



FALL RIVER RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE SIX MONTHS ENDED MARCH 31, 2009
UNAUDITED – PREPARED BY MANAGEMENT**

Including

Directors' Report

Auditors' Independence Declaration

Independent Auditors' Review Report

FALL RIVER RESOURCES LTD
AND CONTROLLED ENTITIES
ABN 86 115 229 984



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**FALL RIVER RESOURCES LTD
AND CONTROLLED ENTITIES
ABN 86 115 229 984**

COMPANY INFORMATION

Directors

Bruce McLeod – Chairman, Non-Executive Director
Jack Mulready – Technical Director
Stephen Pearce – Non-Executive Director and Joint Company Secretary
David Sutton – Non-Executive Director

Secretary

David Hughes – Joint Company Secretary

Registered Office

In Canada 711 – 675 West Hastings Street, Vancouver, BC
In Australia Level 7, 151 Macquarie Street, Sydney NSW
Ph: 02 9276 1292 Fx: 02 9251 0244

Auditors

K S Black & Co. Level 24, MLC Centre
19 Martin Place Sydney NSW

Share Registry

In Canada Computershare Investor Services Inc
3rd Floor, 510 Burrard Street, Vancouver, BC, Canada
In Australia Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street, Sydney, NSW, Australia
Ph: 1300 85 05 05

Stock Exchange Listing

Australian Securities Exchange – Australia – Code FRV

**FALL RIVER RESOURCES LTD
AND CONTROLLED ENTITIES
ABN 86 115 229 984**

31 March 2009

DIRECTORS' REPORT

Your Directors submit their report for the six month period ended 31 March 2009.

Directors

The names of the Directors of the Company in office during the six months reporting period and up to the date of this report are:

Bruce McLeod
David Sutton
Jack Mulready
Stephen Pearce

Directors held office for the entire period unless otherwise stated.

Principal Activities

During the year the principal continuing activities of the consolidated entity were oil and gas exploration in Canada and the United States of America. There were no significant changes to those activities during the period under review.

Consolidated Results

The consolidated net loss for the six months period ended 31 March 2009 was \$(1,042,543) compared to a consolidated net loss of \$(1,149,164) for the six months period ended 31 March 2008.

**FALL RIVER RESOURCES LTD
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1. Review of Operations

United States Operations

West Florence

Fall River Resources Limited (the "Company"), through its wholly owned subsidiary Spring River Resources Limited, earned a 15% working interest in the Slavovich leases (12,000 acres) by meeting its 15% share of lease costs and contributing 15% of the cost of the Slavovich 32-23 well, drilled in May 2007. This well was completed as an oil producer from the Codell sandstone and lower Niobrara formation.

The Company's interest in the Slavovich leases increased to 25% when 40% of the project became available through withdrawals and was taken up proportionately by the remaining Joint Venture Partners.

Production from the Slavovich 32-23 well has continued to decline, despite the recent workover that opened up additional section in the well. Production is currently in the range 1-2 bopd. Production for the March 2009 quarter was 114 bbls, with sales to 90 bbls.

A new acid job designed to clear well perforations is planned for the next quarter. The Pierre Formation is still to be evaluated, but this will require an additional well to be drilled.

In the neighboring Florence field permit to the east, four wells have recently been drilled and completed in the Pierre and Niobrara Formations by the Operator, Comet Ridge. No test results are available at this stage, but the fact that oil and gas shows were encountered and the wells were completed is encouraging.

The joint venture has recently agreed to allow Comet Ridge to acquire trespass 3D seismic data within our licence area at no cost to the joint venture.

At this stage there is no firm budget and program agreed for 2009, but a second well at the Slavovich 32-23 site designed to test the Pierre Formation potential remains a priority.

Baxter Shale Project Green River Basin Wyoming

The Company, through Spring River Resources Limited, is paying 25% of the cost of two wells to earn a 15% working interest after payout in 21 square miles (21 section of leasehold) in the Green Canyon area of the Green River Basin of Wyoming. The Company also has an option to earn a 15% working interest in a further 10 sections located in the Flaming Gorge area of the basin, located 18 miles south of Green Canyon.

The first well of this programme was drilled in March 2006. The well proved ineffective as fracture simulation could not be undertaken with the existing well configuration, resulting in the well being plugged and abandoned.

The Operator has yet to advise of the timing of the next well.

