

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES ACT OF 1934

For the quarterly period ended September 30, 2007

TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 333-117287

**U.S. GEOTHERMAL INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware	84-1472231
_____ (State or Other Jurisdiction of Incorporation or Organization)	_____ (I.R.S. Employer Identification No.)
1509 Tyrell Lane, Suite B Boise, Idaho	83706
_____ (Address of Principal Executive Offices)	_____ (Zip Code)

208-424-1027  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes  No

Indicate by check mark the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [**X**]

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

<u>Class of Equity</u>	<u>Shares Outstanding as of October 31, 2007</u>
Common stock, par value \$ 0.001 per share	53,554,745

U.S. Geothermal Inc.  
Form 10-Q  
For the Quarter Ended September 30, 2007

**INDEX**

**PART I – Financial Information**

Item 1 - Financial Statements (Unaudited)	4
Interim Consolidated Balance Sheets - September 30, 2007 and March 31, 2007	6
Interim Consolidated Statements of Operations - Three Months and Six Months Ended September 30, 2007 and September 30, 2006	7
Interim Consolidated Statements of Cash Flow - Six Months Ended September 30, 2007 and the Year Ended September 30, 2006	8
Interim Consolidated Statement of Stockholders' Equity – From Inception, February 26, 2002 through September 30, 2007	10
Notes to Interim Consolidated Financial Statements	14
Item 2 - Management's Discussion and Analysis of Financial Condition and Plan of Operations	
- General Background and Discussion	29
- Operating Results	34
- Contractual Obligations	34
- Off Balance Sheet Arrangements	35
- Liquidity and Capital Resources	35
- Potential Acquisitions	35
- Critical Accounting Policies	35
Item 3 – Quantitative and Qualitative Disclosures about Market Risk	39
Item 4 - Controls and Procedures	40

**PART II – Other Information**

Item 1 - Legal Proceedings	41
Item 1A - Risk Factors	41
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds	41
Item 4 – Submission of Matters to a Vote of Security Holders	41
Item 5 - Other Information	42
Item 6 - Exhibits and Reports	42

## **Part I- Financial Information**

### **Item 1 - Financial Statements**

The financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles may have been condensed or omitted. However, in the opinion of management, all adjustments (which include only normal recurring accruals) necessary to present fairly the financial position and results of operations for the periods presented have been made. These financial statements should be read in conjunction with the accompanying notes, and with the audited financial statements and notes to the financial statements included in the Company's 10-K for the year ended, March 31, 2007. The results of operations for the three months and the six months ended September 30, 2007 are not necessarily indicative of the results to be expected for the fiscal year ending March 31, 2008.

**U.S. GEOTHERMAL INC.**

(A Development Stage Company)

**Consolidated Financial Statements**

**September 30, 2007**

**U.S. GEOTHERMAL INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED BALANCE SHEETS**  
(Stated in U.S. Dollars)

	(Unaudited)	
	September 30, 2007	March 31, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 24,208,713	\$ 6,759,161
Restricted cash	2,709,000	5,363,400
Receivable from subsidiary	110,136	154,277
Other current assets	37,389	27,706
Total current assets	<u>27,065,238</u>	<u>12,304,544</u>
Investment in subsidiary (note 2)	6,624,534	6,230,410
Property, plant and equipment, net	<u>5,425,293</u>	<u>4,138,386</u>
Total assets	<u>\$ 39,115,065</u>	<u>\$ 22,673,340</u>
<b>LIABILITIES</b>		
<b>Current:</b>		
Accounts payable and accrued liabilities	\$ 76,133	\$ 1,446,952
Related party accounts payable	13,332	9,510
Total current liabilities	<u>89,465</u>	<u>1,456,462</u>
<b>Long-term:</b>		
Stock compensation payable	2,666,696	2,533,858
Total liabilities	<u>2,756,161</u>	<u>3,990,320</u>
<b>Commitments and Contingencies</b>		
<b>STOCKHOLDERS' EQUITY</b>		
<b>Capital stock</b>		
Authorized:		
100,000,000 common shares with a \$0.001 par value		
Issued and outstanding:		
53,428,445 shares at September 30, 2007 and		
43,810,512 shares at March 31, 2007	53,429	43,811
Additional paid-in capital	44,901,312	25,781,832
Accumulated deficit before development stage	(1,004,630)	(1,004,630)
Accumulated deficit during development stage	(7,591,207)	(6,137,993)
Total stockholders' equity	<u>36,358,904</u>	<u>18,683,020</u>
Total liabilities and stockholders' equity	<u>\$ 39,115,065</u>	<u>\$ 22,673,340</u>

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

**U.S. GEOTHERMAL INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Stated in U.S. Dollars)

	(Unaudited)		(Unaudited)		(Unaudited)
	Three Months Ended September 30,		Six Months Ended September 30,		Cumulative Period From February 26, 2002 (Inception) to September 30,
	2007	2006	2007	2006	2007
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Operating Expenses</b>					
Loss from investment in subsidiary	26,188	-	113,309	-	215,645
Consulting fees	16,027	31,572	31,141	97,027	494,946
Corporate admin and development	71,943	124,261	113,504	151,565	666,201
Exploration expenditures	-	-	-	-	440,611
Professional fees	197,127	272,632	379,684	487,898	1,983,674
Management fees	6,224	-	-	10,131	346,542
Salaries and wages	80,495	326,052	157,979	864,627	1,252,203
Stock based compensation	802,448	-	1,029,590	-	2,931,053
Travel and promotion	173,833	99,516	243,700	204,563	1,126,274
<b>Loss from Operations</b>	<b>(1,374,285)</b>	<b>(854,003)</b>	<b>(2,068,907)</b>	<b>(1,815,811)</b>	<b>(9,457,149)</b>
<b>Other Income</b>					
Foreign exchange gain (loss)	(4,107)	(258)	75,268	410,071	497,879
Other income	(3,494)	-	10,050	-	100,257
Interest income	339,208	174,270	530,375	353,232	1,267,806
<b>Net Loss</b>	<b>\$ (1,042,678)</b>	<b>\$ (680,021)</b>	<b>\$ (1,453,214)</b>	<b>\$ (1,052,508)</b>	<b>\$ (7,591,207)</b>
<b>Basic And Diluted Net Loss Per Share</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>	
<b>Weighted Average Number of Shares Outstanding for Basic and Diluted Calculations</b>	<b>53,349,355</b>	<b>43,501,344</b>	<b>49,960,760</b>	<b>43,481,344</b>	

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

**U.S. GEOTHERMAL INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Stated in U.S. Dollars)

	(Unaudited)		(Unaudited)
	For the Six Months Ended September 30,		From February 26, 2002 (Inception) to September 30, 2007
	<b>2007</b>	2006	
<b>Operating Activities:</b>			
Net loss	\$ (1,453,214)	\$ (1,052,508)	\$ (7,591,207)
Add non-cash items:			
Depreciation	23,649	4,341	43,485
Loss of operations of subsidiary	113,309	-	246,613
Loss on disposal of equipment	12,375	-	12,375
Shares issued for other than cash	-	-	198,984
Share based compensation	1,029,590	624,653	2,931,053
Change in non-cash working capital items:			
Receivable subsidiary	44,141	-	(110,136)
Accounts payable and accrued liabilities	(37,543)	644,904	83,205
Prepaid expenses & other	(9,683)	(2,305)	(37,389)
Total cash provided (used) by operating activities	<u>(277,376)</u>	<u>219,085</u>	<u>(4,223,017)</u>
<b>Investing Activities:</b>			
Purchases of property, plant and equipment	(2,652,385)	(10,507,582)	(6,805,815)
Cash acquired in business combination	-	-	5,798
Cash released from (restricted by) under contract	2,654,400	-	(2,709,000)
Investment in subsidiary	(507,433)	-	(10,424,534)
Reimbursement from partner	-	-	4,917,100
Total cash used by investing activities	<u>(505,418)</u>	<u>(10,507,582)</u>	<u>(15,016,451)</u>
<b>Financing Activities:</b>			
Issuance of share capital, net of share issue cost	18,232,346	20,259,793	43,448,181
Total cash provided by financing activities	<u>18,232,346</u>	<u>20,259,793</u>	<u>43,448,181</u>
<b>Increase in Cash and Cash Equivalents</b>	<b>17,449,552</b>	<b>9,971,296</b>	<b>24,208,713</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b><u>6,759,161</u></b>	<b><u>196,499</u></b>	<b><u>-</u></b>
<b>Cash and Cash Equivalents, End of Period</b>	<b><u>\$ 24,208,713</u></b>	<b><u>\$ 10,167,795</u></b>	<b><u>\$ 24,208,713</u></b>

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

**U.S. GEOTHERMAL INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
(Stated in U.S. Dollars)

	(Unaudited) Six Months Ended September 30, <b>2007</b>	(Unaudited) September 30, 2006	(Unaudited) From February 26, 2002 (Inception) to September 30, 2007
<b>Supplemental Disclosure:</b>			
Non-cash investing and financing activities			
Shares issued for settlement of debt	\$ -	\$ -	\$ 173,639
Transfer of property and equipment to subsidiary	-	-	1,363,714
Shares issued with employment agreements	-	-	198,984
Shares issued for geothermal property	-	-	77,350
Purchase of property and equipment on account	<b>(1,329,454)</b>	-	6,260
Warrants issued for share issue cost	-	-	158,778

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

**U.S. GEOTHERMAL INC.**  
(A Development Stage Company)

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**FROM INCEPTION, FEBRUARY 26, 2002, TO SEPTEMBER 30, 2007**  
(Stated in U.S. Dollars)

	NUMBER OF SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	CAPITAL STOCK ISSUABLE	STOCK PURCHASE WARRANTS	ACCUM. OTHER COMP. INCOME	ACCUM. DEFICIT	TOTAL
Shares issued for cash at \$0.015 per share – February 26, 2002	2,600,000	\$ 2,600	\$ 37,400	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Shares and warrants issued for Geothermal property at \$0.009 – March 5, 2002	1,895,000	1,895	15,105	-	-	-	-	17,000
Balance, March 31, 2002 – U.S. Geothermal Inc. – Idaho	4,495,000	4,495	52,505	-	-	-	-	57,000
Shares issued for cash at \$0.25 per share – May 28, 2002	395,000	395	98,355	-	-	-	-	98,750
Shares issued for services at \$0.25 per share – May 28, 2002	5,000	5	1,245	-	-	-	-	1,250
Shares issued for cash at \$0.30 per share – November 1, 2002	1,023,667	1,024	306,076	-	-	-	-	307,100
Shares issued for services at \$0.30 per share – November 1, 2002	10,000	10	2,990	-	-	-	-	3,000
Shares issued for services at \$0.30 per share – February 14, 2003	151,170	151	45,199	-	-	-	-	45,350
Net loss for the period	-	-	-	-	-	-	(164,909)	(164,909)
Balance carried forward, March 31, 2003 – U.S. Geothermal Inc. – Idaho	6,079,837	\$ 6,080	\$ 506,370	\$ -	\$ -	\$ -	\$ (164,909)	\$ 347,541

**U.S. GEOTHERMAL INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Continued)**  
**FROM INCEPTION, FEBRUARY 26, 2002, TO SEPTEMBER 30, 2007**  
(Stated in U.S. Dollars)

