

FALL RIVER RESOURCES LTD

OPERATIONS REPORT FOR THE QUARTER 1 JULY 2009 TO 30 SEPTEMBER 2009

The company is preparing for a reconstruction which will see it take a new direction. Activity has been severely restricted over the past year as exploration funds were severely limited. Production from the Slanovich 32-23 well has declined to non-commercial levels and a new well at West Florence will be required.



ONSHORE USA

West Florence Exploration Joint Venture, Colorado (Fall River 25%)

Production from the Slanovich 32-23 well has declined to 8 barrels of oil per month, (0.27 bopd), which at present prices renders it non-commercial.

It is now evident that a new well, designed to tap the potential of the Pierre Formation reservoir, will be required if the project is to proceed.

The Operator, Victoria Petroleum USA is believed to be in the process of finalising the sale of its interest to a US based company.



Location Map - Florence Colorado

Baxter Shale Project, Green River Basin, Wyoming

Current gas prices in the US have undermined the economic viability of this project in the short term. The company is close to an agreement with its joint venture partner and Operator to convert its interest in the Baxter project to a royalty.

FUTURE DIRECTION

The Company recently announced the signing of a Memorandum of Understanding (“MOU”) between Fall River Resources Limited (Fall River) and Earth Heat Limited (“Earth Heat”) which provides for the acquisition by Fall River of all of the issued shares in Earth Heat. Consideration for the acquisition is \$2.6m to be satisfied by the allotment and issue of 260.0m new Fall River shares at \$0.01. Earth Heat hold a number of geothermal exploration leases and lease applications.

The MOU further provides for the following:

- Shareholder agreement to a capital consolidation on the basis of one new share for each three shares currently held.
- The consent of Fall River Noteholders and creditors, who consequent upon the capital consolidation being approved, will in aggregate be offered on a pro rata basis a total of 69.0m new Fall River Shares in satisfaction of their outstanding obligations.
- A capital raising of not less than \$2,000,000 to sophisticated investors.
- Allotment of 5.0m new Fall River shares to a Director in satisfaction of salary owing.

- Allotment of 40.0m new Fall River shares to the facilitator. This fee is inclusive of the costs associated with the capital raising and for the introduction and co-ordination of the transaction.
- The payment of debt to Earth Heat creditors to a maximum of \$33,000.

The transaction and its completion is subject to the satisfactory completion of due diligence and the satisfactory completion of the relevant purchase and sale agreement.

At the completion of the transaction and following the proposed capital raising the company will have approximately 604m new shares on issue.

In addition the transaction requires the approval of Fall River shareholders in a special meeting where the notice of meeting is to include an information memorandum which in turn shall include a report by an independent expert in relation to the transaction as to its fairness and reasonableness.

For further information:

Refer to the Company's ASX Announcement on 15 October 2009 or:

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The information prepared on operations in this report relating to oil and gas activities has been prepared by Jack Mulready who has significant experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Jack Mulready consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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