AMENDED AND RESTATED MANAGEMENT'S DISCUSSION AND ANALYSIS
As at March 9, 2017

The following management's discussion and analysis ("MD&A") of the results of operations and financial condition of Quest Rare Minerals Ltd. ("Quest" or the "Corporation") covers the year ended October 31, 2016, unless otherwise noted. It should be read in conjunction with the audited financial statements and related notes as at and for the years ended October 31, 2016 and 2015.

The audited financial statements for the years ended October 31, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise noted.

Forward-Looking Statements

Certain of the information contained in this document may contain "forward-looking statements". Forward-looking statements may include, among others, statements regarding the Corporation's future plans, costs, objectives or economic performance, or the assumptions underlying any of the foregoing, including those concerning the Corporation's Strange Lake B-Zone Rare Earth Element ("REE") property. In this document, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such future performance will be achieved. Forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events and are subject to known or unknown risks, uncertainties and other unpredictable factors, many of which are beyond the Corporation's control. These risks and uncertainties include, but are not limited to, those described under the heading "Risk Factors" in the Corporation's Amended and Restated Annual Information Form for the fiscal year ended October 31, 2016, which is available on SEDAR at www.sedar.com, and could cause actual events or results to differ materially from those projected in any forward-looking statements. The Corporation does not intend, nor does it undertake any obligation, to update or revise any forward-looking statements contained in this MD&A to reflect subsequent information, events or circumstances or otherwise, except if required by applicable law.

CORPORATE OVERVIEW

Quest is a Canadian corporation which is aiming to become a world class industrial supplier of critical rare earth metals. To achieve this aim, Quest is working to develop its Strange Lake REE deposit in northeastern Québec, while at the same time working on engineering and constructing a processing facility in Bécancour in southern Québec.

Quest's objective is to become a major stable supplier of rare earth oxides for the permanent magnet industry. Rare earth permanent magnets are used in a wide variety of industrial and consumer applications, including wind turbines, automobiles, consumer electronics and medical equipment. The Strange Lake REE deposit contains quantities of all the rare earth metals used in permanent magnets and Quest estimates as much as 75% of its projected annual commercial revenues would come from permanent magnet customers.

To achieve its objective, the Corporation has a plan to execute a series of steps to firstly publish a revised PEA and ultimately proceed to develop a Bankable Feasibility Study for the project, and then construct and commission the mine and processing facilities. The key activities leading to a Bankable Feasibility Study are:

- Process piloting
- Engineering
- Environmental Impact Assessment (EIA)

All of these activities are in progress and the status and plans for each are outlined below.

Process Piloting

The process flowsheet to produce the mixed rare earth oxide concentrate was developed and tested at a bench scale at SGS Mineral Services – Lakefield (SGS). The work since then has the aim of both scaling up and improving the process parameters of each process step (with the exception of the separation process). Quest's pilot programs will be partially financed by a $4.9 million grant from Sustainable Development Technology Canada (SDTC) that was announced in August 2015 as described below. Piloting is a critical step to ensure the scalability of the process and avoid operational challenges at commercial scale.

The flowsheet includes the following process steps:

- Beneficiation (potentially ore sorting and flotation), which aims to significantly reduces the mass of material to be treated, resulting in smaller process plant footprint at Bécancour and reduced energy requirements

- Selective Thermal Sulphation (STS) roasting and leaching, which targets recovery of REE+Y to solution, with minimum recovery of impurity elements, including Al, Fe, and Zr (they mostly remain in residue). The selective sulphation process aims to greatly reduce acid consumption and dramatically improve the quality of the leach solution, leading to reduced operating costs and allows for a simplified process flowsheet

- Impurity removal from the leach solution

- Crude rare earth concentrate precipitation, which precipitates REE+Y from the leach solution

- Final mixed concentrate production, which includes re-leach of the crude concentrate and final purification steps before producing a high purity mixed rare earth concentrate

- Separation of the mixed rare earth oxide concentrate into the individual rare earth oxides

Beneficiation

The flotation optimization program has been completed. The flotation circuit has been further optimized to achieve a mass pull to concentrate of about 20% with rare earth oxide recoveries of approximately 80%, thereby reducing the average mineral concentrate production. This would result in significant savings in the cost of transportation of flotation concentrate from the mine site to the Becancour processing plant. A potential large reduction in volume of concentrate would also result in significant capital and operating cost savings on processes downstream of beneficiation.

The beneficiation process is a simple flotation circuit that uses commercially available chemicals. The flotation optimization program completed at SGS has established a robust and effective reagent scheme. The program was completed in conventional mechanical flotation cells. A program to evaluate flotation performance in columns was completed in November 2015 at ALS Metallurgy, Kamloops in collaboration with Eriez Flotation Division.

In addition, Quest continues to evaluate sensor-based ore sorting (XRT, radiometric, photometric). A program to evaluate sensor ore sorting was completed at TOMRA's laboratory in Wedel, Germany with 10 dry mt of ore sample from the Strange Lake B-Zone. The economic viability of using sensor ore sorting as the first step in ore mass reduction is currently being evaluated. It is possible that ore sorting can potentially reduce the volume of material needed to be milled, the footprint of the flotation plant as well as the consumption of reagents in the flotation process. The sorted material and other unsorted ore samples (totaling about 100 dry mt) will be piloted through flotation to generate about 20 dry mt of mineral concentrate to feed the STS pilot unit. Quest has started a full flotation pilot program at COREM, the largest organization in Canada totally devoted to mineral processing R&D, located at Québec City, Québec. The main objective of the flotation pilot program is to confirm the process parameters for achieving a mass pull to concentrate of about 20% with rare earth oxide recoveries of approximately 80% at a large scale. Crushing and homogenization of samples from the deposit to

feed the flotation pilot program are completed with production of a 20% mass pull flotation concentrate scheduled for the first half of 2017. The flotation concentrate will feed the STS pilot program slated to begin in the first half of 2017.

Hydrometallurgy

Quest's hydrometallurgical process has the potential to produce a high purity mixed rare earth oxide without technically complex, risky and costly solvent extraction circuits. The key step in the potential process is the selective thermal sulphation. By careful control of key process parameters, the recovery of REE to solution should be maximized while Al, Fe, Zr and other impurities are rendered insoluble, and the acid level of the leach solution is minimized. High levels of acid and impurities in solution represent a major technical and economic challenge for many projects. By leaving the impurities behind in the leached residue and minimizing free acid in the leach solution, the flowsheet could be dramatically simplified – with reductions in acid consumption, neutralizing agent consumption, process plant footprint, energy consumption and the quantity and quality of residue for disposal. Also of note is the fact that silica in Quest's minerals is not attacked by sulphuric acid, resulting in straightforward liquid solid separation steps.

