This is the form of a material change report required under section 85 (1) of the Securities Act and section 151 of the Securities Rules.

BC FORM 53-901F
(Previously Form 27)

Securities Act

MATERIAL CHANGE REPORT

Item 1: Reporting Issuer

SIERRA GEOTHERMAL POWER CORP., #304-850 Burrard Street, Vancouver, BC, V6Z 2J1
Tel: 1-800-563-5631/604-683-0332

Item 2: Date of Material Change

August 29, 2006

Item 3: Press Release

August 29, 2006

Item 4: Summary of Material Change

Sierra Geothermal Power Corp. (the "Company") announces acquisition of Cayley Geothermal Corp. and proposed financing

Item 5: Full Description of Material Change

Sierra Geothermal Power Corp. ("Sierra") reported today, that the Company has entered into a Letter of Intent (LOI) dated August 28, 2006 (the "LOI") with three significant shareholders (the "Majority Shareholders") of Cayley Geothermal Corp. ("Cayley"), an Alberta corporation, to acquire, through staged allotments, up to 57.89% of the issued and outstanding shares of Cayley (the "Cayley Shares") conditional upon the Company completing the acquisition of the remaining 42.11% of the Cayley Shares from 24 minority shareholders (the "Minority Shareholders").

Under the terms of the LOI, Sierra must acquire 42.11% of the Cayley Shares under exchange agreements with the Minority Shareholders in exchange for 7,597,450 shares of Sierra (the "Sierra Shares") at closing. Subject to acquisition of the Cayley Shares from the Minority Shareholders, Sierra will acquire 57.89% of the Cayley Shares from the Majority Shareholders in exchange for 10,420,548 Sierra Shares in annual installments with the first 1,200,000 Sierra Shares issued to the Majority Shareholders at the closing of the transaction; 3,000,000 Sierra Shares to be issued one year following the anniversary date of the closing; an additional 3,000,000 Sierra Shares to be issued on the second anniversary following closing and the final installment of 3,220,548 Sierra Shares to be issued on the third anniversary following closing. The issuance of Sierra Shares in the final three installments is subject to certain conditions as further described below.

Upon the issuance of the first installment of 1,200,000 Sierra Shares to the Majority Shareholders, Sierra will receive a transfer of an additional 8.65% of Cayley Shares thereby increasing its share ownership in Cayley to 50.76%. On the issuance of the second installment of Sierra Shares to the Majority Shareholders, Sierra will receive an additional 16.67% of Cayley Shares thereby increasing its ownership to 67.43% of the Cayley Shares. On the issuance of the third installment of Sierra Shares to the Majority Shareholders, Sierra will receive an additional 16% of Cayley Shares thereby increasing its ownership to 83.44% of the Cayley Shares and on the issuance of the final installment Sierra Shares, Sierra will receive an additional 16.56% of the Cayley Shares thereby increasing its ownership to 100% of the Cayley Shares.

Each annual allotment of Sierra Shares on an installment basis will be subject to (a) Sierra and Cayley completing recommended work programs on at least two of Cayley's geothermal properties in a minimum aggregate amount of $1,500,000 per year under the terms of a Joint Development Agreement, (b) Sierra receiving positive recommendations from an independent geothermal consultant for the continued development of at least two of the Cayley geothermal properties, and (c) Sierra completing further financings to fund additional work programs on the Cayley geothermal properties.

As long as the agreement with the Majority Shareholders remains in good standing, and until all of the installments of the Sierra Shares have been paid and delivered to the Majority Shareholders, Sierra will have the right to appoint two directors to the Board of Directors of Cayley and Gary Thompson, P.Geo and Joel Ronne, P.Eng will be appointed to the Board of Directors of Sierra.

Gary R. Thompson obtained a B.Sc. honors degree in Geology from the University of British Columbia and is an active member of the Association of Professional Engineers and Geoscientists of British Columbia and the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Mr. Thompson has worked as a Contract Geologist with Encana Corporation and NovaGold Resources. Mr. Thompson has conducted geothermal property evaluations and economic assessments and has compiled an extensive geothermal database of USA and Canada since 2000. Mr. Thompson's exploration experience dates back to 1985.

