



FALL RIVER RESOURCES LTD.

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15 October 2009

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

Dear Sirs

RE: EXECUTION OF MEMORANDUM OF UNDERSTANDING

Directors wish to announce the recent signing of a memorandum of understanding ("MOU") between Fall River Resources Limited (Fall River) and Earth Heat Limited ("Earth Heat") which provides for the acquisition by Fall River Resources of all of the issued shares in Earth Heat, consideration for the acquisition is \$2.6m to be satisfied by the allotment and issue of 260.0m new Fall River shares of \$0.01.

Earth Heat hold the following geothermal exploration leases and lease applications:

Tenements granted

South Australia	Tenement	Area
Waroonee	GEL 339	499km ²
Paratoo	GEL 338	496km ²
Mt Granger	GEL 337	499km ²

Tenement applications

GEL A	503
GEL A	504
GEL A	505
GEL A	506
GEL A	507

The MOU further provides for the following:

- The agreement of Fall River shareholders in general meeting to the consolidation of the existing 91.0m Fall River shares on the basis of approximately one new share for each three Fall River shares currently held.
- The transaction requires the consent of Fall River Noteholders and creditors. Consequent upon the approval of Fall River shareholders to the consolidation,

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Noteholders and creditors will in aggregate be offered on a pro rata basis a total of 69.0m new Fall River shares at a value of \$0.01 each in satisfaction of the company's outstanding obligation to them. The approximate allocation of shares will be on the basis of 16 new Fall River shares for every \$1.00 owing.

- Fall River shareholders to approve the issue and allotment of 200.0m new shares at an issue price of not less than \$0.01 to sophisticated investors.

It is proposed that 100.0m new Fall River shares will be allotted immediately on shareholder approval of the transaction and the balance of 100.0m shares be allotted at the discretion of the new board of Fall River but within 4 months from the date of shareholder approval.

- An allotment to a Fall River director, of 5.0M new Fall River shares at \$0.01 each in past satisfaction of debts due and owing by Fall River in relation to consulting fees.
- An allotment to the facilitator of 40.0m new Fall River shares, subject to raising funding required to complete the transaction being not being less than \$120,000. In the event that the seed capital costs exceed \$120,000 the facilitator fee shall increase by 1.25M new Fall River shares for every additional \$10,000 worth of capital subscribed. The facilitators fee is also inclusive of all costs of allotting the 200.0m new shares to raise not less than \$2million at an issue price of not less than \$0.01 per new Fall River share as contemplated by the MOU and for the introduction and co-ordination of the transaction.
- The payment of debt owing to Earth Heat creditors to a maximum of approximately \$33,000.
- The transaction and its completion is subject to the satisfactory completion of due diligence and the satisfactory completion of the relevant purchase and sale agreement.
- At the completion of the transaction and following the proposed capital raising the company will have approximately 604m new shares on issue.

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

For further information contact:

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