The STS process was successfully tested during this year at a mini pilot scale at SGS. The problem associated with poor flow characteristics of the mixture of ore and sulphuric acid which is common to many projects and manifests itself in difficulty to continuously feed the sulphation vessel has been successfully resolved. The STS process greatly reduces acid consumption and dramatically improves the quality of the leach solution, potentially leading to reduced operating costs and a simplified solution treatment process flowsheet.

The STS process development work is being supported with thermo-gravimetric analysis (TGA) and extensive kinetics mass / heat transfer modeling to help in the selection of equipment and full piloting of the process. Quest is conducting discussions with a major equipment supplier to partner with it in hosting the STS process full pilot.

REE recovery from flotation concentrate to leach solution is anticipated to be as high as 87% in the new process.

Following sulphation and water leaching, the remaining process steps include precipitation and filtration stages using customary equipment and relatively low cost reagents. Impurities are selectively precipitated from solution with minimal REE losses. A crude rare earth concentrate is produced by precipitation. The crude concentrate is then purified to produce the final mixed rare earth concentrate feed to the separation plant.

The final precipitation of the high purity mixed rare earth concentrate uses oxalic acid, which precipitates the rare earths as oxalates. The mixed rare earth oxalate is calcined to produce the high purity oxide.

Mini plant piloting of the STS and water leaching process was completed in the summer months of 2015. The mini plant piloting of the solution treatment circuit has been deferred. Options to further improve the purity of the mixed rare earth concentrate including base metal control and cerium removal have been developed on the bench and are being evaluated. The Corporation is in discussions with a potential technology provider for the full piloting of the STS Process scheduled to be completed in 2017.

In support of the piloting work, Quest is doing detailed modelling of the chemical processes including computational fluid dynamics (CFD), complex heat and mass balances and chemical kinetics modeling. This modeling is providing critical insights into the precise process parameters and will be important input into the full piloting design and ultimately the engineering design criteria for the commercial scale equipment.

Quest has demonstrated on a bench scale at SGS that a significant percentage of Cerium could be removed during the hydromet process (i.e. before the separation plant). Further work will be done to evaluate the operational and economic merits of processes to remove up to 95% of the Cerium. Cerium is unlikely to represent a significant percentage of the Corporations total potential future revenues. The Corporation is also investigating separating out the Yttrium (Y) and Lanthanum (La) during the hydromet process. If, for example,

90% of the Cerium and a similarly high percentage of the Yttrium and Lanthanum is removed earlier in the process, production through the separation plant would be significantly reduced. Cerium is relatively abundant and not particularly valuable. Yttrium and Lanthanum could be sold at a discount to a specialized industrial processor. Removing the Cerium, Yttrium and Lanthanum early in the process would potentially significantly reduce both the capital and operating costs in separation.

It should be noted that piloting at the scale of 100 tonnes is a substantial and costly undertaking. Other companies processing rare earths have chosen not to pilot to this extent and have then had challenges in ramping up commercial production. Quest's full piloting program is designed to minimize the scale up risk and ensure seamless commissioning and start-up of the commercial scale facilities. Quest's staged piloting from bench to mini plant to full piloting, combined with extensive modeling of the process, has been designed and will be executed in a rigorous manner to ensure the Corporation has a detailed and complete picture of all the process parameters. In addition, mixed rare earth oxide output from the full pilot is intended to provide definitive proof that Quest's process works and produces a product that meets and, in fact, exceeds specifications established by separation refiners. Quest management believes that its full piloting program is an essential step in its plan to build a world class rare earth processing plant at Bécancour.

The Corporation is also undertaking a series of activities to improve the current resource model of the Strange Lake deposit with the ultimate goal of upgrading the resource assessment from indicated to measured. This work started this summer with geologists from Renaud Geological Consulting on site at Strange Lake and will continue into 2017.

Recycled Phosphor Powder

Fluorescent lights contain phosphors which are partly made of rare earth metals (primarily Yttrium, Terbium, Europium, Lanthanum and Cerium). In North America around 10,000 mt of used fluorescent lights are collected each year, the mercury removed and the remaining powder (containing ~8%-10% rare earths) sent to landfill. There is no facility in North America capable of recovering the rare earths.

In 2015 Quest tested, at both the bench scale and the mini pilot scale, the ability to use this recycled phosphor powder as feedstock mixed with the flotation concentrate going into the STS process. These tests demonstrated that Quest's process potentially would recover the rare earths in the phosphor powder without any preprocessing steps (other than the removal of the mercury). While further testing is planned at the full piloting stage, the Corporation is optimistic that it will be able use this material (a 3%-5% mix with its flotation concentrate) as feedstock. Use of this material in the commercial operation at Becancour could improve project economics by boosting revenue at a relatively low marginal cost.

Engineering

The Corporation entered into a memorandum of understanding (MOU) with Tugliq Energy Company to evaluate and ultimately manage the installation of wind turbines as a source of power at the mine site. Tugliq is preparing to install necessary equipment at the mine site to gather pertinent climatic data. In the MOU, Tugliq and the Company have agreed to work together to develop an energy strategy aimed at supplying the Corporation`s power needs at the Strange Lake project and implement such strategy, if feasible and mutually advantageous. No significant additional engineering work was commenced or completed during the year ended October 31, 2016.

Hybrid Airships

On November 16, 2016 the Company entered into a memorandum of understanding (MOU) with Straightline Aviation (SLA) to potentially provide dedicated air services for the transport of ore concentrate, supplies and personnel using Lockheed Martin's Hybrid Airships. Straightline Aviation is headquartered in the United Kingdom with offices in New York and Los Angeles, SLA was co-founded by a team of highly experienced airship and aviation executives with the sole purpose of bringing Hybrid Airships into operation. The airships

could provide shuttle transportation between Quest's Strange Lake complex mine site in Northern Québec and Schefferville, a town with a direct rail link to the Port of Sept-Iles.

Under the Memorandum of Understanding (MOU), SLA could potentially operate a fleet of seven of the world's first heavy-lift cargo Hybrid Airships, the LMH-1. The airships could transport personnel, critical supplies for mine operations, and carry rare earth ore concentrate for delivery to Quest's Bécancour refining facilities.

Developed and built by Lockheed Martin, the LMH-1 is potentially well suited to Quest's transportation challenges due to its remote northern Québec mine site location. The airship has been designed to land on virtually any surface including snow, ice, gravel and even water, with no runways required or other expensive infrastructure. The helium-filled, heavier-than-air airships has been designed to carry 21 metric tons of cargo and up to 19 passengers. Both the U.S. Federal Aviation Administration (FAA) and Transport Canada have reportedly agreed on the newly developed Hybrid Airship certification criteria, which is being used to complete the type certification. First commercial deliveries are expected in 2019.