The Company remains in dispute with Samson Oil & Gas, the Operator of Baxter joint venture, regarding its status in the joint venture. Negotiations with Samson are proceeding.

**FALL RIVER RESOURCES LTD
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Future Direction

The Board continues to restructure the operations of the Company and have where possible reduced operating cash costs to as little as possible. At the same time the Company is actively seeking new investment opportunities to develop a sustainable cash flow for the Company and enhance shareholder value.

Currently under review is a small oil development programme in the United States.

2. Subsequent Events

At 28 November 2008 (maturity date) the Company had on issue outstanding convertible notes, the principal amounts of which totalled \$2,031,247.

The Noteholders received payment of \$622,299 representing their proportionate entitlement to funds held in the Capital Sinking Fund account being an amount equal to 30% of the principal amount of the outstanding notes at maturity.

The Company is currently negotiating with Noteholders in relation to the redemption of the balance of the principal amount of the notes.

The Company has on issue 41,773,973 listed options (ASX Code FRVOA) exercisable at \$0.10 and expiring on 9 May 2009.

None of the options were exercised prior to their expiry date and as a consequence have now lapsed. All rights attaching to the options have ceased.

**FALL RIVER RESOURCES LTD
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3. Auditors

The Company is incorporated in Canada and in that jurisdiction there is no requirement for the Company to prepare Audited Financial Reports for any period other than on an annual basis.

For the purposes of complying with the Listing Rules of the Australian Securities Exchange Limited, the Company's Auditors, K S Black & Co., Chartered Accountants have completed a review of the Interim Financial Result for the six months period ended 31 March 2009.

Auditors Independence Declaration

The Auditor's Independence Declaration for the half year ended 31 March 2009 is contained within this report on page 8.

This report is signed in accordance with a resolution of the Board of Directors.



Bruce McLeod
Director

Dated this 12th day of June 2009

**FALL RIVER RESOURCES LTD
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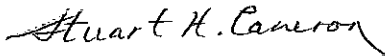
AUDITORS' INDEPENDENCE DECLARATION

**FALL RIVER RESOURCES LIMITED
AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the Directors of Fall River Resources Limited

In connection with the review of Fall River Resources Limited for the period ended 31 March 2009, I declare that to the best of my knowledge and belief, there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) No contravention of any applicable code of professional conduct in relation to the audit.



Stuart H Cameron
Partner

K S Black & Co
Chartered Accountants
Sydney 12 June 2009

**FALL RIVER RESOURCES LTD
AND CONTROLLED ENTITIES
ABN 86 115 229 984**

**DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 MARCH 2009**

In the opinion of the Directors of Fall River Resources Limited:

1. The financial statements and notes are in accordance with the Corporations Act 2001, including:
 - a) giving a true and fair view of the financial position of the consolidated entity as at 31 March 2009 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to Section 303(5) of the Corporations Act 2001.

On behalf of the Directors



B W McLeod
Director

Dated at Sydney this 12th day of June 2009.

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF FALL RIVER RESOURCES LIMITED

Report on the Financial Report

We have reviewed the accompanying interim financial report of Fall River Resources Limited which comprises the consolidated interim balance sheet as at 31 March 2009, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, accompanying notes and directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 March 2009 and its performance for the half-year ended on that date; and complying with Australian Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001. As auditor of Fall River Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**INDEPENDENT AUDITORS' REVIEW REPORT
TO THE MEMBERS OF FALL RIVER RESOURCES LIMITED
(Continued)**

Statement of Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

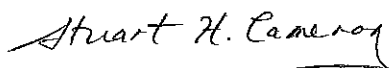
Significant Uncertainty as to Going Concern

The group incurred a loss in the 6 months ended 31 March 2009 of \$1,042,543. The group has a deficiency in net assets as at 31 March 2009 of \$3,028,085.

As a result, unless additional working capital is raised there is significant uncertainty whether the group can continue as a going concern.

Review Opinion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Fall River Resources Limited does not present fairly, in all material respects the financial position of Fall River Resources Limited as at 31 March 2009, and of its financial performance and its cash flows for the half year period ended on that date in accordance with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.



