

PEAT RESOURCES LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS – NOVEMBER 30, 2015

This Management's Discussion and Analysis ("MD&A") is prepared as of January 29, 2016 and should be read in conjunction with the audited annual financial statements of Peat Resources Limited (the "Company") for the year ended May 31, 2015, and the unaudited interim condensed financial statements of the Company for the six month periods ended November 30, 2015 and 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address future activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Additional information can be found on SEDAR, www.sedar.com or on the Company's website www.peatfuel.com. All amounts are in Canadian dollars.

GENERAL

Peat Resources Limited was formed for the purpose of the exploration and development of peat resources as well as the development, production and marketing of peat fuel. Volatile energy prices, increased sensitivity to environmental issues, and government energy policies in North America and European jurisdictions enhanced opportunities for the use of peat fuel in electricity generating stations and other facilities that require economically competitive, environmentally favourable, and consistent quality fuel supplies. The Company focused its efforts on peat resource development in eastern Canada.

The Company initially identified about 200 million tonnes of in situ fuel-grade peat in Northwestern Ontario. The fuel-grade peat is very low in sulphur and mercury content and can be produced with energy values equivalent to the coal historically used in regional power generation stations. Analysis of data from a methane-monitoring program confirmed that peat extraction and reclamation would reduce methane emissions and lead to a net reduction of greenhouse gas emissions at the extraction sites.

Published results of two major research programs (Environmental Effects of Wet-harvesting Peat as an Alternative Energy Source for the Atikokan Generating Station and Cofiring Peat/Forest Biomass with Coal for Power Generation) funded by the Ontario Centres for Excellence confirmed that the Company's approach to peat harvesting has minimal environmental impact. As part of this research, the federal CANMET laboratories in Ottawa confirmed that the Company's peat pellets are an effective biomass fuel.

To access reserves and to explore potential peat fuel markets in eastern Canada, the United States, Europe and China, the Company has conducted exploration on prospective peatlands in western, eastern and central Newfoundland. Over 40 million cubic meters of fuel peat have been identified in high priority areas of the Stephenville-St. George's region of western Newfoundland. Further fieldwork and resource evaluation was conducted on additional properties in central Newfoundland to evaluate the resource base. The Company has received encouragement from Newfoundland government agencies regarding its peat fuel development in that province.

The Company completed engineering process design and construction of a small-scale peat-fuel processing facility in Stephenville, Newfoundland. The location is strategically situated with respect to transportation infrastructure, including deep-water port facilities. The production facility was used as needed to provide sample shipments of peat fuel pellets for combustion trials and marketing purposes. One sample shipment went to Corner Brook Pulp and Paper for a successful combustion trial; smaller quantities of peat pellets were test marketed with local Stephenville-St. George's homeowners for pellet furnace applications; further shipments went to interested parties in European and Asian markets. Following encouraging meetings with the Newfoundland Premier and other senior government officials, a Business Plan based on the establishment of a 200,000-tonne/year peat pellet production operation was created and requires a financial partner in order to undertake a full feasibility study of this development.

To maximize efficiency of the peat pellet production system, the Company had an arrangement to investigate alternative biomass processing technologies and the torrefaction of peat pellets. The Company pursued the investigation of the potential for manufacturing activated carbon from peat. Initial samples submitted for testing by activated carbon producers have achieved positive results. During the past year, the Company extended its efforts to provide samples, generated from newly assessed peat resources in Quebec, to satisfy the current requirements. The decision to proceed with bulk production has been deferred to 2016. As a result of this deferral, the Company will proceed with an investigation of options and new opportunities while maintaining the established resource base.

OVERALL PERFORMANCE

As at November 30, 2015 the Company's cash position has increased to \$201,041 from \$3,165 at the May 31, 2015 year-end. Cash received through private placement of common shares and debenture funding has been used to alleviate debt, for project activities and corporate expenses. The Company will continue to focus on new opportunities and maintain its interest in resource development.

OPERATIONS

The Company is an exploration and development company and currently has no revenue. The Company's operations have involved project development and resource maintenance in Eastern Canada. Existing and future cash inputs are dedicated to the ongoing corporate and general expenses required to run a public company. For the six-month period ended November 30, 2015, the Company had a net loss of \$228,136, compared to \$35,988 for the same period in 2014 when the Company reached a debt settlement agreement resulting in a \$165,350 gain offsetting the net expenses of \$201,338. There is continued focus on seeking funds to maintain its operations.