Quest believes that the airships potentially present a cost-effective and environmentally-friendly solution to Quest's transport challenges. The LMH-1 is not only designed to use less fuel, emit less carbon dioxide and produce less noise than conventional aircraft, it also could eliminate the need for costly ground-level infrastructure, avoiding impact on the area's wildlife habitat compared to road transport and trucking along a road corridor to the Labrador Sea coast.

Quest is the process of evaluating and confirming the technical feasibility and economic viability of using airships for its Strange Lake project. If Quest decides to use this method of transportation, the technical feasibility and economic viability will need to be confirmed in a revised preliminary economic assessment ("PEA").

Project Economics

In additional to scaling up and improving the process parameters, the other reason for the above described piloting and engineering work is to improve the project's economics. The development and piloting work described above is anticipated to have a number of economic benefits and management is aiming to continuously lower the cash operating cost of the project. The target cost level aims to be highly competitive with other potential projects and even certain Chinese producers. The work, as well as a number of other initiatives, would also contribute to lower capital costs. Quest plans to establish its processing facilities in the Bécancour Industrial Park located on the waterfront of the St-Lawrence River. To this effect, Quest has signed an option agreement with Société du parc industriel et portuaire de Bécancour ("SPIPB") dated August 1, 2015 securing rights to the plant and residue space in the Bécancour Industrial Park for Quest to build its planned rare earth processing facilities. Quest has received strong support for the project from SPIPB and looks forward to working closely with the Parc Industriel and the Bécancour communities as it builds its business.

Environmental Impact & Assessment (EIA)

The EIA scope for the Strange Lake Project changed in November, 2016 due to the airship access solution through Quebec, which replaces potentially previous plans to develop road/port access across Labrador. This potential option would make the EIA processes of Nunatsiavut and of Newfoundland and Labrador no longer applicable. While it is still expected that these governments would be consulted, the Project's EIA would be initiated only with the governments of Quebec and of Canada after modifying project notice/description documents accordingly. Quest is the process of evaluating and confirming the technical feasibility and economic viability of the potential use of the airship solution option and its impact on the EIA and these will need to be confirmed in a revised preliminary economic assessment ("PEA").

The Government of Québec officially issued Mine Site EIA directives to Quest in March 2016. Further to discussions with Quebec authorities, a letter will be submitted to officially advise of project plans to add an

airship landing area, as well as wind turbines, at this location. A third party wind turbine operator may also take charge of managing all energy supply at the mine site. Government authorities will then consider any need to modify the Mine EIA directives, or to related documents.

The airship solution option would also introduces a new environmental footprint in Schefferville. A third party airship operator may set up a base of airship operations, including areas and infrastructure for take-off/landing, transloading to road or rail, parking, refueling and maintenance. Environmental approval requirements for this new location are currently being assessed on this basis. Any additional project features to allow for use existing rail and port facilities on the Quebec North Shore will also be evaluated.

The EIA Project Notice/Description for the processing facility in Bécancour (southern Québec) will also be modified prior to submission to the Quebec Government. Bulk concentrate transportation could be replaced by super-bags (1-5 tonnes), possibly containerized. Annual concentrate tonnage could potentially be lower, relative to planned quantities for the previous Labrador road/port option, due to plans to potentially generate higher quality concentrate at the Mine Site. As a result, the scale of planned process equipment at Bécancour may also change.

Project descriptions for all relevant components will be submitted to the Canadian Environmental Assessment Agency (CEAA) to determine project aspects which are subject to a federal-level EIA.

Government officials and Indigenous representatives were updated on these changes in Q4, 2016. In 2017, Quest plans to finalize project changes and complete modifications of project description documents. The project's potential benefits, and its approach to mitigating any environmental impacts, will be presented to local communities prior to continuing with the EIA.

Working Capital Requirements

During the fiscal year ended October 31, 2016 Quest was awarded a grant from SDTC in the amount of $4,935,000 to support its pilot plant project to produce mixed rare earth oxides. During the three months to July 31, 2016, the Corporation received $1,013,802 representing the initial milestone payment of this grant.

During the fiscal year ended October 31, 2015, the Corporation raised $2,500,000 through a convertible debenture with Ekagrata Inc.; $595,376 through a share/warrant financing with Investissement Québec and $3,044,818 in refunds of Québec Mining Duties and SR&ED tax credits.

The Corporation will need to raise further funds to finance the completion of the full piloting, the full EIA process and the FEL2 and FEL3 engineering work. The Corporation is pursuing a variety of routes to raise these funds, including discussions with potential global strategic investors as well as institutional financial investors, although no assurances can be given in this regard (refer to Going Concern Uncertainty). The public markets have over the last 18 months been difficult for the Corporation to access however there are recent signs that interest in rare earths and Quest's project is increasing which may allow the Corporation to raise funds again in the public markets. In the interim, management has conducted a comprehensive rationalization of current and planned expenditures and has implemented a series of cost saving measures to reduce and control the professional fees, investor relations and administration expenses.

Risks

As with any new large industrial project there are a number of significant risks. From management's perspective the noteworthy risks are:

1) Pricing and Chinese industry dominance

   The rare earth industry is currently dominated by producers based in China who represent more than 90% of global production. The Chinese government views the rare earth sector as an important strategic

industry for the country and over the years has put in place various policies that have impacted the sector. These included export quotas (since removed) which initially caused rare earth prices to rise rapidly though they subsequently fell just as rapidly. More recently the government is instituting policies to consolidate the rare earth industry in China into 6 State Owned Enterprises and is placing a tax on production value. The goal appears to be to significantly reduce the amount of illegal (and generally polluting) production in China while at the same time raising the price and improving the economics of rare earth production. However, this has yet to occur though prices have risen modestly over the last 6 months. Many observers believe that the Chinese industry will, in time, begin to experience shortages of certain heavy rare earths and may need to begin to import them by the end of this decade.

The projected price of rare earth oxides is a critical input into Quest's financial projections and cash flow. Projected returns are most sensitive to changes in rare earth prices. Management also recognizes that developments in the Chinese industry can impact Quest's project (both positively and negatively) and need to be monitored on a continuous basis.

2) Performance of Molycorp

One of the primary producers outside of China, Molycorp had significant operational difficulties and financial challenges. Molycorp filed for Chapter 11 protection in 2015 and subsequently mothballed its Mountain Pass operation. Their performance has created questions around the whole rare earth industry outside of China, particularly in the investment community. Quest continues to point out that its project is expected to produce a very different and more valuable mix of rare earth products than Molycorp. While this gives Quest management confidence in the competitive robustness of its project, the performance of Molycorp does make it more difficult to communicate this message to the investment community.

