



FALL RIVER RESOURCES LTD.

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8 December 2009

Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
Sydney NSW 2000

Dear Sirs

RE: NOTICE OF SPECIAL SHAREHOLDERS MEETING

Please be advised that a Special Shareholders Meeting of Fall River Resources Limited will be held at Level 7, 151 Macquarie Street, Sydney on 8 January 2010 at 10.00am.

A copy of the Notice of Special Shareholders Meeting including Management Information Circular and Independent Experts Report as dispatched to shareholders is attached.

Yours faithfully

D L Hughes
Secretary

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR
IMMEDIATE ATTENTION**

THE MATTERS RAISED IN THIS DOCUMENT WILL AFFECT YOUR SHAREHOLDING IN THE COMPANY. YOU ARE ADVISED TO READ THIS DOCUMENT IN ITS ENTIRETY BEFORE ATTENDING THE SHAREHOLDERS MEETING WHICH HAS BEEN CONVENED BY AND IS REFERRED TO IN THIS DOCUMENT.

IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, FINANCIAL OR OTHER APPROPRIATE PROFESSIONAL ADVISER.

FALL RIVER RESOURCES LIMITED
ABN 86 115 229 984

NOTICE OF SPECIAL SHAREHOLDERS MEETING

and Related Information including

MANAGEMENT INFORMATION CIRCULAR

THIS DOCUMENT COMPRISES A NOTICE OF A SHAREHOLDERS' MEETING OF FALL RIVER RESOURCES LIMITED TO BE HELD AT LEVEL 7, 151 MACQUARIE STREET, SYDNEY NSW AT 10.00AM ON 8 JANUARY 2010. INCLUDED IN THIS DOCUMENTATION IS AN INFORMATION CIRCULAR. NOTE THAT IN ORDER FOR ANY PROXIES TO BE VALID FOR USE AT THIS SHAREHOLDERS MEETING THESE PROXIES MUST BE COMPLETED AND RETURNED TO THE COMPANY NOT LESS THAN 48 HOURS (EXCLUDING SATURDAYS AND HOLIDAYS) BEFORE THE TIME FIXED FOR THE MEETING.

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PART 1 ABOUT THESE DOCUMENTS

Shareholders in Fall River Resources Limited (the **Company**) are being asked to consider the Resolutions set out in this Notice of Meeting and the Information Circular contained in these documents in connection with the transactions referred to in the Information Circular.

You can vote at the Meeting as follows:

- (a) Shareholders may attend and vote at the Meeting.
- (b) Shareholders who are unable to attend and vote at the Meeting may vote by proxy, and are requested to complete, sign, date and return the proxy which is included in and forms part of Part 7 of this document. A proxy will not be valid unless it is deposited by mail or by fax at the office of Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, ON M5J 2Y1 (Fax: Within North America: 1-866-249-7775. Outside North America: (416) 263-9524) not less than 48 hours (excluding Saturdays and holidays) before the time fixed for the Meeting or an adjournment thereof.
- (c) Holders of CDIs are invited to attend the meeting. CDI holders may complete, sign and return the enclosed CDI Voting Instruction Form to Computershare Investor Services Pty Ltd, at GPO Box 242, Melbourne, Victoria, Australia, 3001 (Fax number +61 (0) 3 9473 2555) in order to direct CHESS Depository Nominees Pty Ltd. ("CDN") to vote the relevant underlying Common Shares on his or her behalf or may instruct CDN to appoint such CDI holder or his or her nominee as proxy to vote the Common Shares underlying the CDIs in person at the meeting. In either case, the CDI Voting Instruction Form needs to be received at the address shown on the Form not less than 48 hours (excluding Saturdays and holidays) before the time fixed for the Meeting or an adjournment thereof.

GENERAL

Unless otherwise directed, it is management's intention to vote proxies in favour of the resolutions set forth herein. All special resolutions to be brought before the Meeting require, for the passing of the same, a two-thirds majority of the votes cast at the Meeting by the holders of Common Shares. All approvals by disinterested shareholders require the approval of the shareholders not affected by, or interested in, the matter to be approved.

BOARD APPROVAL

The Board of Directors of the Company has approved the contents and the sending of the Notice of Meeting and this Information Circular.

DATED at Sydney, Australia this 4th day of December 2009

"David Sutton"
Chairman

ALBERTA CERTIFICATE

The information below contains no untrue statement of a material fact (as defined in the *Securities Act* (Alberta), as amended) and does not omit to state a material fact that is required to be stated or that is necessary to make a statement contained herein not misleading in light of the circumstances in which it is made.

DATED at Sydney, Australia this 4th day of December 2009

"David Sutton"
Chairman

"Stephen Pearce"
Director



PART 2 LETTER FROM CHAIRMAN

4 December 2009

Dear Shareholder

On behalf of the Board, I am inviting you to support a resolution for a proposed acquisition of all of the issued shares in the capital of Earth Heat Limited (ACN 126 917 459), together with a number of other resolutions that need to be passed to satisfy the conditions precedent to the acquisition.

On 12 October 2009, the Company, Earth Heat Limited, its shareholders and T.J Mann & Associates Pty Ltd (TJ Mann) executed a Memorandum of Understanding outlining a series of transactions which the Board felt would, subject to your approval, rejuvenate the Company and provide value for its stakeholders. The Company's stakeholders include shareholders, creditors and convertible note holders.

The Board is conscious of the drop in the Company's share value and has endeavoured for some time to find an acquisition that would enable it to negotiate a compromise with its creditors and convertible note holders, such that all debt would be eliminated and some shareholder value would be preserved.

The Board believes, after investigating a number of proposals, that the opportunity presented by the proposed Earth Heat Limited transaction will achieve its stated aims.

Notwithstanding the Board's view, the decision is ultimately yours.

The proposal is summarised as follows:

1. The Company's existing share capital of 90,536,522 shares will be consolidated on the basis of 1 share for 3, resulting in the issued number of shares being reduced to 30,178,840 shares.
2. Convertible note holders and creditors who are owed approximately \$3.4 million will accept a total of 69 million post-consolidation shares of 1 cent each, in lieu of and in satisfaction of their debts.
3. Earth Heat Limited shareholders will receive 260 million fully paid post-consolidation shares of 1 cent each in the capital of the Company in consideration of the transfer to the Company of all of the issued shares in Earth Heat Limited so that on completion Earth Heat Limited will be a wholly-owned subsidiary of the Company.
4. Immediately upon approval by shareholders of the transaction set out in this Notice of Meeting (Approval), the Company is to be authorised to place 100 million post-consolidation shares of 1 cent each to new professional investors to be procured by T J Mann to raise \$1 million. Up to a further 100 million shares are to be placed by TJ Mann to professional investors at a price of not less than 1 cent within 3 months of the Approval to raise an additional \$1 million.
5. Five million post-consolidation shares of 1 cent each are to be issued to Mr J Mulready, a Director of the Company, in part satisfaction of Mr. Mulready's claims against the Company for remuneration. The balance of those claims will be satisfied with a cash payment to Mr. Mulready of \$40,000.

6. Seed capital of not less than \$120,000 is being provided by T. J Mann (“the Facilitator”). The Facilitator has also arranged the initial placement of 100 million post-consolidation shares of 1 cent each and will arrange the second placement of up to 100 million post-consolidation shares of at least 1 cent each to raise an additional \$1 million within 3 months of the shareholder approvals set out in this Notice of Meeting. The Facilitator has in addition introduced the transaction. The Facilitator is to receive 40 million post-consolidation shares of 1 cent each for the provision of seed capital and its services. The seed capital has been used to fund the cost of the transaction, working capital costs of the company including legal fees, valuation costs and meeting costs.

The proposal outlined above will be brought into effect by shareholders passing Resolutions 1 to 5 inclusive as set out on page 4 of this Information Circular. The proposed transaction is conditional upon all of Resolutions 1 to 5 being approved and if one of these Resolutions is not approved, the transaction will not proceed. Resolution 6 on page 4 of this Information Circular is separate from the others and failure to vote against it will not cause the transaction to fail in the event that Resolutions 1 to 5 inclusive are passed.

