

PEAT RESOURCES LIMITED

PEAT FUEL – UPDATE MARCH 2006

PEAT FUEL – BACKGROUND

Peat Resources Limited was formed to explore, develop, produce and market peat fuel. The Company's mission is to supply high quality peat fuel on a profitable and sustainable basis to customers requiring economically and environmentally attractive energy sources. Large, continuing increases in energy prices, increased public sensitivity to environmental issues, as well as the Ontario provincial government's commitment to eliminate the burning of coal for power generation, have enhanced opportunities for the use of peat fuel in electricity generating stations and other facilities.

PEAT FUEL – RESOURCE BASE

Successful equity financing in 2004-2005 enabled the Company to proceed with the peat fuel development project initially based in northwestern Ontario. In March 2005, the Company released a resource evaluation report on its Upsala property near Thunder Bay, identifying over 20 million tonnes of fuel-grade peat. The Company intends to add to this resource base and is seeking permits for additional properties in northern Ontario. Analytical work on samples from the Company's peatlands confirmed that the fuel-grade peat is very low in sulphur content, contains no mercury, and can be produced with a competitive energy value.

In October 2005, the Company obtained exploration rights for 34,450 hectares of prospective peatlands in western Newfoundland near Stephenville. The permits, which are issued by the Newfoundland Department of Natural Resources, allow the Company to explore, bulk sample and carry out combustion burns of the peat resources.

PEAT FUEL – PROJECT DEVELOPMENTS

The Company has achieved important progress. Activity is presently focused on technology development and compliance with government regulatory procedures. For example, work is underway on selection and design of wet peat extraction systems. The Company has peat drying technologies being evaluated by institutions in Canada, U.S. and Europe to develop the most energy efficient and cost efficient processes.

Preliminary results are giving a range of production costs dependent on the energy inputs required for the drying systems. The costs range widely from \$20 - \$72 per tonne of peat pellets at 10% moisture content. For its financial analyses the Company is using a more limited spread of \$30 - \$55 per tonne and is seeking a processing system that will bring in costs at the low end of this range.

The Company is mindful of the need for strict compliance with environmental regulations and has completed a voluntary agreement with the Ontario Ministry of the Environment to undertake a full Environmental Assessment of the project. In anticipation of the requirements of this process, the Company has already undertaken biological, elevation and drainage surveys of peat extraction sites to provide baseline information for evaluation of the proposed development.

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TSX Venture Exchange Symbol - PET

In its many areas of operation, the Company consults with First Nations, community and local business leaders and continues to receive encouraging support.

PEAT FUEL – GREENHOUSE GAS REDUCTION

The Government of Canada's Clean Energy Canada website classifies peat as a biofuel, distinct from fossil fuels such as coal, oil and natural gas. This is an important distinction as it means that the combustion of peat fuel is CO₂ neutral and it increases the attractiveness of peat fuel to government agencies and utility companies seeking greenhouse gas reduction credits under the Kyoto Protocol. The federal Environment Minister recently announced that Canada intends to remain a party to this international agreement.

In addition, as previously reported, analysis of data from a methane monitoring program has confirmed that peat extraction and reclamation of the sites in northwestern Ontario would reduce methane emissions and lead to a net reduction of greenhouse gas emissions at these sites.

PEAT FUEL – ONTARIO ELECTRICITY SYSTEM

The Ontario Power Authority (OPA) was set up by the provincial government to develop an improved electricity supply mix for Ontario. One of OPA's targets is to see 500 MW of generation produced from biomass (such as peat). The Company is prepared to cooperate with OPA and share any required information.

As well, Ontario Power Generation (OPG) is conducting burns of a blend of coal and biomass. OPG will be looking at various proportions of coal and biomass to assess and identify the optimum environmental and economic benefits. Again, the Company is prepared to help facilitate this important work.

In its March 23, 2006 Budget, the Ontario government announced the allocation of \$4 million "to create a Bio-Energy Research Centre in Atikokan to conduct practical research for the province, the community and the Atikokan Generating Station."

PEAT FUEL – ONGOING PROGRAM

The Company is presently trying to secure additional financing that will allow us to complete the environmental assessment, engineering process design and feasibility report on the northwestern Ontario project. Funds are also needed for work on the Newfoundland properties, for investigating other possible applications for peat fuel in northern remote communities, and for establishing access to potential large markets in the United States.

With a strong resource base and its unique knowledge of peat processing technology, the Company is well positioned to be the pre-eminent leader in a new North American energy industry.

For additional details, please visit the Company's website at www.peatresources.com.