	NUMBER OF SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	CAPITAL STOCK ISSUABLE	STOCK PURCHASE WARRANTS	ACCUM. OTHER COMP. INCOME	ACCUM. DEFICIT	TOTAL
Balance carried forward, March 31, 2003 – U.S. Geothermal Inc. – Idaho	6,079,837	\$ 6,080	\$ 506,370	\$ -	\$ -	\$ -	\$ (164,909)	\$ 347,541
Consolidation adjustment to the number of shares issued and outstanding as a result of the reverse take-over transaction- U.S. Geothermal Inc.- Idaho; December 19, 2003	(6,079,837)	(6,080)	6,080	-	-	-	-	-
Legal parent company shares issued and outstanding at time of reverse take-over- U.S. Cobalt Inc.; December 19, 2003	2,274,616	2,275	(2,275)	-	-	-	-	-
Shares issued for acquisition of U.S. Geothermal Inc.- Idaho	6,939,992	6,940	(6,940)	-	-	-	(408,166)	(408,166)
Warrants issued for acquisition of U.S. Geothermal Inc.- Idaho	-	-	-	-	629,256	-	(629,256)	-
Shares and warrants issued for cash at a price of \$0.45 per share in a private placement, net of share issue costs of \$75,122 paid in cash and \$25,437 paid by issuance of 83,333 agent's warrants- December 19, 2003	3,322,221	3,322	959,230	-	457,326	-	-	1,419,878
Shares and warrants issued for conversion of notes at \$0.45 per share – February 20, 2004	385,864	386	123,090	-	50,162	-	-	173,638
Stock options granted	-	-	296,081	-	-	-	-	296,081
Foreign currency translation gain	-	-	-	-	-	35,792	-	35,792
Net loss for the year	-	-	-	-	-	-	(676,398)	(676,398)
Balance, March 31, 2004	12,922,693	\$ 12,923	\$ 1,881,636	\$ -	\$ 1,136,744	\$ 35,792	\$ (1,878,729)	\$ 1,188,366

**U.S. GEOTHERMAL INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Continued)**  
**FROM INCEPTION, FEBRUARY 26, 2002, TO SEPTEMBER 30, 2007**  
(Stated in U.S. Dollars)

	NUMBER OF SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	CAPITAL STOCK ISSUABLE	STOCK PURCHASE WARRANTS	ACCUM. OTHER COMP. INCOME	ACCUM. DEFICIT	TOTAL
Balance carried forward, March 31, 2004	12,922,693	\$ 12,923	\$ 1,881,636	\$ -	\$ 1,136,744	\$ 35,792	\$ (1,878,729)	\$ 1,188,366
Shares and warrants issued for cash at a price of \$0.66 in a private placement, net of share issue costs of \$225,131 paid in cash and \$133,341 paid by the issuance of 280,000 agent's warrants- September 17, 2004	4,000,001	4,000	1,103,082	-	1,324,038	-	-	2,431,120
Shares issued for property at a price of \$0.60- February 22, 2005	100,000	100	60,251	-	-	-	-	60,351
Shares issued for stock options exercised	308,735	309	145,133	-	-	-	-	145,442
Stock options granted	-	-	295,540	-	-	-	-	295,540
Foreign currency translation gain	-	-	-	-	-	129,470	-	129,470
Net loss for the year	-	-	-	-	-	-	(1,830,421)	(1,830,421)
Balance, March 31, 2005	17,331,429	17,332	3,485,642	-	2,460,782	165,262	(3,709,150)	2,419,868
Stock options granted	-	-	180,780	-	-	-	-	180,780
Expiration of stock purchase warrants	-	-	1,061,145	-	(1,061,145)	-	-	-
Shares issued for stock options and warrants exercised	812,415	812	526,753	-	(75,599)	-	-	451,966
Stock issued as result of employment agreements	120,000	120	83,880	-	-	-	-	84,000
Foreign currency translation loss	-	-	-	-	-	(165,262)	32,792	(132,470)
Capital stock issuable as result of a private placement to be closed April 3, 2006	-	-	-	20,134,260	-	-	-	20,134,260
Stock compensation liability	-	-	(383,510)	-	(1,324,038)	-	-	(1,707,548)
Net loss for the year	-	-	-	-	-	-	(1,523,385)	(1,523,385)
Balance, March 31, 2006	18,263,844	\$ 18,264	\$ 4,954,690	\$ 20,134,260	\$ -	\$ -	\$ (5,199,743)	\$ 19,907,471

**U.S. GEOTHERMAL INC.**  
(A Development Stage Company)

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Continued)**  
**FROM INCEPTION, FEBRUARY 26, 2002, TO SEPTEMBER 30, 2007**  
(Stated in U.S. Dollars)

	NUMBER OF SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	CAPITAL STOCK ISSUABLE	STOCK PURCHASE WARRANTS	ACCUM. OTHER COMP. INCOME	ACCUM. DEFICIT	TOTAL
Balance carried forward, March 31, 2006	18,263,844	\$ 18,264	\$ 4,954,690	\$ 20,134,260	\$ -	\$ -	\$ (5,199,743)	\$ 19,907,471
Stock issued as result of employment agreements	49,168	49	65,331	-	-	-	4	65,384
Stock options granted	-	-	978,772	-	-	-	-	978,772
Shares issued for stock options and warrants exercised	497,500	498	487,595	-	(137,806)	-	-	350,287
Capital stock issued as result of a private placement closed April 3, 2006, net of issuance costs	25,000,000	25,000	20,109,260	(20,134,260)	-	-	-	-
Stock purchase warrants expired	-	-	1,186,232	-	(1,186,232)	-	-	-
Stock compensation liability	-	-	(2,000,048)	-	1,324,038	-	-	(676,010)
Net loss for the period	-	-	-	-	-	-	(1,942,884)	(1,942,884)
Balance, March 31, 2007	43,810,512	43,811	25,781,832	-	-	-	(7,142,623)	18,683,020
Capital stock issued as result of a private placement closed June 5, 2007, net of issuance costs	9,090,900	9,091	17,757,681	-	-	-	-	17,766,772
Shares issued for stock options and warrants exercised	527,033	527	465,046	-	-	-	-	465,573
Stock compensation liability	-	-	896,753	-	-	-	-	896,753
Net loss for the period	-	-	-	-	-	-	(1,453,214)	(1,453,214)
Balance, September 30, 2007 (unaudited)	53,428,445	\$ 53,429	\$ 44,901,312	\$ -	\$ -	\$ -	\$ (8,595,837)	\$ 36,358,904

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

**U.S. GEOTHERMAL INC.**  
**(A Development Stage Company)**  
**(Unaudited)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**  
**(Stated in U.S. Dollars)**

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS**

When U.S. Cobalt Inc. (“GTH” or the “Company”) completed a reverse take-over on December 19, 2003, the former stockholders of U.S. Geothermal Inc. (“GEO – Idaho”) a company incorporated on February 26, 2002 in the State of Idaho, U.S.A.; acquired control of GTH. In connection with the transaction, U.S. Cobalt Inc. changed its name to U.S. Geothermal Inc. and consolidated its common stock on a one new to five old basis. All references to common shares in these financial statements have been restated to reflect the roll-back of common stock.

The Company has been in the development stage since its formation and has not yet realized any revenues from its planned principle operations. GEO - Idaho operates for the purpose of acquiring geothermal properties and entered into an agreement with Vulcan Power Company (“Vulcan”) of Bend, Oregon, U.S.A., pursuant to which it acquired a 100% interest in the Raft River Geothermal Property located in Cassia County, Idaho, U.S.A. (Note 3).

**Basis of Presentation**

These unaudited interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). Such rules and regulations allow the omission of certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America, so long as such omissions do not render the financial statements misleading. Certain prior period amounts have been reclassified to conform to the current period presentation.

In the opinion of management, these financial statements reflect all adjustments that are necessary for a fair statement of the results for the periods presented. All adjustments were of a normal recurring nature. These interim financial statements should be read in conjunction with the annual financial statements of the Company included in its FYE 2007 Annual Report on Form 10-K.

The Company consolidates more-than-50% owned subsidiaries that it controls and entities over which control is achieved through means other than voting rights. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The accounts of the following companies are consolidated in these financial statements:

- i) U.S. Geothermal Inc. (incorporated in the State of Delaware);
- ii) U.S. Geothermal Inc. (incorporated in the State of Idaho);
- iii) U.S. Cobalt Inc. (incorporated in the State of Colorado);
- iv) U.S. Geothermal Services, LLC (incorporated in the State of Delaware).

All intercompany transactions are eliminated upon consolidation.

Raft River Energy I LLC was consolidated through July 2006, after which the entity is recorded under the equity method. See Consolidation of Variable Interest Entity in Note 2 for further discussion.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following are summarized accounting policies considered to be significant by the Company's management:

### **Accounting Method**

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

### **Development Stage Company**

Pursuant to Statement of Financial Accounting Standards No. 7, "Accounting and Reporting by Development Stage Enterprises" (SFAS 7), the Company is considered to be a development stage enterprise since its planned principal operations have not commenced. The various entities that comprised the Company prior to February 26, 2002 were not engaged in operations directly related to the development of geothermal power plants. After that time, the Company began its current and primary development activities, and accordingly, accounted for the accumulated deficit separately from the prior operations. The consolidated statements of operations, stockholders' equity and cash flows present the accumulated activities from the inception of the current operating activities to present. This presentation will continue until the Company begins its planned principle operations.

### **Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions and could have a material effect on the reported amounts of the Company's financial position and results of operations.

### **Cash and Cash Equivalents**

The Company considers all unrestricted cash, short term deposits, and other investments with maturities of no more than ninety days when acquired to be cash and cash equivalents for the purposes of the statement of cash flows. Discussion regarding restricted cash is included in Note 9. With the large value of funds invested in short term deposits, small variations in short term interest rates may materially affect the value of cash equivalents. Investments in government obligations accumulate higher interest, but the principal balance is not insured by the FDIC. All investments held by the Company are highly liquid and available on demand.

### **Concentration of Credit Risk**

The Company's cash and cash equivalents consisted of commercial bank deposits, a money market account, and petty cash. The money market funds totaled \$26,785,188, and are not subject to deposit insurance. Cash deposits are held in a commercial bank in Boise, Idaho, and in a commercial bank in Vancouver, British Columbia. The accounts in Idaho are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The Canadian dollar accounts in British Columbia are guaranteed by the Canadian Deposit Insurance Corporation (CIDIC) up to \$100,000 Canadian (approximately \$99,300 in U.S. dollars at September 30, 2007). At September 30, 2007, the Company

exceeded the FDIC insured amount by approximately \$16,800 and did not exceed the CIDC insured amount.

### **Consolidation of Variable Interest Entities**

The Company has a significant interest in a Raft River Energy I, LLC (RREI), which has been determined to be a variable interest entity as defined by FASB Interpretation No. 46(R) (FIN 46(R)). RREI's purpose is to hold the financial interests of the first phase of the Raft River project for the construction of a geothermal power plant. As described below, the Company's interest changed during the current fiscal period from primary beneficiary to a significant interest.

RREI resulted from agreements signed August 9, 2006, between U.S. Geothermal Inc. and Raft River Holdings, LLC, a subsidiary of the Goldman Sachs Group, for construction financing of Phase I of the Raft River project. To accommodate the construction financing, U.S. Geothermal sold 50% of its ownership in Raft River Energy to Raft River Holdings. As a result of the agreements, U.S. Geothermal is required to contribute approximately \$6,400,000 in cash and property, and Raft River Holdings is required to contribute \$34,170,100 to RREI.

