MANAGEMENT'S DISCUSSION AND ANALYSIS
As at September 11, 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 three and nine-month periods ended July 31, 2017, unless otherwise noted. It should be read in conjunction with the audited financial statements and related notes as at and for the year ended October 31, 2016 and the condensed interim financial statements for the three and nine-month periods ended July 31, 2017.

The condensed interim financial statements for the three and nine-month periods ended July 31, 2017 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended October 31, 2016 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). 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 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.

Notice of Intention to make a proposal under the Bankruptcy and Insolvency Act

On July 5, 2017 the Corporation announced that it had filed a Notice of Intention to Make a Proposal ["Notice of Intention"] pursuant to the provisions of Part III of the Bankruptcy and Insolvency Act (Canada) [the "BIA"].

Pursuant to the Notice of Intention, PricewaterhouseCoopers Inc. ["PwC"] has been appointed as the trustee in the Corporation's proposal proceedings and will assist the Corporation in its restructuring efforts.

This filing follows the Corporation's strategic review of its options pursuant to the decision of a major industrial conglomerate with interests in construction, mining and hydrocarbons not to follow through with an investment in the Quest project, as contemplated in the Memorandum of Understanding signed on November 2, 2016. The filing of the Notice of Intention has the effect of imposing an automatic 30-day stay of proceedings that will protect the Corporation and its assets from the claims of creditors while the Corporation pursues its restructuring efforts. This 30-day period may be renewed with the authorization of the Superior Court of Québec.

On August 4, 2017 the Superior Court of Québec granted Quest's motion for an extension of the delay to file a proposal pursuant to the provisions of Part III of the Bankruptcy and Insolvency Act, thereby extending the delay to file such proposal by an additional 45 days, up to and including September 18, 2017.

The Corporation believes that the action it has taken will be beneficial to all stakeholders by giving the Corporation the time and resources needed to find other sources of funding or take opportunity to merge with or be acquired by another company. There is no guarantee that these efforts will be successful.

CORPORATE OVERVIEW

The Corporation has embarked on a process of seeking purchasers for the Corporation (or its assets) or alternatively new investment into the Corporation. The future development of Quest is dependent on the outcome of this process.

The Corporation believes the size and nature of its rare earth deposit at Strange Lake plus the substantial progress it has made to prove out and optimize the processing of ore from Strange Lake are important and valuable attributes. The Corporation has been working on all aspects of moving the Strange Lake project forward, ultimately aiming to develop a Bankable Feasibility Study for the project. The key activities leading to a Bankable Feasibility Study are:

- Full scale process piloting;
- Engineering;
- Environmental Impact Assessment (EIA).

All of these activities are on hold and the status of 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 aimed to both scale up and improve the process parameters of each process step (with the exception of the separation process). Quest's pilot programs were to 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 aluminum (Al), iron (Fe), and zirconium (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 plans 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 needs to be evaluated. Ore sorting could 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 started a full flotation pilot program at COREM, the largest organization in Canada totally devoted to mineral processing R&D, located in 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.

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 has been in discussions with a potential technology provider for the full piloting of the STS Process.

In support of the piloting work, Quest intends to do detailed modelling of the chemical processes including computational fluid dynamics (CFD), complex heat and mass balances and chemical kinetics modeling. This modeling will provide critical insights into the precise process parameters, an 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 needs 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 Corporation's 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 could 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.

Recent geological, mineralogical and textural review and compilation of ongoing work completed by Quest has provided insights that could improve the mineral processing flowsheet as outlined in its technical report entitled "NI 43-101 Technical Report for the Updated Mineral Resource Estimate for the Strange Lake Property, Quebec, Canada" dated March 8, 2017, with an effective date of updated Resource Estimate of February 15, 2017 (the "Technical Report"). By targeting the host rock and textural characteristics of the minerals that predominantly include Dy, Tb, Pr, or Nd, instead of targeting Zirconium (Zr) and Total Rare Earth Elements (TREE), different handling and processing procedures could be utilized to improve the hydrometallurgical processing and Dy, Tb, Pr, and Nd grade of the concentrate. This is an important breakthrough because Dy, Tb, Pr and Nd are critical component metals of permanent magnets and Quest's management team believes that they are likely to make-up the large majority of the potential revenue. As a result Quest will incorporate these considerations prior to the completion of the full pilot plant work.