GENERAL AND ADMINISTRATIVE EXPENSES – (Reporting standards used: IFRS)

Six months ended

	<i>November 30, 2015</i>	<i>November 30, 2014</i>
Management services	\$ 89,120	\$ 44,389
Exploration and evaluation costs	35,470	64,489
Corporate and office services	15,825	20,944
Professional fees	10,227	21,804
Insurance	12,094	12,095
Premises rent	4,500	3,000
Shareholder communication	8,039	23,907
Debt conversion	-	(165,350)
Accretion on debenture	52,861	10,710
	<u>\$ 228,136</u>	<u>\$ 35,988</u>

PROJECT EXPENDITURES - (Reporting standards used: IFRS)

Six months ended

	<i>November 30, 2015</i>		<i>November 30, 2014</i>	
	<i>Quebec</i>	<i>Newfoundland</i>	<i>Quebec</i>	<i>Newfoundland</i>
Project management	\$ 16,500	\$ -	\$ 12,750	\$ 12,750
Project consulting fees	-	2,000	2,250	5,250
Site work	10,192	2,628	16,457	11,032
Licenses and permits	-	4,150	-	4,000
	<u>\$ 26,692</u>	<u>\$ 8,778</u>	<u>\$ 31,457</u>	<u>\$ 33,032</u>

The Company's policy is to expense project expenditures. Project expenditures that were expensed for the six-month period ended November 30, 2015 totaled \$35,470 compared to \$64,499 in the same period in 2014. The Company has not dedicated any resources to development in Ontario in the periods covered by this report.

EQUIPMENT

The Company has the components of a small-scale production facility. The cost and net book value of the equipment is \$15,478 and for the plant is \$69,522, for a total of \$85,000 at November 30, 2015. The equipment cost was \$1,080,047 and \$69,522 for the plant totalling \$1,149,569 in 2014. In the year ended May 31, 2015, the equipment was written down to the estimated recoverable amount based on the fair value less cost of disposal. The estimated fair value was measured through an external offer for the plant and equipment.

SUMMARY OF QUARTERLY RESULTS

The following quarterly results are presented in accordance with IFRS.

	<i>For the three month periods ended</i>			
	<i>Nov. 30</i>	<i>Aug. 31</i>	<i>May 31</i>	<i>Feb. 28</i>
	<i>2015</i>	<i>2015</i>	<i>2015</i>	<i>2015</i>
Net loss (profit) (in thousands)	112	96	(1,536)	83
Net loss per share	0.001	0.001	0.021	0.001
Total assets (in thousands)	286	110	88	1,181
Shareholders' equity (deficiency) (in thousands)	(782)	(938)	(824)	414
	<i>For the three month periods ended</i>			
	<i>Nov. 30</i>	<i>Aug. 31</i>	<i>May 31</i>	<i>Feb. 28</i>
	<i>2014</i>	<i>2014</i>	<i>2014</i>	<i>2014</i>
Net loss (profit) (in thousands)	126	(90)	(385)	40
Loss per common share	0.002	(0.001)	(0.001)	0.001
Total assets (in thousands)	1,220	1,234	1,232	1,182
Shareholders' equity (in thousands)	496	620	526	106

FUTURE ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on January 1, 2015 or later periods. Updates that are not applicable or are not consequential to the Company have been excluded from the listing in Note 3 of the audit financial statement for the year-ended May 31, 2015. The Company anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Company except for the additional disclosures.

Standards and interpretations issued but not yet effective:

IAS 1 *Presentation of Financial Statements* was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

IFRS 9 *Financial Instruments* was issued in final form in July 2014 by the IASB and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial

instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

LIQUIDITY

The Company's resource investigation and project development activities have been funded to date primarily through the issuance of common shares, and the Company expects that it will continue to be able to utilize equity and debt financing until it develops cash flow from operations. Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of its projects as well as its continued ability to raise capital. During the reporting period ended November 30, 2015, the Company added \$110,000 to working capital with funds received through unsecured debenture loans and \$300,000 through the private placement of common shares. There was \$260,000 in debenture funding received in the same six-month period in 2014.

Cash as at November 30, 2015 was \$201,041 (May 31, 2015 - \$3,165). The Company has no long-term debt. Accounts payable and accrued liabilities at November 30, 2015 were \$355,921 (May 31, 2015 - \$299,745). Debentures payable are \$712,293 compared to \$612,669 at May 31, 2015. Currently the Company's material source of funds is through the sale of common shares by way of private offerings and debentures.

Cash used in operating activities during the period ended November 30, 2015 was \$119,099 and in the same period in 2014, was \$244,135.

