

Fall River Resources Ltd Operations Report for the Second Quarter from 1 January 2010 to 31 March 2010

Building on the successful acquisition of Earth Heat Australia Pty Ltd (previously Earth Heat Ltd), the Company has embarked on a series of new initiatives aimed at both introducing new projects to the business and operating an active exploration program in South Australia.

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.

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An introduction to the Company's strategic holding in South Australia, its technical basis and general features has been presented in previous ASX releases and discussed at the AGM.

During the Quarter, the Company has undergone significant internal changes and initiatives to address residual problems accumulated over a period of years. This program has identified, and solved, a series of operational and administrative problems. At the end of the Quarter, having worked through the aforementioned issues, the Company is very pleased to be refocussed on growing the business.

On February 26th the AGM was held at the City Tattersalls Club in Sydney where shareholders were presented with an update on the progress of the Company and were given a perfect forum to ask questions of the new members of the management team.

South Australian GELs

The Company (through its 100% owned subsidiary Earth Heat Australia Pty Ltd) holds 100% interest in 8 geothermal exploration licenses - GELs) covering circa 3850 km² 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.

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.

Work performed on the South Australian GELs comprised of two main activities: 1) the meeting of compliance tests preceding an active exploration program; and 2) the planning of an appropriate exploration program due to commence in the quarter ending June 30 2010.

The first phase of the exploration program to be undertaken will be detailed geological mapping of the Mt. Grainger area, which the Company believes has the potential to host a suitable productive reservoir, and is proximal to both basement and intrusive heat sources. Mapping will enable further refinement of the target areas as a precursor to the second stage geophysical acquisition, and later third stage shallow temperature gradient drilling.

