

**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 June 30, 2009

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.)

1505 Tyrell Lane
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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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 July 31, 2009</u>
Common stock, par value \$ 0.001 per share	62,033,882

U.S. Geothermal Inc.
Form 10-Q
For the First Quarter Ended June 30, 2009

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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, 2009. The results of operations for the three months ended June 30, 2009 and June 30, 2008 are not necessarily indicative of the results to be expected for the fiscal year ending March 31, 2010.

U.S. GEOTHERMAL INC.



**Consolidated Financial Statements
June 30, 2009**

U.S. GEOTHERMAL INC.
CONSOLIDATED BALANCE SHEETS
(Stated in U.S. Dollars)

	(Unaudited)	
	June 30, 2009	March 31, 2009
ASSETS		
Current:		
Cash and cash equivalents	\$ 1,405,042	\$ 3,452,091
Restricted cash (note 3)	485,000	485,000
Receivable from subsidiary	1,584,435	271,475
Trade accounts receivable	123,024	114,424
Other current assets	134,183	135,805
Total current assets	3,731,684	4,458,795
Investment in equity securities	193,590	150,169
Investment in subsidiary	17,040,122	17,588,888
Property, plant and equipment, net of accumulated depreciation (note 5)	13,149,542	13,156,700
Intangible assets, net of accumulated amortization (note 6)	16,128,344	16,184,146
Total assets	\$ 50,243,282	\$ 51,538,698
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 887,937	\$ 449,559
Related party accounts payable	16,020	2,491
Current portion of capital lease obligation	11,203	10,998
Total current liabilities	915,160	463,048
Long-term Liabilities:		
Capital lease obligation, less current portion	36,072	38,945
Stock compensation payable	1,933,255	1,933,255
Total liabilities	2,884,487	2,435,248
Commitments and Contingencies	-	-
STOCKHOLDERS' EQUITY		
Capital stock:		
Authorized:		
250,000,000 common shares with a \$0.001 par value		
Issued and outstanding:		
62,033,882 shares at March 31, 2009 and		
62,033,882 shares at June 30, 2009	62,034	62,034
Additional paid-in capital	65,334,701	64,694,849
Accumulated other comprehensive income	128,156	95,891
Accumulated deficit	(18,839,122)	(16,427,556)
	46,685,769	48,425,218
Non-controlling Interest (note 14)	673,026	678,232
Total stockholders' equity	47,358,795	49,103,450
Total liabilities and stockholders' equity	\$ 50,243,282	\$ 51,538,698

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

U.S. GEOTHERMAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Stated in U.S. Dollars)

	(Unaudited)	
	Three Months Ended June 30,	
	2009	2008
Operating Revenues:		
San Emidio plant energy sales	\$ 243,752	\$ 273,635
Land, water, and mineral rights lease	29,484	22,500
Management fees	62,500	62,500
Total operating revenues	335,736	358,635
Operating Expenses:		
Loss (gain) from investment in subsidiary	548,766	40,125
Consulting fees	-	40,633
Corporate admin and development	130,701	274,673
Professional and management fees	264,141	287,692
Salaries and wages	256,405	314,741
Stock based compensation	639,852	741,308
Travel and promotion	52,572	64,555
San Emidio plant operations	832,834	489,404
Lease and equipment repair	52,137	42,427
Total operating expenses	2,777,408	2,295,558
Loss from Operations	(2,441,672)	(1,936,923)
Other Income (Loss):		
Foreign exchange gain (loss)	11,156	(2,820)
Other income (loss)	3,077	-
Interest income	10,667	60,277
Total other income	24,900	57,457
Net Loss	(2,416,772)	(1,879,466)
Net loss attributable to the non-controlling interest	5,206	-
Net Loss attributable to U.S. Geothermal Inc.	(2,411,566)	(1,879,466)
Other Comprehensive Income:		
Unrealized gain on investment in equity securities	32,265	-
Comprehensive Loss attributable to U.S. Geothermal, Inc.	\$ (2,379,301)	\$ (1,879,466)
Basic and Diluted Net Loss per Share	\$ (0.04)	\$ (0.03)
Weighted Average Number of Shares Outstanding for Basic and Diluted Calculations	62,033,882	59,949,116

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

U.S. GEOTHERMAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in U.S. Dollars)

	(Unaudited)	
	For the Three Months Ended June 30,	
	2009	2008
Operating Activities:		
Net loss	\$ (2,411,566)	\$ (1,879,466)
Add non-cash items:		
Depreciation and amortization	241,881	167,245
Loss of operations of subsidiary	548,766	40,125
Loss on disposal/sale of equipment	900	-
Foreign exchange gain	(11,156)	-
Non-controlling interest loss	(5,206)	-
Stock based compensation	639,852	741,308
Change in non-cash working capital items:		
Accounts receivable	(1,321,560)	(149,423)
Accounts payable and accrued liabilities	467,173	(102,519)
Prepaid expenses and other assets	1,622	(30,562)
Total cash used by operating activities	(1,849,294)	(1,213,292)
Investing Activities:		
Purchases of property, equipment and intangible assets	(195,587)	(18,972,209)
Proceeds from sale of equipment	500	-
Cash released from (restricted by) external restrictions	-	(200,000)
Cash released from escrow for property acquisition	-	11,310,686
Investment in subsidiaries and equity securities	-	(374,795)
Total cash used by investing activities	(195,087)	(8,236,318)
Financing Activities:		
Principal payments on capital lease obligation	(2,668)	-
Issuance of share capital, net of share issue cost	-	13,718,168
Total cash provided (used) by financing activities	(2,668)	13,718,168
Increase (Decrease) in Cash and Cash Equivalents	(2,047,049)	4,268,558
Cash and Cash Equivalents, Beginning of Period	3,452,091	4,877,252
Cash and Cash Equivalents, End of Period	\$ 1,405,042	\$ 9,145,810
Supplemental Disclosure:		
Non-cash investing and financing activities:		
Amendment to geothermal lease with common stock	\$ -	\$ 783,000
Purchase of property and equipment on account	15,266	19,338

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

U.S. GEOTHERMAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Year Ended March 31, 2009 and the Three Months Ended June 30, 2009
(Stated in U.S. Dollars)

	Number of Shares	Common Shares	Additional Paid-In Capital	Accumulated Deficit	Accumulated Comprehensive Income	Non-controlling Interest	Totals
Balance at April 1, 2008	55,339,253	\$ 55,339	\$ 48,532,730	\$ (10,691,809)	\$ -	-	\$ 37,896,260
Capital stock issued as result of a private placement closed April 28, 2008, net of issuance costs	6,382,500	6,383	13,711,784	-	-	-	13,718,167
Capital stock issued for amendment to royalty agreement with the Kosmos Company	290,000	290	782,710	-	-	-	783,000
Shares issued for stock options and warrants exercised	22,134	22	10,418	-	-	-	10,440
Adjustment to entitlement shares from consolidated Mango and US Cobalt stock consolidations	(5)	-	-	-	-	-	-
Formation contribution by non-controlling interest (Gerlach Green Energy, LLC)						697,000	697,000
Stock compensation liability	-	-	1,657,207	-	-	-	1,657,207
Unrealized gain on investment	-	-	-	-	95,891	-	95,891
Net loss for the period	-	-	-	(5,735,747)	-	(18,768)	(5,754,515)
Balance at March 31, 2009	62,033,882	62,034	64,694,849	(16,427,556)	95,891	678,232	49,103,450
Stock compensation liability	-	-	639,852	-	-	-	639,852
Unrealized gain on investment	-	-	-	-	32,265	-	32,265
Net loss for the period – unaudited	-	-	-	(2,411,566)	-	(5,206)	(2,416,772)
Balance at June 30, 2009 – unaudited	<u>62,033,882</u>	<u>\$ 62,034</u>	<u>\$ 65,334,701</u>	<u>\$ (18,839,122)</u>	<u>\$ 128,156</u>	<u>673,026</u>	<u>\$ 47,358,795</u>

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

U.S. GEOTHERMAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2009
(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 constructs and manages power plants that utilize geothermal resources to produce energy. The Company’s operations have been, primarily, focused in the Western United States of America.