Stuart Cameron
Partner

K S Black & Co
Chartered Accountants
Sydney 12 June 2009

**FALL RIVER RESOURCES LTD
AND CONTROLLED ENTITIES
ABN 86 115 229 984**

CONSOLIDATED BALANCE SHEET

	March 31 2009 (unaudited)	September 30 2008
ASSETS		
Current		
Cash	\$ 84,922	\$ 131,484
Restricted cash – prepaid debenture interest	7,499	268,088
Accounts receivable	37,575	414,399
Loan receivable (Note 4)	76,057	57,453
	<u>206,053</u>	<u>871,424</u>
Restricted Cash (Note 6)	318,715	318,715
Property and Equipment (Note 5)	382,672	899,316
Debenture Sinking Fund (Note 7)	545	445,490
Debenture Discount and Financing Costs	-	29,339
	<u>\$ 907,985</u>	<u>\$ 2,564,284</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,105,288	\$ 1,213,997
Notes payable and accrued interest (Note 7)	786,549	879,981
Due to related parties	431,880	311,880
	<u>2,323,717</u>	<u>2,405,858</u>
Asset Retirement Obligation	156,543	156,543
Convertible Debentures (Note 7)	1,455,810	2,073,247
	<u>3,936,070</u>	<u>4,635,648</u>
(Deficiency In)/ Net Assets	(3,028,085)	(2,071,364)
SHAREHOLDERS' EQUITY		
Share Capital (Note 9)	12,100,668	12,100,668
Warrants (Note 9(b))	119,034	119,034
Foreign Exchange Reserve	7,303	(78,519)
Equity Portion of Convertible Debenture	57,919	57,919
Contributed Surplus		
Deficit	(15,313,009)	(14,270,466)
(Deficiency in)/Shareholder Equity	<u>\$ (3,028,085)</u>	<u>\$ (2,071,364)</u>

Nature of Operations and Going Concern (Note 1)
Contingency (Note 11)
Commitment (Note 12)

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

**FALL RIVER RESOURCES LTD
AND CONTROLLED ENTITIES
ABN 86 115 229 984**

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

(Unaudited)

	For the Six Months Ended March 31	
	2009	2008
Revenues		
Natural gas and petroleum	\$ -	\$ 76,392
Expenses		
Debenture interest, discount amortization and accretion	133,151	212,703
Salaries and benefits	133,951	161,701
Foreign exchange (gain)/loss	(12,278)	144,979
General interest, interest on loans	28,574	128,584
Property investigation	19,897	107,524
Accounting fees	21,879	79,790
Professional fees	34,309	71,767
Miscellaneous	-	30,867
Regulatory and filing fees	29,427	26,671
Shareholder costs	14,043	-
Office	26,401	22,509
Directors' fees (Note 13)	72,483	38,588
Management fees	28,000	-
Travel and promotion	510	-
Expense recovery	-	(45,868)
Equipment amortization	1,513	1,495
	<u>531,860</u>	<u>981,310</u>
Loss Before Other Items	(531,860)	(904,917)
Other Items		
Write-down of oil and gas interests	(515,130)	(261,981)
Interest income	4,447	17,730
	<u>(1,042,543)</u>	<u>(1,149,167)</u>
Net Loss for the Period	(1,042,543)	(1,149,167)
Deficit, Beginning of Period	(14,270,466)	(11,852,981)
Deficit, End of Period	\$ (15,313,009)	\$ (13,242,684)
Loss Per Share, basic and diluted	\$ (0.01)	\$ (0.01)
Weighted Average Number of Common Shares Outstanding, basic and diluted	90,536,522	90,536,522

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

**FALL RIVER RESOURCES LTD
AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	For the Six Months ended March 31	
	2009	2008
Cash Flows Provided By (Used In)		
Operating Activities		
Net loss for the period	\$ (1,042,543)	\$ (1,149,167)
Adjustment for items not requiring an outlay of cash		
Debtore discount amortization and accretion	133,151	63,828
Equipment amortization	1,513	1,495
Unrealized foreign exchange loss	(12,278)	151,049
Write-down of oil and gas interests	515,130	261,981
	<u>(405,027)</u>	<u>(670,814)</u>
Changes in non-cash working capital		
Accounts receivable	376,824	(13,226)
Accounts payable and accrued liabilities	(108,709)	315,826
Restricted cash	-	(19,225)
Debtore financing costs and sinking funds	474,284	(56,389)
	<u>337,372</u>	<u>(443,827)</u>
Investing Activities		
Natural gas and petroleum properties contributions	-	(160,750)
Natural gas and petroleum property interest payments	-	-
Loan receivable	(18,604)	105,133
	<u>(18,604)</u>	<u>(55,617)</u>
Financing Activities		
Notes payable and accrued interest	(718,420)	1,091,163
Share subscriptions received	-	-
Due to related parties	120,000	54,971
	<u>(598,420)</u>	<u>1,146,134</u>
Foreign Exchange Gain from Holding Cash	-	-
Increase In Cash	<u>(279,652)</u>	646,690
Cash (Bank Indebtedness), Beginning of Period	<u>131,484</u>	<u>271,264</u>
Cash, End of Period	<u>\$ 411,136</u>	<u>\$ 917,954</u>