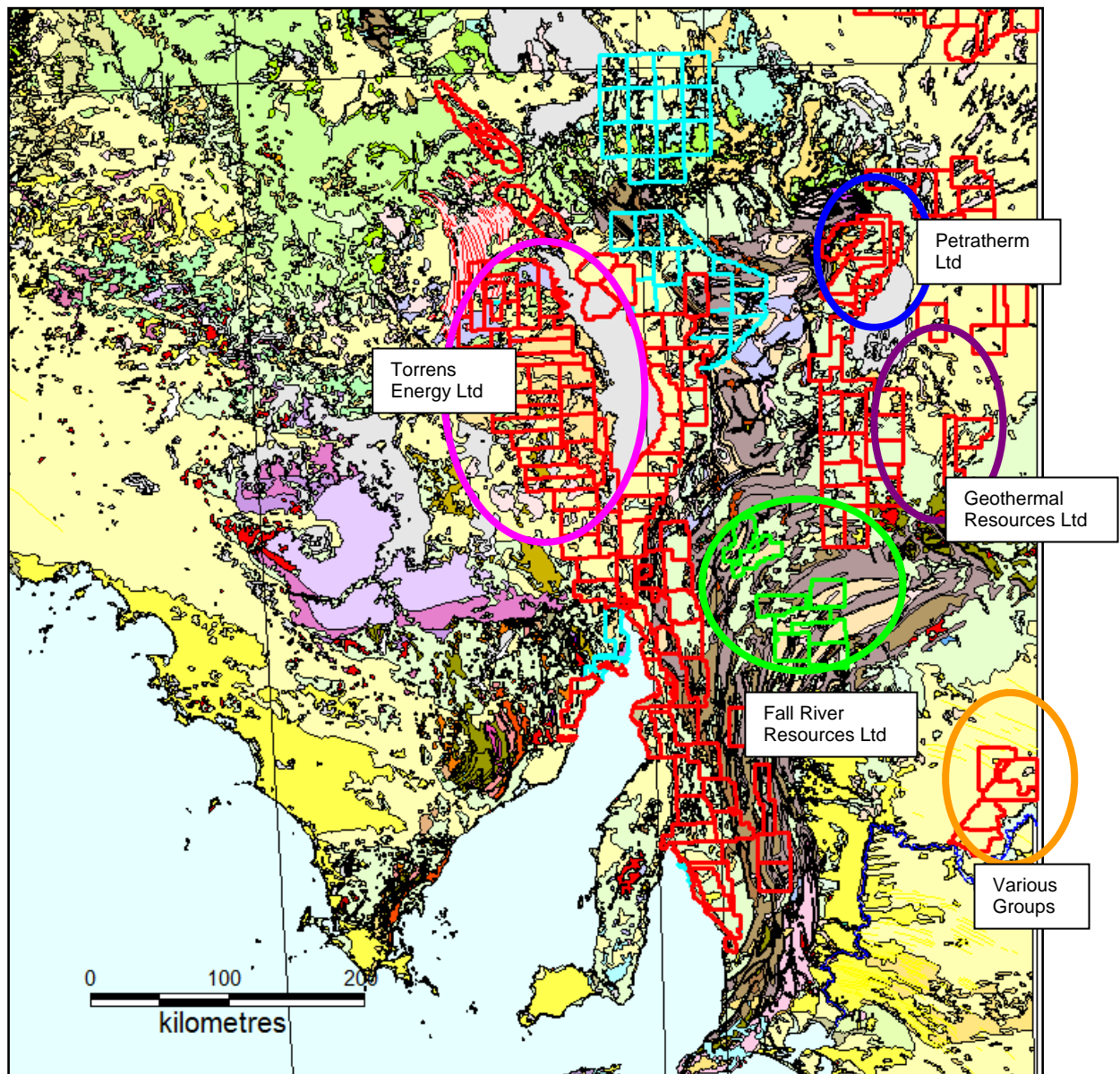


Figure 1- Location of Fall River Resources granted exploration licences (at 31/3/10) shown in Green, with the major ASX listed Company tenements who have reported positive heat flow results. Importantly, the Company is surrounded by positive results. The reader should note the broad ellipses capture the general area and are not intended to be interpreted as the entire holding of the company noted in the adjacent label.

Subsequent to the end of the Quarter, the Company received notification from PIRSA that its recent applications were to be offered for grant under the Petroleum & Geothermal Act 2000. This completes the Company's present main area of interest in South Australia.