All references to “dollars” or “\$” are to United States dollars and all references to \$ CDN are to Canadian dollars.

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 Annual Report on Form 10-K.

The Company consolidates subsidiaries that it controls (more-than-50% owned) 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) Gerlach Geothermal LLC (organized in the State of Delaware);
- iv) U.S. Geothermal Services, LLC (organized in the State of Delaware);
- v) USG Nevada LLC (organized in the State of Delaware);
- vi) USG Gerlach LLC (organized in the State of Delaware); and
- vii) U.S. Geothermal Guatemala, S.A.

All intercompany transactions are eliminated upon consolidation.

Raft River Energy I LLC, previously a 100% owned subsidiary, was consolidated through July 2006, after which the entity is recorded under the equity method.

In cases where the Company owns a majority interest in an entity but does not own 100% of the interest in the entity it recognizes a non-controlling interest. The Company will recognize 100% of the assets and liabilities of the entity, and disclose the non-controlling interest. The statements of operations will consolidate the subsidiary's full operations, and will separately disclose the elimination of the non-controlling interest's allocation of profits and losses.

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 ("U.S. GAAP") and have been consistently applied in the preparation of the consolidated financial statements.

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 consolidated 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 consolidated financial position and consolidated results of operations.

Cash and Cash Equivalents

The Company considers all unrestricted cash, short-term deposits, and other investments with original 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 3.

Trade Accounts Receivable Allowance for Doubtful Accounts

Management estimates the amount of trade accounts receivable that may not be collectible and records an allowance for doubtful accounts, accordingly. The allowance is an estimate based upon aging of receivable balances, historical collection experience, and the periodic credit evaluations of our customers' financial condition. Receivable balances are written off when we determine that the balance is uncollectible. As of June 30, 2009 and March 31, 2009, there were no balances that were over 90 days past due and no balance in allowance for doubtful accounts was recognized.

Concentration of Credit Risk

The Company's cash and cash equivalents, including restricted cash, consisted of commercial bank deposits, money market accounts, and petty cash. Cash deposits are held in a commercial bank in Boise, Idaho. The accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per legal entity (after December 31, 2009, deposits will be insured up to \$100,000 per account). At March 31, 2009, the Company held deposits of \$10,160 that were not subject to FDIC insurance. The money market funds totaled \$1,672,718, and are not subject to deposit insurance.

Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Where appropriate, terms of property rights and revenue contracts can influence the determination of estimated useful lives. Estimated useful lives by major asset categories are summarized as follows:

<u>Asset Categories</u>	<u>Estimated Useful Lives in Years</u>
Furniture, vehicle and other equipment	4
Power plant, buildings and improvements	15 to 30
Wells	30
Well pumps and components	5 to 15
Pipelines	30
Transmission lines	30

The Company expenses all costs related to the development of geothermal reserves prior to the establishment of proven and probable reserves. Once a resource is considered to be proven, then costs of acquisition and development are capitalized on an area-of-interest basis. If an area of interest is subsequently abandoned, those costs are charged to income in the year of abandonment.

Impairment of Long-Lived Assets

The Company 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 June 30, 2009.

Stock Options Granted to Employees and Non-employees

For stock-based compensation, 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.

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. 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 June 30, 2009 and 2008, 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, trade account and other receivables, 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 current assets.

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.

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 Canada 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 June 30, 2009, the Company had net deferred tax assets calculated at an expected rate of 34% of approximately \$4,386,000 (March 31, 2009 - \$3,774,000) 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 June 30, 2009.

The significant components of the deferred tax asset at June 30, 2009 and March 31, 2009 were as follows:

	June 30, 2009	March 31, 2009
Estimated net operating loss carry forward	\$ 12,900,000	\$ 11,100,000
Deferred tax asset	\$ 4,386,000	\$ 3,774,000
Deferred tax asset valuation allowance	(4,386,000)	(3,774,000)
Net deferred tax asset	\$ -	\$ -

At June 30, 2009, the Company has net operating loss carry forwards of approximately \$12,900,000 (\$11,100,000 in March 31, 2009), which expire in the years 2023 through 2029. The change in the allowance account from March 31, 2009 to June 30, 2009 was \$612,000.

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.

Accounting for Income Tax Uncertainties and Related Matters

We may be assessed penalties and interest related to the underpayment of income taxes. Such assessments would be treated as a provision of income tax expense on our financial statements. For the three months ended June 30, 2009, no income tax expense has been realized as a result of our operations and no income tax penalties and interest have been accrued related to uncertain tax positions. The Company files income tax returns in the U.S. federal jurisdiction and in the State of Idaho. The Company will be required to file state income tax returns in the State of Oregon in future years. These filings are subject to a three year statute of limitations. Our evaluation of income tax positions included the fiscal years ended March 31, 2008, 2007, 2006 and 2005 which could be subject to agency examinations as of March 31, 2008. No filings are currently under examination. No adjustments have been made to reduce our estimated income tax benefit at fiscal year end. Any valuations relating to these income tax provisions will comply with the principles defined in Financial Accounting Standards No. 157, *Fair Value Measurements*.

Revenue

Revenue Recognition

The energy sales revenue is recognized when the power is produced and delivered to the customer under the terms defined in the Power Purchase Agreements (“PPA”). Management fee income is recognized when the services have been provided. Royalties and Lease revenues are recognized as the resource has been utilized and other contractual obligations have been met. Revenues from energy credits sales are recognized when the Company has met the terms of certain energy sales agreements with a financially capable buyer and has met the applicable governing regulations.

Revenue Source

All of the Company’s direct and indirect operating revenues originate from energy production from its interests in geothermal power plants located in the states of Idaho and Nevada. All of the management fees and royalty revenues are earned from its subsidiary located in South Eastern Idaho. All of the power sales are earned from a power plant located in North Western Nevada.

Recent Accounting Pronouncements

Accounting Standards Codification

The FASB issued Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles - A Replacement of FASB Statement No. 162* (“SFAS 168”). SFAS 168 establishes the FASB Accounting Standards Codification (“Codification”) as the single source of authoritative U.S. generally accepted accounting principles (“U.S. GAAP”) recognized by the FASB to be applied by nongovernmental entities. SFAS 168 and the Codification are effective for financial statements issued for interim and annual periods ending after September 15, 2009. When effective, the Codification will supersede all existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. The Company does not expect the adoption of this standard to have a direct quantitative material impact on its financial position or results of operations. The Codification will directly impact all authoritative references to U.S. GAAP used by the Company.