As a group the Earth Heat Limited shareholders will receive in excess of twenty percent (20%) of the issued capital of the Company on completion of the transaction set out in this Notice of Meeting. Chapter 6 of the Corporations Act requires that shareholder approval be obtained and that shareholders have the opportunity to properly consider available options in order to make an informed decision. It is for this reason that the Information Circular attached to and forming part of this documentation has been prepared to detail the available alternatives for shareholders so they can properly consider and vote on each component of the proposal.

Whilst the Company is incorporated in the Province of British Columbia, Canada our legal advisors are of the view that the Corporations Act as well as the *Business Corporations Act* (British Columbia) and the Listing Rules apply. Accordingly the Notice of Meeting is issued in accordance with the requirements of the relevant legislation and the ASX Listing Rules.

Forming part of the Information Circular is the report from Alpha Securities Limited which has been retained to consider and prepare an Independent Expert’s Report in relation to the proposal as a whole, and its effect on shareholders.

Please read the Independent Expert’s Report and the Annexures and Appendices to that Report carefully.

The Directors request that you carefully consider the proposal as set out and in arriving at your decision on how to vote, you should be mindful of the factors surrounding the proposal and how the end result will affect you, the shareholders.

Recommendation

The directors unanimously recommend that you vote in favour of all of the resolutions.

Your vote is important and as a Board we encourage you to either attend the Meeting in person or complete the Proxy Form accompanying the Notice of Meeting and return it in accordance with the directions provided.

Yours sincerely
David Sutton
Chairman

PART 3 NOTICE OF SHAREHOLDERS MEETING

Notice is hereby given that a special meeting of the shareholders of Fall River Resources Limited ABN 86 115 229 984 (the **Company**) will be held at LEVEL 7, 151 MACQUARIE STREET, SYDNEY NSW AT 10.00AM ON 8 JANUARY 2010 for the purposes of considering and, if thought advisable, approving the following resolutions:

1. To be passed as a Special Resolution

That the common shares in the Company be consolidated on a one for three basis, so that all shares then issued in the capital of the Company will be consolidated so that for every three shares issued and held by a shareholder, that shareholder shall be entitled to receive one share in their place (a "post-consolidation share").

2. To be passed as an Ordinary Resolution subject to the approval by shareholders of Resolution 1

That the Company be authorised to issue and allot 69 million fully paid post-consolidation shares of 1 cent each to creditors and convertible note holders within three months from the date of this resolution.

3. To be passed as an Ordinary Resolution subject to the approval by shareholders of Resolutions 1 and 2

That the Company acquire all of the issued shares in Earth Heat Limited (ACN 126 917 459) for a consideration of \$2.6 million, satisfied by the allotment to the various shareholders in Earth Heat Limited of a total of 260 million fully paid post-consolidation shares of 1 cent each within three months from the date of this resolution.

4. To be passed as an Ordinary Resolution subject to the approval by shareholders of Resolutions 1 to 3 inclusive

That the Company be authorised to allot up to 200 million post-consolidation shares in the Company at a price of not less than 1 cent per share within a period of 3 months from the date of this resolution.

5. To be passed as an Ordinary Resolution subject to the approval by shareholders of Resolutions 1 to 4 inclusive

That the Company allot to T.J Mann & Associates Pty Ltd or its nominee(s) 40 million fully paid post-consolidation shares of 1 cent each within three months from the date of this resolution.

6. To be passed as an Ordinary Resolution

In accordance with Article 35 of the Articles, that the Company allot to Mr J Mulready or his nominee(s) 5 million fully paid post-consolidation shares of 1 cent each within one month from the date of this resolution, in part satisfaction of Mr. Mulready's claims against the Company for remuneration. The balance of those claims will be satisfied with a cash payment to Mr. Mulready of \$40,000.

The accompanying Information Circular provides additional information relating to the matters to be addressed at the Meeting and is deemed to form part of this Notice of Meeting.

The directors of the Company have fixed midnight on **30 November 2009**, Sydney time as the record date for determination of shareholders entitled to notice of and the right to vote at the Meeting, either in person or by proxy.

Definitions

Unless expressly otherwise provided, each capitalised term used in this Notice of Meeting has the same meaning as is ascribed to it in Part 6 - Glossary of Terms.

SPECIAL BUSINESS

Please note that for a resolution to be passed, except where otherwise indicated, a simple majority of votes from shareholders attending in person or voting by proxy is required.

Special Resolution

The Special Resolution noted above to approve the consolidation of the Company's common shares to be brought before the Meeting requires, for the passing of the same, a two-thirds majority of the votes cast at the Meeting by the holders of common shares.

Voting Restrictions on all Resolutions

The ASX Listing Rules require that voting restrictions apply to some of the resolutions.

No voting restriction applies in respect of Resolutions 1

In relation to Resolutions 2, 3, 4 and 5, the Company will disregard any votes cast on a resolution by:

- A person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed.
- An associate of that person (or those persons).

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, in relation to Resolution 2, Mr D Sutton and Mr B McLeod are directors of a number of companies which are creditors of the Company. Accordingly, neither Mr Sutton nor Mr McLeod nor their associates are entitled to vote in respect of this resolution.

In relation to Resolution 6, Mr J Mulready is a director of the Company. Accordingly, neither Mr Mulready nor his associates are entitled to vote in respect of this resolution.

Therefore, in relation to Resolutions 2 and 6, the Company will disregard any votes cast by any named Director of the Company and any person associated with those persons

as referred to in the preceding paragraph. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED at Sydney, Australia this 4th day of December 2009.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "*David Sutton*"
Chairman

PART 4 NOTICE REQUIREMENTS FOR RESOLUTIONS

All resolutions being put to shareholders are Ordinary Resolutions with the exception of the resolution approving the consolidation of the Company's common shares, which is a Special Resolution. As no special notice requirements are required twenty-eight (28) days prior notice having been given by this Notice of Meeting constitutes sufficient notice for the purposes of the *Corporations Act*.

Pursuant to Articles 10.5 and 28.15 of the Articles of the Company, the record date set for the purpose of determining shareholders entitled to vote at the Shareholders Meeting constituted by this Notice of Meeting shall be midnight on 30 November 2009, Sydney time.

PART 5 INFORMATION CIRCULAR

For information on the solicitation of proxies, appointment and revocation of proxies, advice to beneficial shareholders and voting of proxies, see the sections entitled "Solicitation of Proxies", "Appointment and Revocation of Proxies", "Advice to Beneficial Shareholders" and "Voting of Proxies" set out in Part 7 of this Document, which are incorporated into and form part of this Information Circular.

Voting Shares and Principal Holders Thereof

The Corporation is authorised to issue an unlimited number of Common Shares. As at the effective date of this Information Circular, which is 4th December 2009, the Company has 90,536,522 Common Shares without nominal or par value outstanding. The Common Shares are the only securities entitled to be voted at the Meeting, and holders of Common Shares are entitled to one vote for each Common Share held.

Of the 90,536,522 Common Shares outstanding on 30 November 2009, 78,800,596 Common Shares were held by CDN, a wholly-owned subsidiary of the Australian Stock Exchange ("ASX") on behalf of holders of CDIs. CDN has issued CDIs that represent beneficial interests in the Common Shares held by CDN. CDIs are traded on the electronic transfer and settlement system operated by the ASX.

Holders of Common Shares of record at midnight on 30 November 2009, Sydney time (the "**Record Date**") are entitled to vote such Common Shares at the Meeting on the basis of one vote for each Common Share held.

To the knowledge of the directors and executive officers of the Company, as at the date hereof, no person, firm or corporation beneficially owned, directly or indirectly, or exercised control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Company.

Particulars of Matters to be Acted Upon

Section 1: Introduction

1.1 Background

The Company's current financial situation is such that it continues to survive at the discretion of the convertible note holders and creditors.