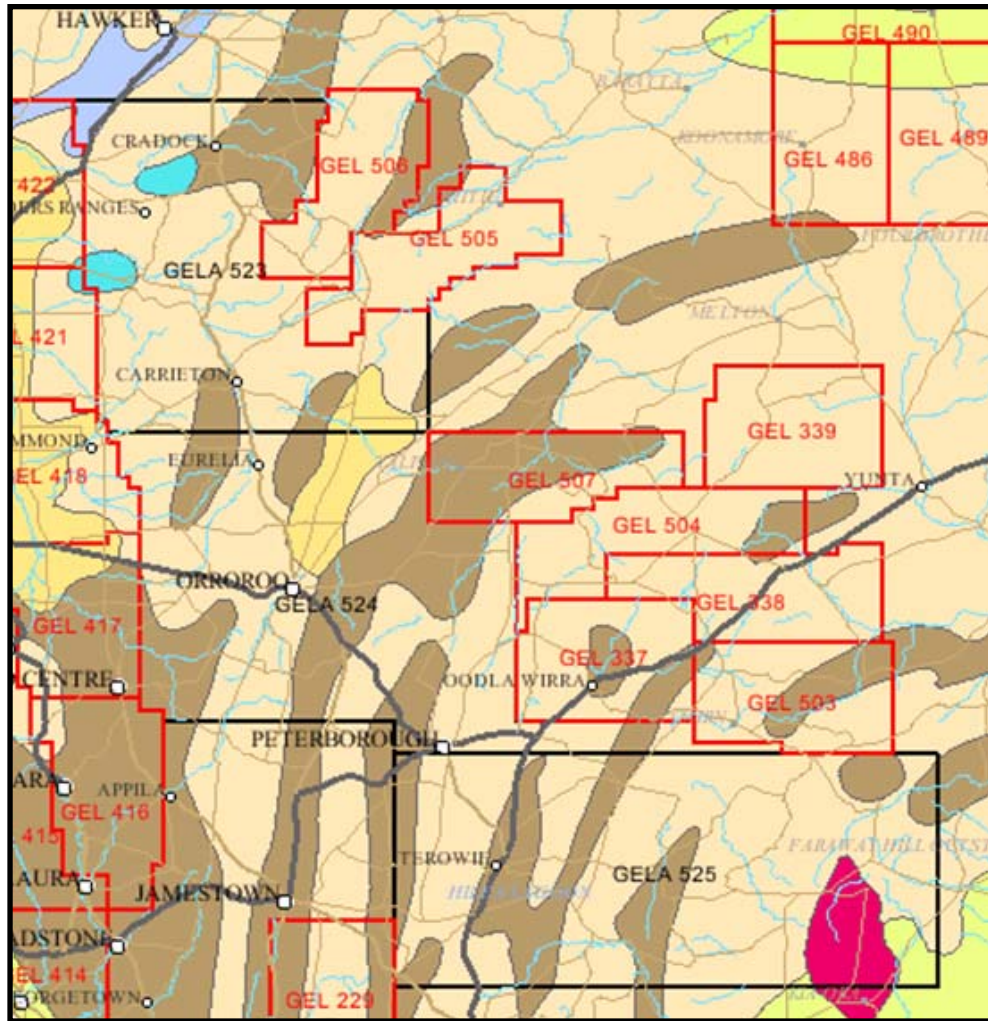


Figure 2- Location map of the new GEL Applications (black outlines), which have been offered for grant by PIRSA.

ONSHORE USA



Figure 3- Geographic distribution of North American interests of the Company

West Florence Exploration Joint Venture, Colorado (Fall River 12.5%)

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 Company has been discussing options for disposal of this interest with the Operator.



Location Map - Florence Colorado

Figure 4- Location map of the Slanovich 32-23 Well with respect to Colorado Springs

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 continues to pursue an agreement with its joint venture partner and Operator (Samson Oil & Gas) to convert its interest in the Baxter project to a royalty. At present, the Company is waiting on confirmation of a previous proposal put forth by the Operator. No time frame has been presented for resolution to this issue.



FUTURE DIRECTION

The Company is aggressively pursuing its new strategy to become a major part of the New Energy Economy as a New Energy Company. This involves the continued screening of suitable opportunities that will meet advanced project status criteria set by the Company. This includes both highly prospective exploration assets, in addition to development projects. At present, the Company is focussed on locating a suitable advanced project, preferably at a development stage, to reposition itself as a leading New Energy Company listed on the ASX.

Torey Marshall
Managing Director
BSc (Hons), MSc University of South Australia
Chartered Professional Member of AusIMM

The information prepared on operations in this report relating to oil and gas activities has been prepared by Torey Marshall 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". Torey Marshall consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

FALL RIVER RESOURCES LTD

ABN

ABN 86 115 229 984

Quarter ended ("current quarter")

31 MARCH 2010

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for	-	-
	(a) exploration and evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) administration	(260)	(307)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
		(260)	(307)
Net Operating Cash Flows			
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	(5)	(5)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	(20)	(20)
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
		(25)	(25)
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	(285)	(332)

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(285)	(332)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	1,200	1,200
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	(63)	(63)
1.18 Dividends paid	-	-
1.19 Other (provide details if material)	-	-
Net financing cash flows	1,137	1,137
Net increase (decrease) in cash held	852	805
1.20 Cash at beginning of quarter/year to date	8	55
Cash on the acquisition of Subsidiary	6	6
1.21 Exchange rate adjustments to item 1.20		
1.22 Cash at end of quarter	866	866

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	162
1.24 Aggregate amount of loans to the parties included in item 1.10	20