Amendments to Variable Interest Entities

The FASB issued Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)* (“SFAS 167”). SFAS 167 is a revision to FASB Interpretation No. 46 (Revised December 2003), *Consolidation of Variable Interest Entities* (“FIN 46 (R)”), and changes how a reporting entity determines when and entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity’s purpose and design and the reporting entity’s ability to direct the activities of the other entity that most significantly impact the other entity’s economic performance. This Standard will be effective at the start of a reporting entity’s first fiscal year beginning after November 15, 2009. The Company is still evaluating the impact this Standard may have on the Company’s financial statements and related disclosures.

Subsequent Events

The FASB issued Financial Accounting Standards No. 165, *Subsequent Events* (“SFAS 165”). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. Specifically, SFAS 165 provides:

- The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements;
- The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and
- The disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009, and shall be applied prospectively. The Company expects the adoption of this standard to have a direct impact on the content of applicable financial disclosures.

NOTE 3 – RESTRICTED CASH

The Company maintains cash balances that are restricted under Letter of Credit covenants for State and Federal well bonding requirements. These bonds renew on an annual basis. Restricted cash balances and explanations of the nature of the restrictions are summarized as follows:

<u>State Agency</u>	<u>June 30, 2009</u>	<u>March 31, 2009</u>
Idaho Department of Water Resources, Geothermal Well Bond	\$ 260,000	\$ 260,000
State of Nevada Division of Minerals, Statewide Drilling Bond	50,000	50,000
Bureau of Land Management, Geothermal Lease Bonds	150,000	150,000
Oregon Department of Geology and Mineral Industries, Mineral Land and Reclamation Program	<u>25,000</u>	<u>25,000</u>
	<u>\$ 485,000</u>	<u>\$ 485,000</u>

These bonding requirements ensure that the Company has sufficient financial resources to construct, operate & maintain geothermal wells while safeguarding subsurface, surface and atmospheric resources from unreasonable degradation, and to protect ground water aquifers and surface water sources from contamination. Other future costs of environmental remediation cannot be reasonably estimated and have not been recorded.

NOTE 4 – INVESTMENT IN SUBSIDIARY

RREI resulted from an August 9, 2006 agreement between the Company 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, the Company sold 50% of its ownership in Raft River Energy to Raft River Holdings, LLC. As a result of the agreements, the Company was required to contribute cash and property sufficient to complete a 10 megawatt power plant, and Raft River Holdings was required to contribute \$34,170,100.

As of June 30, 2009, the Company has contributed \$17,953,640 in cash and property to the project, while Raft River Holdings, LLC has contributed \$34,170,100.

For periods prior to August 2006, the Company was the 100% owner of RREI and consolidated the loss. For the period August 2006 to September 2008, U.S. Geothermal Inc. recorded RREI under the equity method of accounting for investments in subsidiaries based on the monthly capital contribution ratio, which averaged 34.46% for the year ended March 31, 2009.

Effective December 26, 2008, the fiscal year for RREI was changed to a calendar year due to the conversion of Goldman Sachs to a bank holding company. RREI's latest financial information is summarized as follows:

	(Unaudited) As of December 26, 2008	As of November 28, 2008	As of November 30, 2007
Total current assets	\$ 1,554,044	\$ 1,994,238	\$ 234,382
Property and equipment	49,676,148	50,016,779	50,055,675
	<u>\$ 51,230,192</u>	<u>\$ 52,011,017</u>	<u>\$ 50,290,057</u>
Total liabilities	\$ 500,629	\$ 1,434,413	\$ 4,252,786
Total members' equity	50,729,563	50,576,604	46,037,271
	<u>\$ 51,230,192</u>	<u>\$ 52,011,017</u>	<u>\$ 50,290,057</u>

	(Unaudited) Month Ended December 26, 2008	Fiscal Year Ended November 28, 2008	Fiscal Year Ended November 30, 2007
Operating revenues	\$ 538,309	\$ 4,880,303	\$ 96,743
Operating earnings (loss)	152,483	(380,958)	(929,615)
Net earnings (loss)	152,960	(448,593)	(834,234)
U.S. Geothermal Inc., portion of net earnings (loss)	\$ 52,710	\$ (156,060)	\$ (161,092)

RREI began commercial operations on January 3, 2008. Due to start up issues, RREI experienced an operating loss for the fiscal year ended November 28, 2008. RREI reported net losses of \$14,170 and \$1,627,932 for the three months ended March 31, 2009 and June 30, 2009; respectively.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

During the three months ended June 30, 2009, costs were incurred at San Emidio, Nevada for plant improvements and a transmission line study which amounted to over \$37,000 and \$10,200; respectively. Expenditures that amounted to over \$63,900 were made for studies, engineering, permitting and design activities to support the Neal Hot Springs, Oregon project.

Property, plant and equipment categories are summarized as follows:

	<u>June 30, 2009</u>	<u>March 31, 2009</u>
Land	\$ 384,000	\$ 384,000
Power production plant	1,366,577	1,329,527
Wells	3,617,312	3,617,312
Furniture and equipment	711,135	704,887
	<u>6,079,024</u>	<u>6,035,726</u>
Less: accumulated depreciation	<u>(855,071)</u>	<u>(686,471)</u>
	5,223,953	5,349,255
Construction in progress	<u>7,925,589</u>	<u>7,807,445</u>
	<u>\$ 13,149,542</u>	<u>\$ 13,156,700</u>

The construction in progress consists of development activities at Raft River Unit 2, Idaho, Neal Hot Springs, Oregon and San Emidio, Nevada. Construction costs that exceed \$2.5 million have been incurred for the San Emidio well project still under construction at June 30, 2009.

Depreciation expense was charged to operations for the three months ended June 30, 2009 and 2008 amounted to \$173,000 and \$167,245; respectively.

NOTE 6 – INTANGIBLE ASSETS

Intangible assets are summarized as follows:

	<u>June 30, 2009</u>	<u>March 31, 2009</u>
Surface water rights	\$ 4,766,341	\$ 4,766,341
Geothermal and mineral rights	<u>11,683,450</u>	<u>11,670,371</u>
	16,449,791	16,436,712
Less: accumulated amortization	<u>(321,447)</u>	<u>(252,566)</u>
	<u>\$ 16,128,344</u>	<u>\$ 16,184,146</u>

Amortization expense was charged to operations for the three months ended June 30, 2009, and 2008 amounted to \$68,881, and \$0; respectively.