Supplementary Cash Flow Information (Note 14)

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

**FALL RIVER RESOURCES LTD
AND CONTROLLED ENTITIES
ABN 86 115 229 984**

**STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2009**

CONSOLIDATED GROUP	SHARE CAPITAL	FOREIGN EXCHANGE TRANSACTIONS	CONVERTIBLE DEBENTURES	ACCUMULATED LOSSES	TOTAL
Balance at 1 October 2007	12,219,702	-	57,919	(11,852,981)	424,640
Total income/expense for period	-	-	-	(1,149,167)	(1,149,167)
Balance at 31 March 2008	12,219,702	-	57,919	(13,002,148)	(724,527)
Balance at 1 October 2008	12,219,702	(78,519)	57,919	(14,270,466)	(2,071,364)
Total income/expense for period	-	-	-	(1,042,543)	(1,042,543)
Transfer to revenues	-	85,822	-	-	85,822
Balance at 31 March 2009	12,219,702	7,303	57,919	(15,313,009)	(3,028,085)

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

FALL RIVER RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2009 and 2008
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

- a) The Company was incorporated under the Alberta *Business Corporations Act* as 777231 Alberta Ltd. on February 5, 1998. On April 24, 1998, it changed its name to Trent-Severn Watershed Ltd. and on November 14, 2002 to Fall River Resources Ltd. The Company was continued in British Columbia effective December 23, 2004. The Company registered as a foreign company in Australia on August 29, 2005. The principal business activities include the evaluation, acquisition, exploration and development of natural gas and petroleum properties.
- b) At March 31, 2009, the Company has a deficiency in shareholders equity of \$3,028,085 and reported loss for the six-month period ended March 31, 2009 of \$(1,042,543) (2008 - \$(1,149,167)).

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business.

The Company's ability to continue as a going concern is dependent upon the successful completion of additional financing, and upon its ability to attain profitable operations. Management intends to seek further funds through public offerings and private placements to finance its ongoing evaluation, acquisition, exploration and development activities. These consolidated financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Management has prepared the consolidated financial statements of the Company in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards (including Australian Accounting Interpretations).

BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report is a general purpose financial report prepared on a historical cost basis. The half-year under review has been treated as a discrete reporting period.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Fall River Resources Limited as at 30 September 2008.

The principal accounting policies and the methods of computation utilised in the preparation of the half-year report are consistent with those applied in preparation of the 30 September 2008 annual financial report.

It is also recommended that the half-year financial report be considered together with any public announcements made by Fall River Resources Limited and its controlled entities during the half-year

FALL RIVER RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2009 and 2008
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

ended 31 March 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The following is a summary of material accounting policies adopted in preparation of the half-year financial report. The accounting policies have been consistently applied unless otherwise stated.

a) Consolidation

The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, Spring River Resources Ltd., a company incorporated to carry out the Company's resource operations in the United States of America ("U.S.A")

b) Foreign Currency Translation

The Company's presentation currency is the Australian dollar. Transactions in foreign currencies are translated into Australian dollars as follows:

- I) Monetary items, at the rate prevailing at the balance sheet date;
- II) Non-monetary items, at the historical exchange rate; and
- III) Revenues and expenses, at the rate in effect at the time of the transaction.

Gains or losses arising on translation are included in the income statement.

c) Property and Equipment

I) Oil and Gas Interests

The Company follows the full cost method of accounting for natural gas and petroleum property interests whereby all costs of acquisitions, exploring for and developing natural gas and petroleum reserves are initially capitalized into areas of interest. Such costs include land acquisition costs, geological and geophysical expenses, and carrying charges on non-producing properties, costs of drilling and overhead charges directly related to acquisition and exploration activities.

Areas of interest are assessed periodically to ascertain whether impairment has occurred.

I) Amortization

Costs capitalized are amortized on the unit-of-production method based on the estimated gross proved reserves as determined by independent petroleum engineers. Petroleum products and reserves are converted to a common unit of measure, using six thousand cubic feet of natural gas to one barrel of oil.