3) Financing

To execute on its plans to develop a Bankable Feasibility Study and to subsequently build and construct the whole project, substantial financing will be required. Management estimates it will require approximately $65 million to complete the Bankable Feasibility Study. The Corporation is pursuing a variety of avenues and options to obtain financing, including strategic investors, private investors, governments and the public markets. The Corporation is well aware that the current environment for attracting financing is challenging. While the Corporation is convinced of the merits of its project, obtaining financing in a timely manner is a recognized risk.

4) Delays

Project delays due to, for example, obtaining financing or delay in obtaining permits to start construction or construction taking longer than planned are potential risks. The Corporation has been focused on preparing and filing the required project descriptions with the various governments to start the formal EIA process and to obtain permits in a timely manner. It has also been investing considerable time and effort to communicate and to continue building relationships with a multitude of local stakeholder groups to create support for the project in all local communities affected. The Corporation will have a dedicated EIA team focused on executing the required studies and liaising with both community and government authorities. Construction planning will be an important component of the FEL3 engineering. Quest intends to conduct a structured process to hire the best available Engineering, Procurement, Construction Management (EPCM) contractor and negotiate a contract with the right incentives to ensure construction is done on time and on budget.

5) Scale up generates unanticipated issues

Scaling up a process from bench to commercial production always entails risks. Management is committed to a rigorous piloting process to test, confirm and optimize process parameters, first at a mini

pilot scale and then at a full pilot scale. For critical parts of the process the Corporation intends to pilot with key industrial equipment suppliers who will subsequently be suppliers for the commercial plant. The relative simplicity of its potential process combined with rigorous piloting are the key mitigating actions the Corporation is taking to address this risk.

Additional risks are outlined in the Risk Factors section and in the Corporation's 2016 Annual Information Form and Short Form Prospectus dated July 9, 2014 entitled "Risk Factors" where there is a discussion of the risk factors applicable to the Corporation and its business.

Going Concern Uncertainty

The Corporation's financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. The use of these principles may not be appropriate.

To date, the Corporation has not earned significant revenue and is considered to be in the exploration and development stage. Exploration and evaluation expenditures comprise a significant portion of the Corporation's activities. Mineral exploration and development is highly speculative and involves inherent risks.

The Corporation's current committed cash resources are insufficient to cover expected expenditures in fiscal 2017 and its planned full pilot project and EIA process on Strange Lake. The Corporation's ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurance that management will be successful in securing adequate financing. In addition, while the future development activities in relation to its Strange Lake project look promising, there can be no assurance that the results of its planned revised preliminary economic assessment ("PEA") and/or Pre-feasibility study will confirm the existence of economically viable quantities of ore or that the project will ultimately go into production.

The Corporation reported a net loss and total comprehensive loss of $2,509,732 during the year ended October 31, 2016 and as of that date, the Corporation's current liabilities exceeded its current assets by $3,379,137. These recurring losses and the need for continued financing to further successful exploration and development activities indicate the existence of a material uncertainty that may cast significant doubt as to the Corporation's ability to continue as a going concern.

These financial statements do not include any adjustments to the carrying values of assets and liabilities that might be necessary, if the Corporation is unable to continue as a going concern. Such adjustments could be material.

Expenditures by Material Component

Strange Lake Property, Québec

For the year ended October 31, 2016, Quest incurred a total of $697,186 in acquisition and exploration expenditures net of government tax credits earned on the Québec Strange Lake mining property compared to $3,832,565 for the year ended October 31, 2015. The following table breaks down the expenditures by its material components

	2016	2015
	$	$
Acquisition costs	-	22,366
Geological Surveys	**53,125**	90,632
Drilling	**37,500**	41,489
Prospecting	-	718
Prefeasibility Studies	**643,387**	3,017,684
Metallurgical Work	-	(5,533)
Environmental & Permitting	**289,809**	647,830
Project Management & Support	**1,050,414**	1,031,655
Other	-	117,630
Government Tax Credits	**(714,580)**	(1,131,906)
Government Grant	**(662,469)**	-
Total	**$697,186**	$3,832,565

Misery Lake Property, Québec

The Misery Lake property is located approximately 120 km south of Strange Lake and consists of 170 mining claims in Québec and covers an area of 8,334 hectares.

On April 8, 2015, the Corporation entered into an agreement with Mr. Peter Cashin, then-CEO and a director of Quest, for the transfer of its full ownership interest in the Misery Lake property to 2457661 Ontario (the "Purchaser"), a company controlled by Mr. Cashin. In part consideration for the transfer of the claims, Quest was granted a 2% royalty on all claims (the "Quest Royalty"). The Quest Royalty may be repurchased at any time by the Purchaser for a total of $2,000,000. The repurchase may be completed in up to two transactions, each representing 50% of the Quest Royalty in exchange for $1,000,000. Also, under the agreement, the Purchaser assumed responsibility for the demobilization of the Misery Lake camp and assumed all environmental obligations relating to the Misery Lake project. The transfer of the Misery Lake claims was completed on April 20, 2015.

Results of Operations

The following table summarizes selected financial data of Quest for the last three fiscal years ended October 31, 2016, 2015 and 2014. It should be noted that QTM Extraction Ltd, a wholly owned subsidiary, was amalgamated with the Corporation on May 1, 2015.

	Year ended October 31, 2016 $	Year ended October 31, 2015 $	Year ended October 31, 2014 $
Revenues	-	-	-
Net loss and total comprehensive loss	**(2,509,732)**	(7,312,361)	(11,760,627)
Basic and fully diluted net loss per share	**(0.03)**	(0.09)	(0.17)
Total assets	**3,348,088**	3,633,208	10,865,448
Total non-current liabilities	**49,653**	2,066,683	-
Cash dividends	-	-	-

Fiscal year ended October 31, 2016 compared with the fiscal year ended October 31, 2015

Expenses for the year ended October 31, 2016, as detailed in the Statements of Comprehensive Loss, totaled $2,509,732 as compared to $7,312,361 for the year ended October 31, 2015.