NOTE 7 - CAPITAL LEASE OBLIGATION

Effective November 10, 2008, the Company entered into a capital lease obligation for the purchase of a forklift that is payable in monthly payments of \$1,193 including interest to Wells Fargo Equipment, Inc. The contract includes a purchase option of \$5,345 the end of the lease term scheduled for November 2012. The schedule of minimum lease payments is as follows:

<u>Period Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 11,203	\$ 3,113	\$ 14,316
2011	12,057	2,259	14,316
2012	12,974	1,342	14,316
2013	<u>11,039</u>	<u>271</u>	<u>11,310</u>
	<u>\$ 47,273</u>	<u>\$ 6,985</u>	<u>\$ 54,258</u>

NOTE 8 - CAPITAL STOCK

The Company is authorized to issue 250,000,000 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 March 31, 2009, the Company verified an adjustment of 5 shares required for entitlement shares to be issued for the stock consolidations of Consolidated Mango (1999) and US Cobalt (2003) shares. These shares remain in escrow until the Consolidated Mango and US Cobalt shares are redeemed for U.S. Geothermal Inc. common shares.

NOTE 9 - STOCK BASED COMPENSATION

The Company has a stock option plan (the “Stock Option Plan”) for the purpose of attracting and motivating directors, officers, employees and consultants of the Corporation and advancing the interests of the Corporation. The Stock Option Plan is a 10% rolling plan approved by shareholders in September 2006, whereby the Company can grant options to the extent of 10% of the current outstanding common shares. Under the plan, all forfeited and exercised options can be replaced with new offerings. As of June 30, 2009, the Company can issue stock option grants totaling up to 6,203,388 shares. 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. Effective April 1, 2007, all grants will be stated in U.S. dollars. 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. At June 30, 2009, the Company had 5,954,250 options granted and outstanding.

During the quarter ended June 30, 2009, the Company granted 1,795,000 stock options to employees and consultants exercisable at a price of \$0.92 until May 26, 2014.

The following table reflects the summary of stock options outstanding at March 31, 2008 and changes during the year ended March 31, 2009 and the three months ended June 30, 2009:

	Number of shares under options	Weighted Average Exercise Price Per Share	Weighted Average Fair Value	Aggregate Intrinsic Value
Balance outstanding, March 31, 2008	2,899,878	\$ 1.35 CDN	\$ 1.17	\$ 3,401,421
Forfeited	(238,494)	0.98	0.63	(151,013)
Exercised	(22,134)	0.60 CDN	0.28	(6,093)
Granted	1,600,000	2.19	1.22	1,952,000
Balance outstanding, March 31, 2009	4,239,250	1.62	1.23	5,196,315
Forfeited	(80,000)	2.34	0.90	(71,906)
Exercised	-	-	-	-
Granted	1,795,000	0.92	0.71	1,268,585
Balance outstanding, June 30, 2009	5,954,250	\$ 1.45	\$ 1.07	\$ 6,392,994

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 volatility 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:

	Three Months Ended June 30, 2009	Year Ended March 31, 2009
Dividend yield	0	0
Expected volatility	71-92%	71-82%
Risk free interest rate	0.55-1.32%	1.74-2.23%
Expected life (years)	3.10	3.25

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 June 30, 2009:

OPTIONS OUTSTANDING				
EXERCISE PRICE	NUMBER OF OPTIONS	REMAINING CONTRACTUAL LIFE (YEARS)	NUMBER OF OPTIONS EXERCISABLE	INTRINSIC VALUE
\$ 0.72 CDN	12,500	0.33	12,500	\$ 5,325
0.90 CDN	237,500	0.33	237,500	118,332
1.00 CDN	1,443,000	1.75	1,443,000	1,465,385
1.15 CDN	78,750	2.08	78,750	86,626
1.40 CDN	157,500	2.58	157,500	139,271
0.92	1,795,000	4.90	448,750	317,146
1.78	95,000	4.23	47,500	40,586
2.22	1,475,000	3.87	1,106,250	1,348,958
2.41	660,000	3.08	660,000	466,274
\$ 1.45	5,954,250	3.38	4,191,750	\$ 3,987,903

The following table summarizes information about the stock options outstanding at March 31, 2009:

OPTIONS OUTSTANDING				
EXERCISE PRICE	NUMBER OF OPTIONS	REMAINING CONTRACTUAL LIFE (YEARS)	NUMBER OF OPTIONS EXERCISABLE	INTRINSIC VALUE
\$ 0.72 CDN	12,500	0.58	12,500	\$ 5,325
0.90 CDN	237,500	0.58	237,500	118,332
1.00 CDN	1,443,000	2.00	1,443,000	1,465,385
1.15 CDN	78,750	2.33	78,750	86,626
1.40 CDN	157,500	2.83	157,500	139,271
1.78	95,000	4.48	47,500	40,586
2.22	1,505,000	4.12	752,500	917,596
2.41	710,000	3.33	710,000	501,598
\$ 1.62	4,239,250	2.98	3,439,250	\$ 3,274,719

A summary of the status of the Company's nonvested stock options outstanding at March 31, 2008 and changes during the fiscal year ended March 31, 2009 and the three months ended June 30, 2009 are presented as follows:

	Number of Options	Weighted Average Grant Date Fair Value Per Share	Weighted Average Grant Date Fair Value
Nonvested, March 31, 2008	419,375	\$ 1.12 CDN	\$ 1.43
Granted	1,600,000	2.19	1.22
Vested	(980,881)	2.25	1.26
Forfeited	(238,494)	0.98	0.63
Nonvested, March 31, 2009	800,000	2.19	1.20
Granted	1,795,000	0.92	0.71
Vested	(752,500)	1.44	0.92
Forfeited	(80,000)	2.34	0.90
Nonvested, June 30, 2009	1,762,500	\$ 1.22	\$ 0.81

As of June 30, 2009, there was \$1,157,981 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 options vested at June 30, 2009 and at March 31, 2009 was \$639,852 and \$1,614,789; respectively.

Stock Purchase Warrants

At June 30, 2009, broker warrants at an exercise price of \$2.34 totalled 191,475 and share purchase warrants for purchase of 3,191,250 shares at an exercise price of \$3.00 remained outstanding. These warrants expire April 28, 2010.

NOTE 10 – FAIR VALUE MEASUREMENT

On April 1, 2008, the Company adopted the provisions of SFAS No. 157 related to its financial assets and liabilities measured at fair value on a recurring basis. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy defined by SFAS No. 157 are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 – Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to the Company’s needs.

As required by SFAS No. 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following table discloses by level within the fair value hierarchy the Company’s assets and liabilities measured and reported on the Consolidated Balance Sheet as of June 30, 2009 at fair value on a recurring basis:

	Total	Level 1	Level 2	Level 3
Assets:				
Money market accounts	\$ 1,672,718	\$ 1,672,718	\$ -	\$ -
Investment in equity securities	193,590	-	-	193,590
	<u>\$ 1,866,308</u>	<u>\$ 1,672,718</u>	<u>\$ -</u>	<u>\$ 193,590</u>

On December 14, 2007 the FASB issued a proposed FASB staff position ("FSP") that would amend SFAS 157 to delay its effective date for all non-financial assets and non-financial liabilities, except for those that are recognized or disclosed at fair value in the financial statements on a recurring basis, that is, at least annually. For items within the scope of the proposed FSP the effective date of SFAS 157 would be delayed to fiscal years beginning after November 15, 2008 (fiscal 2010 for the Company) and interim periods within those fiscal years. During February 2008, the FASB confirmed and made effective the FSP. The Company has chosen not to implement SFAS 157 for non-financial assets and non-financial liabilities at this time.