FALL RIVER RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2009 and 2008
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

II) Joint Interests

Substantially all of the Company's exploration, development and production activities related to oil and gas are conducted jointly with others and, accordingly, the accounts reflect only the Company's proportionate interest in such activities.

III) Office Equipment

Equipment is stated at cost less accumulated amortization, which is recorded over the useful lives of the assets on the declining balance basis at the rate of 30%.

d) Asset Retirement Obligations

The Company is required to recognize a liability for an asset retirement obligation on long-lived assets when a legal liability exists and the amount of the liability is reasonably determinable. Asset retirement obligations are calculated on discounted future payment estimates and the liability is recognised over the expected term of the obligation. Subsequent adjustments are made on a prospective basis when there are changes to the underlying assumptions. Corresponding amounts and adjustments are added to the carrying value of the asset and amortized.

e) Financing Fees

Discount and deferred financing fees arising from debt issues are amortized over the term of debt applying the effective interest rate method.

f) Revenue Recognition

Revenue from the sale of natural gas, natural gas liquids and crude oil is recognized when title passes from the Company to its customers. Costs associated with the operating of wells and facilities, delivery and production-based royalty expenses, are recognized in the same period in which the related revenue is earned.

g) Loss Per Share

Loss per share is calculated based on the weighted average number of common shares outstanding. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and other similar instruments. Under this method, the dilutive effect on loss per share is calculated to reflect on the use of the proceeds that could be obtained upon the exercise of options and warrants.

It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Basic and diluted loss per share are equal as the effects of the assumed conversion of outstanding options and warrants would be anti-dilutive.

h) Income Taxes

The Company follows the balance sheet method of accounting for income taxes. Under this method future income tax assets and liabilities are determined based on differences between the financial

FALL RIVER RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2009 and 2008
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

statements carrying values and their respective income tax basis (temporary differences) and on unclaimed losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse or when losses are expected to be utilized. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of deferred income tax assets recognized is limited to the amount of the benefit that has a probability of recovery.

i) Financial Instrument Policies

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at cost plus transactions costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

FALL RIVER RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2009 and 2008
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories.

v. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

j) New Standards but not yet effective

A number of Australian Accounting Standards have been issued and amended and are applicable to the Company but not yet effective. These have not been adopted at reporting date. It is not anticipated that these new or amended standards and interpretations will have a material impact in the financial report.

FALL RIVER RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2009 and 2008
(Unaudited)

3. FINANCIAL INSTRUMENTS

Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

The Company is exposed to the following risks related to its financial assets and liabilities:

Currency Risk

The Company is exposed to foreign currency fluctuations to the extent expenditures incurred are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to manage foreign currency risk.

Credit Risk

The Company is not exposed to significant credit risk arising from its financial instruments. This risk is minimized as the majority of cash and restricted cash have been placed with major financial institutions.

Market and Interest Rate Risk

The only significant market risk exposure to which the Company is exposed is interest rate risk. Interest rate risk consists of two components:

- d) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- e) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's convertible debentures and notes payable are principally at fixed interest rates and, therefore, the Company's exposure to interest rate cash flow risk over the term of the debentures is minimal. The Company is exposed to interest rate price risk on its notes payable and convertible debentures to the extent that changes in prevailing market interest rates differ from the fixed interest rate.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts, which are available on demand.

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4. LOAN RECEIVABLE

The loan is unsecured, bears no interest and is repayable on demand.

5. PROPERTY AND EQUIPMENT

	March 31, 2009			September 30, 2008	
	COST	ACCUMULATED AMORTIZATION (unaudited)	WRITE- DOWN OF OIL AND GAS INTERESTS	NET BOOK VALUE	NET BOOK VALUE
Oil and gas interests	\$ -	\$ -	-	\$ -	\$ -
Undeveloped oil and gas interests	1,162,034	(275,910)	(515,130)	370,994	886,124
Asset retirement obligation	10,165	-	-	10,165	10,165
Office equipment	6,105	(4,592)	-	1,513	3,027
	<u>\$ 1,178,304</u>	<u>\$ (280,502)</u>	<u>(515,130)</u>	<u>\$ 382,672</u>	<u>\$ 899,316</u>

6. RESTRICTED CASH

On March 23, 2006, the Company purchased AUD\$320,000 of non-refundable trade dollars from a public Australian company engaged in bartering services including accounting, legal, printing, office supplies and office space in addition to offering the Company's shares to its members for investment. As at March 31, 2009, AUD\$318,815 of the trade dollars remain.