As of September 30, 2007, U.S. Geothermal Inc. has contributed \$6,866,714 in cash and property to the project, while Raft River Holdings has contributed \$34,170,100. As a result, Raft River Holdings has been designated the primary beneficiary.

For periods prior to August 2006, U.S. Geothermal was the 100% owner of RREI and consolidated the loss of \$30,968. For the period August 2006 to March 2007, U.S. Geothermal recorded RREI under the equity method of accounting for investments in subsidiaries based on the capital contribution ratio at March 31, 2007 (loss of \$102,336).

RREI's latest audited financial information is summarized as follows:

As of November 24, 2006:	
Total current assets	\$ 3,417,793
Property and equipment	<u>18,618,764</u>
Total assets	<u>\$ 22,036,557</u>
Total current liabilities	\$ 3,360,052
Members' equity	<u>18,676,505</u>
Total liabilities and equity	<u>\$ 22,036,557</u>
From inception on August 18, 2005 to November 24, 2006:	
Operating revenues	\$ 0
Operating loss	(245,879)
Net loss	(237,309)

### **Property, Plant and Equipment**

Costs of acquisition of geothermal properties are capitalized on an area-of-interest basis. Depreciation of these costs will be on a unit-of-production basis, based on estimated proven geothermal reserves should such reserves be found. If an area of interest is abandoned, the costs thereof are charged to income in the year of abandonment. With the inherent uncertainty of calculating the units of production for a renewable resource, revisions to the estimates and the subsequent field performance of the resource could cause the life of the resource to differ significantly from the estimated units of

production. A large percentage increase or decrease in the estimated reserves could increase or decrease the depreciation, depletion or amortization of capital costs proportionately.

The Company expenses all costs related to the development of geothermal reserves prior to the establishment of proven and probable reserves.

Depreciation will be based upon the estimated useful life of the asset. For assets directly related to revenue production defined by a specific contract, the estimated useful lives will not exceed the life of the contract. Depletion on wells and other assets directly involved in the extraction of the natural resources will be based upon the total estimated capacity on a unit of production basis. Units will be defined as gallons of geothermal water processed through the plant and used directly in the production of revenues.

Other equipment is recorded at cost. Depreciation of other equipment is calculated on an annual rate of 30%.

### **Impairment of Long-Lived Assets**

Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144) establishes a single accounting model for long-lived assets to be disposed of by sale including discontinued operations. SFAS 144 requires that these long-lived assets be measured at the lower of the carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. The Company has adopted SFAS 144 and evaluates its long-term assets annually for impairment or when circumstances or events occur that may impact the fair value of the assets. The fair value of geothermal property is primarily evaluated based upon the present value of expected revenues directly associated with those assets. An impairment loss would be recognized if the carrying amount of a capitalized asset is not recoverable and exceeds its fair value. Management believes that there have not been any circumstances that have warranted the recognition of losses due to the impairment of long-lived assets as of September 30, 2007.

### **Stock Options Granted to Employees and Non-employees**

On April 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS 123(R)), which requires the measurement of the value of employee services received in exchange for an award of an equity instrument based on the grant-date fair value of the award. For employees, directors and officers, the fair value of the awards are expensed over the vesting period. The current vesting period for all options is eighteen months.

Under SFAS 123(R), the Company elected to use the modified prospective transition method, and accordingly, the Company's consolidated financial statements for periods prior to adoption of SFAS 123(R) have not been restated to reflect, and do not include the impact of adopting SFAS 123(R).

For non-employee stock based compensation, the Company adopted EITF Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" and EITF Issue No. 00-18, "Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees." Non-employee stock options have been granted, at the Board of Director's discretion, to select vendors as a bonus for exceptional performance. Prior to issuance of the awards, the Company was not under any obligation to issue the stock options. Subsequent to the award, the recipient was not obligated to perform any services. Therefore, the fair value of these options was expensed on the grant date, which was also the measurement date.

The Company accounts for stock-based compensation in accordance with SFAS 123(R). Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating expected dividends. In addition, judgment is also required in estimating the amount of share-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted.

### **Earnings Per Share**

The Company has adopted Statement of Financial Accounting Standard No. 128 "Earnings per Share" (SFAS 128), which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. Although there were common stock equivalents outstanding at September 30, 2007 and March 31, 2007, they were not included in the calculation of earnings per share because their inclusion would have been considered anti-dilutive.

### **Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, refundable tax credits, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Refundable tax credit is comprised of Goods and Services Tax ("GST") which is refundable from the Government of Canada and is included in other assets.

### **Foreign Currency Transactions**

The Company's functional currency is the U.S. dollar. Monetary items are converted into U.S. dollars at the rate prevailing at the balance sheet date. Resulting gains and losses are generally included in determining net income for the period in which exchange rates change. The Company does not have financial interests that are specified by contract to be settled in foreign currencies.

### **Foreign Operations**

The accompanying balance sheet contains certain recorded Company assets (principally cash) in a foreign country (Canada). Although Canada is considered economically stable, it is always possible that unanticipated events in foreign countries could disrupt the Company's operations.

### **Provision for Taxes**

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not

believe the Company has met the “more likely than not” standard imposed by SFAS 109 to allow recognition of such an asset.

At September 30, 2007, the Company had net deferred tax assets calculated at an expected rate of 34% of approximately \$2,652,000 (March 31, 2007 - \$2,177,500) principally arising from net operating loss carry forwards and stock compensation. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset was recorded at September 30, 2007. The significant components of the deferred tax asset at September 30, 2007 and March 31, 2007 were as follows:

	September 30, 2007	March 31, 2007
Estimated net operating loss carry forward	\$ 7,800,000	\$ 6,404,500
Deferred tax asset	\$ 2,652,000	\$ 2,177,500
Deferred tax asset valuation allowance	(2,652,000)	(2,177,500)
Net deferred tax asset	\$ -	\$ -

At September 30, 2007, the Company has net operating loss carry forwards of approximately \$7,800,000 (\$6,404,500 in March 31, 2007), which expire in the years 2023 through 2027. The change in the allowance account from March 31, 2007 to September 30, 2007 was \$474,500.

Although we believe that our estimates are reasonable, no assurance can be given that the final tax outcome of these matters will not be different than that which is reflected in our tax provisions. Ultimately, the actual tax benefits to be realized will be based upon future taxable earnings levels, which are very difficult to predict.

### **Going Concern**

Based on the Company’s projected spending over the next 12 months, the approximate \$17.8 million in cash generated from the private placement completed June 5, 2007, and the Company’s other available resources obtained from prior issuance stock offerings; the Company’s auditors have removed the going concern qualification on the Company’s financial statements. Management believes that sufficient funding will be available to meet its business objectives, including anticipated cash needs for working capital, and financing for construction of the phase one power plant. As shown in the accompanying consolidated financial statements, the Company has incurred an accumulated deficit of \$8,595,837 and has no revenue from operations. In the ordinary course of constructing a power plant facility of this size and complexity, cost overruns, variances in geothermal reservoir conditions and contract delays can significantly affect the economics of the project. Failure to achieve commercial operations of the power plant prior to December 31, 2008 would jeopardize the production tax credit, and could materially affect the ability of U.S. Geothermal to operate as a going concern.

### **NOTE 3 - REVERSE TAKE-OVER**

Effective December 19, 2003, GTH acquired 100% of the issued and outstanding voting shares of GEO - Idaho by issuing 6,939,992 common shares and 2,420,217 share purchase warrants. Each share purchase warrant entitled the holder to purchase one additional common share at a price of \$0.75 per share until December 19, 2005. All of the stock purchase warrants noted above expired without exercise. Since the transaction resulted in the former shareholders of GEO - Idaho owning the majority

of the issued shares of GTH, the transaction, which was referred to as a “reverse take-over”, was treated for accounting purposes as an acquisition by GEO - Idaho of the net assets and liabilities of GTH. Under this purchase method of accounting, the results of operations of GTH were included in these consolidated financial statements from December 19, 2003. GEO - Idaho was deemed to be the purchaser for accounting purposes. Accordingly, its net assets were included in the balance sheet at their previously recorded values.

The Company determined that the share purchase warrants issued as part of the aforementioned transaction had a fair value of \$629,256 as determined by using the Black-Scholes pricing model with the assumptions as stated in Note 6. The amount was considered to be additional consideration given to the former GEO - Idaho shareholders and, as such, was allocated, along with the net liabilities assumed of GTH, to accumulated deficit. The acquisition is summarized as follows:

Current assets (including cash of \$5,798)	\$ 11,616
Current liabilities	<u>(419,782)</u>
Net liabilities assumed	<u><u>\$ (408,166)</u></u>

The net liabilities assumed have been charged to accumulated deficit.

#### **NOTE 4 - PROPERTY, PLANT AND EQUIPMENT**

During the quarter ended September 30, 2007, the Company incurred costs related to the development of the Neal Hot Springs property for \$21,525. Two vehicles and a compressor were purchased for \$99,896 and miscellaneous equipment for \$6,487 that will be utilized by the corporate administrative and the Raft River site offices.

During the quarter ended June 30, 2007, the Company incurred costs of \$101,647 in the continued construction of Raft River Project phase I. The Company acquired additional geothermal rights for \$1,015,102. An interconnection facility study was completed that amounted to \$56,000. Vehicles and computer equipment utilized by the corporate administrative and the Raft River site offices were purchased for \$21,827.

During the year ended March 31, 2007, the Company incurred an additional \$12,084,849 in construction costs for Raft River Project phase I. These costs were primarily for the drilling of additional wells and the construction of the power plant and related infrastructure. Raft River Holdings reimbursed the Company for \$4,917,100 in amounts associated with Raft River Energy phase I. As described in note 2, property (both geothermal property and construction in process) was transferred to Raft River Energy, in exchange Company’s interest in the subsidiary that amounted to \$6,363,714. In addition to construction activities, the Company acquired 1,083 acres of surface rights in exchange for cash payments of \$1,281,006 and 631 acre feet per annum in water rights for \$138,820. Legal fees for \$87,121 were incurred for the acquisition of mineral rights. The Company acquired access to 5,409 acres of surface, mineral and geothermal rights through a lease payment of \$15,000. Vehicles, furniture and computer equipment utilized by the corporate administrative and the Raft River site offices were purchased for \$102,800.

Property, plant and equipment activities for the six months ended September 30, 2007 are summarized as follows:

	Balance March 31, 2007	Additions	Deletions	Balance September 30, 2007
Land	\$ 384,000	\$ -	\$ -	\$ 384,000
Water rights	1,146,003	-	-	1,146,003
Geothermal and mineral rights	286,112	1,092,627	-	1,378,739
Furniture and equipment	108,125	128,657	(15,000)	221,782
Construction in progress, Raft River Project	2,233,982	101,647	-	2,335,629
	<u>\$ 4,158,222</u>	<u>\$ 1,322,931</u>	<u>\$ (15,000)</u>	<u>5,466,153</u>
Less: accumulated depreciation				<u>(40,860)</u>
				<u>\$ 5,425,293</u>

Depreciation expense charged to operations for the three months ended March 31, 2007 and the six months ended September 30, 2007 amounted to \$15,746 and \$23,649, respectively.