Changes in level 3 assets measured at fair value on a recurring basis for the three months ended June 30, 2009:

	Amounts
Investment in equity securities:	
Balance at March 31, 2009	\$ 150,169
Purchases	-
Realized gains/losses	-
Foreign exchange loss	11,156
Unrealized gain included in other comprehensive income	32,265
Balance at June 30, 2009	<u>\$ 193,590</u>

The equity securities purchased in June 2008 are not actively traded on a stock exchange. The change in value was calculated based on a subsequent private placement of the securities in January 2009 which reflected an increased market price for the securities.

NOTE 11 - RELATED PARTY TRANSACTIONS

At June 30, 2009 and March 31, 2009, the amounts of \$16,020 and \$9,218, 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 \$1,584,435 and \$271,475 at June 30, 2009 and March 31, 2009; respectively, for operating and maintenance expenses. The receivable

balance is comprised of unsecured demand obligations due within twelve months. During the three months ended June 30, 2009 and the year ended March 31, 2008, the Company received the following revenues from RREI:

	Three Months Ended June 30, 2009	Year Ended March 31, 2009
Management fees	\$ 62,500	\$ 250,000
Lease and royalties	<u>29,484</u>	<u>97,098</u>
	<u><u>\$ 91,984</u></u>	<u><u>\$ 347,098</u></u>

The Company incurred the following transactions with directors and officers:

	Three Months Ended June 30, 2009	Year Ended March 31, 2009
Director fees	\$ 15,000	\$ 60,000

NOTE 12 - 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 ("U.S. GAAP"). The material difference in respect to these financial statements between U.S. GAAP 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.) were 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:

Consolidated Balance Sheets	U.S. GAAP June 30, 2009	Canadian GAAP June 30, 2009	U.S. GAAP March 31, 2009	Canadian GAAP March 31, 2009
Plant, Property and Equipment	\$ 13,149,542	\$ 13,590,153	\$ 13,156,700	\$ 13,597,311
Intangible Assets	16,128,344	16,128,344	16,184,146	16,184,146
Total Assets	50,243,282	50,683,893	51,538,698	51,979,309
Stockholders' Equity	46,685,769	47,126,380	49,103,450	49,544,061
Total Liabilities and Stockholders' Equity	\$ 50,243,282	\$ 50,683,893	\$ 51,538,698	\$ 51,979,309

Consolidated Statements of Operations and Comprehensive Loss	U.S. GAAP Three Months Ended June 30, 2009	Canadian GAAP Three Months Ended June 30, 2009	U.S. GAAP Year ended March 31, 2009	Canadian GAAP Year ended March 31, 2009
Loss from Operations	\$ (2,441,672)	\$ (2,441,672)	\$ (4,612,863)	\$ (4,612,863)
Net Loss	\$ (2,411,566)	\$ (2,411,566)	\$ (3,549,186)	\$ (3,549,186)

NOTE 13 - 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 Company incurred total lease expenses for three months ended June 30, 2009 and the year ended March 31, 2009, totaled \$47,625 and \$100,128; respectively.

BLM Lease Agreements

Idaho

On August 1, 2007, the Company signed a geothermal resources lease agreement with the United States Department of the Interior Bureau of Land Management (“BLM”). The contract requires an annual payment of \$3,502 including processing fees. The primary term of the agreement is 10 years. After the primary term, the Company has the right to extend the contract. BLM has the right to terminate the contract upon written notice if the Company does not comply with the terms of the agreement.

San Emidio

The lease contracts are for approximately 21,905 acres of land and geothermal rights located in the San Emidio Desert, Nevada. The lease contracts have primary terms of 10 years. Per federal regulations applicable for the contracts, the lessee has the option to extend the primary lease term another 40 years if the BLM does not need the land for any other purpose and the lessee is maintaining production at commercial quantities. The leases require the lessee to conduct operations in a manner that minimizes adverse impacts to the environment.

Gerlach

The Gerlach Geothermal LLC assets are comprised of two BLM geothermal leases and one private lease totaling 3,615 acres. Both BLM leases have a royalty rate is based upon 10% of the value of the resource at the wellhead. The amounts are calculated according to a formula established by Minerals Management Service (“MMS”). One of the two BLM leases has a second royalty commitment to a third party of 4% of gross revenue for power generation and 5% for direct use based on BTUs consumed at a set comparable price of \$7.00 per million BTU of natural gas. The private lease has a 10 year primary term and would receive a royalty of 3% gross revenue for the first 10 years and 4% thereafter.

Granite Creek

The Company has three geothermal lease contracts with the BLM for the Granite Creek properties. The lease contracts are for approximately 5,414 acres of land and geothermal water rights located in North Western Nevada. The lease contracts have primary terms of 10 years. Per federal regulations applicable for the contracts, the lessee has the option to extend the primary lease term another 40 years if the BLM does not need the land for any other purpose and the lessee is maintaining production at commercial quantities. The leases state annual lease payments of \$5,414, not including processing fees, and expire October 31, 2012.

Office Lease

The Company entered into a 3 year lease contract effective January 1, 2008 through January 31, 2011, for general office space for an executive office located in Boise, Idaho. The lease payments are due in monthly installments that start at \$5,637 per month and increase annually to \$5,981 per month.

The following is the total contracted lease obligations (operating leases, BLM lease agreements and office lease) for the next five fiscal years:

<u>Year Ending March 31,</u>	<u>Amount</u>
2010	\$ 143,377
2011	134,258
2012	74,713
2013	49,103
2014	46,599
Thereafter	98,791

Power Purchase Agreements

The Company has signed a power purchase agreement with Idaho Power Company for sale of power generated from its subsidiary Raft River Energy I, LLC. 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 will govern the operational revenues for the initial phases of the Company's operating activities.

The Company signed a power purchase agreement on March 12, 2008 with Eugene Water and Electric Board for the planned phase two power plant at Raft River, Idaho. The agreement allows for variable output up to a maximum of 16 megawatts with a term of 25 years. The agreement is subject to successful drilling and resource development.

As a part of the purchase of the assets from Empire Geothermal Power, LLC and Michael B. Stewart acquisition ("Empire Acquisition"), a power purchase agreement with Sierra Pacific Power Company was assigned to the Company. The contract has a stated expected output of 3,250 kilowatts maximum per hour and extends through 2017. All power produced will be purchased and there are no penalties for not meeting or exceeding expected output levels.

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. As part of the Agreement, Ormat has guaranteed certain performance specifications and plant components. As of June 30, 2009, the Company retains \$75,000 for release to Ormat upon Ormat's completion of certain punch list items, namely, the repairs to the grounding grid and the reduction of the oversplash of water in the cooling tower. As a result of negotiations, Ormat issued a credit of \$200,000 against an outstanding invoice. The Company paid the net amount due less the \$200,000 and \$75,000 retainage to secure release of a lien on the project filed by Ormat.

NOTE 14 – JOINT VENTURES

Raft River Energy I LLC

Raft River Energy I is a joint venture between the Company and Raft River I Holdings, LLC a subsidiary of Goldman Sachs Group, Inc. An Operating Agreement governs the rights and responsibilities of both parties. At fiscal year end, the Company had contributed approximately \$17.9 million in cash and property, and Raft River I Holdings, LLC has contributed approximately \$34 million in cash. Profits and losses are allocated to the members based upon contributed capital levels. For income tax purposes, Raft River I Holdings, LLC will receive a greater proportion of the share of losses and other income tax benefits. This includes the allocation of production tax credits, which will be distributed 99% to Raft River I Holdings, LLC and 1% to the Company during the first 10 years of production. During the initial years of operations Raft River I Holdings, LLC will receive a larger allocation of cash distributions.

