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COMPANY UPDATE

- Geothermal licences in South Australia (GELs) optimally positioned - being surrounded by third party interests reporting excellent geothermal results.
- Active exploration program to commence in April 2010
- Acreage encompasses existing infra-structure - transected by major highway and power lines with additional possible 275 Kv transmission line to transect northern GELs.
- Multiple geological models encompassing Hot Sedimentary Aquifer (HSA), Hot Dry Rock (HDR) and Enhanced Geothermal Systems (EGS)

Following the Completion of the Earth Heat Transaction on Friday 22nd of January 2010 the Company has embarked on a review of its activities as part of redefining its forward activities and business plan. As indicated on 27 January 2010 the GELs in SA will form a very strategic part of the Company's future plans as it positions itself to become an active player in the "New Energy" economy.

As a New Energy Company, Fall River Resources will pursue suitable 'green' subsurface investments which ultimately result in electricity production. In specific references to its geothermal assets, the Company is pursuing a business model which achieves two things. Firstly, acquisition and exploitation of geothermal resources in geologically favourable settings (those with high heat flows, suitable shallow reservoirs and insulators) and secondly, proximity to end users - a market for geothermal energy produced.

This simple model avails itself to significant expansion and exploitation through vertical integration – that is, not only should the Company participate in producing geothermal power but it should exploit an involvement with surface infrastructure and distribution of the power it produces – such as powerlines, reticulation and offtake agreements. These can substantially value add to the basic down-stream geothermal power production operations the Company is seeking to develop.

Because many geothermal projects may have very long lifetimes, of 30 to 100 years, they represent very attractive investments for stable long term cashflows, and so are ideal growth platforms for stable business expansion. The Company is looking to develop such opportunities not only in South Australia but also overseas, particularly in localities where geothermal projects are at a more advanced stage. New opportunities will be considered as part of the overall review of the forward strategy of the Company.

An introduction to the Company's strategic holding in South Australia, its technical basis and general features is presented in the following pages.

GEOTHERMAL CORNERSTONE PROJECT IN SOUTH AUSTRALIA

The Company (through its 100% owned subsidiary Earth Heat Australia Pty Ltd) holds 100% interest in 8 geothermal exploration licenses - GELs) covering circa 3850 km^2 in South Australia, in an area of higher heat flow referred to as the South Australian Heat Flow Anomaly (SAHFA) (Figure 1). Here, the Company intends to explore the southeast edge of the Flinders Ranges within a thick sedimentary succession of the Adelaide Geosyncline, within a broader region of high heat flows.