#### **NOTE 5 - CAPITAL STOCK**

The Company is authorized to issue 100,000,000 shares of common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

During the quarter ended September 30, 2007, the Company issued 235,833 common shares to officers, employees and consultants upon exercise of stock options at strike prices ranging from \$0.60 CDN to \$1.40 CDN (average \$1.03 U.S.).

During the quarter ended June 30, 2007, the Company issued 291,200 common shares to officers, employees and consultants upon exercise of stock options at strike prices ranging from \$0.60 CDN to \$1.40 CDN (average \$0.76 U.S.).

On June 5, 2007, the Company completed a private placement of 9,090,900 common shares at a price of \$2.20 CDN (\$2.08 U.S. as of June 5, 2007). Proceeds, net of financing fees, totaled \$17,766,772.

During the quarter ended March 31, 2007, the Company issued 62,500 common shares upon the exercise of 12,500 stock options, plus 50,000 broker compensation options at an exercise price of \$1.00 CDN (\$0.83 U.S.).

During the quarter ended December 31, 2006, the Company issued 72,741 shares to employees in satisfaction of employment agreements at an average price of \$0.90, and 23,573 shares previously held in escrow were cancelled.

During the quarter ended September 30, 2006, the Company issued 395,000 common shares upon the exercise of 280,000 stock purchase warrants at an exercise price of \$0.85 CDN (\$0.73-\$0.75 U.S.), the exercise of 15,000 stock purchase warrants at an exercise price of \$1.25 CDN (\$0.86 U.S.), and the exercise of 100,000 options at an exercise price of \$0.60 CDN (\$0.54 U.S.).

During the quarter ended June 30, 2006, the Company issued 40,000 common shares upon the exercise of 40,000 options at an exercise price of \$0.60 CDN (\$0.53 U.S.).

On April 3, 2006, the Company completed a private placement of 25,000,000 common shares at a price of \$1.00 CDN (\$0.86 U.S. as of April 3, 2006). Proceeds, net of financing fees, totaled \$20,134,260. Of the net proceeds, \$172,370 had been received in the Company's bank accounts prior to year end. Since the subscription forms reflected a March 30, 2006 date, and the remainder of the cash of \$19,961,890 was on deposit with Dundee Securities Corporation, the private placement was recorded as "Private placement proceeds receivable" and as "Capital Stock Issuable" in the financial statements at March 31, 2006.

#### **NOTE 6 - STOCK BASED COMPENSATION**

The Company's stock option plan provides for the grant of incentive stock options for up to 5,342,845 common shares to employees, consultants, officers and directors of the Company. All terms and conditions of the options are the same for external parties as well as internal employees and directors. Options are granted for a term of up to five years from the date of grant. Stock options granted generally vest over a period of eighteen months, with 25% vesting on the date of grant and 25% vesting every six months thereafter. Since the plan has been administered by the Company's Vancouver office and Pacific Corporate Trust Company, the Company has issued stock options with an exercise price stated in Canadian dollars per share. The Company recognizes compensation expense using the straight-line method of amortization. Historically, the Company has issued new shares to satisfy exercises of stock options and the Company expects to issue new shares to satisfy any future exercises of stock options.

U.S. Geothermal and their Board of Directors have previously provided additional incentive to our United States ("U.S.A.") employees and consultants by offering stock options at a discount off market price as allowed by the TSX Venture exchange. The U.S.A. legislature and the Internal Revenue Service ("IRS") are now issuing regulations to dissuade companies from granting these discounted stock options. Through the American Jobs Creation Act of 2004 and the Internal Revenue Code Section 409A, discounted stock options have now been classified as deferred compensation in which the "discount" is taxable at the date of vesting, instead of upon the date of exercise. They have also dictated that a 20% penalty on all discounts is to be paid at date of vesting. These new rules have been retroactively applied to all options vesting after January 1, 2005.

Since U.S. Geothermal stock options vest 25% on date of grant and 25% every six months thereafter, option holders would be subject to amending tax returns for prior years and paying tax and penalty on the value of the discount. These amendments and payments would be required whether or not the option holder exercises the options. The IRS is allowing option holders until December 31, 2007 to rectify the situation by allowing them to reprice the existing options to the market price on the date of option grant. As of March 31, 2007, the majority of our U.S.A. option holders have repriced their options to the market price on the date of grant. An adjustment to the fair market value of the repriced options was included in the stock compensation accrual for March 2007.

During the quarter ended September 30, 2007, the Company granted 775,000 stock options to consultants and employees exercisable at a price of \$2.41 U.S. until January 22, 2012.

During the quarter ended March 31, 2007, the Company granted 235,000 stock options to consultants and employees exercisable at a price of \$1.40 CDN (\$1.24 U.S.) until January 22, 2012.

During the quarter ended September 30, 2006, the Company granted 170,000 stock options to consultants and employees exercisable at a price of \$1.00 CDN (\$0.89 U.S.) until July 31, 2011.

During the quarter ended June 30, 2006, the Company granted 1,763,000 stock options to consultants, employees, directors and officers exercisable at prices ranging from \$0.85 to \$1.00 CDN (\$0.77 to \$0.90 U.S.) until April 12, 2011.

The following table reflects the summary of stock options outstanding at September 30, 2007 and changes during the three and six months ended:

	Number of shares under options	Weighted Average Exercise Price Per Share	Weighted Average Fair Value (US)	Aggregate Intrinsic Value (US)
Balance outstanding, March 31, 2006	1,065,628	\$ 0.69 CDN	\$ 0.37	\$ 399,146
Forfeited	(145,000)	0.86 CDN	0.62	(90,487)
Exercised	(152,500)	0.63 CDN	0.30	(46,427)
Granted	2,168,000	1.05 CDN	0.99	2,140,719
Balance outstanding, March 31, 2007	2,936,128	0.96 CDN	0.82	2,402,951
Forfeited	-	-	-	-
Exercised	(291,200)	0.83 CDN	0.44	(128,209)
Granted	-	-	-	-
Balance outstanding, June 30, 2007	2,644,928	0.98 CDN	0.86	2,274,742
Forfeited	(5,000)	1.00 CDN	0.80	(4,000)
Exercised	(235,833)	1.09 CDN	0.96	(225,581)
Granted	775,000	2.41 US	1.54	1,193,500
Balance outstanding, September 30, 2007	3,175,095	\$ 1.32 CDN	\$ 1.02	\$ 3,238,661

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model using the assumptions noted in the following table. Expected volatilities are based on historical volatility of the Company's stock. The Company uses historical data to estimate option exercises and employee termination within the Black-Scholes model. The expected term of options granted represents the period of time that options granted are expected to be outstanding, based upon past experience and future estimates and includes data from the Plan. The risk-free rate for periods within the expected term of the option is based upon the U.S. Treasury yield curve in effect at the time of grant. The Company currently does not foresee the payment of dividends in the near term.

The fair value of the stock options granted was estimated using the Black-Scholes option-pricing model and is amortized over the vesting period of the underlying options. The assumptions used to calculate the fair value are as follows:

	Fiscal Years Ended	
	2008	2007
Dividend yield	0	0
Expected volatility	77-140%	82-149%
Risk free interest rate	4.58-5.00%	3.94-4.20%
Expected life (years)	3.50	3.36

Changes in the subjective input assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

The following table summarizes information about the stock options outstanding at September 30, 2007:

OPTIONS OUTSTANDING			
EXERCISE PRICE	NUMBER OF OPTIONS	REMAINING CONTRACTUAL LIFE (YEARS)	NUMBER OF OPTIONS EXERCISABLE
\$ 0.60 CDN	260,628	1.33	260,628
0.72 CDN	109,167	2.08	109,167
0.85 CDN	20,000	3.50	20,000
0.90 CDN	232,500	2.08	232,500
1.00 CDN	1,536,800	3.50	1,536,800
1.15 CDN	78,750	3.83	59,063
1.40 CDN	166,250	4.33	83,125
2.41 US	775,000	4.83	193,750
<b>\$ 1.32 CDN</b>	<b>3,179,095</b>	<b>3.55</b>	<b>2,495,033</b>

The following table summarizes information about the stock options outstanding at March 31, 2007:

OPTIONS OUTSTANDING			
EXERCISE PRICE (CDN)	NUMBER OF SHARES	REMAINING CONTRACTUAL LIFE (YEARS)	NUMBER OF OPTIONS EXERCISABLE
\$ 0.60	355,628	1.91	355,628
0.72	197,500	2.67	197,500
0.85	20,000	4.00	15,000
0.90	347,500	2.67	347,500
1.00	1,615,500	4.00	807,750
1.15	165,000	4.50	82,500
1.40	235,000	4.83	58,750
<b>\$ 0.96</b>	<b>2,936,128</b>	<b>3.59</b>	<b>1,864,628</b>

A summary of the status of the Company's nonvested stock options for the fiscal year ended March 31, 2007 and for the quarter ended September 30, 2007 are presented as follows:

	Number of Options	Weighted Average Grant Date Fair Value Per Share	Weighted Average Grant Date Fair Value
Nonvested, March 31, 2006	142,500	\$ 0.69 CDN	\$ 0.37
Granted	2,168,000	1.05 CDN	0.99
Vested	(1,094,000)	0.63 CDN	0.30
Forfeited	(145,000)	0.86 CDN	0.62
Nonvested, March 31, 2007	1,071,500	0.96 CDN	0.82
Granted	-		-
Vested	(403,875)	1.00 CDN	0.68
Forfeited	-	-	-
Nonvested, June 30, 2007	667,625	1.12 CDN	1.10
Granted	775,000	2.41 US	1.54
Vested	(753,563)	1.05 CDN	0.99
Forfeited	(5,000)	1.00 CDN	0.80
Nonvested, September 30, 2007	684,062	\$ 1.12 CDN	\$ 1.55

As of September 30, 2007, there was \$1,060,284 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 1.5 years. The total fair value of shares vested during the year ended March 31, 2007 was \$1,129,072; for the quarter ended September 30, 2007 was \$802,448; and for the six months ended September 30, 2007 was \$1,029,590.

### **Stock Purchase Warrants**

At June 30, 2007, 454,545 share purchase warrants at an exercise price of \$2.08 US were issued to compensate brokers resulting from the private placement of 9,090,900 common shares issued June 5, 2007.

During the quarter ended September 30, 2006, stock purchase warrants representing 3,985,001 common shares at an exercise price of \$1.25 CDN expired without being exercised, stock purchase warrants representing 280,000 common shares at an exercise price of \$0.85 CDN were exercised, and stock purchase warrants representing 15,000 common shares at an exercise price of \$1.25 CDN were exercised.

### **NOTE 7 - RELATED PARTY TRANSACTIONS**

At September 30, 2007 and March 31, 2007, the amounts of \$13,332 and \$9,510, respectively, are payable to directors and officers of the Company. These amounts are unsecured and due on demand.

The Company's subsidiary Raft River Energy I, LLC owed the Company \$110,136 and \$154,277 at September 30, 2007 and March 31, 2007; respectively, for operating and maintenance expenses. The receivable balance is comprised of unsecured demand obligations due within twelve months.