7. CONVERTIBLE DEBENTURES

	March 31, 2009 (unaudited)	September 30, 2008
Convertible debentures	\$ 1,458,619	\$ 2,080,918
Equity portion of convertible debentures	(57,919)	(57,919)
Interest accretion	34,235	34,235
Foreign exchange loss	20,875	16,013
Liability portion of convertible debentures	<u>\$ 1,455,810</u>	<u>\$ 2,073,247</u>

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7. CONVERTIBLE DEBENTURES (Continued)

- a) On September 23, 2005, the Company closed a convertible note financing for a total of AUD\$1,158,776. The Company received gross proceeds of AUD\$1,042,900, after discount of \$115,876. The notes bear simple interest of 12% payable quarterly and mature November 30, 2008. At the discretion of the note holder, notes may be converted into share capital units comprised of one common share of the Company and one-half of one share purchase warrant exercisable for one year from date of issue, subject to an expiry no later than November 30, 2008. Note conversion prices range from \$0.20 to \$0.35 per unit over their life and whole warrants are exercisable at prices ranging from \$0.24 to \$0.42 per unit over their life. Fees amounting to \$128,382 were recorded and deferred in connection with the offering, including \$23,182 recorded for agent's warrants. A total of 245,026 agents warrants were issued exercisable until September 23, 2007 at a price of \$0.20 per warrant. These warrants expired without being exercised.
- b) On April 24, 2006, the Company closed a convertible note financing for a total of AUD\$953,333. The Company received gross proceeds of AUD\$858,000, after a discount of \$95,333. The notes bear simple interest of 12% payable quarterly, and mature November 30, 2008. At the discretion of the note holder, notes may be converted into share capital units comprised of one common share of the Company and one-half of one share purchase warrant exercisable for one year from date of issue, subject to an expiry no later than November 30, 2008. Note conversion prices range from \$0.20 to \$0.35 per unit over their life and whole warrants are exercisable at prices ranging from \$0.24 to \$0.42 per unit over their life. Fees amounting to \$74,971 were recorded and deferred in connection with the offering, including \$20,595 recorded for agent's warrants. A total of 331,760 agent's warrants were issued exercisable until April 24, 2008 at a price of \$0.25 per warrant.

A total of 331,776 agent's warrants were issued exercisable until April 24, 2007 at a price of \$0.20 per warrant and until April 24, 2007 at a price of \$0.25 per warrant.

In accordance with Australian Accounting Standards the convertible notes have been split between their liability and equity components.

In accordance with the terms of the debentures, the Company was required to deposit, in trust, a minimal amount equivalent to one years interest on the debentures outstanding at the term of the deposit.

All outstanding interest at November 28, 2008 (maturity date) was paid from these trust funds.

In addition, the Company was required to accumulate in trust minimum sinking balances calculates as a percentage of the principal amount of debentures than outstanding as follows:

Sinking Fund	Sinking Fund Balance
June 30, 2006	10%
June 30, 2007	20%
June 30, 2008	30%

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7. CONVERTIBLE DEBENTURES (Continued)

At November 28, 2008 debenture holders received payments totaling \$622,299 representing their proportionate entitlement to these trust funds being an amount equal to 30% of the principal amount of the outstanding debentures at maturity.

The Company is currently negotiating with debenture holders in relation to the redemption of the balance of the principal amount of the debentures.

8. NOTES PAYABLE AND ACCRUED INTEREST

<u>Maturity Date</u>	<u>March 31, 2009</u>	<u>September 30, 2008</u>
March 31, 2009 *	786,549	879,981

Accrued interest to date in the amount of \$36,549 is included in the balance.

* The Company is currently negotiating with Noteholders in relation to the redemption of the notes.

9. SHARE CAPITAL

a) Shares Issued and Outstanding

	<u>Number</u>		<u>Consideration</u>	
	<u>March 31, 2009</u>	<u>September 30, 2008</u>	<u>March 31, 2009</u>	<u>September 30, 2008</u>
Balance, beginning of period	90,536,522	90,536,522	12,100,668	12,100,668
Balance, end of period	<u>90,536,522</u>	<u>90,536,522</u>	<u>12,100,668</u>	<u>12,100,668</u>

There were no shares issued by the Company during the six months period ended March 31, 2009.