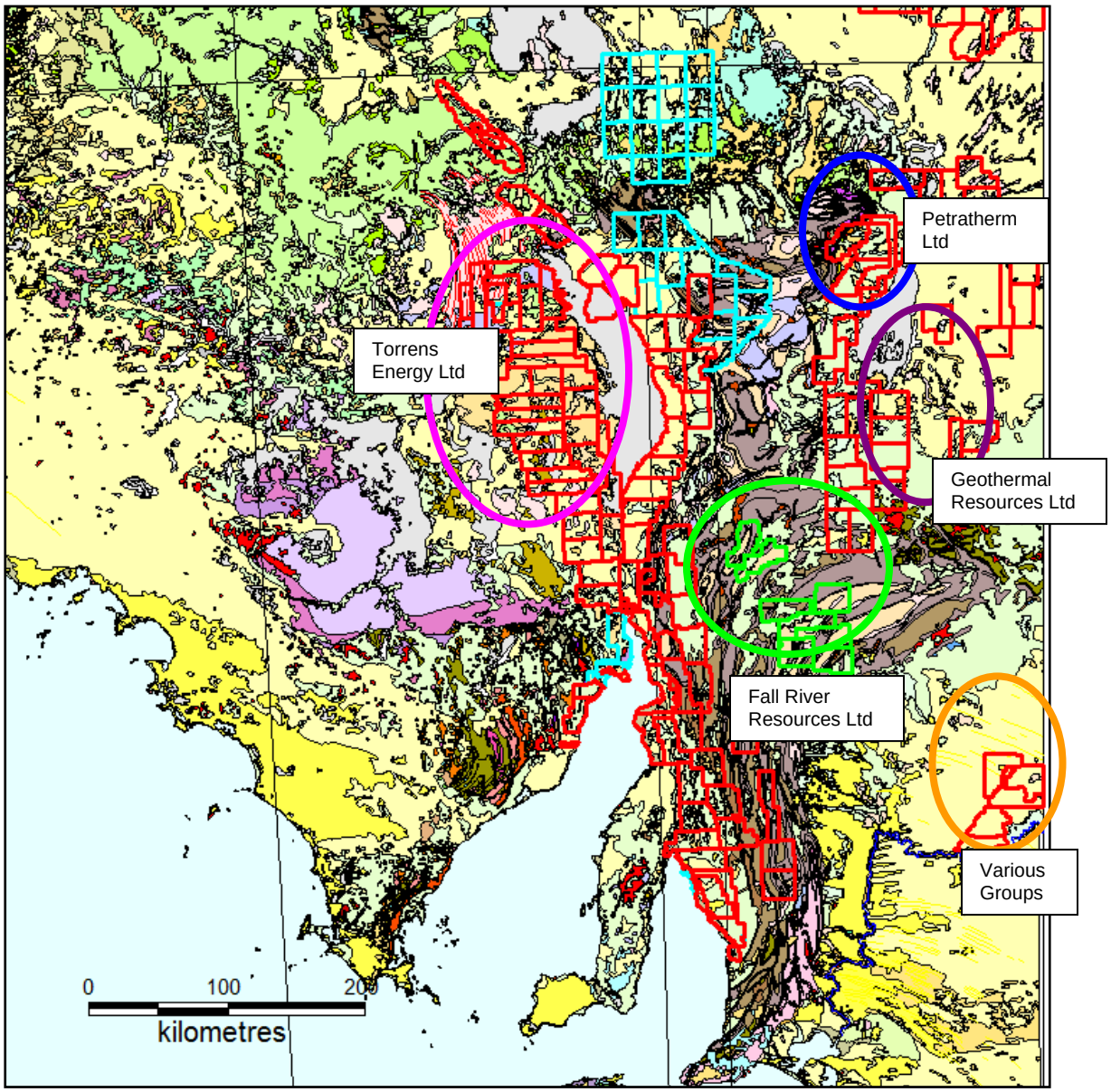

Figure 1- Location of Fall River Resources tenements shown in Green, with the major ASX listed Company tenements who have reported positive heat flow results. Importantly, the Company is surrounded by positive results. The reader should note the broad ellipses capture the general area and are not intended to be interpreted as the entire holding of the company noted in the adjacent label.

Importantly this is also a region where previously positive exploration results have been reported by listed companies such as Petratherm Ltd, Geothermal Resources Ltd, Torrens Energy Ltd & Eden Energy Ltd (Figure 1).

From a geological standpoint we believe this area has a coincidence of features making it particularly prospective for geothermal energy. Firstly, there is a thick layer of shales and similar sediments likely to act as geothermal “insulators”. Secondly, we believe that it is an area with the thickest and most extensive development of potential shallow reservoirs. Thirdly we anticipate that previous igneous intrusive activity added to the heat generating capacity of the basement rocks and, finally, we believe that there may be salt features present which could act as natural vertical conduits for focusing heat into the target shallow reservoir layers. Igneous intrusive rocks commonly are magnetic and have a high amplitude magnetic signatures which can be observed on geophysical maps of the Total Magnetic Intensity (TMI) of the earth’s surface. This is not to imply that all areas of elevated geothermal gradients will be recognised via this observation, in fact areas of substantial sedimentary thickness above basement, such as those in the Renmark Trough (reporting good results), and in the Company’s areas, could potentially shield those basic magnetic responses.