Cash generated from financing activities during the six-month period ended November 30, 2015 was \$110,000 pursuant to the issue of a debenture with a cost of \$10,928 and an interest payment of \$50,400 for a net amount of \$48,672. In addition, there was \$300,000 raised through private placement of shares with a share issue cost of \$31,697 for a net amount of \$268,303. In the same period ended November 30, 2014, there was \$260,000 raised through debentures with a cost of \$23,400 for a net amount of \$236,600.

The Company has an active non-exclusive agency agreement with IBK Capital Corp. to provide equity financing. Funding options are currently being reviewed and IBK has assisted in debt financing. The proceeds of the equity and debt financing were used for the ongoing evaluation of projects, maintenance of properties, general corporate administration expenses and debt settlement. In addition, on December 21, 2015, the Company engaged IBK Capital Corp. to act as financial advisor to the Company for a two year term. In the event that the advisory services result in a capital stock financing apart from a private placement of shares or alternative form of financing or capital transaction, a fee of three percent of the value of the transaction will be payable.

At present, the Company's operations are not generating sufficient cash flow and the ability to raise the capital resources to undertake these objectives is dependent upon the venture capital market and the price of competing fuel sources. The Company is committed to environmental compliance in partnership with the Newfoundland government and has been reliant on their willingness to support biomass fuel development. The project's development process can take many years and is subject to factors that are beyond the Company's control. Actual funding requirements may vary from those planned due to a number of factors, including the progress of development activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control. If the Company is unable to raise sufficient financing it may need to scale-back its intended program and its other expenses, and search for alternate projects.

CAPITAL RESOURCES

The Company relies on the issuance of common shares, advances from related parties and debentures to fund working capital. The Company is actively seeking capital for an infusion from private investors to continue to fund project development and corporate administrative activities.

As at November 30, 2015, the Company's share capital was \$11,739,597 representing 99,097,236 issued and outstanding common shares without par value compared to \$11,495,409 representing 69,097,236 shares on November 30, 2014.

On July 8, 2013, there were 1,000,000 shares issued through an unbrokered private placement of share purchase units at \$0.04 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable for one year from the closing date at \$0.05 and an additional three years at \$0.10. On May 9, 2014, there were 2,000,000 shares issued through a conversion of debt valued at \$30,000.

On May 8, 2014, there was a loan transaction that resulted in the issue of broker warrants totalling ten percent of the funds raised divided by \$0.05 per share or 500,000 warrants. Each broker warrant allows the holder to acquire one common share at a price of \$0.05 for two years. Similarly, on June 25, July 31 and September 4, 2014, there were 220,000, 120,000 and 180,000 broker warrants issued with the same terms in association with debentures. On February 5, 2015, there was an additional 100,000 brokers warrants issued with the same exercise price but with a four year term. On July 15, 2015, a further 220,000 broker warrants were issued in relation to a debenture. The warrants are exercisable at \$0.05 for five years.

On November 17, 2015, there were 30,000,000 shares issued through a brokered private placement at \$0.01 per share for proceeds of \$300,000. There were 2,650,000 broker warrants issued in connection with this private placement exercisable at \$0.05 per warrant for a period of five years.

As at November 30, 2015, there are 8,015,000 warrants outstanding (on November 30, 2014 – 5,045,000 warrants remained outstanding).

At November 30, 2014, there were 2,800,000 options exercisable at \$0.20 that expired on January 19, 2015. On March 11, 2015, there were 6,900,000 five year options granted exercisable at \$0.05. Options are issued in accordance with the Company's Stock Option Plan.

OUTSTANDING SHARE DATA

	November 30, 2015	May 31, 2015	November 30, 2014
Common shares	99,097,236	69,097,236	69,097,236
Warrants	8,015,000	5,145,000	5,045,000
Stock options	6,900,000	6,900,000	2,500,000
Fully Diluted	<u>114,012,236</u>	<u>81,142,236</u>	<u>76,642,236</u>

DEBENTURE PAYABLE

The debenture issued by the Company on May 8, 2014, is a secured obligation which earns interest at a rate of 12% per annum. The debenture is secure by all plant and equipment held by the Company. They rank senior to all the Company's indebtedness. The debenture term is one year, due on April 25, 2015. As such, the entire debenture balance is classified as a current liability. The associated issue costs of \$28,077 include \$22,500 in cash and \$5,577 being the value assigned to 500,000 broker warrants. The fair value of the services associated with the broker warrants could not be reasonably estimated, therefore the broker warrants have been recorded at the value determined by using the Black-Scholes option pricing model and charged to capital stock. The total balance of debenture issue costs were netted off the face value of the debenture. An accretion amount of \$5,462 was recorded.