Once a limited number of comminution and flotation tests are completed, an integrated mini pilot will be undertaken to further define the optimal processing parameters. The pilot plant work will include the extraction of a 20-kilogram flotation concentrate at Corem, Québec City, which will be shipped to Outotec (Frankfurt, Germany) for sulphidation followed by Dy, Tb, Pr, and Nd extraction as separate metals. The pilot plant results will subsequently be used to update the Preliminary Economic Assessment (PEA) for the Strange Lake Project.

In conjunction with, and to follow up this work, the geological, mineralogical, and textural data relevant to Dy, Tb, Pr, and Nd characterization and distribution within the mineral resource will be undertaken. Analogous to the mineral processing flowsheet, by targeting specifically the host rock and mineral associations of Dy, Tb, Pr, and Nd, instead of Zr and TREE, there could be unrealized differences to the current mineral resource characterization, distribution and classification as outlined in the Technical Report. Upon completion of this work, Quest will then determine the scope of work required to complete the prefeasibility study of the Strange Lake Project and identify potential updates to the mineral resource, if necessary.

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 Selective Thermal Sulphation process. These tests demonstrated that Quest's process does successfully 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 would 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 (Tugliq) 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 Corporation have agreed to work together to develop an energy strategy aimed at supplying the Corporation`s power needs at the Strange Lake complex mine site and implement such strategy, if feasible and mutually advantageous. No significant additional engineering work was commenced or completed during the nine-month period ended July 31, 2017.

Hybrid Airships

On November 16, 2016, the Corporation entered into a 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. SLA is headquartered in the United Kingdom with offices in New York and Los Angeles, and 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 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 Hybrid 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 PEA.

Land Claims

On March 14, 2016, Quest staked an additional 33 contiguous claims (825 ha) in Newfoundland & Labrador. This covers available claim blocks immediately north and east of the Main Zone REE Deposit, historically referred to as the A Zone by the Iron Ore Mining Company of Canada (IOCC). This new license is adjacent to Quest's existing Mineral License, also known as the Alterra Property.

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 competitive with other potential projects, including industrial 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.

Environment

The EIA scope for the Strange Lake Project changed in November 2016 due to the potential airship access solution through Quebec, which potentially replaces 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 in 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 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 them of 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 related documents.

The airship 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 of 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 the last quarter of 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 six-month period ended April 30, 2017, the Corporation raised $550,000 through a convertible debenture with a United States private equity special opportunity fund and $1,620,000 through a Special Warrant offering which subsequently converted into a common share and warrant offering.

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

As at July 31, 2017 the Corporation had cash resources of $208,676 and a working capital deficit of $4,344,044. While the Notice of Intention has temporarily stayed all loans and payables, the Corporation is dependent on the outcome of its restructuring and sale process to be able to continue in operation.

Risks

The primary risk facing the Corporation is if the restructuring and sale process is not successful and it is forced to declare bankruptcy. Management is working towards a successful outcome of the sale process but such an outcome is not guaranteed.

There are also a number of significant risks related to the Strange Lake project. From management's perspective the noteworthy risks are:

1) Financing

    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 has pursued a variety of avenues and options to obtain financing, including strategic investors, private investors, governments and the public markets. As noted earlier, the Corporation had a Memorandum of Understanding with a major industrial conglomerate in the construction, mining and hydrocarbons business to finance all or part of its Bankable Feasibility Study. However, this company subsequently decided not to follow through on the investment. While the Corporation is convinced of the merits of its project, obtaining financing in the current environment and in a timely manner is a major recognized risk.

2) 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.

3) Performance of Molycorp

One of the primary producers outside of China, 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.

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 Amended and Restated Annual Information Form (AIF) and Short Form Prospectus dated March 23, 2017 entitled "Risk Factors" where there is a discussion of the risk factors applicable to the Corporation and its business.

Going Concern Uncertainty

The condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes 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 for the next 12 months and its planned Pre-feasibility study on Strange Lake. The Corporation is currently delisted from the Toronto Stock Exchange and has filed a Notice of Intention under the BIA. The Corporation's ability to continue as a going concern is dependent on the successful completion of its restructuring activities and on being able to obtain the necessary financing to complete its development activities. There can be no guarantee that the Corporation will be successful in securing financing or achieving its restructuring objectives. Failure by the Corporation to achieve its financing and restructuring goals will likely result in the Company becoming bankrupt.