Gerlach Geothermal LLC

On April 28, 2008, the Company formed Gerlach Geothermal, LLC (“Gerlach”) with our partner, Gerlach Green Energy, LLC (“GGE”). The purpose of the joint venture is the exploration of the Gerlach geothermal system, which is located in northwestern Nevada, near the town of Gerlach. Based upon the terms of the members’ agreement, the company owns a 60% interest and GGE owns a 40% interest in Gerlach Geothermal, LLC. The agreement gives GGE an option to maintain its 40% ownership interest as additional capital contributions are required. If GGE dilutes to below a 10% interest, their ownership position in the joint venture would be converted to a 10% net profits interest. The Company has contributed \$746,000 in cash and \$300,000 for a geothermal lease and mineral rights; and the GGE has contributed \$697,000 of geothermal lease, mineral rights and exploration data.

The consolidated financial statements reflect 100% of the assets and liabilities of Gerlach, and report the current non-controlling interest of GGE. The full results of Gerlach’s operations will be reflected in the statement of operations with the elimination of the non-controlling interest identified.

NOTE 15 – SUBSEQUENT EVENTS

The Company has evaluated events and transactions that have occurred after the balance sheet date through August 10, 2009, which is considered to be the issuance date. The following event was identified for disclosure:

Subscription Receipt Issuance

Announced July 31, 2009, the Company has entered into an agreement to privately place approximately 8,100,000 Subscription Receipts (“Receipt”) at \$1.35 CDN per Receipt for gross proceeds of approximately \$10,935,000 CDN. Each Receipt will be automatically exchanged, without additional consideration on the exchange date for one (“Unit”) of the Company. Exchange date will be the earlier of the date on which the receipt of a final prospectus to qualify the Common Stock and Warrants issuable upon exercise of the Subscription Receipts or four months and one day after the closing of this offering. The offering is scheduled to close on or about August 12, 2009. Each Unit consists of one share of common stock of the Company and one half of one common stock purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to acquire one additional share of common stock of the Company for a period of 24 months following the closing of the offering for \$1.75 per share of common stock. The net proceeds of the offering will be used by the Company for drilling wells at the Neal Hot Springs geothermal project and for general working capital purposes.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results 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, 2009 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 U.S. 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.

General Background and Discussion

The following discussion should be read in conjunction with our audited consolidated financial statements for the year ended March 31, 2009 and notes thereto included in this report.

U.S. Geothermal Inc. (“the Company”) is a Delaware corporation. The Company's common shares began trading on the Toronto Stock Exchange (“TSX”) on October 1, 2007 and ceased trading on the TSX Venture Exchange on September 28, 2007. Our Company's common shares trading symbol has been and continues to be “GTH” in Canada. From June 3, 2005 to April 15, 2008, the common stock of U.S. Geothermal Inc. was quoted on the Over-The-Counter Bulletin Board under the trading symbol “UGTH”. Effective April 14, 2008, the common stock of U.S. Geothermal Inc. began trading on the NYSE Amex LLC (“NYSE”) under the trade symbol “HTM.”

For the quarter year ended June 30, 2009, the Company was focused on:

- 1) optimizing the operation of the Unit I power plant at the Raft River, Idaho geothermal project (“Raft River Unit I”);
- 2) performed a scheduled outage at Raft River to replace the turbine damaged during startup;
- 3) planning and permitting drilling and field development activities at Neal Hot Springs in Oregon;
- 4) negotiating a PPA for the Neal Hot Springs Project and the San Emidio Repower Project;
- 5) optimizing the operation of the San Emidio (formerly Empire) power plant in Nevada, and planning for repowering the existing plant; and
- 6) the evaluation of potential new geothermal project acquisitions.

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, the Company elected to withdraw its Unit II and Unit III 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 II and Unit III 10 megawatt contracts were voided without further obligation on either party.

In addition, the strong regional interest in geothermal power has resulted in several utilities from California to Washington entering into discussions with the Company for the purchase of the electrical power output of Unit III. Subject to confirmation of sufficient geothermal resource by drilling, 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.

Raft River Unit I achieved commercial operation on January 3, 2008. During 2008, Raft River operated at 95 percent availability and averaged 9.8 megawatts for the year. A reverse osmosis filter system was added in December 2008 to the cooling water system for the removal of higher than anticipated levels of chloride, which would have damaged the plant cooling equipment. The RO filter is expected to significantly reduce chloride levels and operating costs for chemical consumption in the cooling tower.

Raft River Unit I operated through the period at over 99 percent availability and generated 9.9 to 11.6 net megawatts during the three month period ended June 30, 2009. A reverse osmosis (“RO”) water filter was installed in December to improve the quality of the water being used in the cooling tower and power plant condensers.

In early January 2009, production well RRG-7 underwent a temperature decline that has reduced the inlet fluid temperature to the power plant by approximately 4 degrees fahrenheit. At the same time of the temperature change, fluid flow increased. Power generation has been reduced by 1 megawatt. It was determined that the cement in a lap joint had failed and a mechanical packer was installed to reduce the cold water inflow, but was unsuccessful. A remediation program is planned that will “squeeze” cement into the lap joint and plug off the cold water flow to return the well temperature and increase power plant generation.

At our Neal Hot Springs project, an infill geophysical program was carried out to increase the density of data to highlight suspected geologic targets and structures. Applications for four additional exploration wells to further delineate the geothermal resource with production and injection targets have been made to the state of Oregon and are pending approval. All of the Federal Energy Regulatory Commission (“FERC”) mandated transmission studies have been completed by the Idaho Power Company. An interconnection agreement is being negotiated and it is expected that it will be signed in the first quarter of 2009.

On February 26, 2009, the Company submitted an application for the Neal Hot Springs project to the Department of Energy (“DOE”) Energy Efficiency, Renewable Energy and Advanced Transmission and Distribution Solicitation loan guarantee program under Title XVII of the Energy Policy Act of 2005. The Company was notified that its project application is complete, the power plant technology choice qualifies as new or improved under the program, and the project has been selected to proceed in the project loan process. The Company announced on May 26, 2009, that it has been selected by the DOE to enter into due diligence review on an \$85 million project loan for the Neal Hot Springs project located in eastern Oregon. If awarded, the loan is expected to provide 80% of the \$106 million estimated total capital cost. The new plant, designed to deliver 22 megawatts of power net to the grid, is scheduled to begin commercial operations in late 2011.

The San Emidio geothermal power plant has been producing power since 1987 and sells electricity to Sierra Pacific Power Corporation under an existing power purchase agreement that extends through 2017. Deeper wells with higher temperatures were drilled in 1994 to supply the plant after output declined due to cooling of the original, shallow production wells. The current configuration of the plant consists of four 1.2 megawatt Ormat Energy Converters, five production wells (two wells in use and three on stand

by), and four injection wells (three wells in use and one on standby). A cooling tower was added in 1998 to improve summer peak power generation.