On June 25, 2014, the Company closed an unsecured debenture loan of \$110,000. The loan is payable in one year or earlier with a 12% annual interest rate. An agent's fee of \$9,900 in cash was paid and 220,000 broker warrants were issued. Each broker warrant allows the holder to acquire one common share at a price of \$0.05 for up to 24 months from the closing date. The warrants have been valued at \$2,574 and added to capital stock as described above. An accretion amount of \$4,713 was recorded in the period.

On July 31, 2014 the Company closed an unsecured debenture loan in the amount of \$60,000. The loan is payable in one year or earlier with a 12% annual interest rate. An agent's fee of \$5,400 in cash was paid and 300,000 broker warrants were issued. Each broker warrant allows the holder to acquire one common share at a price of \$0.05 for up to 24 months from the closing dates. The warrants have been valued at \$1,351 and added to capital stock as described above. An accretion amount of \$955 was recorded in the period.

On February 5, 2015, the Company closed an unsecured debenture loan of \$50,000. The loan is payable in one year or earlier with a 12% annual interest rate. An agent's fee of \$4,500 in cash was paid and 100,000 broker warrants were issued. The effective interest rate on the debenture is 25.1%. Each broker warrant allows the holder to acquire one common share at a price of \$0.05 for up to 48 months from the closing date. The warrants have been valued at \$735 and added to capital stock.

On July 15, 2015, the Company closed an unsecured debenture loan of \$110,000. The loan is payable in one year or earlier with a 12% annual interest rate. An agent's fee of \$9,900 in cash was paid and 220,000 broker warrants were issued. Each broker warrant allows the holder to acquire one common share at a price of \$0.05 for up to 5 years from the closing date. The warrants have been valued at \$1,909 and added to capital stock as described above.

Debenture issue costs of \$12,837 have been incurred during the six-month period ended November 30, 2015, of which \$10,928 was paid in cash and \$1,909 was the assigned value of the 220,000 broker warrants issued. The total balance of debenture issue costs of \$75,487 were netted off the face value of the debenture. There was \$50,400 paid in interest during the period and \$40,200 in interest accrued and a six month accretion of \$12,661.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

On September 17, 2015, the Company was granted exploration licenses by the Government of Newfoundland and Labrador on 41,500 hectares of peatland. Exploration licenses for two quarry permits at two hectares each were applied for at the same time and, at the time of this report, have not been granted.

The Company's exploration activities are subject to various law and regulations governing the protection of the environment. These law and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

RELATED PARTY TRANSACTIONS

Technical and administrative support is received from directors and officers, key management of the Company and paid for at rates representative of fair market value. Compensation paid to key management includes share-based compensation.

During the six month period ended November 30, 2014, executive management and legal fees amounting to \$19,300 were charged by John Allen, Interim CEO and director of the Company from June 20, 2014 to October 20, 2014. In addition, there were \$1,590 in reimbursable corporate expenses incurred. In the six month period ended November 30, 2015, there was \$9,827 charged for legal fees and \$600 in corporate expenses paid by Allen. Also, in the current six month period, Robert Wright, director and Interim CEO from October 22, 2014 to September 14, 2015, charged \$78,120 in executive management fees (\$16,640 in executive management and \$12,750 in consulting fees in 2014) and \$2,000 in reimbursable corporate expenses were incurred (2014 - \$1,590). Patricia Mannard, director and CFO, provided corporate maintenance and accounting management services in the amount of \$14,667 (\$19,667 in 2014). As Interim CEO from September 14, 2015, Mannard charged \$11,000 for executive management in the period ended November 30, 2015. In addition, there were \$13,040 in reimbursable corporate expenses paid by Mannard (\$nil in 2014).

Total compensation paid to key management for fees and services during the six month period ended November 30, 2015 is made up of cash in the amount of \$55,000 (2014 - \$84,332). There was no share-based compensation paid to key management in the six month periods. As at November 30, 2015, accounts payable includes \$97,307 (2014 - \$25,543) due to the related parties mentioned above.

On January 19, 2010 there were 300,000 options granted to former directors Peter Telford and Leon La Prairie, 700,000 granted to Mannard, 1,000,000 granted to Wright and 250,000 each to John Loewen and Allen. The options are exercisable at \$0.20 for five years and expired on January 19, 2015. There were 6,200,00 five-year options granted on March 11, 2015 to directors Wright (2,500,000), Mannard (1,100,000), Allen (1,000,000), Loewen (1,000,000) and Peter

Smith (600,000). The options are exercisable at \$0.05. On September 14, 2015, directors Loewen and Smith resigned from the board and Wright resigned as CEO. All options granted to the directors expired 90 days from the time of their resignation. Subsequent to the period end, there were 600,000 options granted to new directors Michael Cachia and Scott Allen.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of resource properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

NATURE OF RESOURCE EXPLORATION

Resource exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when resources are discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of resources or reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of peat deposits will result in discoveries or development of commercial quantities of fuel.

