affect, the business, properties, prospects or the condition, financial or otherwise, of the Company or accelerate the due date for payment of any liabilities of the company except that the prior consent of the Company's bank is required before a change in control of the Company occurs.

3.03 Government and Other Consents

No consent, authorization or approval of or exemption by or filing with any governmental, public or self-regulatory body or authority is required in connection with the execution, delivery and performance by the Shareholder of this Agreement or any of the instruments or agreements herein referred to or the taking of any action herein contemplated.

3.04 Residency

The Shareholder is a resident of Canada within the meaning of Section 116 of the Income Tax Act of Canada.

4.00 REPRESENTATIONS AND WARRANTIES OF SRA

SRA represents and warrants to the Shareholder as follows:

4.01 Organization, Good Standing, Power, Etc.

SRA is a corporation duly organized, validly existing and in good standing under the laws of the Province of British Columbia, Canada. SRA has all requisite corporate power and authority to execute, deliver and perform this Agreement and consummate the transactions contemplated herein.

4.02 Authorization of Agreement and Enforceability

This Agreement has been duly and validly authorized, executed and delivered by SRA and constitutes a valid and binding obligation of SRA fully enforceable in accordance with its terms.

4.03 Effect of Agreement, Consents, Etc.

No consent, authorization or approval or exemption by or filing with any governmental or public body or authority is required in connection with the execution, delivery and performance by SRA of this Agreement or the taking of any action hereby contemplated, except for the Exchange's final approval.

5.00 TERMINATION

This Agreement may be terminated prior to the Closing Date:

(a) By the Shareholder or SRA if the Closing has not taken place on or before November 17, 2006 PROVIDED HOWEVER that such termination shall not relieve any party from liability if such party, as of the termination date, is in breach of any of the provisions of this Agreement.

6.00 GENERAL

6.01 Expenses, Etc.

Except as otherwise provided for herein, whether or not the transactions contemplated by this Agreement are consummated, each party hereto shall pay his or its own expenses and the fees and expenses of their respective counsel and accountants and other experts.

6.02 Waiver

No action taken pursuant to this Agreement, including any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

6.03 Binding Effect, Benefits

This Agreement shall enure to the benefit of any shall be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns.

6.04 Notices

All notices, requests, demands and other communications which are required to be or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when delivered in person or transmitted by telex or other telecommunication facility or on receipt after dispatch by certified or registered first class mail, postage prepaid, return receipt requested, to the party to whom the same is so given or made as follows:

(a) if to the Shareholder, to:

the address set out in Schedule "A"

(b) if to SRA, to:

Sierra Geothermal Power Corp.
Suite 304
850 Burrard Street
Vancouver, BC
V6Z 2J1

or to such other address as any party may designate by giving notice to the other parties hereto.

6.05 Further Assurances

The Shareholder shall, from time to time at or after the Closing, at the request of SRA, and without further consideration, execute and deliver such other instruments and take such other actions as may be required to confer to SRA and its assignees and benefits contemplated by this Agreement.

6.06 Entire Agreement, Amendment

This Agreement (including all Schedule attached hereto) constitutes the entire agreement and supersedes all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter in a written instrument executed by the party or parties sought to be bound.

6.07 Headings

The section and other headings contained in this Agreement are for reference purposes only and shall not be deemed to be part of this Agreement or to affect the meaning or interpretation of this Agreement.

6.08 Severability

The invalidity of any or any part of any section of this Agreement shall not render invalid the remainder of this Agreement or the remainder of such section. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

6.9 Counterparts

This Agreement may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

6.10 Gender, Singular and Plural

Any reference in this Agreement in the masculine gender shall include the feminine and neuter genders, and vice versa, as appropriate. Any reference in this Agreement in the singular shall mean the plural, and vice versa, as appropriate.

6.11 Third Parties

Nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies on any person other than the parties to this Agreement, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third party, nor shall any provision give any third party any right of subrogation or action against any party to this Agreement.

6.12 Governing Law

This Agreement shall be construed as to both validity and performance and enforced in accordance with and governed by the laws of the Province of British Columbia.

6.13 Time of Essence

Time is of the essence of this Agreement.

[INTENTIONALLY LEFT BLANK]

SCHEDULE "A"
TO SHAREHOLDER'S AGREEMENT

Please acknowledge your acceptance of the foregoing Shareholders Agreement by signing and returning a copy to the undersigned whereupon it shall become a binding agreement between us.

SIERRA GEOTHERMAL POWER CORP.
a British Columbia corporation

By:__________________________________
Name: Daniel G. McGee
Title: President

Dated: October ____, 2006

SHAREHOLDER	NUMBER OF CAYLEY SHARES HELD	NO. SRA SHARES TO BE EXCHANGED
____________________________ (Signature) By:		

*** Exemption Relied Upon**

*