The Corporation reported a net loss and total comprehensive loss in the nine-month period ended July 31, 2017 and the year ended October 31, 2016 of $2,067,354 and $2,509,732, respectively. As at July 31, 2017, the Corporation's current liabilities exceeded its current assets by $4,344,044 [October 31, 2016 – $3,379,137]. These recurring losses, the need for continued financing to continue operations, the delisting from the Toronto Stock Exchange and the filing of a Notice of Intention under the BIA 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 condensed interim financial statements do not give effect to any adjustments to the carrying values and classifications 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, Quebec

For the three and nine-month periods ended July 31, 2017, Quest had incurred a total loss of $145,498 and $858,519 respectively in exploration expenditures before government grants and tax credits on the Québec Strange Lake Project compared to $(95,259) and $683,945 respectively for the three and nine-months period ended July 31, 2016. The following table breaks down the expenditures by its material components.

	Three-month period ended		Nine-month period ended	
	July 31, 2017	**July 31, 2016**	**July 31, 2017**	**July 31, 2016**
	$	**$**	**$**	**$**
Acquisition costs	13,111	-	26,059	-
Geophysical Surveys	-	-	-	-
Geological Surveys	-	15,625	-	53,125
Drilling	3,125	9,375	21,875	28,125
Prospecting	-	-	-	-
Prefeasibility Studies	57,276	54,066	260,667	245,392
Feasibility Studies	-	-	-	-
Metallurgical Work	-	-	-	-
Environmental & Permitting	-	53,778	161,936	221,261
Project Management & Support	134,124	244,090	529,602	767,818
Government Tax Credits	(62,139)	77,746	(71,441)	(81,837)
Government Grants	-	(549,939	(70,179)	(549,939)
Total	**145,497**	**(95,259)**	**858,519**	**683,945**

Summary of Quarterly Results

The following table presents unaudited selected financial information for the eight most recently completed financial quarters:

	Year ending October 31, 2017			Year ended October 31, 2016				Year ended October 31, 2015
	Q3 $	Q2 $	Q1 $	Q4 $	Q3 $	Q2 $	Q1 $	Q4 $
Revenues		-	-	-	-	-	-	-
Net loss and total comprehensive loss	(449,476)	(787,107)	(830,771)	(409,009)	(285,814)	(799,196)	(1,015,713)	(1,437,674)
Basic and fully diluted net income (loss) per share	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.02)

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.

Quarter ended July 31, 2017 compared with the quarter ended July 31, 2016

Expenses for the quarter ended July 31, 2017, as detailed in the Interim Statements of Comprehensive Loss, totaled $396,044 as compared to $141,965 for the quarter ended July 31, 2016.

For the quarter ended July 31, 2017, the Corporation reported a net loss of $449,476 as compared to a net loss of $285,814 for the quarter ended July 31, 2016. 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.

Exploration and evaluation expenditures, professional fees, investor relations and administration expenses totaled $396,044 (2016 - $141,965). The increase of $254,079 related to the following variations:

- Exploration and evaluation expenses decreased by $239,640 to $145,498 (2016 - $(94,142)) mainly due to lower geological survey, environmental & permitting and project management costs offset by a substantial government grant in 2016 amounting to $549,939.
- Professional fees decreased by $24,377 to $24,062 and related mainly to lower legal and consulting fees during the quarter as compared $48,439 for the same quarter in 2016.
- Investor relations expenses totaled $30,718 compared to $40,010 for the quarter ended July 31, 2016. The main components of this net decrease of $9,292 as detailed in note 6 to the condensed interim financial statements related mainly to the reduction in meetings and printing and filing costs partially offset by listing and stock transfer fees.
- Administration expenses increased by $48,108 to $195,766 for the quarter ended July 31, 2017 (2016 – $147,658). The main components of this variation, as detailed in note 6 to the condensed interim financial statements, related to separation and termination benefits and trustee costs.

For the quarter ended July 31, 2017, finance income totaled $283 compared to $3,772 for the quarter ended July 31, 2016. The net decrease of $3,489 was as a result of the decrease in funds on deposit offset by interest earned on tax refunds for the quarter ended July 31, 2017 as compared to the quarter ended July 31, 2016. Finance expenses totaled $53,215 for the quarter ended July 31, 2017 compared to $147,421 for the quarter ended July 31, 2016 of which $34,938 (2016 – $103,765) related to accretion with respect to the convertible debentures as detailed in note 10 to the condensed interim financial statements.

The Corporation has recognized its investments held for trading on the balance sheet at their fair value and changes in fair value are recognized as income or loss in the period in which the change arises. As at July 31, 2017, the fair value of the investments held for trading was $1,350 resulting in an unrealized loss on investments held for trading of $500 compared to an unrealized loss on investments held for trading of $200 for the quarter ended July 31, 2016.