Professional fees, investor relations, administration expenses and exploration and evaluation expenditures totaled $1,909,655 (2015 - $6,941,815). The decrease of $5,032,160 related to the following variations:

- Professional fees decreased by $315,079 to $266,394 (2015 - $581,473) and consisted primarily of lower consulting and legal fees.
- Investor relations expenses totaled $178,874 in 2016 compared to $502,215 for the year ended October 31, 2015. The main components of the net decrease of $323,341, as detailed in Note 7 to the financial statements, consisted of: lower investor relations fees, salaries, termination cost and other employee benefits, advertising expenses, printing and filing, conferences costs, travel related activities, meeting costs and consulting expenses.
- Administration expenses decreased by $1,077,373 to $760,237 in 2015 from $1,837,610 in 2015. The main components of this variation, as detailed in Note 7 to the financial statements, consisted of higher Directors' fees and equipment leases and rentals, offset by reductions in salaries and employee benefits, stock-based compensation, office rent, Directors' and Officer's insurance, IT services, and other office expenses.
- Exploration and evaluation expenditures decreased from $4,020,517 to $704,150 or by $3,316,367. The main components of this decrease were due to lower expenditures on geological surveys, drilling and pre-feasibility studies and environmental & permitting work at Strange Lake offset.

Exploration and exploration expenditures related to mining properties, which include acquisition costs for the right to explore as well as costs relating to research and analyzing exploration data, conducting geological studies, exploratory drilling and sampling, examining and testing extraction and treatment methods, compiling pre-feasibility and feasibility studies and related share-based compensation costs, net of government tax credits, are charged to operations in the year incurred until such time as it has been determined that a property has economically recoverable reserves.

For the year ended October 31, 2016, finance income totaled $17,399 compared to $24,999 for the year ended October 31, 2015. The net decrease of $7,600 was as a result of a decrease in funds on deposit and reduction in the interest rate paid during the year ended October 31, 2016.

For the year ended October 31, 2016, the Corporation reported a net loss and comprehensive loss of $2,509,732, as compared to a net loss of $7,312,361 for the year ended October 31, 2015. The Corporation expects to record losses until such time as an economic ore body is defined and developed and there are revenues from mineral production.

Fiscal year ended October 31, 2015 compared with the fiscal year ended October 31, 2014

Expenses for the year ended October 31, 2015, as detailed in the Statements of Comprehensive Loss, totaled $7,312,361 as compared to $11,760,627 for the year ended October 31, 2014.

Professional fees, investor relations, administration expenses and exploration and evaluation expenditures totaled $6,941,815 (2014 - $11,901,863). The decrease of $4,960,048 related to the following variations:

- Professional fees increased by $100,474 to $581,473 (2014 - $480,999) and consisted primarily of higher consulting fees offset by lower legal and accounting fees.
- Investor relations expenses totaled $502,215 in 2015 compared to $922,847 for the year ended October 31, 2014. The main components of the net decrease of $420,632, as detailed in Note 7 to the financial statements, consisted of: lower salaries and other employee benefits and reduced advertising expenses,

printing and filing, conferences costs, travel related activities and consulting expenses partly offset by higher investor relations fees and meeting costs.

- Administration expenses increased by $311,634 to $1,837,610 in 2015 from $1,525,976 in 2014. The main components of this variation, as detailed in Note 7 to the financial statements, consisted of higher restructuring charges due mainly to personnel reductions and office closures in 2015 and increased stock-based compensation costs resulting from the stock options granted in 2015 net of unvested stock option expenses cancelled as a result of their expiration or termination of the optionee. Offsetting these increases were reductions in salaries and employee benefits, directors fees, office rent, IT services, and other office expenses.
- Exploration and evaluation expenditures decreased from $8,972,041 to $4,020,517 or by $4,951,524. The main components of this decrease were due to lower expenditures on Misery Lake and stock based compensation and geological surveys, drilling and metallurgical work at Strange Lake offset in part by higher expenditures on environmental & permitting and project management.

Exploration and exploration expenditures related to mining properties, which include acquisition costs for the right to explore as well as costs relating to research and analyzing exploration data, conducting geological studies, exploratory drilling and sampling, examining and testing extraction and treatment methods, compiling pre-feasibility and feasibility studies and related share-based compensation costs, net of government tax credits, are charged to operations in the year incurred until such time as it has been determined that a property has economically recoverable reserves.

For the year ended October 31, 2015, finance income totaled $24,999 compared to $118,240 for the year ended October 31, 2014. The net decrease of $93,241 was as a result of a decrease in funds on deposit during the year ended October 31, 2015.

As at October 31, 2015, the Corporation had cash equivalents in the amount of nil (2014 – $151,810 bearing interest at 0.80%).

For the year ended October 31, 2015, the Corporation reported a net loss and total comprehensive loss of $7,312,361, as compared to a net loss of $11,760,627 for the year ended October 31, 2014. The Corporation expects to record losses until such time as an economic ore body is defined and developed and there are revenues from mineral production.

As a portion of the Corporation's exploration activities are financed by flow-through share arrangements, under the terms of flow-through share agreements, the tax deductions of the related Canadian exploration expenditures ("CEE") are renounced in favour of the investors. Accordingly, flow-through proceeds are allocated between the offering of the common shares and the premium liabilities associated with the sale of tax benefits when the common shares are offered. The amount allocated to share capital is based on the fair value of the common shares and the residual amount of the proceeds received from the investor for the flow-through shares is recognized as premium liabilities and the premium liabilities are reversed in the statements of comprehensive loss as the Corporation spends the flow-through proceeds. For the year ended October 31, 2015, the Corporation reversed nil in premium liabilities (2014 – $282,519).

Summary of Quarterly Results

The following table presents unaudited selected financial information for the eight most recently completed financial quarters (taking into account the change in accounting policy described above):

	Year ended October 31, 2016				Year ended October 31, 2015			
	Q4 $	**Q3 $**	**Q2 $**	**Q1 $**	Q4 $	Q3 $	Q2 $	Q1 $
Revenues	-	-	-	-	-	-	-	-
Net loss and total comprehensive loss	**(409,009)**	**(285,814)**	**(799,196)**	**(1,015,713)**	(1,437,674)	(2,193,074)	(2,210,911)	(1,470,702)
Basic and fully diluted net income (loss) per share	**(0.01)**	**(0.00)**	**(0.01)**	**(0.01)**	(0.02)	(.03)	(.03)	(.02)

The Corporation has no intention of paying dividends in the foreseeable future. Any future decision to pay cash dividends will be left to the discretion of the Board of Directors of the Corporation and will depend on the Corporation's financial position, operating results and capital requirements at the time as well as such other factors that the Board of Directors may consider relevant. The Corporation has paid no dividends and has no retained earnings from which it might pay dividends.