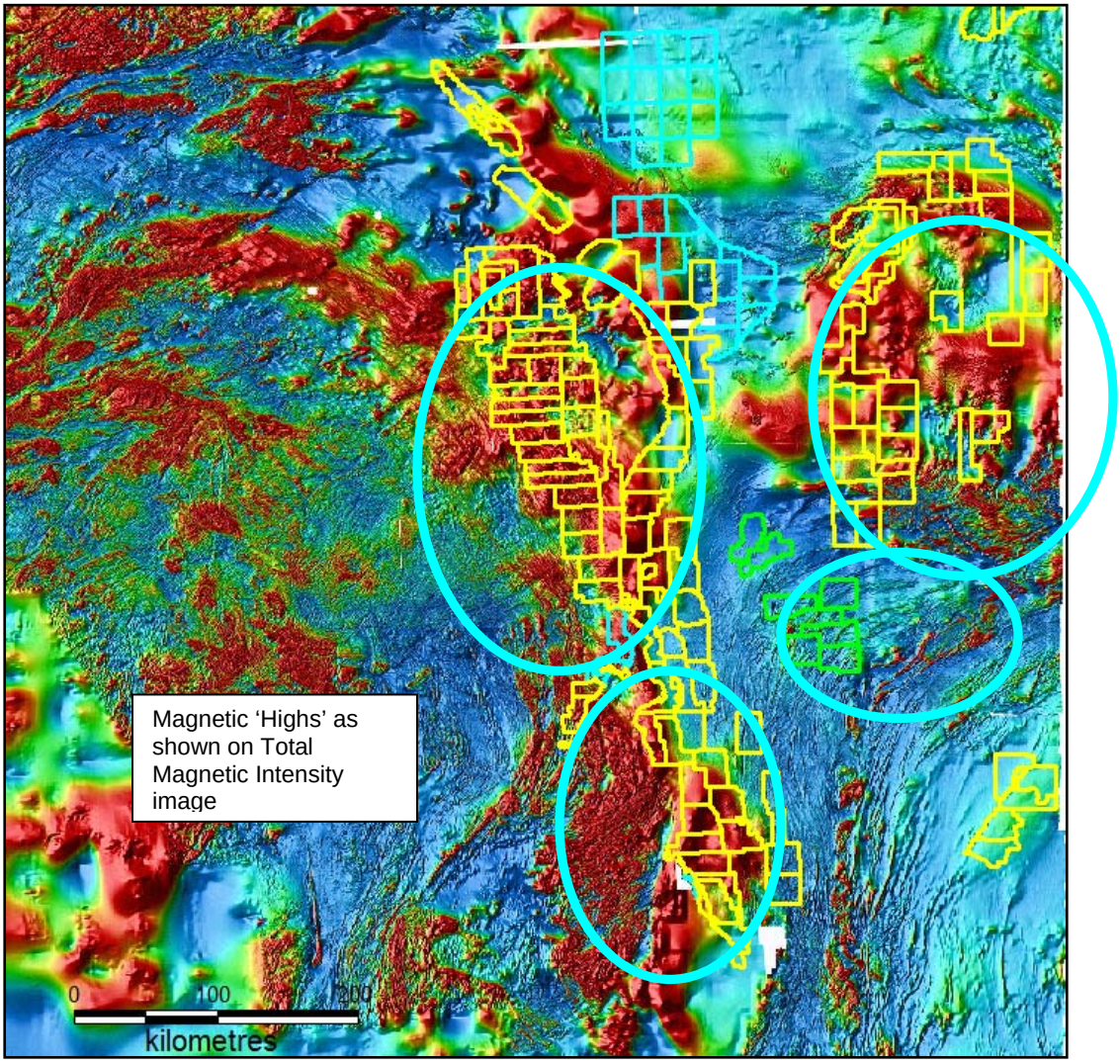

Figure 2- TMI image of the state showing high magnetic responses

The presence of such additional possible sources of heat, as suggested by the magnetic data, greatly enhances the expectation that suitable temperatures for hosting geoethermal resources will be reached at economic depths regionally and within the GELs. Our large holding of GELs provides substantial scope for assessing the merits of this geological model both locally and regionally.

One of the key geological resource models to be tested by the Company is the Hot Sedimentary Aquifer (HSA). The presence of suitable aquifers represents one of the key exploration risks in Geothermal Exploration as a whole. By focusing on known high basement heat flow areas the Company has reduced some of the risk of the HSA model down to that of establishing whether or not adequate reservoir quality exists at economic depths . The potential for other geothermal resource models – such as HDR and EGS will also be assessed but these are considered secondary in the current setting.