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9. SHARE CAPITAL (Continued)

b) Warrants

	Number		Consideration	
	March 31, 2009	September 30, 2008	March 31, 2009	September 30, 2008
Balance, beginning of period	41,773,972	59,823,182	119,034	119,034
Issued in private placement	-	-	-	-
Expired	-	(18,049,210)	-	-
Balance end of period	41,773,972	41,773,972	119,034	119,034

As at March 31, 2008, the Company has the following share purchase warrants outstanding:

EXPIRY DATE	NUMBER	EXERCISE PRICE
May 9, 2009	41,773,972	AUS\$ 0.10

The above warrants expired on 9 May 2009 unexercised.

c) Stock Options

The Company adopted its current stock option plan (the "Plan") effective December 19, 2005. Under the Plan, the Company may grant options to acquire common shares to a maximum of 10% of the issued and outstanding common shares at the date of the grant. The fair value of share options is estimated using the Black-Scholes option pricing model.

The Company has the following history of stock options outstanding:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, September 30, 2008	2,690,000	\$0.18
Expired	250,000	\$0.18
Balance, March 31, 2009	2,440,000	\$0.18

All options granted had exercise prices higher than market on the day of the grant.

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9. SHARE CAPITAL (Continued)

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

EXPIRY DATE	EXERCISE PRICE	NUMBER OF OPTIONS
November 10, 2009	\$0.18	750,000
July 13, 2010	\$0.18	650,000
November 4, 2010	\$0.18	1,040,000
	\$0.18	2,440,000

10. SEGMENT INFORMATION

The Company operates in one business segment being oil and gas exploration in Canada and the United States of America, which is supported by an administration office in Sydney, Australia.

11. CONTINGENT LIABILITIES

- a) The Company had an employment agreement in place with a director effective until October 31, 2010. Remuneration payable pursuant to that agreement was \$250,000 per annum. The director relinquished his employment with the Company effective February 29, 2008.

The Director now disputes his repudiation of his employment contract and issued Statutory Demand on the Company dated 21 July 2008 in the amount of \$130,306.

The Company has initiated a counter claim against the Director. Pursuant to consent orders filed in the Supreme Court of New South Wales on 30 October 2008 the parties agreed:

1. That the Statutory Demand served on the Company dated July 21, 2008 in the amount of \$130,306 be set aside
2. The Company's costs be paid as assessed or agreed

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11. CONTINGENT LIABILITIES (Continued)

3. Subsequent to the setting aside of the statutory demand served on the Company, the Director and his wife have lodged complaints with the Australian Government Workplace Ombudsman.

The Director is claiming outstanding annual leave entitlements of \$77,010 and outstanding superannuation to the amount of \$29,327.

The Company disputes that any amounts are owing and has responded to requisitions received from the Workplace Ombudsman.

The Directors wife's complaint states that she is owed the following:

- Gross salary to the amount of \$26,693
- Outstanding annual leave to the amount of \$4,703
- Outstanding superannuation to the amount of \$6,532

The Company disputes the amount of this claim. Except for \$6,779 provided against outstanding wages and superannuation owing to the Directors wife there are no amounts provided in the Company's half-year financial statements for any of the above mentioned items.

- b) The Company will be liable for asset retirement obligations with respect to one of its oil and gas interests that was abandoned during the period. The Company will accrue the related asset retirement obligation when the costs are known.
- c) The Company made a late payment of the cash call for one of its wells and is incurring legal issues. The matter that remains to be resolved with the operator and penalties, if any, will be accrued when the Company has reached a resolution with the operator.

12. COMMITMENT

The Company has an employment agreement in place with a director. The remuneration payable is AUS \$240,000 per annum. The agreement is in effect until October 31, 2010.

13. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to related parties are unsecured, and are without interest or specific terms for repayment.

During the period, salaries of \$120,000 (2007 - \$168,926) and directors' fees of \$72,483.38 (2008 - \$36,158) were accrued by the Company to directors.

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13. RELATED PARTY TRANSACTIONS (Continued)

Office accommodation and administration fees of \$28,000 (2008 – Nil) were paid to a Company of which two of the Company's Director's are also Directors.

Loans were made available by a company of which one of its Directors is also a Director of the Company. The loans are unsecured and accrue interest at 8%pa. The balance of the loans at balance date including interest is \$847,482.62.

14. MANAGEMENT OF CAPITAL

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.