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U.S. GEOTHERMAL PROVIDES UPDATE ON RAFT RIVER PHASE ONE

BOISE, Idaho, August 17, 2006 (OTCBB: **UGTH**, TSX.V: **GTH**) U.S. Geothermal Inc., a renewable energy development company focused on the production of electricity from geothermal energy, today provided the following update on the Phase One construction activities at its Raft River geothermal power project. Raft River Phase One includes the construction and operation of a 10MW monthly average output binary cycle geothermal power plant.

Idaho Power Request for Proposal

As part of its enhanced power sales plan, U.S. Geothermal submitted its response to Idaho Power's request for proposals for the supply of geothermal power on August 11. Part of the company's response to Idaho Power is a proposal to convert the existing 10MW, monthly average contract to a full output contract that would allow an annual average 13MWs of power sales.

Project Finance

On August 10, the \$34 million project finance was announced for Phase One of the Raft River development. The project finance structure is based on a partnership. As reported in U.S. Geothermal's recently filed 8K and material change report, which are posted on both EDGAR and SEDAR, Raft River Holdings LLC ("RRH") is an affiliate of The Goldman Sachs Group, and is U.S. Geothermal's investment partner in Raft River Energy I LLC ("RREI"), the entity formed to own, construct and operate Phase One.

U.S. Geothermal 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 1,800 acres from the 5,238 total acres of geothermal rights currently held. RRH will make capital contributions totaling \$34 million in accord with the construction payment schedule.

The partnership is able to consider increased development within the Phase One area of interest that may have a potential power capacity of 40MWs or more based on GeothermEx's independent assessment of a 50 percent probability that 15.6 MWs per square mile exists at Raft River. 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.

The approximately \$1.7 million per year generated by the important Federal Renewable Electricity Production Tax Credits of \$19 per megawatt-hour for every megawatt-hour of energy produced over the next 10 years will be claimed by RRH.

Construction

Ormat Nevada, a wholly owned subsidiary of Ormat Industries (NYSE: ORA), commenced work on April 26 under the terms of a \$20.3 million engineering procurement and construction contract signed in December 2005. Now in the fourth month of the 21-month contract, Ormat is continuing the detailed engineering and design, and has ordered major equipment including condensers, pumps, and a generator. Ormat will manufacture other critical equipment, including heat exchangers and the turbines. The project is on schedule and is expected to deliver its first power in September 2007, with commercial production in October 2007.

The Idaho Department of Environmental Quality issued the air quality Permit To Construct on May 26.

A \$2.6 million contract was signed with Industrial Builders of Ontario, Oregon to construct the geothermal pipeline gathering and distribution system which will connect the production and injection wells with the power plant. The pipeline construction work is nearly 30 percent complete and is divided into two parts: 24-inch and 16-inch diameter injection pipelines, and 10-inch and 12-inch diameter production pipelines. Approximately 50 percent of the pipeline supports and 1,400-feet of 24-inch injection pipeline pipe are installed.

A \$225,000 contract was recently 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. Work has commenced on the distribution system.

A well improvement drilling contract was signed on May 25 with Union Drilling. The drill rig was mobilized to the site August 15 and will start the improvement program by deepening the two existing injection wells. The drill rig will then be moved to two of the existing production wells and drill an additional production leg in each well to enhance production and reduce the number of total wells required to feed the Phase One power plant. The well improvement drilling program for Phase One, which will provide the required injection and production capacity for Unit 1, is expected to last 90 days.

The drill rig will then be moved the Phase 2 area and begin drilling the first new production well in over 25 years at Raft River.

New Raft River Property

U.S. Geothermal has purchased 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. The Company will lease the

amount of cooling water required for Phase One from these water rights to RREI. A transfer of the water rights required for Phase One from irrigation use to industrial use is pending final approval from the Idaho Department of Water Resources.

About U.S. Geothermal

U.S. Geothermal is a renewable energy development company that is in the process of developing a geothermal power project at Raft River, Idaho. Please visit our Website at: www.usgeothermal.com

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The information provided in this news release may contain forward-looking statements within the definition of the Safe Harbor provisions of the US Private Securities Litigation Reform Act of 1995. These statements include statements concerning the proposed construction of the company's planned geothermal power plant, the anticipated timing and performance of the project. Forward looking statements are subject to a number of risks and uncertainties that can cause actual results to differ materially from those described therein, including the risks that the geothermal resource will not provide sufficient energy, financing will not be available for construction of the power plant, construction will not be completed on budget or on schedule, and the revenues generated under the power sales agreements will not prove sufficient to fund operations and/or service returns, among others. Readers are cautioned to review the risk factors identified by the company in its filings with Canadian and US Securities agencies. Forward-looking statements are based on management's expectations, beliefs and opinions on the date the statements are made. U.S. Geothermal Inc. assumes no obligation to update forward-looking statements if management's expectations, beliefs, or opinions, or other factors, should change.

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