Fourth Quarter

Total operating expenses for the three-month period ended October 31, 2016 decreased by $1,038,556 to $257,766 (2015 - $1,296,322). Professional fees decreased by $179,454 to $35,189 (2015 - $214,643) which related mainly to lower legal and accounting fees offset by higher consulting fees related to fund raising activities; investor relations expenses decreased by $10,635 to $42,906 (2015 - $53,541) which related mainly to lower government relations and marketing and communication costs incurred during the respective quarters; and administration expenses decreased by $54,822 to $166,112 (2015 - $220,934) and related to lower office costs resulting from closing offices in Toronto and St. John's. Exploration and evaluation expenditures decreased by $793,645 to $13,559 (net of government tax credits and grants) ($807,204 in 2015) mainly related to the different nature of development work undertaken in Q4 2016 versus the same period in 2015.

Liquidity and Capital Resources

The Corporation's operations are focused on the development of its Strange Lake mining property and the industrial facilities required to process the rare earths minerals. Accordingly, the most relevant financial information relates to current liquidity, solvency and planned development expenditures. The financial success of the Corporation depends on its ability to produce mixed rare earths oxides which meet the quality standards of purity at a unitary cost competitive with other global producers.

A number of factors determine the economic viability of the project including: the size of the deposit; the quantity and quality of the reserves; the availability and capital cost of planned infrastructure; the forecasted development and operating costs and the costs to finance the planned expenditures and the projected cash flows. Such development may take several years to complete and the amount of resulting income, if any, is difficult to determine. The economic value of the Corporation's project is largely dependent on factors beyond the Corporation's control, including the market value of the metals to be produced.

The Corporation's main sources of short-term and long-term funding to date have been debt and equity markets, private placements and outstanding warrants and stock options, and government grants and tax credits. The Corporation has not paid any dividends. As well, the Corporation does not have any externally imposed capital requirements, either regulatory or contractual.

Quest is actively exploring financing options to cover its expected expenditures for fiscal 2017 and 2018 including a strategic partnership or off take agreements with end users and has held meetings with interested

potential investors and governmental authorities. As previously discussed, Quest has identified and continues to work toward the implementation of a number of additional operational improvements to the base case assumptions presented by the PEA filed in April 2014, which are intended to further reduce project capital and operating costs and increase product yields.

On February 11, 2015, the Corporation received payment of the refundable QMD for its fiscal years 2010 to 2012 in an amount of $3,044,818.

On March 9, 2015, the Corporation entered into a Securities Purchase Agreement (the "Agreement") with Ekagrata Inc. ("Ekagrata"), an unrelated Canadian private investor, pursuant to which the Corporation issued to 2455440 Ontario Inc., an affiliate of Ekagrata, a 7% secured convertible debenture in a principal amount of $2,250,000 (the "Debenture Tranche 1") and 2,250,000 common share purchase warrants.

On April 20, 2015, the Corporation issued 7% secured convertible debentures in a principal amount of $250,000 (the "Debenture Tranche 2") and 250,000 common share purchase warrants (collectively the "Debentures").

On April 30, 2015, the Corporation completed a private placement with Ressources Québec Inc. by issuing 4,579,815 units at a price of $0.13, for gross proceeds of $595,376. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at a price of $0.15 until April 30, 2019.

On November 4, 2015 the Canada Revenue Agency (CRA) advised the Corporation that its Scientific Research and Experimental Tax (SR&ED) refund claim totaling $237,369 for fiscal 2013 had been accepted as filed. On November 17, 2015, the Corporation received a refund cheque in the amount of $151,587 representing the Newfoundland and Labrador portion of the SR&ED refund. On June 20, 2016, Quest received a refund of $62,006 representing the Newfoundland and Labrador portion of the SR&ED refund for fiscal 2014.

On March 8, 2016, the Corporation prepaid $158,000 against the outstanding principle amount of the 7% secured Debentures held by 2455440 Ontario Inc.

During fiscal 2016, the Corporation received $1,010,306 of refundable tax credits including $716,069 related to QRTC, $80,644 to QMD and $213,593 to SR&ED relating to fiscal years 2013 & 2014. Subsequent to the October 31, 2016 year end, the Corporation received an additional $1,963,455 of refundable tax credits including $31,498 related to QRTC and $1,931,957 to QMD relating to fiscal years 2013 to 2015.

On January 18, 2017, the Corporation entered into a Securities Purchase Agreement (the "Agreement") with an unrelated United States private equity special opportunity fund, pursuant to which the Corporation, issued a secured convertible debenture in a principal amount of $550,000 (the "Debenture") and 550,000 common share purchase warrants.

The Debenture matures in one year and bears interest at a rate of 10% per annum, payable semi-annually in cash, and can be converted, at the holder's option, into common shares of the Corporation at a price of $0.16 per share. Each of the 550,000 common share purchase warrants entitles the holder to acquire one common share of the Corporation at a price of $0.18 for three years. The Debenture is secured by a first-ranking hypothec on all of Quest's assets, present and future, corporeal and incorporeal

On January 19, 2017, the Corporation used part of the proceeds to repay all of the Debentures. The balance of the proceeds from the Debenture will be used for working capital.

On February 22, 2017, the Corporation issued 8,100,000 special warrants (the "**Special Warrants**") at a price of $0.20 per Special Warrant for total proceeds of $1,620,000. Each of the Special Warrants may be exchanged for no additional consideration for one Quest common share and one Quest common share purchase warrant

(collectively, the "**Warrants**"). Each of the Warrants will entitle its holder to purchase one Share at a price of $0.275 for a period of three years from the closing date of the private placement.

Quest will file a prospectus in those provinces in which Special Warrants were sold in order to qualify for distribution the common shares and Warrants issuable upon the exchange of the Special Warrants. The Special Warrants will be deemed to be exercised without payment of additional consideration or further action on the third business day following the day upon which Quest obtains a receipt for the final prospectus. In the event that Quest does not obtain a receipt for the final prospectus from the applicable Canadian securities authorities by March 24, 2017, each Special Warrant will be exchanged, at no additional cost, for 1.25 common shares and 0.75 Warrants (instead of one common share and one Warrant). In that event, each Warrant will entitle its holder to purchase one Share at a price of $0.275 for a period of four years.

Fiscal year ended October 31, 2016 compared with the fiscal year ended October 31, 2015

As at October 31, 2016, the Corporation had cash of $58,026 (2015 - $208,925) and $750 (2015 - $650) invested in Canadian equity securities pursuant to mining property agreements. The investment in cash which comprises most of Quest's invested capital, presents no significant risk.

The Corporation's only long-term borrowings are the Convertible Debentures held by an affiliate of Ekagrata. As at October 31, 2016, the outstanding amount of these Debentures was $2,270,296 (2015 – $1,987,238). Subsequent to the year ended October 31, 2016, the Corporation repaid $1,956,580 of the outstanding amount of these Debentures.