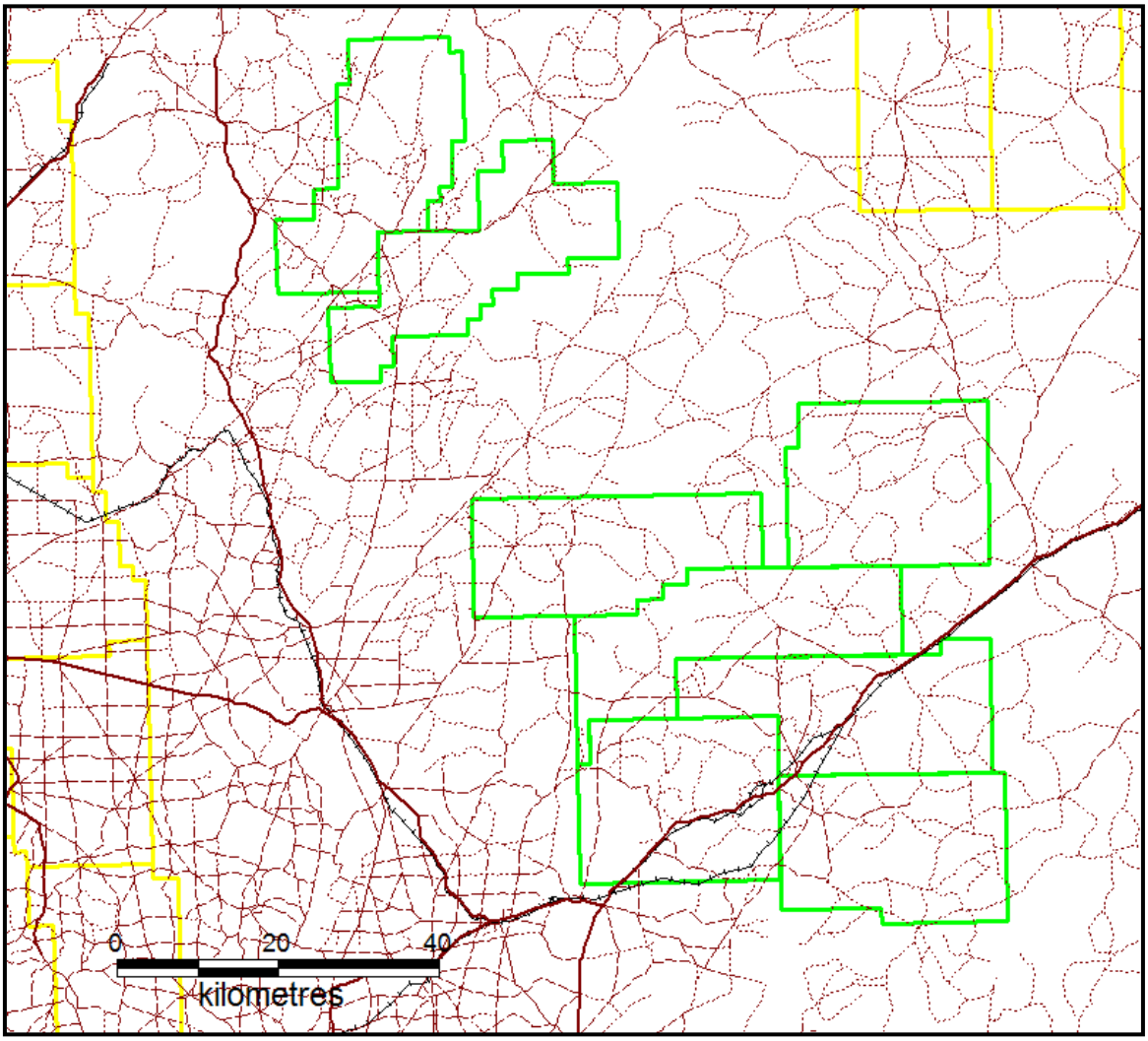

Figure 4- Map of the Fall River Resources Ltd licences in green, with roads and railways marked. Darker colours are major roads, with basic powerline infrastructure running adjacent.

The GELs are proximal to basic powerline infrastructure, which runs adjacent to major roads in the region. Figure 4 shows the relationship between the GELs and the roads as mentioned. More interestingly, major powerlines as shown on Figure 5 (below), taken from Petratherm Ltds promotional material and website, show that one of the more likely 275Kv transmission lines from their Paralana project site joining with Pt Augusta, runs past the Company's northern GELs.