The Company incurred the following transactions with directors, officers and a company with a common director:

	<b>Six Months Ended September 30, 2007</b>	<b>Year Ended March 31, 2007</b>
Administrative services	\$ 10,715	\$ 20,563
Director fees	15,000	23,250
Consulting fees	12,000	24,000
	<b>\$ 37,715</b>	<b>\$ 67,813</b>

#### **NOTE 8 - DIFFERENCES BETWEEN CANADIAN AND U.S. GAAP**

The Company's consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The material difference in respect to these financial statements between U.S. and Canadian GAAP is reflected in the recording of Property, Plant and Equipment. Under Canadian GAAP, development and exploration costs associated with the Raft River project (property lease payments, geological consulting fees, well monitoring and permitting, etc.) are recorded as a capital asset. Under U.S. GAAP, these amounts are expensed. As a result of the above, under Canadian GAAP the following line items in the consolidated balance sheets and income statements would have been presented as follows:

<b>Consolidated Balance Sheets</b>	<b>U.S. GAAP September 30, 2007</b>	<b>Canadian GAAP September 30, 2007</b>	<b>U.S. GAAP March 31, 2007</b>	<b>Canadian GAAP March 31, 2007</b>
Plant, Property and Equipment	\$ 5,425,293	\$ 5,865,904	\$ 4,138,386	\$ 4,578,997
Total Assets	39,115,065	45,421,580	22,673,340	23,113,951
Stockholders' Equity	36,358,904	36,799,515	18,683,020	19,123,631
Total Liabilities and Stockholders' Equity	\$ 39,115,065	\$ 39,555,676	\$ 22,673,340	\$ 23,113,951

<b>Consolidated Statements of Operations and Comprehensive Loss</b>	<b>U.S. GAAP Six Months Ended September 30, 2007</b>	<b>Canadian GAAP Six Months Ended September 30, 2007</b>	<b>U.S. GAAP Year ended March 31, 2007</b>	<b>Canadian GAAP Year ended March 31, 2007</b>
Exploration Expenditures	\$ -	\$ -	\$ -	\$ -
Loss from Operations	(2,068,907)	(2,068,907)	(3,138,169)	(3,138,169)
Net Loss	(1,453,214)	(1,453,214)	(1,942,884)	(1,942,884)

## NOTE 9 - COMMITMENTS AND CONTINGENCIES

### Operating Lease Agreements

The Company has entered into several lease agreements with terms expiring up to December 1, 2034 for geothermal properties adjoining the Raft River Geothermal Property and for Neal Hot Springs. The leases provide for the following annual payments within the next five fiscal years:

Year Ending March 31,	Amount
2008	\$ 45,400
2009	50,800
2010	53,800
2011	54,100
2012	46,250
Thereafter	379,100

### Power Purchase Agreement

The Company has signed a power purchase agreement with Idaho Power Company for sale of power generated from its planned phase one power plant. The Company has also signed a transmission agreement with Bonneville Power Administration for transmission of the electricity from this plant to Idaho Power, and from the phase two plants to other purchasers. These agreements are all contingent upon successful financing and construction of the power plant at Raft River. These agreements will govern the operational revenues for the initial phases of the Company's operating activities.

### Construction Contract

On December 5, 2005, the Company signed a contract (the "Ormat EPC Agreement") with Ormat Nevada, Inc. (Ormat) for Ormat to construct a 13 megawatt geothermal power plant at Raft River, Idaho for a lump sum price of \$20,200,000 (exclusive of taxes). The Company expects the output of the plant will be used to meet power delivery requirements of the Company's agreements with Idaho Power Company. As part of the Ormat EPC Agreement, as amended, the Company has established a \$1,000,000 letter of credit with Wells Fargo Bank to collateralize amounts committed by Ormat, but not paid by the Company. The amount will increase monthly until a maximum letter of credit amount of \$10,252,000 is reached. A \$2,709,000 money market fund is pledged as collateral backing the letter of credit as of September 30, 2007, and is reported as restricted cash.

### Partnership Agreement Construction Costs

Under the Amended and Restated Operating Agreement of Raft River Energy I LLC, dated as of August 9, 2006, among Raft River Energy I LLC, Raft River I Holdings, LLC and the Company, Raft River I Holdings, LLC, a subsidiary of The Goldman Sachs Group Inc., will contribute in staged payments a total of \$34 million in cash and the Company will contribute \$5 million in cash and approximately \$1.4 million in production and injection wells and geothermal leases to Raft River Energy I LLC, the Phase 1 project joint venture company. If total construction costs exceed budget, US Geothermal will contribute the required additional funding to the joint venture. During the quarter ended September 30, 2007, U.S. Geothermal, Inc. contributed an additional \$503,000 to the joint venture. Although these funds exceeded the Company's planned contribution levels to the Partnership, they support a component of a scheduled comprehensive plan to enhance the entire well field. This contribution will initially be allocated entirely to Unit 1; however, if results are favorable, the benefits could be realized by other planned projects outside the scope of the RREI agreement.

### Office Lease

The Company leases general office space for an executive office in Boise at an annual cost of \$31,051. The underlying lease is a year-to-year lease that expires on January 31, 2008.

## **NOTE 10 – SUBSEQUENT EVENTS**

### Raft River Unit 1

Construction activities associated with the Unit One plant are nearly complete. The plant commenced a test phase of power production and was operating over a six-day period, from October 18th to 23rd, during which time it ran for 108 hours and generated a total of 1,022 megawatt-hours of electrical power. On October 21st the plant ran for 24 hours and produced a peak of 13.2 megawatts. The plant was then shut down for evaluation. Two mechanical problems were identified and are in the process of being corrected by Ormat Nevada Inc. (“Ormat”), the power plant contractor. To improve the attachment of the pump impellor to the drive shaft, the manufacturer is reconfiguring each of two large injection pumps. In addition, a turbine inlet screen used to protect the high-pressure turbine from possible ingestion of construction debris came loose and was swept into the turbine. Ormat is working to assess the situation and make repairs if necessary.

Once the repairs are complete, an approximate sixty to ninety-day start-up and testing phase is planned during which time all generated electricity will be sold. Plant operations are being scheduled to allow for operator training, equipment testing and for Ormat to complete power plant performance testing and other completion obligations. The geothermal production and injection wells, and the cooling water system are also under a limited start-up process. Well control modules and communications systems in the cooling water arrangement are in the final phases of installation and calibration.

Full commercial power generation is still expected toward the end of the 4th quarter of 2007.

Power sold during the start-up phase is being purchased by Idaho Power Company under the terms of a 10-megawatt Public Utility Regulatory Policies Act (“PURPA”) contract. Full energy prices will be paid when the plant achieves commercial operations. Pending approval by the Idaho Public Utility Commission, the recently executed full output contract will take effect and replace the existing 10-megawatt PURPA contract. The plant is expected to produce an annual average output of 13 megawatts. Currently, three production wells and three injection wells are in service to the power plant. To achieve 13-megawatts of production under the full output, a number of issues are being addressed, including completion of a pump installation in a fourth production well and evaluation of total injection well capacity.

### Office Lease

The Company has signed a new 3-year lease for office space for an executive office in Boise at annual costs of \$67,648 which more than doubles the available floor space. The new lease starts January 1, 2008 and expires January 31, 2011.

## **Item 2 - Management's Discussion and Analysis of Financial Condition and Plan of Operations**

With the exception of historical facts, the statements contained in this report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which reflect our current expectations and beliefs regarding our future results of operations, performance and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may or may not materialize. Forward-looking statements may be identified by words such as “may”, “should”, “anticipates”, “expects”, “believes”, “plans”, “predicts” and similar terms. These forward-looking statements include, but are not limited to, statements concerning our strategy, operating forecasts, and our working capital requirements and availability. Forward-looking statements are not guarantees of future performance, and are subject to various risks and uncertainties that could cause our actual results and outcomes to differ materially from those discussed or anticipated, including the factors set forth in the section entitled “Risk Factors” included in our Annual Report on Form 10-K for the year ended March 31, 2007 and our other filings with the Securities and Exchange Commission. We also wish to advise readers not to place any undue reliance on the forward-looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances or any changes in our beliefs or expectations, other than as required by law.

The US dollar is the Company's functional currency; however some transactions involved the Canadian dollar. All references to “dollars” or “\$” are to United States dollars and all references to \$ CDN are to Canadian dollars.

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included in this report.

U.S. Geothermal Inc. (the Company) is a Delaware corporation. As of October 1, 2007, the Company's shares of common stock began trading on the TSX under the symbol “GTH” and ceased trading on the TSX Venture Exchange. The Company's common stock is also quoted on the Bulletin Board under the symbol “UGTH”. On December 19, 2003, the Company acquired all of the outstanding securities of U.S. Geothermal Inc., an Idaho corporation (“Geo-Idaho”) incorporated in February 2002, through a transaction merging Geo-Idaho into Evergreen Power Inc., a wholly-owned Idaho subsidiary formed for purposes of the merger transaction. Following the merger, the Company changed its name from U.S. Cobalt Inc. to U.S. Geothermal Inc. Pursuant to the merger, Geo-Idaho became the surviving subsidiary of the Company, and Evergreen Power, Inc. ceased to exist. GTH is still a development stage company and has produced no revenues to date.

During the quarter ended September 30, 2007, the Company was focused on (1) supporting construction and preparing for operation of the Unit One power plant at the Raft River, Idaho geothermal project (“Raft River”), (2) permitting a drilling program for the Neal Hot Springs project in Oregon, and (3) the evaluation of potential new geothermal project acquisitions.

The construction of the Unit One, 13-megawatt power plant is under the direction of Ormat Nevada Inc., a subsidiary of Ormat Technologies Inc. Plant construction is proceeding on schedule and budget. This element of the Raft River project is expected to be fully functional and online in the fourth quarter of the 2007 calendar year. As of November 9, 2007:

- The power plant is nearing completion and the generator has been synchronized to the power grid.
- Plant piping and electrical connections are proceeding on schedule.
- The control room and motor control center building is complete and switchgear is connected to the plant and transmission systems.
- The cooling tower is complete.
- High voltage interconnection to BPA substation with Idaho Power and Raft River Electrical Co-operative metering is complete.

U.S. Geothermal is construction manager for the remainder of the project construction work outside the scope of the Ormat contract. This work includes production and injection pipelines, production pumps and certain electrical transmission activities. All four geothermal production pumps have been delivered to the site, installed in the wells, and connected to the well control modules. Each module contains an electronic control package, cooling system, and lubrication system required to operate and monitor the pump at the production well. Hot geothermal brine has been produced and delivered to the power plant under test conditions. Start up of the turbine occurred October 21, 2007.

Construction activities associated with the Unit One plant are nearly complete. The plant commenced a test phase of power production and was operating over a six-day period, from October 18th to 23rd, during which time it ran for 108 hours and generated a total of 1,022 megawatt-hours of electrical power. On October 21st the plant ran for 24 hours and produced a peak of 13.2 megawatts. The plant was then shut down for evaluation. Two mechanical problems were identified and are in the process of being corrected by Ormat Nevada Inc. (“Ormat”), the power plant contractor. To improve the attachment of the pump impellor to the drive shaft, the manufacturer is reconfiguring each of two large injection pumps. In addition, a turbine inlet screen used to protect the high-pressure turbine from possible ingestion of construction debris came loose and was swept into the turbine. Ormat is working to assess the situation and make repairs if necessary.