During the years ended October 31, 2016 and 2015, no cash was raised from the exercise of stock options.

Fiscal year ended October 31, 2015 compared with the fiscal year ended October 31, 2014

As at October 31, 2015, the Corporation had cash and cash equivalents of $208,925 (2014 - $1,281,706) and $650 (2014 - $950) invested in Canadian equity securities pursuant to mining property agreements. The investment in cash which comprises most of Quest's invested capital, presents no significant risk.

The Corporation's only long-term borrowings are the Convertible Debentures held by an affiliate of Ekagrata. As at October 31, 2015, the outstanding amount of these Debentures was $1,987,238 (2014 – $nil).

During the year ended October 31, 2015, no cash was raised from the exercise of stock options (2014 – $31,667).

Outstanding Share Data

As at March 9, 2017, there were 86,529,011 common shares, stock options in respect of 6,721,000 common shares, 480,000 deferred share units, 275,000 restricted share units, 8,100,000 Special Warrants, and 18,655,300 warrants outstanding.

Commitments

The Corporation has leases for its premises and other operating leases. For the next five years the Corporation's rental payments total $507,424 as detailed in note 13 to the financial statements.

On November 5, 2013, Quest entered into an option agreement with La Société du Parc Industriel et Portuaire de Bécancour (the "SPIPB Agreement"). Under the SPIPB Agreement, Quest has the right to purchase land in the Bécancour Port industrial site to build a processing facility for the ore from Strange Lake. The option was for a period of one year and could be extended by Quest for up to an additional three years to November 2017 in six increments of six months each. Quest could cancel this agreement at any time.

On July 16, 2015 Quest entered into a revised option agreement with SPIPB (the "Revised SPIPB Agreement") effective August 1, 2015, for a second site including a servitude for the site for the placement of pipelines. The option was granted for a period of one year and can be extended by Quest for up to an additional one and a half years to January 31, 2018 in three increments of six month each. The Revised SPIPB Agreement supercedes the SPIPB Agreement. Quest can cancel the revised agreement with proper notice to SPIPB.

Payments made under the SPIPB Agreement and the Revised SPIPB Agreement may be offset and deducted against the eventual purchase price once the option is exercised. Quest therefore has capitalized the option payments as they are made until such time as either its option is exercised, cancelled or allowed to lapse by the Corporation.

On September 12, 2014, Quest entered into an option and lease agreement with 154639 Canada Inc. (the "Fraenkel Agreement"). Under the Fraenkel Agreement, Quest has the right to purchase another piece of land in the City of Bécancour to build a rare earth production facility for the ore from Strange Lake. The option is for a period of three years from March 1, 2015 and can be extended by Quest indefinitely in increments of one year each. Quest can cancel this Agreement at any time after March 1, 2016. In consideration for the Fraenkel Agreement, Quest issued 250,000 common shares to the sole shareholder of 154639 Canada Inc.

Lease payments made under the Fraenkel Agreement may be offset and deducted, against the eventual purchase price, once the option is exercised, as follows:

- 75% of lease payments made until the earlier of the date of purchase or February 28, 2018, and
- 50% of lease payments made from March 1, 2018 until the date of purchase.

Quest therefore capitalizes the portion of the lease payments eligible to be offset and deducted as they are made, until such time as either the option is exercised, cancelled or allowed to lapse by the Corporation.

A breakdown of other non-current assets as at October 31, are as follows:

	October 31, 2016 $	**October 31, 2015 $**
SPIPB Agreement – option payments	**446,652**	296,364
Fraenkel Agreement – option payments	**273,028**	145,291
Total	**719,680**	441,655

Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements.

Income Taxes

As at October 31, 2016, the Corporation had non-capital loss carry-forwards of $22,345,000 (2015 - $21,668,000) and investment tax credits of $3,747,000 (2015 - $3,240,000) which are available to reduce future years' taxable income as detailed in note 5 to the consolidated financial statements.

Further, as at October 31, 2016, the Company has Scientific Research and Experimental Development ("SR&ED") tax credits available for Canadian federal and Ontario income tax purposes, amounting to approximately $1,488,000 and $57,000 respectively, which are available to reduce future income tax liabilities and expire between 2032 and 2036.

Related Party Transactions

All of the following related party transactions occurred in the normal course of operations.

The Corporation retains the services of certain directors of the Corporation to carry out professional activities. During the year ended October 31, 2016, the total amount charged for professional services by directors of the Corporation and recorded in exploration and evaluation expenditures was nil [2015 – $26,667].

During the year ended October 31, 2016, the Corporation incurred fees to a law firm, in which a Director of the Corporation is a partner. During the year ended October 31, 2016, the total amount for such services provided was $57,985, of which $46,577 was recorded in professional fees, $9,695 was recorded in investor relations, nil was recorded in exploration and evaluation expenditures and $1,713 was recorded in issue costs [2015 – $83,628, $19,410, $12,513 and $115,175 respectively]. As at October 31, 2016, an amount of $193,093 [October 31, 2015 – $147,437] owing to these law firms was included in accounts payable and accrued liabilities in respect of these fees.

During the year ended October 31, 2016, the Corporation incurred fees to a private investment firm of which a director of the Corporation has a related party association. During the year ended October 31, 2016, the total amount recorded in professional fees for such services provided was $120,000 [2015 – $77,419]. As at October 31, 2016, an amount of $143,900 [October 31, 2015 - $22,600] owing to this firm was included in accounts payable and accrued liabilities in respect of these fees.

During the year ended October 31, 2016, the Corporation incurred fees to a number of management entities of which certain officers or directors of the Corporation have a related party association. For the year ended October 31, 2016, the total amount for such services provided was $341,016, of which $50,000 was recorded in directors fees and $291,016 was recorded in exploration and evaluation expenditures [2015 – $25,000 and $278,578 respectively]. As at October 31, 2016, an amount of $233,125 [October 31, 2015 – $52,534] owing to these firms was included in accounts payable and accrued liabilities in respect of these fees.

Excluding the amounts reported above, during the years ended October 31, 2016 and 2015, the Corporation recorded the following compensation for key management personnel and the Board of Directors:

	2016 **$**	**2015** **$**
Salaries, employee benefits	**298,858**	368,962
Separation and termination benefits	**—**	418,806
Directors' fees	**190,000**	181,622
Stock compensation	**51,625**	280,544
Total	**540,483**	1,249,934

Financial Instruments

The Corporation is not exposed to any significant credit risk as at October 31, 2016. The Corporation's cash and cash equivalents are deposited with a major Canadian chartered bank and are held in highly-liquid investments.

The rates as at October 31, 2016 for Canadian and U.S. funds were 0.75% [2015 – 1.05%] and 0.05% [2015 – 0.05%], respectively.