Joel Ronne is a graduate of the University of Victoria, Department of Mechanical Engineering and a Professional Engineer in the Province of British Columbia. Mr. Ronne has over ten years experience in the energy industry including duties with the International Atomic Energy Agency, Ballard Power Systems, Canmet Coal and BC Hydro. Most recently Mr. Ronne has provided technical and financial modeling for Sound Energy's Box Canyon run-of-the-river hydro project. Mr. Ronne has been involved with Cayley since 2002. Mr. Ronne provides project management, technical and financial modeling and strategic planning for Cayley Geothermal Corp.

Since formation, Cayley has been successful in assembling a portfolio of 14 geothermal prospects briefly summarized as follows:

Name of Prospect	Location	No. Acres (Issued)	No. Acres (Pending)[1]	Nature of Interest
Gerlach	Washoe, NV	1,662	0	Optioned-WGP

[1]Pending Acreage relates to applications to lease which have been made with the Bureau of Land Management in the relevant States but which remain to be formally issued.

Reese River	Lander, NV	6,145	0	Leaseholder
Silver Peak	Esmeralda, NV	7,493	0	Optioned-WGP
Alum	Esmeralda, NV	7,238	0	Optioned-GEO-ENERGY
Salt Wells	Churchill, NV	3,786	5,189	Optioned-WGP
North Salt Wells	Churchill, NV	0	10,863	Optioned-WGP
Soda Lake	Churchill, NV	944	0	Optioned-WGP
Spencer Hot Springs	Lander, NV	4,841	0	Optioned-WGP
Sulphur	Humboldt, NV	0	3,664	Optioned-WGP
Wells	Elko, NV	0	4,016	Optioned-WGP
Howard	Humboldt, NV	2,234	0	Optioned-WGP
Wilson Hot Springs	Lyon, NV	0	5,686	Optioned-WGP
Hawthorne	Mineral, NV	0	2,968	Optioned-WGP
Salton Sea	Imperial, CA	0	3,442	Optioned-WGP
		34,343	35,828	

Optioned properties referenced with WGP were acquired by Cayley under two separate agreements dated March 1, 2006 and March 24, 2006 entered into with Western Geothermal Partners LLC of Reno, Nevada.

The first option agreement related to the Reese River Prospect requires cash payments of US$250,000 (of which US$100,000 has been paid by Cayley) and expenditures of US$6,500,000 over three years to acquire a 100% interest. Under the terms of the agreement Cayley shall make use of a Department of Energy GRED III grant in the amount of US$582,668, which is applicable toward the 4000 ft slim-hole and reservoir confirmation well on the Reese River Property.

The second option agreement relates to a total of 56,975 acres of geothermal leased lands, which can be acquired by the exclusive option payment of US$150,000, a US$50,000 exploration program repayment fee and a cash payments totaling US$1,851,688 with payments due every six months until March 1, 2009. By virtue of the terms of the agreement Cayley will have purchased a minimum cumulative 7,500 acres by December 31, 2006, 20,000 acres by March 1, 2007, 30,000 acres by September 01, 2007, 40,000 acres by March 01, 2008, 50,000 acres by September 01, 2008 and 56,975 by March 01, 2009. The properties acquired from Western Geothermal Partners LLC are subject to a 1% royalty, with a buy-out option to purchase the royalty.

Optioned properties, referenced above with GEO-ENERGY were acquired by Cayley under an agreement dated July 14, 2006 from Geo-Energy Partners 1983 Ltd, a Colorado limited partnership. In order to exercise the option, Cayley must make cash payments to Geo-Energy Partners 1983 Ltd. totaling US$300,000 in equal installments of US$100,000 each payable on December 31, 2006, June 1, 2007 and December 31, 2007. The properties are subject to a 4% royalty payable to Geo-Energy Partners, of which Cayley has a buy-out option to purchase the royalty.

The two most advanced projects of Cayley are the Reese River Project and the Silver Peak Project, which will be prioritized for exploration.

