

PFIC

IMPORTANT TAX NOTICE TO U.S. SHAREHOLDERS OF QUEST RARE MINERALS LTD.

This statement is provided for shareholders who are United States ("U.S.") persons for purposes of the U.S. Internal Revenue Code ("IRC") of 1986, as amended and the regulations thereunder. It is not relevant to other shareholders.

Quest Rare Minerals Ltd. ("QRM") may be deemed to be classified as a Passive Foreign Investment Corporation ("PFIC") as defined in Section 1297(a) of the IRC for the year ended October 31, 2013.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT ANYTHING CONTAINED IN THIS NOTICE CONCERNING ANY U.S. FEDERAL TAX OR OTHER ISSUE IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY PERSON OR ENTITY FOR THE PURPOSE OF (i) AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER OR (ii) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY MATTERS ADDRESSED HEREIN.

The attached PFIC Annual Information Statement is being provided pursuant to the requirements of Treasury Regulation Section 1.1295-1 (g)(1). The PFIC Annual Information Statement contains information to enable you, should you so choose based on the advice of your tax advisor in light of your personal tax circumstances, to elect to treat QRM as a qualified electing fund ("QEF").

A U.S. shareholder who makes a QEF election is required to annually include in his or her income his or her pro rata share of the ordinary earnings and net capital gains of QRM, whether or not that entity distributes any amounts to its shareholders. If you do not elect to treat a QRM as a QEF, then if the QRM is a PFIC for any year during your holding period, adverse tax consequences could result to you.

The QEF election is generally made on Form 8621 ("Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund") on or before the due date, including extensions, for the income tax return with respect to the tax year to which the election relates.

THE INFORMATION IS PROVIDED IN ORDER TO ASSIST SHAREHOLDERS IN MAKING CALCULATIONS AND DOES NOT CONSTITUTE TAX ADVICE. THE U.S. TAX LAWS REGARDING PFICs ARE EXTREMELY COMPLEX AND SHAREHOLDERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISOR CONCERNING THE OVERALL TAX CONSEQUENCES OF THEIR RESPECTIVE INVESTMENT IN, AND OWNERSHIP OF SHARES UNDER UNITED STATES FEDERAL, STATE, LOCAL AND FOREIGN LAW.

Further information on PFIC rules and the QEF election is available from the Internal Revenue Service, including the following website pages: www.irs.gov/instructions/i8621/ch01.html Instructions to complete Form 8621: www.irs.gov/irs-pdf/i8621.pdf Form 8621: www.irs.gov/pub/irs-pdf/f8621.pdf

QUEST RARE MINERALS LTD.

PFIC Annual Information Statement - 2013

1. This information Statement applies to the taxable year of Quest Rare Minerals Ltd. ("QRM") beginning November 1, 2012 and ending October 31, 2013 (the "Taxable Year").

2. The total ordinary earnings and net capital gains of QRM for the Taxable Year were:

Ordinary earnings: nil

Net capital gains: nil

3. The amount of cash and fair market value of property distributed to shareholders of QRM during the Taxable Year were:

Cash distributed: nil

Fair Value of Property distributed: nil

QRM will permit you to inspect and copy its permanent books of account, records and other such documents as may be maintained that are necessary to establish that PFIC ordinary earnings and net capital gains, as provided in Section 1293(e) of the IRC are computed in accordance with U.S. income tax principles, and to verify these amount and the shareholders' pro rata shares thereof.

(Signed) Mark Schneiderman
Chief Financial Officer
Quest Rare Minerals Ltd.

January 29, 2014