The Company has maintained certain oil and gas tenements in North America and in the current financial climate there has been little opportunity to restore any value to shareholders and other stakeholders.

As a result of efforts by the Company and its Board, convertible note holders and creditors have been prepared to allow the Company to find a transaction which would enable the Company to reinvigorate itself and provide a commercially realistic opportunity to introduce value into the Company. Creditors and convertible note holders have entered into forbearance agreements to enable the company to seek shareholders approval to the transaction and subject to approval by shareholders of all of the resolutions have all agreed to accept in total 69 million post-consolidation shares in the company in satisfaction of their collective debts.

Earth Heat Limited was established in 2007 and has specialised in identifying geothermal resources and the exploitation of those resources. The principals of Earth Heat are well known in the resources sector and qualified in the identification, planning and exploration of opportunities in this sector of the energy market.

Earth Heat Limited is the owner of three significant tenements in South Australia. Three tenements were originally granted prior to the execution of the Memorandum of Understanding and since its execution the five additional tenements applied for have now been offered for grant upon payment of an amount of approximately \$15,000 which is payable by 12 December 2009 .

The Independent Expert has reviewed and opined on the potential value of the tenements and Minter Ellison, solicitors have furnished a tenement report in respect of the tenements already granted at the date of the Memorandum of Understanding. Reference to these documents is found in the attached Independent Expert's Report.

Currently there is no commercial production of geothermal power in Australia and the industry is relatively new. Accordingly, the industry largely consists of exploration.

Various States of Australia are working on the legislative framework to enable authorities to accept and grant applications for tenement exploitation.

In addition to Australia, Earth Heat Limited has undertaken investigations in Europe, Asia and Africa to assess possible opportunities.

If the proposal is approved in totality by shareholders, the Company will have eliminated all debt obligations, acquired the Earth Heat Limited tenements and will have working capital with the right to place further shares to provide additional working capital. Although the Company will have the right to place additional shares this does not guarantee that they can be placed at not less than 1 cent. This will be dependent on financial market conditions at the time. The company upon raising additional capital will then be able to expand its existing energy resources and engage in the exciting geothermal industry.

Attached to and forming part of this Information Circular is a report from Alpha Securities Pty Ltd which has been appointed as an Independent Expert as required by the *Corporations Act*, to assess the proposal. Alpha Securities Pty Ltd's Report provides a detailed analysis of the transaction and their conclusion that the transaction to be implemented if all resolutions are passed is fair and reasonable and in the interests of shareholders.

For reasons already stated, the Board believes that having canvassed all available alternatives, including discussions with creditors and convertible note holders, the proposed transaction represents a real opportunity to reinstate some value in the Company by clearing its debts and providing the ability to raise working capital.

It is for this reason that the Board presents the Independent Expert's Report to you for your careful analysis. This will assist you in making your decision on whether you wish to support the proposals.

You are urged to get independent financial, legal and professional advice before you make any decision.

Section 2 - Proposed Transaction with Earth Heat Limited

2.1 Change of Control

Chapter 6 of the *Corporations Act* requires that a company may not acquire more than twenty percent (20%) of the issued shares in a company with more than fifty (50) shareholders without making a full bid for all existing securities on the same terms and conditions. Section 611 of the *Corporations Act* provides an exception where the acquisition of shares is made with the approval of shareholders of the target company in a Shareholders Meeting, subject to certain terms and conditions.

No shareholder of Earth Heat Limited or any associate of such shareholder who holds shares in the Company shall be entitled to exercise a vote in relation to the resolutions.

2.2 Benefits to the Company

The Board considers the transactions with Earth Heat Limited to be attractive for the following reasons:

- (a) The world financial situation does not appear to be favourable for the raising of money for speculative exploratory mining projects
- (b) IPOs on the scale seen in the last several years and the availability of equity investment will be severely limited for some time to come
- (c) The Company's debt position is critical and a compromise needs to be reached with all creditors and convertible note holders to ensure the Company's survival.

2.3 Risk Factors

The proposal to allot a substantial shareholding to Earth Heat Limited shareholders, which would give them 43% of the Company, is not without risk. Set out below are the risk factors which the Directors consider would apply to investments generally in the equity markets and specifically to the Company and its proposed business strategy. Some of the specific risks can be mitigated through the use of safeguards and contingency plans, however many risks are outside the control of the Company and its Directors and cannot be mitigated.

In evaluating the prospects of the Company pre and post the transaction there does not appear to be any additional general risk factors which would, in the view of the Directors, adversely affect the company. These risk factors include:

- movements in local and international economies and in local and international share and capital markets
- changes in interest rates and other economic conditions
- changes in investor sentiment and perception
- changes in metal and commodity prices
- upheaval and uncertainty due to terrorist activities, insurrection, war and general conflict

- changes in government fiscal, monetary and regulatory policies and any statutory changes

Some of the specific risk factors that would follow the acquisition of a significant part of the Company's capital would be the possibility of changing management and key personnel.

2.4 Proposed New Directors

If the resolutions are passed by shareholders then it is proposed that the following Board changes will occur:

(a) Resignations

Mr J Mulready will resign.

(b) Appointments

R Shaw, T Marshall and M Lucas-Smith will be appointed, with Mr Shaw appointed as Chairman.

Set out in paragraph 2.5 is information on the proposed new directors.

2.5 Proposed New Directors

Raymond D Shaw, B.Sc (Hons), Ph.D., Dip Law (SAB), MAusIMM

Dr Shaw holds qualifications of Bachelor of Science (First Class Honours) and Doctorate of Philosophy degrees from the University of Sydney, and a Diploma in Law from the New South Wales Solicitors and Barristers Board, a Graduate Diploma in Legal Studies (UTS) and has been admitted as a Legal Practitioner of the New South Wales Supreme Court (currently non-practicing).

Dr Shaw has nearly 30 years experience in the resources sector. Dr Shaw trained as a geophysicist and worked initially with Shell Development Australia Pty Ltd. In 1983 he became a principal of a geophysical consulting firm in Sydney, prior to becoming Vice-President and resident director of the Swiss based international consulting firm, Petroconsultants Far East Pty Ltd, based in Singapore. Upon returning to Australia he became involved in the relisting of Vam Limited as Hillgrove Gold N.L. for which he was a director during 1993 – 1995. From 1996 until 2002 Dr Shaw was a part time consultant to the New South Wales Department of Mineral Resources.

He has been a team leader of AusAid and Asian Development Bank involving resource projects for Vanuatu and Sri Lanka, respectively. From June 2003 until April 2007 he was Managing Director of Great Artesian Oil and Gas Limited. In May 2007 he was appointed Executive Chairman of Enterprise Energy Limited, where he oversaw the purchase of a private coal company for \$250m in value. Subsequently the business was recapitalised and renamed Bandanna Energy Ltd, where he has remained the Managing Director.

He has been a Member of the Australasian Institute of Mining and Metallurgy for over 25 years, and is a member of both the American Association of Petroleum Geologists and the Petroleum Exploration Society of Australia.

Torey Marshall, B.Sc (Hons), MAusIMM (CP), MAAPG.

Mr Torey Marshall is a Director of Earth Heat Ltd, Red Gum Resources Ltd and Polymetallic Exploration Pty Ltd. His broad based technical experience in both minerals and petroleum has resulted in the successful execution of various exploration programs (some resulting in discoveries), in a number of different areas. Having worked extensively as an exploration geoscientist, his skills have been considerably expanded to include senior management experience of various private and public (unlisted) companies. As part of his consulting practice, he has developed strategies for, and acquired projects on behalf of a number of private and public clients at a number of scales such as; \$1-\$5m acreage transactions, \$18m sale of a private client, evaluated and executed a \$100m bid for a development project.