Once the repairs are complete, an approximate sixty to ninety-day start-up and testing phase is planned during which time all generated electricity will be sold. Plant operations are being scheduled to allow for operator training, equipment testing and for Ormat to complete power plant performance testing and other completion obligations. The geothermal production and injection wells, and the cooling water system are also under a limited start-up process. Well control modules and communications systems in the cooling water arrangement are in the final phases of installation and calibration.

Final pipeline activities, including the installation of drain valves, pressure relief systems and wellhead installations are complete. The cooling water supply system is approximately 95% complete for initial operations, including the refurbishment of an existing 300,000 gallon storage tank, installation of cooling water pumps, groundwater monitoring wells,

communications systems and the development of a land application system that will be used to dispose of the cooling tower blow down water. Electrical transmission work needed to connect the new geothermal power plant to the existing substation is complete.

In addition, Raft River Rural Electric Cooperative has finished construction of the 3.2-mile power transmission line that connects the power plant to the Bonneville Power Administration substation at Bridge, Idaho. Equipment upgrades to the substation including a breaker, relays, and communications systems are complete.

The Company has assembled a team of seven qualified technicians for the ongoing operation and maintenance of the Unit One power plant and planned future power plant units at Raft River. The team is currently undergoing operator training from Ormat and continues to assist in other activities associated with the completion of power plant construction.

With carbon regulation widely anticipated to increase the cost of power sourced from coal, and limited opportunities to purchase baseload geothermal power, the company has found that utilities across the Western United States have been eager to discuss power purchases from the Raft River geothermal resource. As a result of the increased interest, U.S. Geothermal elected to withdraw its Unit 2 and Unit 3 Idaho Power PPAs without submitting them to the Idaho Public Utility Commission (IPUC) for approval in order to pursue larger capacity PPAs with other utilities. With the concurrence of Idaho Power, the Unit 2 and Unit 3 10-megawatt contracts were voided without further obligation on either party.

On September 26 2007, Idaho Power Company and the Company announced the signing of a new, 13-megawatt, full output power purchase agreement (“PPA”). The new PPA will replace an existing 10-megawatt, 20-year PPA and is part of Idaho Power’s 2006 formal request for geothermal electricity under which the Company was named the sole successful bidder in March 2007.

The new PPA is for electricity sales of an annual average of 13-megawatts and has a 25-year term. It is the first contract signed as part of ongoing negotiations with Idaho Power for a total of 45.5 megawatts. Idaho Power and the Company expect to be able to use this first contract as a template for advancing negotiations for the output from the planned Unit Three at Raft River and 26 megawatts of planned production from the Company’s Neal Hot Springs project located in southeast Oregon. Idaho Power will submit the new PPA to the IPUC for their final approval, which is expected within the 4<sup>th</sup> quarter. The existing 10-megawatt PPA will remain in effect until the IPUC approves the new PPA.

Eugene Water and Electric Board (“EWEB”), from Eugene, Oregon and U.S. Geothermal have signed a letter of intent for EWEB to purchase the full 13-megawatt electrical output of Unit 2. The parties have exchanged a draft PPA and intend to complete it during the 4<sup>th</sup> quarter of fiscal year ended March 31, 2008. Upon execution of the EWEB PPA, and the increase of Unit under the new Idaho Power Contract, the total output from the Unit 1 and Unit 2 Raft River power plants will be 26 megawatts from two plants, instead of the originally planned 30 megawatts from three plants, resulting in substantial capital and operating cost savings through improved economy of scale. The negotiations with Idaho Power and EWEB recognize that the power purchase agreements are subject to the parties’

board approval and are contingent upon extension of the federal Production Tax Credit and successful drilling and resource discovery at Raft River and Neal Hot Springs.

In addition, the strong regional interest in geothermal power has resulted in several utilities from California to Washington entering into discussions with U.S. Geothermal to purchase the electrical power output of Unit 3. Subject to drilling confirmation of sufficient geothermal resource, the power plant output from three units at Raft River would be 39 megawatts, instead of the maximum 30 megawatts under the previous Idaho Power PPA provisions.

On April 26, 2006, the Company issued a Notice to Proceed to Ormat under the Ormat EPC agreement as amended April 25, 2006. An initial payment of \$2,020,000 allowed Ormat to proceed with ordering of equipment with significant manufacturing lead times. Under the amendment, Ormat committed to a guaranteed final completion date of December 16, 2007 on the Phase I facility.

On May 16, 2006, a \$225,000 contract was signed with Raft River Rural Electrical Co-op to build the production well power distribution lines for delivery of electricity from the power plant to the well heads. At September 30, 2007, the distribution lines were complete.

On May 22, 2006, a \$2.6 million contract was signed with Industrial Builders of Ontario, Oregon to construct the geothermal pipeline gathering and distribution system to connect the production and injection wells with the power plant. At September 30, 2007, this component was complete.

On May 24, 2006, GTH signed a geothermal lease agreement with JR Land and Livestock Inc. for the lease of approximately 5,409 acres of surface, mineral and geothermal rights in Malheur County, Oregon. The lease term is for ten years with lease payments of \$15,000 at signing, \$20,000 in first year, \$25,000 in second year, and \$30,000 for each subsequent year. A geothermal program was completed in early 2007, and plans are in progress for a drilling program.

On August 3, 2006, the Company announced the signing of \$4.6 million renewable energy credit (REC) purchase and sale agreement encompassing the first 10 years of Phase I of the Raft River project with Holy Cross Energy.

As of July 2006, the Company completed the acquisitions of two new properties with ground water rights that will provide cooling water to the Phase One and Phase Two power plants and surface access for pipelines and project facilities. The two land parcels total 1,083 acres and have irrigation water rights for 1,904 acre-feet of water. A third purchase of water rights only was also completed for an additional 544 acre-feet of ground water.

On August 10, 2006, the \$34 million project finance was announced for Phase I of the Raft River development. The project finance structure is channeled through a qualified special purpose entity, Raft River Energy I, LLC (RREI). Raft River Holdings is an affiliate of The Goldman Sachs Group, and is the Company's investment partner in RREI. The Company has made a \$5 million dollar cash contribution and is transferring to RREI the existing seven production and injection wells, and certain geothermal rights and leases covering the 1,800

acres from the 5,238 total acres of geothermal rights currently held. Raft River Holdings will make capital contributions totaling \$34 million in accordance with the construction payments schedule. The partnership does not restrict further development of the Company's geothermal rights and allows for the development of the planned Phase Two power plants.

Announced on September 5, 2006, property for a second geothermal project at Neal Hot Springs in eastern Oregon near the Idaho Border was acquired by the Company. The new property consists of 8.5 square miles of geothermal energy and surface rights and was leased from a private, third party. The property has an identified geothermal resource and was made part of U.S. Geothermal's submittal to Idaho Power Company's Request For Proposals for electricity produced from geothermal sources.

On February 6, 2007, a lease was entered into with Cyprus Gold Exploration Corporation ("Cyprus"), a subsidiary of Phelps Dodge Corporation, for an undivided interest in geothermal rights associated with 4,760 acres (7.4 square miles) at Neal Hot Springs. This lease adds 758 acres (1.2 square miles) of new area to the lease announced on September 5, 2006, and overlaps both surface and undivided geothermal rights that were previously acquired at the site.

With the Cyprus lease, U.S. Geothermal has increased its total Neal Hot Springs project holdings to 6,167 acres (9.6 square miles) and increased ownership of the overlapping area to a majority of the geothermal rights in that area. The Cyprus lease has a primary term of 10 years that extends thereafter for as long as commercial production is maintained and includes annual rental and production royalty payment provisions. U.S. Geothermal has ongoing negotiations with additional geothermal rights holders in the area.

U.S. Geothermal awarded a \$1.3 million dollar contract to ITT Industries/Goulds Pumps to provide line-shaft geothermal production pumps for the project. The first two production pumps have been delivered and one is installed.

The well improvement drill program, which began in August 2006, has been completed. Four existing wells were enhanced either by deepening or adding directional legs to improve their production or injection characteristics. Two new wells were drilled to expand the geothermal resource for the planned second 13-megawatt net output power plant at Raft River. Resource utilization studies have determined that production well RRG-3 will be converted to an injection well and that injection well RRG-7 will be converted to a production well.

On December 28, 2006, the Company entered into an agreement with Disco Associates, Inc. for well-head construction for the initial base amount of \$478,475. At September 30, 2007, this project was approximately 80% complete.

On March 21, 2007, the Company was named successful bidder in Idaho Power Company's request for geothermal electricity. Negotiations began on the terms of a purchase power agreement for an annual average of 45.5 megawatts from the Raft River and Neal Hot Springs projects.

The Company entered into an agreement with a syndicate of Canadian investment dealers to underwrite a private placement of 6,818,182 shares of common shares at a cost of \$2.20 CDN per share to raise gross proceeds of approximately \$15 million in Canadian dollars (\$13.5 million US Dollars). The Underwriters had the option to purchase up to an additional 2,272,727 common shares at the issue price under the offering that could gross up to approximately \$20 million in Canadian dollars (\$18.0 million US Dollars). The proceeds will be used to fund current and future plant development. The offering closed June 5, 2007.

### Operating Results

For the six months ended September 30, 2006 and 2007, the operating loss increased \$400,706 (38%). For the three months and the six months ended September 30, 2007, the Company incurred losses of \$1,042,678 and \$1,453,214 which represented \$0.02 and \$0.03 per share; respectively. The operating losses were higher than the losses incurred during the three months and six months of 2006. With the exception of stock based compensation and investment in subsidiary activities, operating expenses were reasonably consistent with the prior year.

Stock based compensation costs were \$802,448 for the second quarter 2007 which was approximately 64% higher than reported in the first quarter of 2007. No stock based compensation was reported for the first two quarters of 2006. Most of the stock based compensation was awards to Company employees. Additional awards were made to employees on July 23, 2007. In the second quarter 2007, 775,000 stock options were issued by the Company. Of those options, 25% vested in that quarter. Also, a large portion of options issued prior to the second quarter 2007, vested in that quarter and the respective costs were recognized.

The loss on the subsidiary activities amounted to \$26,188 which was approximately 30% lower than reported in the first quarter of 2007. The smaller loss is a result of costs being reduced due to the slowing of construction activities. Smaller losses are expected in the next quarter before expected profits are realized.

### Contractual Obligations

The following table denotes contractual obligation by payments due for each period as of September 30, 2007:

	Total	< 1 year	1-3 years	3-5 years	> 5 years
Operating Leases	\$ 629,450	\$ 45,400	\$ 104,600	\$ 100,350	\$ 379,100
Stock Compensation Payable	\$ 2,666,696	\$1,117,833	\$ 170,183	\$ 1,378,680	\$ -
RRE Construction obligations (1)	\$ 4,017,021	\$ 4,017,021	\$ -	\$ -	\$ -

(1) Raft River Energy I LLC is the joint venture partnership constructing the power plant at Raft River, Idaho. This subsidiary is not consolidated into the financial statements. However, the obligations of Raft River Energy are reflected in this table in order to provide greater information on the Raft River Project.

The obligations reflected for Stock Compensation Payable are reflected as due on the option expiration date. The obligation will be relieved upon exercise of the options, which may be at any time between vesting and expiration.

#### Off Balance Sheet Arrangements

As of September 30, 2007, the Company does not have any off balance sheet arrangements.