Power sales from the San Emidio plant for 2008 averaged 2.3 megawatts. The plant underwent a planned, 6 day maintenance shut down in November to address a number of maintenance issues, including a major cleaning of the cooling tower and cooling tower basin, aligning turbines and gear boxes on OECs and cooling tower, repairing leaking condenser tubes and replace turbine seals. The San Emidio equipment is outdated and has low efficiency compared to current power plant technology.

The Company drilled a new exploration well, SE-2, approximately 3,500 feet north of the existing production wells. Well SE-2 was drilled to a depth of 3,200 feet and intersected one of the range front faults, but did not encounter commercial levels of permeability. The drilling of a second, deviated leg out of the SE-2 wellbore to target another potential production zone is being considered once drilling operations continue. Drilling operations were suspended in response to the deterioration of the capital markets.

A System Feasibility Study was initiated with Sierra Pacific Power Corporation to begin the FERC mandated transmission study process. The study will examine several transmission routes and study the cost of upgrading the existing transmission line.

The Granite Creek assets are comprised of three BLM geothermal leases totaling approximately 5,414 acres (8.5 square miles) located about 6 miles north of Gerlach, Nevada along a geologic structure known to host geothermal features including the Great Boiling Spring and the Fly Ranch Geyser. A first stage gravity geophysical program was completed and will be used to evaluate the resource potential, and help determine where to drill temperature-gradient exploration wells.

In October 2008, Congress extended the federal production tax credit ("PTC") for renewable energy power plants for all projects initiating commercial production prior to December 31, 2010. The PTC enhances the annual revenues of the projects by about 25 percent per year for the first 10 years.

Announced July 31, 2009, the Company has entered into an agreement to privately place approximately 8,100,000 Subscription Receipts ("Receipt") at \$1.35 CDN per Receipt for gross proceeds of approximately \$10,935,000 CDN. Each Receipt will be automatically exchanged, without additional consideration on the exchange date for one ("Unit") of the Company. Exchange date will be the earlier of the date on which the receipt of a final prospectus to qualify the Common Stock and Warrants issuable upon exercise of the Subscription Receipts or four months and one day after the closing of this offering. The offering is scheduled to close on or about August 12, 2009. Each Unit consists of one share of common stock of the Company and one half of one common stock purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to acquire one additional share of common stock of the Company for a period of 24 months following the closing of the offering for \$1.75 per share of common stock. The net proceeds of the offering will be used by the Company for drilling wells at the Neal Hot Springs geothermal project and for general working capital purposes.

Project Overview

The following is a list of projects that are in operation, under development or under exploration. Projects in operation have producing geothermal power plants. Projects under development have at least a geothermal resource discovery or may have wells in place, but require the drilling of new or additional production and injection wells in order to supply enough geothermal fluid sufficient to operate a commercial power plant. Projects under exploration do not have a geothermal resource discovery occurrence yet, but have significant thermal and other physical evidence that warrants the expenditure of capital in search of the discovery of a geothermal resource. Due to inflation and marketplace increases in

the costs of labor and construction materials, previous estimates of property development costs may be low.

We hold a 50% interest in Raft River Energy I LLC, which owns Raft River Unit I (“Unit I”). Construction of Unit I required substantial capital, and partnering with a co-venturer allowed us to share the risks of ownership. The joint venture has also allowed the project to take advantage of production tax credits which would not otherwise have been available to us. When Unit I operates at full capacity of 13 megawatts, we estimate we will receive cash payments totaling approximately \$1.6 million for the first four years of its operations. While Unit I operates at less than full capacity, our annual cash payments from the Raft River I project will be lower.

Projects in Operation

Project	Location	Ownership	Generating Capacity (MW) ⁽¹⁾	Power Purchaser	Contract Expiration
Raft River (Unit I)	Idaho	JV ⁽²⁾	13.0	Idaho Power Company	2032
San Emidio (Existing)	Nevada	100%	3.6	Sierra Pacific Power Corp.	2017

- (1) Based on the designed annual average net output. The actual output of the Raft River Unit I plant currently varies between 9.9 and 11.7 megawatts and output of the Empire plant is approximately 3.1 megawatts.
- (2) As part of the financing package for Unit I of the Raft River project, we have contributed \$13 million in cash and approximately \$1.5 million in property to Raft River Energy I LLC, the Unit I project joint venture company. Raft River I Holdings, LLC, a subsidiary of The Goldman Sachs Group, contributed \$34 million to finance the construction of the project. Additional investment may be required for Unit I to operate at design capacity.

Projects Under Development

Project	Location	Ownership	Target Development (MW)	Projected Commercial Operation Date ⁽²⁾	Anticipated Power Purchaser
San Emidio (Replacement)	Nevada	100	9	1st Quarter 2011	To be determined
Neal Hot Springs	Oregon	100	22	3 rd Quarter 2011	Idaho Power
Raft River (Unit II)	Idaho	JV	13	2012/2013	Eugene Water and Electric Board
Raft River (Unit III)	Idaho	100	13	2013/2014	N/A

Additional Properties

Project	Location	Ownership	Target Development (MW)
Gerlach	Nevada	60%	To be determined
Granite Creek	Nevada	100%	To be determined

Resource Details

Property	Property Size (square miles)	Temperature (°F)	Resource Potential (MW)	Depth (Ft)	Technology
Raft River	10.8 ⁽¹⁾	275-302 ⁽²⁾	94.0	4,500-6,000	Binary
San Emidio	35.8	289-305 ⁽²⁾	40.0	1,500-2,000	Binary
Neal Hot Springs	9.6	311-347 ⁽³⁾	N/A	2,500-3,000	Binary

- (1) The resource assessment is based on 6.0 square miles. The remaining acreage was acquired subsequent to the GeothermEx report.
- (2) Actual production temperatures for existing wells.
- (3) Probable reservoir temperature as measured by Teplow and MWH Geo-Surveys Inc with a geothermometer.

Operating Results

For the three months ended June 30, 2009, the Company reported a net loss of \$2.4 million dollars (\$0.04 loss per share) which represented an increase of a \$.5 million dollar net loss as compared to the same period in 2008. A notable favorable variance was noted for corporate administration and development costs. Significant unfavorable trends were reported for the Company's interest in its primary subsidiary Raft River Energy I, LLC and the operations of the San Emidio plant.

Corporate Administrative and Development Costs

For the three months ended June 30, 2009, corporate and administrative costs decreased \$161,391 (58.8%) compared to the same period in 2008. The decrease was primarily due filing/application fees (\$40,683 to TSX and \$89,375 to AMEX/NYSE) incurred in the quarter ended June 30, 2008 that were not incurred in the current quarter ended 2009. Effective April 14, 2008, the common stock of the Company began trading on the American Stock Exchange, now the NYSE Amex Equities.