From the late 1990's until 2002 he was involved in various contract roles as a mineral exploration geologist, being responsible for field supervision and planning of exploration drilling programs. From 2002 to 2005 he was a geologist with the Northern Territory Geological Survey, based in Darwin. During this time he developed his interest in structural geology and halotectonics.

He has authored or co-authored 10 technical publications on various structural and exploration aspects of the Amadeus Basin. After a period as a senior geologist at Great Artesian Oil and Gas, he formed Vibrante Solutions Pty Ltd for the purposes of identifying, developing and promoting both hard and soft rock opportunities in the Petroleum, Geothermal and Minerals business sectors.

Mr Marshall holds a B.Sc (Hons) and Msc (pending) from the University of South Australia, and is a Chartered Professional Geologist of the Australasian Institute of Mining and Metallurgy, a member of the Geological Society of Australia and American Association of Petroleum Geologists.

Mr Mal Lucas Smith

Mal, aged 65, has had over 40 years experience in finance, executive and non executive management, property development, corporate secretarial and administrative services. During that period he spent 12 years with State Bank of New South Wales and 18 years with the property finance and the property joint venture divisions of Australian Guarantee Corporation Limited, at the time a listed subsidiary of Westpac Bank. He left AGC of his own accord in September 1987 to form a corporate services business and has since worked within and consulted to the corporate sector often assisting new start ups and existing operations proposing to list on the Australian Securities Exchange, and also providing local representative services for offshore entities.

2.6 Voluntary escrow

The shareholders of Earth Heat Limited have voluntarily agreed to have the Shares issued to them treated as restricted securities for a period of 12 months from their issue.

Section 3 – Share Consolidation

At the Meeting, shareholders will be asked to consider, and if deemed to be advisable approve, the following special resolution, subject to such amendments, variations or additions as may be approved at the Meeting:

“NOW THEREFORE BE IT **RESOLVED**, AS A SPECIAL RESOLUTION, THAT:

1. subject to the Company first receiving all required regulatory approvals, the current outstanding Common Shares be consolidated on the basis of 1 share for 3, resulting in the number of Common Shares being reduced to 30,178,840 Common Shares;
2. in the event that a shareholder is a registered holder of a number of Common Shares not divisible by 3, then, the number of post-consolidated Common Shares held by such shareholder shall be rounded down to the nearest whole number and the fractional share shall be eliminated;
3. any director or officer of the Company is hereby authorised and directed, acting for, in the name of and on behalf of the Company, to file all required amendments or alterations to its articles, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such other acts and things, as may in the opinion of such director or officer of the Company be necessary or desirable to carry out the intent of the foregoing resolution; and
4. notwithstanding that this special resolution has been duly passed by the shareholders of the Company, the directors of the Company are hereby authorised to revoke this special resolution at any time before it is acted upon without further approval of the shareholders of the Company.”

The Board of Directors recommends that shareholders vote for the adoption of the resolution. In order to be effective, the resolution must be approved by the affirmative vote of not less than 66 and 2/3% of the votes cast at the Meeting in respect of such resolution. **PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE SPECIAL RESOLUTION ABOVE UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.** In the event shareholder approval is not obtained, no consolidation of the issued and outstanding share capital will occur, which may result in the Company being unable to proceed with its reorganisation efforts.

Interest of Informed Persons in Material Transactions

Other than as set forth herein, the Company is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or “Named Executive Officer”, proposed nominee for election as a director or any shareholder holding more than 10% of the voting rights attached to the Common Shares or any associate or affiliate of any of the foregoing in any transaction in the preceding financial year or any proposed or ongoing transaction of the Company which has or will materially affect the Company.

Additional Information

Additional information relating to the Company is on SEDAR at www.sedar.com.

Shareholders may contact the Company to request copies of the Company's financial statements and MD&A by sending a request to the Sydney office of the Company at **Level 7, 151 Macquarie Street Sydney**. Financial information is provided in the Company's comparative financial statements and MD&A for the financial year ended **30 September 2009**.

Section 4 - Placement of 200 million post-consolidation shares

Resolution 4 proposes that the Company be authorised to allot up to 200 million fully paid post-consolidation shares at a price of not less than \$0.01 per share.

The company will, if the resolution to acquire the shares in Earth Heat Limited is approved require working capital. The authorisation will enable the Company to place up to 200 million shares over a 3 month period. TJ Mann & Associates Pty Ltd (TJ Mann) has undertaken to place 100 million shares to professional investors at 1 cent per share to raise \$1 million immediately approval is granted by shareholders to resolutions 1-5 inclusive (Approval).

TJ Mann will arrange to raise an additional \$1 million by placing up to a further 100 million shares to professional investors within 3 months of Approval at a price of not less than 1 cent per share.

Section 5 - Placement of 40 million shares to TJ Mann & Associates Pty Ltd (ACN 087 053 852)

TJ Mann introduced the proposed transaction to acquire the shares in Earth Heat Limited to the Company. In addition, TJ Mann has indemnified the Company against the payment of certain working capital and costs incurred in the transaction not being less than \$120,000.

TJ Mann is also required to ensure the placement of shares in the Company to raise not less than \$1 million and not more than \$2 million at not less than 1 cent per share at no fee to the Company.

Under the agreement with the Company TJ Mann will place with professional investors 100 million shares at 1 cent per share immediately approval is granted by shareholders to resolutions 1-5 inclusive (Approval).

TJ Mann will place up to a further 100 million shares to professional investors within 3 months of Approval at a prices not less than 1 cent per share to raise an additional \$1 million.

TJ Mann & Associates Pty Ltd is to receive 40 million post-consolidated shares in the Company as consideration for providing the indemnity and placing the shares to raise \$2 million within 3 months of Approval.

Section 6 - Allotment of shares to J Mulready

Mr Mulready is a director of the Company and has made claims against the company in relation to unpaid salary and superannuation claims.

The company has, subject to shareholders' approval of the transaction and Resolution 6, agreed to allot 5 million post-consolidation shares to Mr Mulready and to make a cash payment as he directs of \$40,000 in satisfaction of his claims.

PART 6 GLOSSARY OF TERMS

Defined Terms

Articles means the Articles of the Company and any term defined in the Articles shall have the same meaning as are specified therein.

ASIC means the Australian Securities and Investment Commission.

Associate has the meaning ascribed to that term in Section 12(2) of the *Corporations Act*.

ASX means the Australian Securities Exchange Limited (ACN 008 624 691) and any market operated by that Company.

Board means the Board of Directors.

Business Corporations Act means the Canada Business Corporations Act, R.S.C. 1985, c. C-44.

Common Shares means the common shares in the capital of the Company.

Company means Fall River Resources Limited (ABN 86 115 229 984).

Constitution means the Constitution of the Company, as varied or amended from time to time.

Corporations Act means the *Corporations Act 2001* (Commonwealth).

Director means a member of the Board of Directors of the Company.

Documents means each of the Notice, Information Circular, Proxy Form and all other documents, that each constitutes part of this booklet and that accompany each other when sent to each shareholder.

Earth Heat Limited means Earth Heat Limited (ACN 131 715 645).

Information Circular means the information circular set out in Part 5 of the Documents.

Listing Rules means the listing rules of the ASX.

Meeting means the Shareholders Meeting being convened by the Directors pursuant to the Notice.

Memorandum of Understanding means the document titled "Memorandum of Understanding" and executed between the Company, Earth Heat Limited and Earth Heat shareholders dated 14 October 2009.

Notice means the Notice of Shareholders Meeting of the Shareholders set out in Part 3 of these Documents and that accompanies and forms part of these Documents.

Option or Options means an option to purchase a share/s in the Company.

Proxy Form means the Proxy Forms more particularly set out in Part 7 which forms part of these Documents.

Resolution means any one of the resolutions set out in the Notice.

Share or Common Share means a common share, of whatever class, in the issued capital of the Company as defined in the Articles.

Shareholder means the holder of a Share.

Subsidiary has the meaning given to that term in Section 46 of the *Corporations Act*

Transactions mean the application and allotment of shares and all other actions contemplated in any of the Resolutions.