#### Liquidity and Capital Resources

We believe our cash and liquid investments at September 30, 2007 are adequate to fund our general operating and development activities, including development activities at Neal Hot Springs, through March 31, 2009. The Company obtained project capital to construct Raft River power plant through a partnership arrangement. Through the arrangement, equity funds of approximately \$34 million were made available for the construction of the project. Total capital expenditures for the phase one project are currently estimated to be between \$39 and \$41 million. The majority of the funds needed for the project will be provided by existing funds and through the partnership arrangement. If additional funds are needed for the Raft River or Neal Hot Springs projects, we anticipate that the equity may be raised through the issuance of shares, exercise of existing outstanding warrants, and/or through the sale of ownership interest in tax credits and benefits.

Based on our projected spending over the next 12 months and our current operating funds, our auditors have determined that the going concern qualification on our financial statements is not needed. Management believes that sufficient funding will be available to meet our business objectives, including anticipated cash needs for working capital, and financing for construction of the Phase 1 power plant. As shown in the accompanying consolidated financial statements, we have incurred an accumulated deficit of \$8,595,837 for the period from February 26, 2002 (inception) to September 30, 2007, and have no revenue from operations. In the ordinary course of constructing a power plant facility of this size and complexity, cost overruns and contract delays can significantly affect the economics of the project. Failure to achieve commercial operations of the power plant prior to December 31, 2007 would jeopardize the production tax credit, and could materially affect the ability of U.S. Geothermal to operate as a going concern.

#### Potential Acquisitions

The Company intends to continue its growth through the acquisition of ownership or leasehold interests in properties and/or property rights that it believes will add to the value of the Company's geothermal resources, and through possible mergers with or acquisitions of operating power plants and geothermal or other renewable energy properties.

#### Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the

reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties to such an extent that there is reasonable likelihood that materially different amounts could have been reported under different conditions, or if different assumptions had been made. We evaluate our estimates and assumptions on a regular basis. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for the financial statements.

#### Cash and Cash Equivalents

The Company considers cash deposits and highly liquid investments to be cash and cash equivalents for financial reporting presentation on the consolidated balance sheet and statement of cash flows. The Company subscribes to the accounting standards that define cash equivalents as highly liquid, short-term instruments that are readily convertible to known amounts of cash, which are generally defined as investments that have original maturity dates of less than three months. With the large value of funds invested in short term deposits, small variations in short term interest rates may materially affect the value of cash equivalents. Investments in government obligations accumulate higher interest, but the principal balance is not insured by the FDIC.

The Company does not consider such items to be cash equivalents if there is a significant restriction placed upon the use of those assets. At fiscal year end, the Company held deposits that were restricted according to a contractual arrangement with a major vendor. Accordingly, these deposits were classified as restricted cash, rather than cash equivalents.

#### Property, Plant and Equipment/Impairments of Long-Lived Assets

During the development stage of operations, the Company has purchased and otherwise acquired geothermal properties for the production of power. The geothermal properties include: drilled wells, power plant components, power plant support components, land, land rights, surface water rights, and mineral rights. The Company's first power plant is scheduled to be operational in the third fiscal quarter ending December 31, 2007. As of October 31, 2007, the plant is producing power; however, it is not producing at maximum capacity which is expected to be obtained in December 2007. The costs of this power plant are being accumulated in construction in process accounts. These costs will be charged to operations in a systematic manner based upon the total estimated gallons of water the plant is expected to produce over its useful life starting in the third fiscal quarter ending December 31, 2007. The factors and assumptions that comprise this allocation process will be based upon the best information available to us, and will be evaluated, at least, annually for viability. If it is determined that our cost allocations have produced results that vary significantly from the conditions surrounding the value of the Company's geothermal properties, a gain or loss adjustment will be made in the period in which this determination is made. The cost allocation or depreciation process is not intended to present the fair market value of our geothermal properties; rather to allocate the actual historical costs of those properties over their service lives.

The costs of machinery, vehicles and other equipment, currently in operation, are being depreciated in a systematic manner. For these assets, depreciation is calculated based upon an annual rate of 30%, which allocates the costs evenly over the asset's estimated service

life. Depreciation costs calculated for assets that are not directly involved in the production of geothermal properties are charged to operations.

#### Income Taxes

According to generally accepted accounting practices, entities must recognize assets and/or liabilities that originate with the differences in revenues and expenses presented for financial reporting purposes and those revenues and expenses that are required to comply with federal and state income tax law. Often deductions can be accelerated for income tax purposes, thus creating temporary timing differences. Other items (generally non-allowable expenses) do not reverse over time, and are considered to be permanent differences. These types of costs are, typically, not factored into the deferred income tax asset or liability calculation. The Company's primary element that impacts the liability or asset calculation relates to the operating losses generated in its early stages of operation that will be allowed to offset future earnings. Stock-based compensation is another significant area that impacts that recognition of deferred income taxes. Compensation that has been provided to employees and contractors based upon the value of the issuance of stock options is reported as an operating cost. However, this compensation is not an allowable deduction for income tax purposes. At the end of the fiscal year, the Company's significant tax differences would ultimately result in the recognition of an asset; however, due to the uncertainty surrounding future earnings, an allowance has been calculated that effectively offsets the asset. The Company continues to track the financial elements that comprise the deferred income tax calculation and will remove or reduce the asset allowance if the Company is determined to be in position where it is likely to produce earnings.

#### Stock-Based Compensation

At the beginning of the fiscal year, the Company adopted a standard that states that if certain conditions are present surrounding the issuance of equity instruments as compensation, then circumstances may warrant the recognition of a liability for financial reporting purposes. One such condition was present when the Company originally issued stock options in a foreign currency (Canadian dollars) to employees both before and after the beginning of the fiscal year. Authors of the standard have reasoned that when a condition is present that creates a financial risk to the recipient in addition to normal market risks (i.e., foreign currency translation risk), then the instrument takes on the characteristics of a liability, rather than an equity item. As the underlying stock options are exercised or are forfeited, then the stock based compensation liability will be reduced. The Company's financial statements reflect these changes in the consolidated balance sheet. As the value of the options change over the vesting periods, these changes will ultimately be reflected in the amount of expense charged to operations.

The Company awards stock options for compensation to non-employees for services performed and/or services performed above and beyond expectations. After the services have been completed, the awards are made at the discretion of the Board of Directors. The fair value of the options are determined on the date the options are awarded according to several factors that include the exercise price of the option, the current price of the underlying share, the expected life of the options, the expected volatility of the stock and the risk-free interest rate.. Generally speaking, a longer life and higher expected volatility yields a higher value of the option. In accordance with appropriate accounting guidance, the Company records the value of these options as operating expense during the period in which

they are awarded. Stock options awarded to Company employees are also valued on the date they are awarded. However, the value of these options are expensed or capitalized over the vesting period. The current vesting period for all options is eighteen months, with 25% of the options vesting at grant date. The nature of the services provided determines whether the value will be expensed or added to the value of a Company asset. To date, no services have been provided directly related to the construction of property and equipment, thus, all services have been charged to operations.

### **Item 3 – Quantitative and Qualitative Disclosures about Market Risk**

#### **Interest Risk on Investments**

At September 30, 2007, the Company held investments of \$26,785,188 in money market accounts. These are highly liquid investments that are subject to risks associated with changes in interest rates. The money market funds are invested in governmental obligations with minimal fluctuations in interest rates and fixed terms.

#### **Foreign Currency Risk**

The Company is subject to limited amount of foreign currency risks associated with cash deposits maintained in Canadian currency. The Company has utilized and it is continuing to utilize the Canadian markets for raising capital. By proper timing of the transactions and then maintenance of adequate operating funds in other financial resources, the Company has been able to mitigate some of the risks surrounding foreign currency exchanges. At fiscal year end, the company held deposits that amounted to less than \$10,000 in U.S. dollar equivalents. As a matter of standard operating practice, the Company does not maintain large balances of Canadian currency; and, substantially, all operating transactions are conducted in U.S. dollars.

The strike price for the Company's stock option plan has been stated in Canadian dollars as the plan has been administered through our Vancouver office and Pacific Corporate Trust Company. This subjects the Company to foreign currency risk in addition to the normal market risks associated with the stock price fluctuations. A long-term liability has been established to reflect the fair value of the stock options payable. The strike price on future option grants will be stated in US dollars.

#### **Commodity Price Risk**

The Company is exposed to risks surrounding the volatility of energy prices. These risks are impacted by various circumstances surrounding the energy production from natural gas, nuclear, hydro, solar, coal and oil. The Company has been able to mitigate, to a certain extent, this risk by signing a power purchase contract for a 25 year period for the first power plant scheduled to go into production. This type of arrangement will be the model for power purchase contracts planned for future power plants.

#### **Item 4 - Controls and Procedures**

An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of our disclosure controls and procedures as defined in Rule 13(a)-15(e) or 15d-15(e) as of September 30, 2007. Based on that evaluation, our management, including the CEO and CFO, concluded that the disclosure controls and procedures were effective.

There has been no change to our internal control over financial reporting during the quarter or fiscal year ended September 30, 2007 that has materially affected, or is likely to materially affect, our internal control over financial reporting.

The company is not required to have, nor was Williams & Webster engaged to perform, an audit of internal control over financial reporting. The audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control over financial reporting. Accordingly, Williams & Webster expressed no such opinion.

## **PART II- OTHER INFORMATION**

### **Item 1 - Legal Proceedings**

As of September 30, 2007, management is not aware of any proceedings in which the Company is a party, as plaintiff or defendant.

### **Item 1A - Risk Factors**

There have been no material changes in the risk factors presented in our Form 10-K, Item I, Part 1A for the year ended March 31, 2007.

### **Item 2 - Unregistered Sales Of Equity Securities And Use Of Proceeds**

During the quarter ended September 30, 2007, the Company issued 235,833 common shares to officers, employees and consultants upon exercise of stock options at strike prices ranging from \$0.60 CDN to \$1.40 CDN (\$1.03 U.S.).

### **Item 4 – Submission of Matters to a Vote of Security Holders**

At our Annual Meeting of Shareholders held on September 20, 2007, there were present in person or by proxy the holders of 21,496,014 (40.28%) shares of Common Stock of U.S. Geothermal Inc. thereby constituting a quorum. The following are the matters approved and the voting results:

	Number of Shares		
	Voted For	Voted Against	Abstain
1. To elect a board of directors to hold office until the next annual stockholders' meeting or until their respective successors have been elected or appointed.			
Douglas Glaspey	19,352,603	-	2,105,011
Daniel Kunz	19,712,593	-	1,745,021
Paul Larkin	21,023,528	-	434,086
Leland Mink	21,371,028	-	86,586
John Walker	21,370,228	-	87,386

	Number of Shares			
	Voted For	Voted Against	Abstain	Broker Non-Votes
2. To ratify the selection of independent registered public accounting firm.	21,387,897	-	69,717	4,900
3. To authorize the Audit Committee to fix the Auditors' remuneration	21,405,714	51,900	-	4,900

The proposal to authorize blank check preferred stock was withdrawn by the Company at the meeting.

**Item 5 - Other Information**

None.