Loss on Investment in Subsidiary (Raft River Energy I, LLC)

The Company's portion of the net operating loss of Subsidiary for the three months ended June 30, 2009 was \$548,766 (\$1,627,932 total entity) which was an increase of \$508,641 from the same period in 2008. The loss was due to both planned and unplanned maintenance and repairs that lead to lower revenues and increased costs. The entire plant was shut down for planned maintenance from April 1, 2009 to April 13, 2009. Energy production revenue was down more than \$244,000 for the three months ended June 30, 2009 from the same period in 2008. Energy produced in April 2009 was approximately 3.51 million kilowatt hours compared to 6.97 million kilowatt hours produced in April 2008. Overall, energy production was down 6.6 million kilowatts for the quarter. On June 1, 2009, the production pipe column on a well at Raft River Energy I, LLC failed. This is the pipe that carries the geothermal fluid to the surface and supports the pump weight. Repair costs for this repair, exceeded \$500,000. Also, a lap joint failed in a production well in January 2009 causing a loss of temperature. A repair was attempted in April 2009 and the well was off line for 22 days. The total repair and maintenance costs exceeded \$1.1 million for the quarter ended June 30, 2009.

<u>Quarter Ended:</u>	<u>Total Operating Revenues</u>	<u>Net Income (Loss)</u>	
		<u>Total</u>	<u>U.S. Geothermal Inc.'s Portion</u>
June 27, 2008	\$ 1,126,051	\$ (119,141)	\$ (40,125)
September 26, 2008	1,408,357	(319,558)	(110,070)
December 26, 2008	1,625,010	426,339	146,900
March 27, 2009	1,355,582	(14,170)	(4,883)
June 30, 2009	812,618	(1,627,932)	(548,766)

San Emidio, Nevada Plant Energy Sales and Plant Operating Expenses

In the quarter ended June 30, 2008, the Company purchased a geothermal plant and ground water rights located in North Western Nevada. Energy sales and the related plant operating expenses began when the Company took over plant operations effective May 1, 2008. Therefore, the 2008 operating revenues and expenses represent a two month period. For the three months ended June 30, 2009, the San Emidio plant reported a loss of \$589,082 (\$243,752 operating revenues, \$832,834 operating expenses). This was due to repair costs and the reduced production levels related to the items under repair. Repair costs of over \$112,000 were incurred to rebuild and reinstall a pump. Costs that amounted to over \$59,000 were incurred to retube an OEC condenser and to install a new gear box. Due to the plant component failures, energy production was down for the quarter. For the eleven months of operations ended March 31, 2009, the plant averaged \$128,805 in energy sales per month (1,487,775 average kilowatts hours per month). Energy production for April, May and June of 2009, was 825,292, 737,313, and 1,288,309 kilowatts hours; respectively.

Off Balance Sheet Arrangements

As of June 30, 2009, the Company does not have any off balance sheet arrangements.

Liquidity and Capital Resources

We believe our cash and liquid investments at June 30, 2009 are adequate to fund our general operating activities through March 31, 2010. Additional funding will be needed to finance the expansion of production volumes at Raft River and the development of the San Emidio, Nevada and Neal Hot Springs, Oregon projects. We anticipate that the additional funding may be raised through the issuance of equity and/or through the sale of ownership interest in tax credits and benefits. A private financing scheduled to close August 12, 2009, will provide funds to drill three production size wells at Neal Hot Springs to increase production capacity to 22 MW and allow a 30-day flow test to verify the well reservoir capability. Completion of drilling is a condition precedent to the funding from the DOE loan program, if our application is approved.

The current financial credit crisis is not anticipated to impact the ability of our customers, Idaho Power Company and Sierra Pacific Power, to pay for their power. This power is sold under long-term contracts at fixed prices to large utilities. Projections for 2009 indicate that both projects, Raft River and San Emidio, will generate positive cash flows to the Company. However, the current status of the credit and equity markets could delay our project development activities while the Company seeks to obtain economic credit terms or a favorable equity market price to further the drilling and construction activities. The Company continues discussions with potential investors to evaluate alternatives for funding at the corporate and project levels. We are also pursuing available DOE loans and guarantees in order to reduce interest costs for any debt instruments the Company may require. At the current market price for the Company's stock, we do not anticipate that additional funding will result from the exercise of current stock options or warrants.

In these difficult times, the Company has also implemented procedures to conserve cash, reduce costs and maximize revenue. At the corporate level, we have cancelled non-essential consulting contracts and are reducing all non-critical expenditures. At the project level, Raft River and San Emidio are increasing efforts to reduce operating costs and will continue to find additional cost savings. The Company has instituted a wage and salary freeze for all employees effective January 1, 2009. The wage and salary freeze means that we will not be granting merit pay increases until economic conditions improve and we are able to finance the Company in the equity markets. In addition, the Company has required that employees contribute a share of the medical insurance premiums for dependent coverage. The Company will continue to pay 100% of the insurance premiums for the employees.

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.

See Management's Discussion and Analysis and the financial statements and related footnotes included in our Annual Report on Form 10-K for the year ended March 31, 2009 for a description of our critical accounting policies.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

Interest Risk on Investments

At June 30, 2009, the Company held investments of \$1,672,718 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.

Prior to April 1, 2007, the strike price for the Company's stock option plan had been stated in Canadian dollars as the plan had been administered through our Vancouver office and Pacific Corporate Trust Company. This subjected 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 subsequent option grants is stated in U.S. 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 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) for the period covered by this report. Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the time

periods specified in the Securities and Exchange Commission's rules and forms relating to us, including our consolidated subsidiaries, and was accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change to our internal control over financial reporting during the quarter ended June 30, 2009 that has materially affected, or is likely to materially affect, our internal control over financial reporting.

PART II- OTHER INFORMATION

Item 1 - Legal Proceedings

None.

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, 2009, except as noted below:

The Company has applied for a loan from the Department of Energy ("DOE") to finance our development at Neal Hot Springs. There is no assurance that we will receive the DOE loan and a delay or failure to receive the loan may delay the development of Neal Hot Springs.

The Company anticipates closing a private placement on or about August 12. There can be no assurance that the private placement will close on this date or at all and failure to close the private placement would delay the development of Neal Hot Springs.

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

None.

Item 3 – Defaults Upon Senior Securities

None.

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

None.

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: August 10, 2009

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

Date: August 10, 2009

By: /s/ Kerry D. Hawley .
Kerry D. Hawley
Chief Financial Officer and Corporate Secretary

EXHIBIT LIST

Exhibit Number	Description
10.15	Employment Agreement dated January 1, 2009 with Daniel J. Kunz
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.
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.
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

U.S. GEOTHERMAL INC.

CERTIFICATION

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - 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: August 10, 2009

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

U.S. GEOTHERMAL INC.

CERTIFICATION

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - 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: August 10, 2009

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

U.S. GEOTHERMAL INC.

CERTIFICATION

In connection with the Quarterly report of U.S. Geothermal, Inc. (the “Registrant”) on Form 10-Q for the period ended June 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Daniel J. Kunz of U.S. Geothermal Inc. certify pursuant to 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 Report fully complies with the requirements of Section 13(a) or 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: August 10, 2009

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

U.S. GEOTHERMAL INC.

CERTIFICATION

In connection with the Quarterly report of U.S. Geothermal, Inc. (the “Registrant”) on Form 10-Q for the period ended June 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kerry D. Hawkley of U.S. Geothermal Inc. certify pursuant to 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 Report fully complies with the requirements of Section 13(a) or 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: August 10, 2009

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