Interpretation

In these documents, unless the context requires otherwise:

- (a) A reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a gender includes any gender;
- (c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (d) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;
- (e) headings are included for convenience only and do not affect interpretation;
- (f) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;
- (g) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (h) the terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (i) a reference to a statute or statutory provision includes but is not limited to:
 - (i) a statute to statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
 - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
 - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation or instrument;
- (j) reference to "\$", "A\$", "Australian Dollars" or "dollars" is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia;
- (k) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

PART 7 PROXIES AND PROXY FORMS

- (a) **Right to appoint:** Each member entitled to vote at the meeting has the right to appoint a proxy to attend and vote for the member at the meeting. To appoint a proxy, use the Proxy Form sent out with this Notice.
- (b) A proxy or attorney is not entitled to vote while the member appointing them is present at the meeting.
- (c) **Who may be a proxy:** A member can appoint anyone to be their proxy. A proxy need not be a member of the Company. The proxy appointed can be described in the Proxy Form by an office held, eg "Chair of the Meeting".
- (d) **Two proxies:** A member who is entitled to two or more votes at the meeting, may appoint two proxies. Where two proxies are appointed:
 - (i) a separate Proxy Form should be used to appoint each proxy; and
 - (ii) the Proxy Form may specify the proportion, or the number, of votes that each proxy may exercise, and if it does not do so each proxy may exercise half of the votes.
- (e) **Signature(s) of individuals:** In the case of members who are individuals, the Proxy Form must be signed if the shares are held:
 - (i) by one person, by that member, or
 - (ii) in joint names, by any one of them.
- (f) **Signatures on behalf of companies:** In the case of members which are companies, the Proxy Form must be signed:
 - (i) if it has a sole director who is also sole secretary, by that director (and stating that fact next to or under the signature on the Proxy Form); or
 - (ii) in the case of any other company, by two directors or by a director and secretary.

The use of the common seal of the company on the Proxy Form is optional.

- (g) **Lodgement place and deadline:** Proxy forms must be received by the Company with the original or a certified copy of the authority under which the Proxy Form is signed (if the Proxy Form is signed by an attorney or other representative):

711 – 675 West Hastings Street, Vancouver, British Columbia, V6B 1N2

OR

Computershare Trust Company of Canada at 100 University Avenue, Toronto, Ontario, M5J 2Y1

by no later than 48 hours before the meeting, Sydney time.

Please mark them to the attention of the Company Secretary.

CORPORATE REPRESENTATIVES

A body corporate may appoint an individual to act as its representative to exercise any of the powers the body may exercise at meetings of a company's members. Unless otherwise stated, the corporate representative may exercise all of the powers the appointing body can exercise. The certificate evidencing the appointment of a corporate representative (or a photocopy or facsimile of it) the certificate evidencing the appointment of a corporate representative shall be sufficient evidence of the authority of the representative (or a photocopy or facsimile of it) must be received by the Company at **711 – 675 West Hastings Street, Vancouver, British Columbia, V6B 1N2 OR Computershare Trust Company of Canada at 100 University Avenue, Toronto, Ontario, M5J 2Y1** by no later than 48 hours before the meeting, Sydney time.

SOLICITATION OF PROXIES

This Notice of Shareholders Meeting is provided in connection with the solicitation by Management of the Company of proxies from the holders of common shares (the "Common Shares") for the Shareholders Meeting of the shareholders of the Company (the "Meeting") to be held on Monday 8 January 2010, at the time and place for the purposes set forth in the Notice of Meeting.

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other proxy solicitation services. In accordance with National Instrument 54-101, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Company may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named (the "Management Designees") in the enclosed Proxy Form have been selected by the directors of the Company and have indicated their willingness to represent as proxy the shareholder who appoints them. A shareholder has the right to designate a person (whom need not be a shareholder) other than the Management Designees to represent him or her at the Meeting. Such right may be exercised by inserting in the space provided for that purpose on the Proxy Form the name of the person to be designated.

Such shareholder should notify the nominee of the appointment, obtain the nominee's consent to act as proxy and should provide instructions on how the shareholder's shares are to be voted. The nominee should bring personal identification with him to the Meeting. In any case, the Proxy Form should be dated and executed by the shareholder or an attorney authorised in writing, with proof of such authorisation attached (where an attorney executed the Proxy Form). In addition, a proxy may be revoked by a shareholder personally attending at the Meeting and voting his shares.

A Proxy Form will not be valid for the Meeting or any adjournment thereof unless it is completed and delivered to the Company's transfer agent, **Computershare Trust Company of Canada at 100 University Avenue, Toronto, Ontario, M5J 2Y1**, at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by

the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the shareholder or by his authorised attorney in writing, or, where the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorised, either at the registered office of the Company at **711 – 675 West Hastings Street, Vancouver, British Columbia, V6B 1N2** or with **Computershare Trust Company of Canada at 100 University Avenue, Toronto, Ontario, M5J 2Y1**, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof at which the proxy is to be used, or by depositing the instrument in writing with the Chairman of such Meeting on the day of the Meeting, or any adjournment thereof. In addition, a proxy may be revoked by the shareholder personally attending the Meeting and voting his shares.

ADVICE TO BENEFICIAL SHAREHOLDERS

The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Common Shares in their own name. Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this NOTICE OF SHAREHOLDERS MEETING as “Beneficial Shareholders”) should note that only proxies deposited by shareholders who appear on the records maintained by the Company’s registrar and transfer agent as registered holders of Common Shares will be recognised and acted upon at the Meeting.

If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, not be registered in the shareholder’s name. Such Common Shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker.

In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for the Canadian Depositary for Securities, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting.

The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Proxy Form provided directly to registered shareholders by the Company. However, its purpose is limited to instructing the

registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP") in Canada. ADP typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to ADP, or otherwise communicate voting instructions to ADP (by way of the Internet or telephone, for example). ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting.

A Beneficial Shareholder who receives an ADP voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to ADP (or instructions respecting the voting of Common Shares must otherwise be communicated to ADP) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or the intermediary for assistance.

Although a Beneficial Shareholder may not be recognised directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.

All references to shareholders in this NOTICE OF SHAREHOLDERS MEETING and the accompanying Proxy Form and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

VOTING OF PROXIES

Each shareholder may instruct their proxy how to vote their Common Shares by completing the blanks on the Proxy form. All Common Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting (including the voting on any ballot), and where a choice with respect to any matter to be acted upon has been specified in the Proxy form, the Common Shares represented by the proxy will be voted in accordance with such specification. In the absence of any such specification as to voting on the Proxy form, the Management Designees, if named as proxy, will vote in favour of the matters set out therein. In the absence of any specification as to voting on any other form of proxy, the Common Shares represented by such form of proxy will be voted in favour of the matters set out therein.

The enclosed Proxy form confers discretionary authority upon the Management Designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting. As of the date hereof, the Company is not aware of any amendments to, variations of or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the Management Designees intend to vote in accordance with the judgment of management of the Company.

CDI HOLDERS

Many shareholders having an interest in the Common Shares hold such interests in the form of CHESS Depository Instruments ("CDIs"). CHESS is the electronic settlement system used in Australia. The main difference between holding CDIs and holding Common Shares is that a holder of CDIs has beneficial ownership of the equivalent number of Common Shares of the Company instead of legal title. Legal title is held by the CHESS Depository Nominees Pty Ltd. ("CDN"). The Common Shares registered in the name of CDN are held by that entity on behalf of and for the benefit of the CDI holder.

CDI HOLDERS MAY GIVE DIRECTIONS TO CDN

Pursuant to the Articles of the Company, the Company will permit CDI holders to attend the Meeting. Each CDI holder has the right to:

- (a) direct CDN how to vote in respect of their CDIs; or
- (b) instruct CDN to appoint the CDI holder or a person nominated by the holder as the holder's proxy for the purposes of attending and voting at the Meeting.