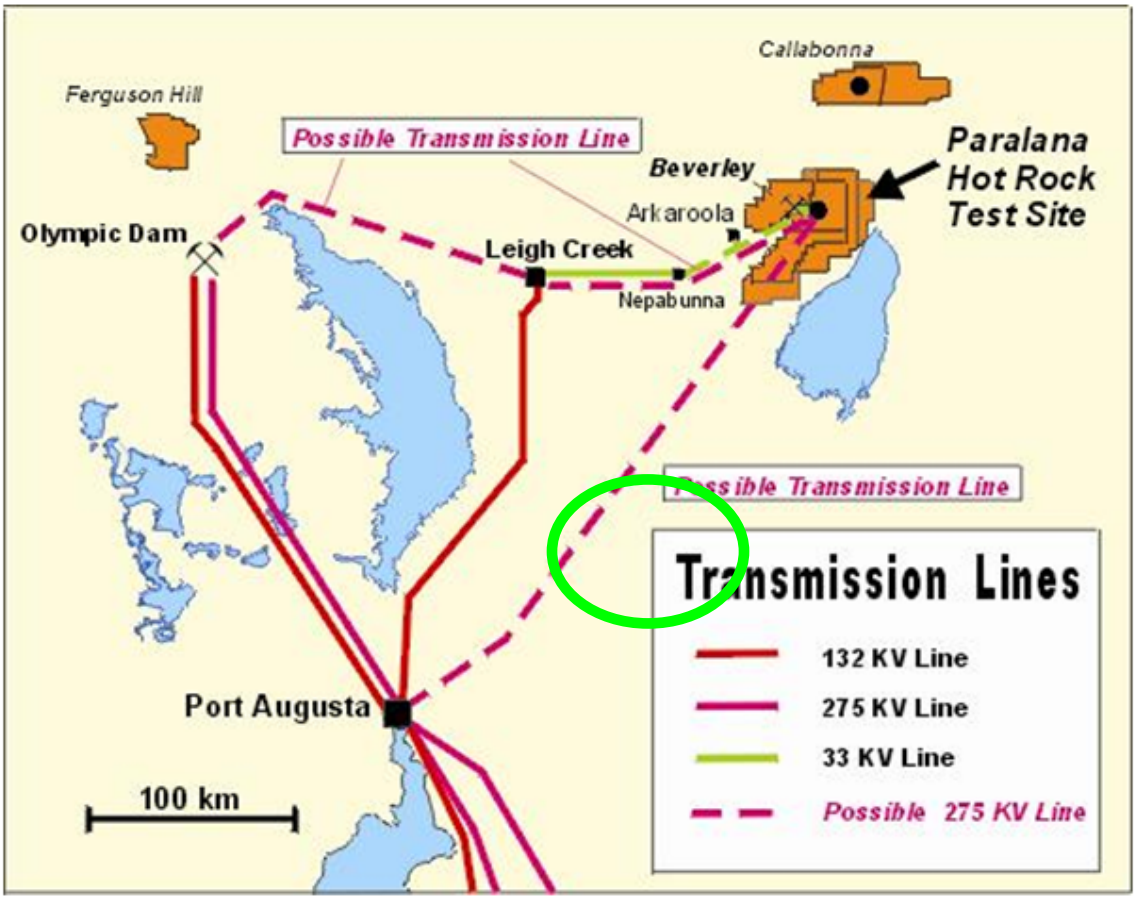

Figure 5- From Petratherm website (Accessed 28-1-10), possible transmission lines from the Paralana project. Fall River Resources GEL areas are broadly located within the green ellipse. This is approximate only and should be regarded as a schematic representation.

The GELs held by Fall River Resources (via its 100% owned subsidiary Earth Heat Australia Ltd), are listed below:

Australia (SA)	Tenement/ Application	Area (approx)	Interest % of EH
Waroonee	GEL 339	499 km^2	100%
Paratoo	GEL 338	496 km^2	100%
Mt Grainger	GEL 337	499 km^2	100%
	GEL 503	496 km^2	100%
	GEL 504	491 km^2	100%
	GEL 505	456 km^2	100%
	GEL 506	454 km^2	100%
	GEL 507	462 km^2	100%

The work program for the GELs will initially be concentrated on the Mt Grainger area with specific field mapping to delineate the potential subsurface location of

appropriate reservoirs, which will be immediately followed up with ground geophysics (Magneto-Telluric survey) if results are good. Subject to the results of the first phases of exploration, shallow drilling will be fast tracked in the Mt Grainger area. The commencement of the field program is scheduled for late April 2010.