**Item 6 - Exhibits And Reports**

See the exhibits index to this Form 10-Q.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

U.S. GEOTHERMAL INC.  
(Registrant)

Date: November 14, 2007

By: /s/ Daniel J. Kunz .  
Daniel J. Kunz  
President, Chief Executive Officer and  
Director

Date: November 14, 2007

By: /s/ Kerry D. Hawkley .  
Kerry D. Hawkley  
Chief Financial Officer

## EXHIBIT LIST

<b>Exhibit Number</b>	<b>Description</b>
3.1	Certificate of Incorporation of U.S. Cobalt Inc. (now known as U.S. Geothermal Inc.) (Incorporated by reference to exhibit 3.1 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
3.2	Certificate of Domestication of Non-U.S. Corporation (Incorporated by reference to exhibit 3.2 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
3.3	Certificate of Amendment of Certificate of Incorporation (changing name of U.S. Cobalt Inc. to U.S. Geothermal Inc.) (Incorporated by reference to exhibit 3.3 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
3.4	Bylaws of U.S. Cobalt Inc. (now known as U.S. Geothermal Inc.) (Incorporated by reference to exhibit 3.4 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
3.5	Plan of Merger of U.S. Geothermal, Inc. and EverGreen Power Inc. (Incorporated by reference to exhibit 3.5 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
3.6	Amendment to Plan of Merger (Incorporated by reference to exhibit 3.6 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
4.1	Form of Stock Certificate (Incorporated by reference to exhibit 4.1 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
4.2	Form of Warrant Certificate (Incorporated by reference to exhibit 4.2 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
4.3	Provisions Regarding Rights of Stockholders (Incorporated by reference to exhibit 4.3 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
10.1	Agreement between U.S. Geothermal Inc. and Vulcan Power Company dated December 3, 2002 regarding the acquisition of the Vulcan interest (Incorporated by reference to exhibit 10.1 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
10.2	Amendment No. 1 dated November 15, 2003 to Agreement between U.S. Geothermal Inc. and Vulcan Power Company (Incorporated by reference to exhibit 10.2 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
10.3	Amendment No. 2 to "Agreement by and between U.S. Geothermal Inc. and Vulcan Power Company" dated December 30, 2003 (Incorporated by reference to exhibit 10.3 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
10.4	Geothermal Lease and Agreement dated July 11, 2002, between Sergene Jensen, Personal Representative of the Estate of Harlan B. Jensen, and U.S. Geothermal Inc. (Incorporated by reference to exhibit 10.5 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
10.5	Geothermal Lease and Agreement dated June 14, 2002, between Jensen Investments Inc. and U.S. Geothermal Inc. (Incorporated by reference to exhibit 10.6 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
10.6	Geothermal Lease and Agreement dated March 1, 2004, between Jay Newbold and U.S. Geothermal Inc. (Incorporated by reference to exhibit 10.7 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
10.7	Geothermal Lease and Agreement dated June 28, 2003, between Janice Crank and the children of Paul Crank and U.S. Geothermal Inc. (Incorporated by reference to exhibit 10.8 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)

10.8	Geothermal Lease and Agreement dated December 1, 2004, between Reid S. Stewart and Ruth O. Stewart and US Geothermal Inc. (Incorporated by reference to exhibit 10.9 to the registrant's Amendment No. 2 to Form SB-2 registration statement as filed on January 10, 2005)
10.9	Geothermal Lease and Agreement, dated July 5, 2005, between Bighorn Mortgage Corporation and US Geothermal Inc. (Incorporated by reference to exhibit 10.11 to the registrant's Form 10-QSB quarterly report as filed on February 17, 2006)
10.10	Geothermal Lease and Agreement, dated June 23, 2005, among Dale and Ronda Doman, and US Geothermal Inc. (Incorporated by reference to exhibit 10.13 to the registrant's Form 10-QSB quarterly report as filed on February 17, 2006)
10.11	Geothermal Lease and Agreement, dated June 23, 2005, among Michael and Cleo Griffin, Harlow and Pauline Griffin, Douglas and Margaret Griffin, Terry and Sue Griffin, Vincent and Phyllis Jorgensen, and Alice Mae Griffin Shorts, and US Geothermal Inc. (Incorporated by reference to exhibit 10.14 to the registrant's Form 10-QSB quarterly report as filed on February 17, 2006)
10.12	Geothermal Lease and Agreement dated January 25, 2006, between Philip Glover and US Geothermal Inc. (Incorporated by reference to exhibit 10.9 to the registrant's Form 10-QSB quarterly report as filed on February 17, 2006)
10.13	Geothermal Lease and Agreement, dated May 24, 2006, between JR Land and Livestock Inc. and US Geothermal Inc. (Incorporated by reference to exhibit 10.30 to the registrant's Form 10-KSB annual report as filed on June 29, 2006)
10.14	Administrative Services Contract, dated January 1, 2004, between U.S. Geothermal Inc. and New Dawn Holdings Ltd. (Incorporated by reference to exhibit 10.10 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
10.15	Employment Agreement dated April 1, 2006, with Daniel J. Kunz (Incorporated by reference to exhibit 10.12 to the registrant's Form 10-KSB annual report as filed on June 29, 2006)
10.16	Employment Agreement dated April 1, 2006, with Kerry D. Hawkley (Incorporated by reference to exhibit 10.22 to the registrant's Form 10-KSB annual report as filed on June 29, 2006)
10.17	Employment Agreement dated April 1, 2006, with Douglas J. Glaspey (Incorporated by reference to exhibit 10.23 to the registrant's Form 10-KSB annual report as filed on June 29, 2006)
10.18	Escrow Agreement made December 19, 2003, among U.S. Geothermal Inc., Pacific Corporate Trust Company, as escrow agent, and certain security holders (Incorporated by reference to exhibit 10.15 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
10.19	Escrow Agreement made December 19, 2003, among U. S. Geothermal Inc., Pacific Corporate Trust Company, as escrow agent, and certain security holders (Incorporated by reference to exhibit 10.16 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
10.20	First Amended and Restated Merger Agreement dated November 30, 2003 among U.S. Cobalt Inc., EverGreen Power Inc., U.S. Geothermal Inc., and the stockholders of U.S. Geothermal Inc. (Incorporated by reference to exhibit 10.17 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
10.22	Agreement with Dundee Securities Corporation dated June 28, 2004 (Incorporated by reference to exhibit 10.18 to the registrant's Form SB-2 registration statement as filed on July 8, 2004)
10.23	Amended and Restated Stock Option Plan of U.S. Geothermal Inc. dated September 29, 2006. (Incorporated by reference to exhibit 10.23 to the registrant's Form SB-2 registration statement as filed on October 2, 2006.)
10.24	Power Purchase Agreement dated December 29, 2004 between U.S. Geothermal Inc. and Idaho Power Company (Incorporated by reference to exhibit 10.19 to the registrant's Amendment No. 2 to Form SB-2 registration statement as filed on January 10, 2005)

10.25	Engineering, Procurement and Construction Agreement dated December 5, 2005 between U.S. Geothermal Inc. and Ormat Nevada Inc. (Incorporated by reference to exhibit 10.28 to the registrant's Form 10-QSB quarterly report as filed on February 17, 2006) *
10.26	Amendment to the Engineering, Procurement and Construction Agreement dated April 26, 2006 between U.S. Geothermal Inc. and Ormat Nevada Inc. (Incorporated by reference to exhibit 99.1 to the registrant's Form 8-K as filed on May 2, 2006)
10.27	Letter of Intent from Eugene Water and Electric Board to U.S. Geothermal Inc. dated February 22, 2006 (Incorporated by reference to exhibit 10.27 to the registrant's Form SB-2 as filed on September 29, 2006).
10.28	Renewable Energy Credits Purchase and Sales Agreement dated July 29, 2006 between Holy Cross Energy and U.S. Geothermal Inc. (Incorporated by reference to exhibit 10.28 to the registrant's Form SB-2 as filed on September 29, 2006).
10.29	Transmission Agreement dated June 24, 2005 between Department of Energy's Bonneville Power Administration - Transmission Business Line and U.S. Geothermal Inc. (Incorporated by reference to exhibit 10.27 to the registrant's Form 10-QSB quarterly report as filed on August 12, 2005)
10.30	Interconnection and Wheeling Agreement dated March 9, 2006 between Raft River Rural Electric Co-op and U.S. Geothermal Inc. (Incorporated by reference to exhibit 10.28 to the registrant's Form 10-KSB annual report as filed on June 29, 2006)
10.31	Construction Contract dated May 16, 2006 between Raft River Rural Electric Co-op and U.S. Geothermal Inc. (Incorporated by reference to exhibit 10.31 to the registrant's Form SB-2 as filed on September 29, 2006).
10.32	Membership Admission Agreement, dated August 9, 2006, among Raft River Energy I LLC, U.S. Geothermal Inc., and Raft River I Holdings, LLC (Incorporated by reference to exhibit 10.1 to the registrant's Form 8-K as filed on August 23, 2006) *
10.33	Amended and Restated Operating Agreement of Raft River Energy I LLC, dated as of August 9, 2006, among Raft River Energy I LLC, Raft River I Holdings, LLC and U.S. Geothermal Inc (Incorporated by reference to exhibit 10.2 to the registrant's Form 8-K as filed on August 23, 2006).*
10.34	Management Services Agreement, dated as of August 9, 2006, between Raft River Energy I LLC and U.S. Geothermal Services, LLC (Incorporated by reference to exhibit 10.3 to the registrant's Form 8-K as filed on August 23, 2006) *
10.35	Construction contract dated May 22, 2006 between Industrial Builders and U.S. Geothermal Inc. (Incorporated by reference to exhibit 10.31 to the registrant's Form 10-KSB annual report as filed on June 29, 2006)
10.36	First Amendment to the Amended and Restated Operating Agreement of Raft River Energy I LLC, dated as of November 7, 2006, among Raft River Energy I LLC, Raft River I Holdings, LLC and U.S. Geothermal Inc. (Incorporated by reference to exhibit 10.36 to the registrant's Form 10-QSB as filed on February 20, 2007). *
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\* - Agreements are the subject of a confidential treatment request filed with the Commission on August 23, 2006.

U.S.GEOTHERMAL INC.

CERTIFICATIONS

I, Daniel J. Kunz, certify that:

- 1 I have reviewed this report on Form 10-Q of U.S. Geothermal Inc.;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
- 4 The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and we have:
  - a designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b [omitted with consent of SEC];
  - c evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
- 5 The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

- a all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
- b any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 14, 2007

/s/ Daniel J. Kunz  
Daniel J. Kunz  
Chief Executive Officer

U.S. GEOTHERMAL INC.

CERTIFICATIONS

I, Kerry D. Hawkley, certify that:

1. I have reviewed this report on Form 10-Q of U.S. Geothermal Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and we have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. [omitted with consent of SEC];
  - c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 14, 2007

/s/ Kerry D. Hawkley  
Kerry D. Hawkley  
Chief Financial Officer

U.S.GEOTHERMAL INC.

CERTIFICATIONS

I, Daniel J. Kunz of U.S. Geothermal Inc. certify in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Registrant's report on Form 10-Q for the quarterly period ended September 30, 2007 ("report"), which this certification accompanies, fully complies with the requirements of Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 14, 2007

/s/ Daniel J. Kunz  
Daniel J. Kunz  
Chief Executive Officer

U.S. GEOTHERMAL INC.

CERTIFICATIONS

I, Kerry D. Hawkley of U.S. Geothermal Inc. certify in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Registrant's report on Form 10-Q for the quarterly period ended September 30, 2007 ("report"), which this certification accompanies, fully complies with the requirements of Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 14, 2007

/s/ Kerry D. Hawkley  
Kerry D. Hawkley  
Chief Financial Officer