If you are a CDI holder and you wish to direct CDN how to vote in respect of your CDIs or appoint yourself or a nominee as your proxy, you should read, complete, date and sign the accompanying CDI Voting Instruction Form and deposit it with **Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne, Victoria, Australia, 3001** not later than 48 hours before the Shareholders Meeting, Sydney Time).

PROXY FORM

Fall River Resources Limited ABN 86 115 229 984

Member

(Full name of member - please print)

(Address)

Appoints

David Sutton, Director (Management Designee)

OR

Stephen Pearce, Director (Management Designee)

OR

(Proxy name or office held by Proxy - please print)

or failing that person, or if no person is named, **the Chair of the Meeting** to vote as directed below, or if no directions are given, as the Proxy or Chairman thinks fit (with discretion as to any business not referred to below) at the **SHAREHOLDERS MEETING** of the Company to be held at 10.00AM ON 8 JANUARY 2010, AT LEVEL 7, 151 MACQUARIE STREET, SYDNEY NSW and at any adjournment of that meeting.

IMPORTANT FOR MOTIONS BELOW

If the Chairman of the Meeting is to be your proxy and you have not directed your proxy to vote on any of the motions below, please place a mark in the adjacent box

By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of a motion and that votes cast by him, other than as a proxy holder, would be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on any motion and your votes will not be counted in computing the required majority if a poll is called on a motion.

The Chairman of the Meeting intends to vote undirected proxies in favour of each motion.

SPECIAL BUSINESS

For *Against*

SPECIAL BUSINESS - Special Resolution

1. That the shares in the Company be consolidated on a one for three basis, so that all shares then issued in the capital of the Company will be consolidated so that for every three shares issued and held by a shareholder, that shareholder shall be entitled to receive one share in their place (a “post-consolidation share”).
-

SPECIAL BUSINESS - Ordinary Resolutions

2. That the Company be authorised to issue and allot 69 million full paid post-consolidation shares of 1 cent each to creditors and convertible note holders.
-
3. That the Company acquire all of the issued shares in Earth Heat Limited (ACN 126 917 459) for a consideration of \$2.6 million, satisfied by the allotment to the various shareholders in Earth Heat Limited of a total of 260 million fully paid post-consolidation shares of 1 cent each.
-
4. That the Company be authorised to allot up to 200 million post-consolidation shares in the Company at a price of not less than 1 cent per share.
-
5. That the Company allot to T.J Mann & Associates Pty Ltd or its nominee(s) 40 million fully paid post-consolidation shares of 1 cent each in satisfaction of the indemnity provided by it to the Company in relation to working capital requirements and the costs of the acquisition by the Company of Earth Heat Limited and the payment of all costs associated therewith for an amount of not less than \$120,000; for its fee for the introduction of the transaction to the Company; for the procurement of professional investors to subscribe for 100 million shares at no less than 1 cent per share immediately following this shareholder approval; and, for the procurement of professional investors to subscribe for a further 100 million shares at no less than 1 cent per share within 3 months following this shareholder approval. .
-
6. That the Company allot to Mr J Mulready or his nominee(s) 5 million fully paid post-consolidation shares of 1 cent each, in part satisfaction of Mr. Mulready’s claims against the Company for remuneration. The balance of those claims will be satisfied with a cash payment to Mr. Mulready of \$40,000.
-

Appointment of a second proxy

If appointing a second proxy, state the number or percentage of votes applicable to the proxy appointed by this form.

Date

**Signature by Individual or Attorney
Director**

**Execution by Company with Sole
Director**

Signature of Member or Attorney

Sole Director and Sole Secretary

Execution by Company

Director

Director / Secretary

Note: Please read under Part 7: Proxies and Proxy Forms in the Notice of Shareholders Meeting, as to completion and lodgement of this Proxy Form.

Lodgement place and deadline: Proxy forms must be received by the Company with the original or a certified copy of the authority under which the Proxy Form is signed (if the Proxy Form is signed by an attorney or other representative):

BY MAIL:

BY HAND:

BY FACSIMILE:

by no later than 10.00AM (Sydney time) on 6 January 2009. Please mark them to the attention of the Company Secretary.



www.alphasecurities.com.au
info@alphasecurities.com.au
Level 1, 275 George Street,
Sydney NSW, 2000
Phone: +61 2 9299 9270
Mobile: +61 411 277 667
Fax: +61 2 9299 9276

25 November 2009

The Directors
Fall River Resources Ltd
Level 7, 151 Macquarie Street
SYDNEY NSW 2000

Dear Board Members,

Re: Resolution 3 - Approval to acquire all the issued shares in Earth Heat Limited

Executive Summary

1. Purpose of the Report

The Directors of Fall River Resources Ltd ("FRV") have requested us to provide an Independent Expert's Report to consider the fairness and reasonableness to non-associated shareholders of the proposed acquisition of all the fully paid ordinary shares in Earth Heat Limited A.C.N. 126 917 459 ("Earth Heat").

Such a report is required to be submitted to non-associated shareholders of FRV in accordance with Section 640 of the Corporations Act so that they can determine if approval should be given in connection with the following proposed resolution to be put to shareholders:

Resolution 3 – Approval to acquire all the issued shares in Earth Heat Limited

To consider and, if in favour, pass the following resolution as an ordinary resolution subject to the approval by shareholders of Resolutions 1 and 2:

"That the Company acquire all of the issued shares in Earth Heat Limited (A.C.N. 126 917 459) for a consideration of \$2.6 million, satisfied by the allotment to various shareholders in Earth Heat Limited of a total of 260 million fully paid post-consolidation shares of 1 cent each."

2. Conclusion

In our opinion, and for the reasons set out in this Report, the acquisition is fair and reasonable -

- a. The principal reason why the acquisition is fair is that the \$2.6 million consideration is less than the calculated value of the equity in Earth Heat to be acquired.
- b. The reasons why the acquisition is reasonable are that:
 - i. FRV will have eliminated all debt obligations and have working capital to fund activities, increasing potential returns to shareholders.
 - ii. FRV will acquire tenements which could be exploited increasing potential returns to shareholders.

Background Information

1. **Background to FRV**

1.1 Overview of FRV and its structure

- 1.1 FRV is a listed company, which engaged in oil and gas exploration in Canada and the United States of America. As it derives no operating revenue, it has incurred significant losses and has been dependent on capital and loan raisings to continue as a going concern.

There are 90,536,522 shares on issue.

By Resolution, it is proposed that:

1. The existing share capital of FRV will be consolidated on the basis of 1 share for every 3, resulting in the issued number of shares being reduced to 30,178,840 shares.
2. Convertible note holders and creditors who are owed approximately \$3.8 million will receive 69 million post-consolidation shares of 1 cent each in satisfaction of their debts.

The acquisition of Earth Heat will be satisfied by the allotment of 260 million fully paid post-consolidation shares of 1 cent each.

1.2 **Financial Information**

Extracts of the consolidated Balance Sheet and Income Statement of FRV at 30 September 2008 (audited) and 31 March 2009 (reviewed and for the 6 months ended) is summarised below.

The financial information has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations and the Corporations Act 2001.