ENVIRONMENTAL RISKS AND HAZARDS

All phases of the Company's operations are subject to environmental regulations pertaining to the Provinces of Newfoundland and Labrador and Canada. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability.

PERMITS, LAWS AND REGULATIONS

Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from proceeding with planned exploration or development of resource properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in resource operations may be required to compensate those suffering loss or damage by reason of the activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

ADDITIONAL FUNDING REQUIRMENTS

As discussed, the properties of the Company are in the exploration and development stage. The Company has no source of operating cash flow, and will need to raise additional funds to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The development of the exploration property of the Company would depend on the ability of the Company to obtain financing through debt financing, equity financing or other means. If the exploration and development programs of the Company are successful, additional funds will be required to develop the project. The only source of future funds presently available to the Company is the sale of equity capital or the sale of an interest in any of its property in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as on the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing if needed on satisfactory terms. If additional financing is raised by the issuance of shares from the treasury of the Corporation, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce its scope, eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interests in some or all of its property and to reduce or terminate its operations.

PRICES FOR COMMODITIES

The profitability of the Company's operations will be dependent upon the market price of commodities. Energy prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and result of operations.

TITLE TO PROPERTY

The acquisition of title to resource properties is a very detailed and time-consuming process. The Company acquires an interest in properties through land use permits. Title to, and the area of, the properties may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the property in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the property.

DEPENDENCE ON OUTSIDE PARTIES

The Company has relied upon consultants, engineers and others and intends to rely on these parties for development and operating expertise. Substantial expenditures are required to develop the exploration infrastructure at the site, to establish peat reserves through sampling, and to carry out environmental and social impact assessments. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

CONFLICTS OF INTEREST

A number of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting such participation. Further, certain of the directors and officers are involved in other enterprises involved in resource exploration. As a result, conflicts of interest may arise and officers and directors cannot devote 100% of their time to the Company.

INTERNAL CONTROLS

The Company has invested resources to document and analyze its system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at November 30, 2015, or as of the date of this report.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from those estimates.

The most significant estimates and judgements used in the preparation of these financial statements relate to the recoverability of plant and equipment, warrant and stock option valuations and income taxes.

a) Recoverability of plant and equipment

The Company assess the carrying value of plant and equipment each reporting period to determine whether any indication of impairment exists. Determining if impairment indicators exist is a key management judgement. The calculation of recoverable amount requires the use of estimates and assumptions.

b) Valuation of warrants and stock options

The calculation of the fair value of warrants and stock options issued requires the use of estimates of inputs in the applicable valuation models.

c) Deferred income taxes

The interpretation of existing tax laws or regulations in Canada where the Company's operations are located requires the use of judgement. Differing interpretation of these

laws or regulations could result in an increase in the Company's taxes, or other government changes, duties or impositions. In addition, the recoverability of deferred income tax assets, including expected periods of reversal of temporary differences and expectations of future taxable income, are assessed by management at the end of each reporting period.

MANAGEMENT'S EVALUATION OF DISCLOSURE CONTROLS

Management is responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company's disclosure controls and procedures as at November 30, 2015 and have concluded that these controls and procedures are effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed as at November 30, 2015.

OUTLOOK

Peat Resources Limited has been rewarded with interest from the investment community and industry participants in the peat fuel development project. The Company has also received interest and support from the federal government, provincial governments of Ontario and Newfoundland and Labrador, and local governments and community organizations. The Company continues to receive inquiries, including requests for sample product, from potential customers and investors who are seeking sustainable bioenergy alternatives.

While the focus of the Company activity has been on the measured and indicated resource base of 22 million tonnes of peat fuel (at 10% moisture content) in northwestern Ontario and the over 40,000 hectare Newfoundland property, the evaluation of the peat resource base in Quebec over the past year has provided additional options for peat pellet production.

With proceeds from successful equity and debt financing, the Company will maintain its foothold on the extensive peat resources in Newfoundland and continue to evaluate the potential for using peat in the production of the value-added commodity, activated carbon. The components of the small-scale processing facility in Newfoundland will be examined for future use and the Company will investigate potential markets and industry partnerships. In addition, the Company will welcome and evaluate other opportunities for continuing engagement in energy sensitive industries.

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