In order to ensure that the Corporation maximizes the rate of return on cash funds in excess of its current operating requirements, the Corporation has established an investment committee to oversee the management of these funds.

Critical Accounting Judgments and Estimates

As detailed in note 2 of the financial statements, management has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Valuation of refundable tax credits and mining duties credits and government grants – Judgment

The Corporation is entitled to refundable tax credits, mining duties credits and government grants on qualified exploration and evaluation expenditures incurred in the province of Québec. Management judgment is applied in determining whether the mine property expenses are eligible for claiming such credits and government grants and that all conditions have been or will be complied with. Those benefits are recognized when the Corporation estimates that it has reasonable assurance that the tax credits will be realized or grants have been earned and all conditions will be complied with.

Share-based remuneration expense – Estimate

The estimation of share-based payments at fair value at the date of grant requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The fair value of each option or warrant is evaluated using the Black-Scholes pricing model at the date of grant. The Corporation has made estimates as to the volatility, the expected life of options or warrants, and where applicable, expected forfeiture rates. The expected life of the option or warrant is based on historical data. The expected volatility is based on the historical volatility of comparable companies, over the period of the expected life of the stock option or warrant. These estimates may not necessarily be indicative of future actual patterns.

Changes in Significant Accounting Policies

The Corporation's significant accounting policies are disclosed under notes 3 and 4 to the financial statements for the year ended October 31, 2016.

The following pronouncements are issued but not yet effective for the year ended October 31, 2016:

IFRS 9 Financial Instruments

The final version of IFRS 9, Financial instruments (IFRS 9) was issued by the IASB in July 2014 which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: recognition and measurement (IAS 39). The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for the Corporation on November 1, 2018. Retrospective application is required, but comparative information is not compulsory. The Corporation is currently evaluating the impact of this standard and amendments on its financial statements.

IFRS 16

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-

use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after November 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Corporation is currently evaluating the impact of this standard and amendments on its financial statements.

Risk Factors

Resource exploration and development is a highly speculative business, involves a high degree of risk and is frequently unsuccessful. There is no certainty that the expenditures to be made by the Corporation in the exploration of its properties or otherwise will result in discoveries of commercial quantities of minerals. The exploration for and development of mineral deposits involves significant risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. Although the discovery of an ore body may result in substantial rewards, few properties explored are ultimately developed into producing mines. Significant expenditures may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the Corporation's current exploration programs will result in a profitable commercial mining operation.

Significant capital investment is required to achieve commercial production from successful exploration efforts. The commercial viability of a mineral deposit is dependent upon a number of factors. These include: (i) deposit attributes such as size, grade and proximity to infrastructure; (ii) current and future metal prices (which can be cyclical); (iii) government regulations, including those relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and necessary supplies and environmental protection; (iv) First Nations negotiations and agreements; (v) technological risks and changes and (vi) securing sufficient financing to commercialize the project. The complete effect of these factors, either alone or in combination, cannot be entirely predicted, and their impact may result in the Corporation not receiving an adequate return on invested capital.

The prices of minerals fluctuate widely and are affected by many factors outside of the Corporation's control. The prices of minerals and future expectation of such prices may have a significant impact on the market sentiment for investment in mining and mineral exploration companies. This in turn may affect the Corporation's ability to raise equity financing for its capital requirements.

Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future exploitation or sale. Such circumstances include the period for which the Corporation has the right to explore in a specific area, actual and planned expenditures, results of exploration, whether an economically-viable operation can be established and significant negative industry or economic trends. Management judgment is also applied in determining the lowest levels of exploration and evaluation assets grouping, for which there are separately identifiable cash flows (cash generating units), generally on the basis of areas of geological interest.

The Corporation's current committed cash resources are insufficient to cover expected expenditures in fiscal 2017 and its planned Bankable Feasibility Study on Strange Lake. The Corporation's ability to continue as a going concern (refer to Going Concern Uncertainty) is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurance that the Corporation will be successful in securing adequate financing.

Reference is made to the section of the Corporation's 2016 Annual Information Form and Short Form Prospectus dated July 9, 2014 entitled "Risk Factors" for a discussion of the risk factors applicable to the Corporation and its business.

Disclosure Controls and Internal Controls over Financial Reporting

Management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), have designed disclosure controls and procedures, or have caused them to be designed under their supervision, to provide reasonable assurance that all material information relating to the Corporation has been made known to them and has been properly disclosed in the Corporation's annual and interim filings and other reports filed or submitted under applicable Canadian securities laws.

Management of the Corporation, with the participation of the CEO and the CFO, has evaluated the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as at October 31, 2016. Based on this evaluation, the CEO and the CFO have concluded that the Corporation's disclosure controls and procedures were effective as of October 31, 2016 to provide reasonable assurance that information required to be disclosed in the Corporation's annual filings and other reports filed or submitted were recorded, processed, summarized and reported within the time period specified in those rules.

An evaluation, under management supervision, was carried out on the effectiveness of the Corporation's internal control over financial reporting as at October 31, 2016 using the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Based on this evaluation, management has concluded that internal control over financial reporting was effective as at October 31, 2016.

There have been no changes in the Corporation's design of internal controls over financial reporting during the quarter ended October 31, 2016 that materially affected, or are reasonably likely to affect, the Corporation's internal control over financial reporting.

Presentation of Mineral Reserve and Resource Information

This MD&A has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States securities laws. Unless otherwise indicated, all reserve and resource estimates included in this MD&A have been prepared in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("Nl 43-101"). Nl 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including Nl 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC") and reserve and resource information contained in this MD&A may not be comparable to similar information disclosed by United States companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserve". Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by United States standards in documents filed with the SEC. United States investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" exists, is economically or legally mineable, or will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Disclosure

of “contained ounces” in a resource estimate is permitted disclosure under Canadian regulations; however, the SEC normally permits issuers to report mineralization that does not constitute “reserves” by SEC standards only as in-place tonnage and grade without reference to unit measures. The requirements of Nl 43-101 for identification of “reserves” are also not the same as those of the SEC, and reserves reported by Quest in compliance with Nl 43-101 may not qualify as “reserves” under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with United States standards.

Qualified Person

Mr. William J. Lewis, B.Sc., P. Geo., a consultant of Quest, is the qualified person on the exploration projects presented in this MD&A under National Instrument 43-101 *Standards of Disclosure for Mineral Projects* and is responsible for the technical contents of this report and has approved the disclosure of the technical information contained herein.

Other Information

Additional information on the Corporation is available under the Corporation’s profile on SEDAR at www.sedar.com and on the Corporation’s website at www.questrareminerals.com.