Income Statement

| | | Year ended 30/09/08 | 6 months ended 31/03/09 |
|--------------------------------------|------|------------------------|----------------------------|
| | Note | \$,000 | \$,000 |
| Revenue | | 225 | 4 |
| Expenses | | | |
| Debenture interest | | (421) | (133) |
| Interest on loans | | (107) | (29) |
| Professional fees | | (204) | (34) |
| Salaries | | (252) | (134) |
| Write-down of oil and gas properties | | (957) | (515) |
| Other | | (701) | (202) |
| Loss before income tax expenditure | | <u>(2417)</u> | <u>(1043)</u> |

30 September 2008

31 March 2009

\$,000

\$,000

Balance Sheet

Assets

| | | | |
|----------------------------------|---|-------------|------------|
| Cash | | 131 | 84 |
| Restricted cash | 1 | 587 | 325 |
| Receivables | | 471 | 114 |
| Property, plant & equipment | | 899 | 384 |
| Debenture sinking fund and costs | | 475 | 1 |
| Total Assets | | <u>2564</u> | <u>908</u> |

Liabilities

| | | | |
|---------------------------|--|---------------|---------------|
| Accounts payable | | 1213 | 1104 |
| Related parties payables | | 312 | 432 |
| Borrowings | | 880 | 787 |
| Provision for restoration | | 157 | 157 |
| Debentures | | 2073 | 1456 |
| Total Liabilities | | <u>4635</u> | <u>3936</u> |
| Deficiency in Net Assets | | <u>(2071)</u> | <u>(3028)</u> |

Shareholders Equity

| | | | |
|-----------------------------------|--|---------------|---------------|
| Share capital | | 12101 | 12101 |
| Warrants | | 119 | 119 |
| Foreign exchange reserve | | (79) | 7 |
| Debentures – Equity portion | | 58 | 58 |
| Accumulated losses | | (14270) | (15313) |
| Deficiency in Shareholders Equity | | <u>(2071)</u> | <u>(3028)</u> |

| Notes | 30 September 2008 | 31 March 2009 |
|--|-------------------|---------------|
| | \$,000 | \$,000 |
| 1. Restricted cash | | |
| Made up of: | | |
| Prepaid debenture interest | 268 | 6 |
| Trade dollars arising from barter services | 319 | 319 |
| | <u>587</u> | <u>325</u> |

2. Background to Earth Heat

2.1 Overview of Earth Heat and its Structure

Earth Heat was established in 2007 and has engaged in geothermal resources exploration and the accumulation of prospective areas. It is the owner of the three tenements in South Australia; GEL 337 Mt Grainger, GEL 338 Paratoo and GEL 339 Waroonee. Earth Heat has also applied for GELA 503, 504, 505, 506 and 507.

2.2 Financial Information

Extracts of the audited Balance Sheet and Income Statement of Earth Heat as at 30 June 2009 and 2008.

The financial information has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations and the Corporations Act 2001.

| | Year ended 30/06/09 | 11 moths ended 30/6/08 |
|--------------------------------------|------------------------|---------------------------|
| | \$ | \$ |
| Revenue | - | - |
| Expenses | | |
| Miscellaneous | (7633) | (5270) |
| Loss before income tax expense | <u>(7633)</u> | <u>(5270)</u> |
| | 30 June 2009 | 30 June 2008 |
| | \$ | \$ |
| Balance Sheet | | |
| Assets | | |
| Cash | 2 | 2 |
| Receivables | 174 | 500 |
| Exploration & evaluation expenditure | 20076 | 9969 |
| Total Assets | <u>20252</u> | <u>10471</u> |
| Liabilities | | |
| Payables | 33153 | 115739 |
| Total Liabilities | <u>33153</u> | <u>115739</u> |
| Deficiency in Net Assets | <u>(12901)</u> | <u>(5268)</u> |

| | 30 June 2009 | 30 June 2008 |
|-----------------------------------|----------------|---------------|
| | \$ | \$ |
| Shareholders Equity | | |
| Share capital | 2 | 2 |
| Accumulated losses | <u>(12903)</u> | <u>(5270)</u> |
| Deficiency in Shareholders Equity | <u>(12901)</u> | <u>(5268)</u> |

3. Corporations Act Requirements

Section 606(1) of the Corporations Act contains a general prohibition on the acquisition of a relevant interest in shares in a listed company if a result of the acquisition is that the person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

There are various exceptions to the prohibition in Section 606, including under Section 611 Item 7 of the Corporations Act. Section 611 Item 7 provides an exception to the prohibition in Section 606 in circumstances where the shareholders of FRV can approve an acquisition of shares at a meeting at which no votes are cast by parties involved in the proposed acquisition, including their associates.

Section 611 Item 7 requires that all shareholders are given all information known to the person proposing to make the acquisition or to their associates, or known to FRV, that was material to the decisions on how to vote on the resolution, including:

- (i) the identity of the person proposing to make the acquisition and their associates;
- (ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;
- (iii) the voting power that person would have as a result of the acquisition;
- (iv) the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
- (v) the voting power that each of that person's associates would have as a result of the acquisition.

4. Requirement for an Independent Expert's Report

Section 640 of the Corporations Act requires the Directors to obtain an independent expert's report to consider the fairness and the reasonableness of the acquisition.

The Directors have appointed Alpha Securities Pty Ltd ("Alpha Securities") as the independent expert for the purposes of Item 7 of Section 611 of the Corporations Act.

We are required to:

- (a) determine whether the proposal is fair and reasonable to non-associated shareholders;
- (b) give an opinion on whether any person will receive a premium for control of FRV as a result of the acquisition of shares pursuant to the Resolution;
- (c) fully explain the benefits of the proposal;
- (d) advise whether the proposal, if approved by shareholders, may deter the making of a takeover offer for FRV; and
- (e) address in its report any other information which it knows which is material to shareholder decisions on the proposal.

What is fair and reasonable must be judged by the independent expert in all the circumstances of the proposal. This means taking into account the likely advantages and disadvantages for associated shareholders if Resolution 3 is approved and comparing them with the advantages and disadvantages for those shareholders if it is not approved.

5. Valuation of Earth Heat

5.1 Valuation Methodologies

To determine if the acquisition is fair, we must derive an appropriate value of Earth Heat.

The primary valuation methods commonly used for valuing a business and/or a company are the:

- (a) Market based method
- (b) Income based method; and
- (c) Asset based method.

Each of these methodologies has application in different circumstances.

(a) Market Based Method

Market-Based Methods estimate a company's fair market value by considering the market price of transactions involving guideline companies, or the market value of guideline publicly traded companies. Market-based methods involve the capitalisation of maintainable earnings by a multiple that reflects the risks associated with those earnings.

Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future "maintainable" earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record, expectations of future profitability, and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in a start-up phase, has a finite life or is likely to experience a significant change in growth prospects and risks in the future.

Capitalisation multiples can be applied to either estimates of future maintainable earnings before interest, tax, depreciation and amortisation ("EBITDA"), earnings before interest and tax ("EBIT") or net profit from after tax ("NPAT"). The appropriate multiple to be applied to such earnings is usually derived from stock market trading multiples of shares in companies that are considered to be comparable and from precedent transactions within the industry.

The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business, an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

(b) Income Method Discounted Cash Flow ("DCF") Method

Under the DCF methodology, the value of an asset is calculated as the net present value of the estimated future cash flows including a terminal value, if appropriate. In order to arrive at the net present value, cash flows are discounted using a discount rate, which reflects the risks associated with the cash flow stream.

This approach is commonly used to value companies or where an asset has a finite life and the future cash flows can be forecast with a reasonable degree of confidence. Additionally, this methodology is adopted for the valuation of projects and assets where it is not possible to estimate "maintainable" earnings as the business is in a state of transformation, start-up or rapid growth.

(c) Asset Based Method

An Asset-Based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It is commonly used in circumstances where the earnings of the company do not support the net asset base, for example, property holding companies or companies incurring losses. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed.

Using this methodology, the value of the net assets of the company would be adjusted for the time, cost and taxation consequences of realising the company's assets.

5.2 Selection of Methodology

We have selected Asset Based Methods to value the shares in Earth Heat because:

- (a) The Market Value Method is not appropriate as Earth Heat is not a listed public company, and it has incurred accumulated losses (as detailed in Section 2.2). We have reviewed whether we can apply the Alternative Offeror Method. However, we have been unable to find any unlisted geothermal exploration companies which have been either bought or sold since August 2008. As a consequence, we cannot apply this Method;
- (ii) Earth Heat has incurred accumulated losses to date. As a result, the Income Method is not appropriate; and
- (iii) As a consequence of the latter, we have applied Asset Based Methods. Of these methods, we have compared the Orderly Realisation of Assets Method with the Tenements Valuation Method.