The Reese River geothermal project is located in Lander County in central Nevada and consists of a 6,145-acre lease with good road access. The Reese River Property is a blind heat anomaly, which was discovered in the 1970's by Amex in search of Uranium. More than 50 temperature gradient holes were drilled in the area during the 1970's and 1980's. Temperature data from the gradient drilling returned four holes between 21°F/100ft to 32°F/100ft, nineteen holes were between 15°F/100ft to 20°F/100ft and ten holes were between 10°F/100ft to 14°F/100ft over a 5 mile x 2 mile area. A report[2] commissioned by California Energy Commission estimates the geothermal energy reserves of the Reese River prospect to have a 90% probability of being able to support 13 MW or greater of electricity generation for a 30 year period. The same report estimates that there is a 50% probability that the reserves will be able to support 30 MW or greater of electricity generation for a 30 year period. The most-likely generation capacity was estimated at 18 MW. A megawatt (MW) of electricity is sufficient to power approximately 800 homes. Permitting and drill equipment procurement is near completion. Negotiations with drill contractors are ongoing and a drill date will be set when the negotiations have been completed. Upon positive results from the 4000 ft slim-hole, one or more full sized wells would be drilled starting in 2007 to assess the production potential of the site.

The second prioritized project is the Silver Peak geothermal prospect located in Esmeralda County, Nevada about 140 miles Southeast of Reno. The Silver Peak prospect consists of 7,680-acres of leases with good road access and has the potential for direct heat sales to a local lithium producer. Power lines and the Silver Peak sub-station are located directly on the lease grounds. The leases cover an exposed two-mile strike of fossil geothermal vents, silica-travertine sinter and algae. Phillips drilled a temperature gradient hole (SPK-03) in 1974, which had a bottom hole temperature of 123°F at 130 ft. Geothermometry investigations suggest a minimum reservoir temperature of 260°F with good evidence suggesting a reservoir temperature in the range of 300°F to 340°F, which is suitable for electric power production. Shallow drilling for temperature gradients in 2005 returned overall gradients of 13.72°F/100ft from well (CMF/WGP #2) and 11.9°F/100ft for the NHS well. A temperature gradient drilling program is planned for late 2006. Drill locations for exploration wells are also being permitted with drilling planned to commence in 2007.

Cayley will fund a portion of the anticipated exploration expenditures. As at June 30, 2006 Cayley had $344,598 cash on hand and subscriptions receivable under a private placement in the amount of $484,950 less commission. These funds will be used by Cayley in order to maintain its property interests in good standing and for cost and expenses incurred in ordinary course of business to the date of closing.

In order to finance the ongoing exploration commitments on the Cayley properties, Sierra has engaged Dundee Securities Corporation as agent for a brokered private placement of a minimum of 10,000,000 units and a maximum of 17,000,000 units at a price of $0.30 per unit. Each unit consists of one share and one-half share purchase warrant providing the placee with the right to purchase one Sierra Share for each warrant held at a price of $0.50 per share with each warrant expiring two years from the date of closing of the private placement.

The closing of the acquisition is conditional upon the following:

1) the acquisition of 100% of the Cayley Shares held by the Minority Shareholders in exchange for Sierra Shares;

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[2] Source: PIER Report, New Geothermal Site Identification and Qualification, prepared by GeothermEx, 2004. GeothermEx currently provides consulting services to Cayley, however at the time of commissioning of the PIER Report GeothermEx had no relationship with Cayley.

2) Sierra completing a private placement of a minimum of 10,000,000 units and a maximum of 17,000,000 units at a price of $0.30 per unit;

3) Cayley delivering audited financial statements for Cayley for the period ending July 31, 2006 to Sierra;

4) Cayley and Sierra executing a joint development agreement to govern the development of the Cayley properties;

5) Sierra receiving technical reports on the Reese River and Silver Peak properties prepared in accordance with the requirements of the TSX Venture Exchange and the British Columbia and Alberta Securities Commissions;

6) Sierra receiving the consent of shareholders to a possible change in control either in writing by 51% of the registered or unregistered shareholders holding shares through depositories or at a meeting of shareholders duly convened in accordance with the requirements of the British Columbia and Alberta Securities Acts.

The closing of the acquisition, and the financing is subject to the consent of the TSX Venture Exchange.

The acquisition is subject to TSX Venture Exchange approval.

Item 6: Reliance on section 85 (2) of the Act

N/A

Item 7: Omitted Information

N/A

Item 8: Senior Officers

Daniel G. McGee - President
Judy Pullman – Secretary

Item 9: Statement of Senior Officer

The foregoing accurately discloses the material change referred to herein.

DATED at the City of Vancouver, British Columbia the 29th day of August, 2006.

"Daniel McGee"

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Daniel G. McGee, President