1.25 Explanation necessary for an understanding of the transactions

Cash payment in respect of directors' remuneration and superannuation \$57,000
Cash payments for the reimbursement of expenses \$105,000

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During the quarter the Company acquired a subsidiary Earth Heat Limited (now Earth Heat Australia Pty Ltd) for non-cash considerations. In addition, a number of liabilities (including certain directors and related party liabilities) were settled through the issue of shares.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	40
4.2 Development	Nil
Total	40

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	816	8
5.2 Deposits at call (bank guarantee)	50	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	866	8

Restricted Deposits

Other funds on deposit and earning interest not included in 1.22 above, comprise:

	Current quarter \$A'000	Previous quarter \$A'000
Convertible Note Interest Cover Fund	-	8
Convertible Note Capital Sinking Fund	-	1
BBX Trade Dollars	1	318 ⁽¹⁾
Total: funds excluded from 1.22 at end of quarter	1	327

⁽¹⁾ Written off in the 2009 Annual Report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements relinquished, reduced or lapsed Interests in mining tenements acquired or increased	-	-	-	
6.2		GEL 337	Acquired through the acquisition of Earth Heat Ltd on in January 2010	n/a	100%
		GEL 338	Acquired through the acquisition of Earth Heat Ltd on in January 2010	n/a	100%
		GEL 339	Acquired through the acquisition of Earth Heat Ltd on in January 2010	n/a	100%
		GEL 503	Acquired through the acquisition of Earth Heat Ltd on in January 2010	n/a	100%
		GEL 504	Acquired through the acquisition of Earth Heat Ltd on in January 2010	n/a	100%
		GEL 505	Acquired through the acquisition of Earth Heat Ltd on in January 2010	n/a	100%
		GEL 506	Acquired through the acquisition of Earth Heat Ltd on in January 2010	n/a	100%
		GEL 507	Acquired through the acquisition of Earth Heat Ltd on in January 2010	n/a	100%
		GELA 523	GEL applied for in quarter ⁽¹⁾	n/a	100%
		GELA 524	GEL applied for in quarter ⁽¹⁾	n/a	100%
		GELA 525	GEL applied for in quarter ⁽¹⁾	n/a	100%

⁽¹⁾ On 17 February 2010 the Group applied for three new geothermal applications in South Australia GELA 523, GELA 524 and GELA 525.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities (description)	Nil	Nil		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.3	+Ordinary securities	524,178,687 Includes 3,901,965 unquoted shares Held in Canada	520,276,722		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Consolidation 1 for 3 on 21/1/2010: (60,353,535) 25/1/2010: 234,000,000 & 260,000,000 (subject to voluntary restrictions)	Consolidation 1 for 3 on 21/1/2010: (60,353,535) 25/1/2010: 234,000,000 & 260,000,000 (subject to voluntary restrictions)	n/a \$0.01	n/a \$0.01
7.5	+Convertible debt securities (description)	Nil	Nil		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil 1,452,032 notes converted into 69,000,000 Ordinary Securities issued see 7.4 above.	Nil Nil	n/a 1,452,032 \$1.00 notes converted into 69,000,000 Ordinary Securities @\$0.01	n/a 1,452,032 \$1.00 notes converted into 69,000,000 Ordinary Securities @\$0.01
7.7	Options (description and conversion factor)	A-216,667 B- 346,666 Total 563,333	Nil	Exercise price CAD\$0.54	Expiry date 3 months following cessation of employment A -13/7/2010 B -4/11/2010
7.8	Issued during quarter	Consolidation 1 for 3 on 21/1/2010: (1,126,667)	Nil	Consolidation 1 for 3 on 21/1/2010: From CAD\$0.18 to CAD\$0.54	
7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	Nil	Nil		
7.11	Debentures (totals only)	Nil	Nil		
7.12	Unsecured notes (totals only)	Nil	Nil		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 4\)](#).

2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:Date: ...29 April 2010.....
(Company secretary)

Print name: Malcolm Lucas-Smith

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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