As disclosed in Section 2.2, Earth Heat had deficiencies in net assets of \$12,901 and \$5,268 for the years ended 30 June 2009 and 2008 respectively. Under the Orderly Realisation of Assets Method, Earth Heat would have no value.

Under the Tenement Valuation Method, the value of Earth Heat depends on the value of the tenements it holds. We have reviewed the latter Asset Based Method to determine an alternative value.

5.3 Valuation of Earth Heat

5.3.1 Tenements Valuation Method.

As discussed in Section 2.1 of this Report, Earth Heat is the owner of the three tenements in South Australia, GEL 337 Mt Grainger, GEL 338 Paratoo and GEL 339 Waroonee.

Alpha Securities Pty Limited does not possess the scientific or technical knowledge necessary to evaluate the mineral assets of Earth Heat and has requested Global Resources and Infrastructure Pty Ltd ("GRI") to act as a specialist to undertake an independent review of these tenements' value. This review conforms with the requirements of the Australasian Institute of Mining and Metallurgy's VALMIN Code 2004.

Having undertaken an assessment of Earth Heat's GEL's and reviewed their value, GRI has determined their value to be between \$4.2 million and \$5.1 million.

GRI assessed a number of valuation methods to come to this value. This value was derived using the Comparable Transactions Method. This Method involves reviewing the values of reasonably recent transactions for other properties that are judged to be similar and/or in the same region as the property in question.

It was reviewed that there have been a number of recent transactions involving geothermal exploration licences in South Australia. GRI chose to take the values of GEL's held by the companies in Table 1 to be indicators of the value of the GEL's held by Earth Heat.

Table 1: Comparable Transactions

| Company | Number of GELs | Market Value \$m | Average Price Per GEL | |
|----------------------|----------------|------------------|-----------------------|------------|
| | | | Low \$ | High \$ |
| Petratherm | 3 | 7.125 | 2.375 | 2.375 |
| Green Rock Energy | 5 | 8.1 | 1.62 | 1.62 |
| Torrens Energy | 14 | 10.0 | .714 | .714 |
| Geothermal Resources | 4 | 8.25 | 2.06 | 2.06 |
| Deep Energy | 12 | 2.7 | .225 | |
| Average | | | 1.4 | 1.7 |

Based on the average, the comparative value of Earth Heat's 3 tenements is in the range of \$4.2 million to \$5.1 million.

As a result, under the Tenements Valuation Method, the value of Earth Heat is in the range of \$4.2 million to \$5.1 million.

6. Conclusion as to Fairness

Under the Tenements Valuation Method, Earth Heat has a value in the range of \$4.2 million to \$5.1 million.

Under Resolution 3, FRV will acquire Earth Heat for \$2.6 million.

Due to the value of the consideration being less than the calculated value of Earth Heat, as a consequence, in our opinion, the proposed acquisition is fair.

7. Position if Proposal is Accepted

ASIC Regulatory Guide 111 states that the Proposal must be fair and reasonable to the members of FRV as a whole. Therefore, we have considered the position if Resolution 3 is accepted and have taken into account the following advantages and disadvantages in this assessment.

Earth Heat will receive a premium for control of FRV as a result of the acquisition.

We have weighed these advantages and disadvantages and have found the acquisition is reasonable.

(a) Advantages of Accepting Proposal

- (i) FRV will have eliminated all debt obligations and have working capital to fund activities, increasing potential returns to shareholders.
- (ii) FRV will acquire tenements which could be exploited, increasing potential returns to shareholders.

(b) Disadvantages of Accepting the Proposal

- (i) Shareholders will have lesser voting rights in determining the direction of FRV due to the issue of shares to the various shareholders in Earth Heat.
- (ii) The acquisition will deter the making of an alternate takeover offer for FRV.

8. Source of Information

We have relied on the following information for the purpose of preparing this Report:

- Review and valuation of the Mineral Assets of Earth Heat by Global Resources Infrastructure Pty Ltd.
- Accounts of FRV for the periods ended 30 September 2008 (audited) and 31 March 2009 (reviewed);
- Discussions with Management of FRV and Earth Heat;
- Australian Financial Review; and
- Audited accounts of Earth Heat for the periods ended 30 June 2009 and 2008.

9. Independence

We are entitled to receive a fee of \$20,000 (excluding GST) for this Report. Except for the fee, we have not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

Prior to accepting this engagement, we considered our independence with respect to FRV with reference to the ASIC Regulatory Guide 112 titled "Independence of Experts". In our opinion, we are independent of FRV.

We do not have at the date of the Report, and have not had within the previous 2 years, any relationship with FRV beyond that of professional advisors.

A draft of this Report was provided to FRV and its advisers for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review.

In addition, we have been indemnified by FRV in respect of any claim arising from our reliance on information provided by FRV, including the non-provision of material information, in relation to the preparation of this Report.

10. Qualifications

Alpha Securities has experience in the provision of corporate financial advice.

The person specifically involved in preparation and reviewing this Report was Stuart Cameron. He has significant experience in the preparation of Independent Expert's Reports and valuations within Australia.

11. Disclaimers and Consents

This Report has been prepared at the request of FRV for attachment with the Notice of Extraordinary General Meeting which will be sent to all members of FRV. FRV engaged us to prepare an Independent Expert's Report to consider Resolution 3.

We hereby consent to this Report accompanying the Notice. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without prior written consent.

We take no responsibility for the contents of the Notice other than this Report.

We have not independently verified the information and explanation supplied to us, nor have we conducted anything in the nature of an audit of FRV or Earth Heat. However, we have no reason to believe that any of the information or explanation so supplied is false or that material information has been withheld.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of our engagement are such that we have no obligation to update this Report for events occurring subsequent to the date of this Report.

12. Indemnity

FRV has provided an indemnity for us for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this Report.

Yours sincerely
ALPHA SECURITIES PTY LTD

Stuart H. Cameron
Authorised Representative

FINANCIAL SERVICES GUIDE

Dated 25 November 2009

Alpha Securities Pty Ltd ACN 124 327 064 ("Alpha" or "we" or "us" or "ours" as appropriate) has been given authority to issue general financial product advice in the form of a report to be provided to you.

1. FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client, a Financial Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees. This FSG includes information about:

- Who we are and how we can be contacted;
- The services Alpha are authorised to provide are by way of authority under their Australian Financial Services Licence, Licence No 330757;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have ; and
- Our complaints handling procedures and how you may access them.

2. FINANCIAL SERVICES WE ARE LICENCED TO PROVIDE

Alpha holds an Australian Financial Services Licence and is authorised to provide general financial product advice to retail and wholesale clients including the following classes of financial products:

- Derivatives limited to old law securities, options contracts and warrants;
- Securities; and
- Superannuation

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly, but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided under an authority given by a financial services licensee authorised to provide the financial product advice contained in the report.

3. GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider the statement before making any decision about whether to acquire the product.

4. FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement.

Except for the fees referred to above, neither Alpha, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

5. REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity, but not directly in connection with any engagement for the provision of a report.

6. REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

7. ASSOCIATIONS AND RELATIONSHIPS

From time to time, Alpha may provide professional services, including financial advisory services, to financial product issuers in the ordinary course of its business under its authority.

8. COMPLAINTS RESOLUTION

8.1 International Complaints Resolution Process

Having authority under a holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints

Officer, Alpha Securities Pty Ltd, Level 1, 275 George Street, Sydney NSW 2000.

When we receive a written complaint, we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complaint in writing of our determination.

8.2 Referral to External Dispute Resolution Scheme

A complaint not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("**FICS**"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Alpha is a member of the FICS Complaints Handling Tribunal No. E-473.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited

PO Box 579
Collins Street West
MELBOURNE VIC 8007

Toll free: 1300 780 808
Facsimile: (03) 9621 2291

9. CONTACT DETAILS

You may contact us using the details set out in paragraph 8.1 in this FSG.