The Corporation is entitled to refundable tax credits on qualified expenditures. The refundable tax credits have been applied against the exploration and evaluation expenditures when such expenditures are incurred provided that the Corporation has reasonable assurance those credits will be realized.

The Corporation also has Government grants which are recognized when there is reasonable assurance that the grant will be received and all conditions will be complied with. As at July 31, 2017, the program is on hold pending resolution of the Corporation's restructuring activities. It remains the goal of the Corporation to complete the project goals.

Management judgment is applied in determining whether the mining exploration expenses are eligible for claiming such credits or grants. Adjustments to estimated tax credits or grants receivable, if any, are recorded against exploration and evaluation assets.

Quarter ended July 31, 2016 compared with the quarter ended July 31, 2015

Expenses for the quarter ended July 31, 2016, as detailed in the Interim Statements of Comprehensive Loss, totaled $141,965 as compared to $2,055,942 for the quarter ended July 31, 2015.

For the quarter ended July 31, 2016, the Corporation reported a net loss of $285,814 as compared to a net loss of $2,193,074 for the quarter ended July 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.

Exploration and evaluation expenditures, professional fees, investor relations and administration expenses totaled $141,965 (2015 - $2,055,942). The decrease of $1,913,977 related to the following variations:

- Exploration and evaluation expenses decreased by $1,501,536 to ($94,142) (2015 - $1,407,394) mainly due to lower prefeasibility studies costs and environmental & permitting costs offset partly by higher geological survey costs in turn offset by a substantial government grant in 2016 amounting to $1,013,802.
- Professional fees decreased by $43,382 to $48,439 and related mainly to lower legal and consulting fees during the quarter as compared $91,821 for the same quarter in 2015.
- Investor relations expenses totaled $40,010 compared to $120,385 for the quarter ended July 31, 2015. The main components of this net decrease of $80,375 as detailed in note 6 to the condensed interim financial statements related mainly to the reduction in: investor relations fees; listing and stock transfer fees, meetings and printing and filing costs.
- Administration expenses decreased by $288,684 to $147,658 for the quarter ended July 31, 2016 (2015 – $436,342). The main components of this variation, as detailed in note 6 to the condensed interim financial statements, related to Directors' and officers' insurance, rent and other office expenses.

For the quarter ended July 31, 2016, finance income totaled $3,772 compared to $7,245 for the quarter ended July 31, 2015. The net decrease of $3,473 was as a result of the decrease in funds on deposit offset by interest earned on tax refunds for the quarter ended July 31, 2016 as compared to the quarter ended July 31, 2015. Finance expenses totaled $147,421 for the quarter ended July 31, 2016 compared to $144,427 for the quarter ended July 31, 2015 of which $103,765 (2015 – $100,317) related to accretion with respect to the convertible debentures as detailed in note 10 to the condensed interim financial statements.

The Corporation has recognized its investments held for trading on the balance sheet at their fair value and changes in fair value are recognized as income or loss in the period in which the change arises. As at July 31, 2016, the fair value of the investments held for trading was $800 resulting in an unrealized loss on investments held for trading of $200 compared to an unrealized gain on investments held for trading of $50 for the quarter ended July 31, 2015.

The Corporation is entitled to refundable tax credits on qualified expenditures. The refundable tax credits have been applied against the exploration and evaluation expenditures when such expenditures are incurred provided that the Corporation has reasonable assurance those credits will be realized.

The Corporation also has Government grants which are recognized when there is reasonable assurance that the grant will be received and all conditions will be complied with. As at July 31, 2016, all of the conditions under the Agreement were met or are expected to be met by the Corporation.

Management judgment is applied in determining whether the mining exploration expenses are eligible for claiming such credits or grants. Adjustments to estimated tax credits or grants receivable, if any, are recorded against exploration and evaluation assets.

During the nine-month period ended July 31, 2016, the Corporation recognised tax credits receivable related to Québec resource tax credits ("QRTC"), QMD and SR&ED amounting to $256,712.

Nine-month period ended July 31, 2017 compared with the six-month period ended July 31, 2016

Expenses for the nine-month period ended July 31, 2017, as detailed in the Interim Statements of Comprehensive Loss, totaled $1,864,535 as compared to $1,651,889 for the nine-month period ended July 31, 2016.

For the nine-month period ended July 31, 2017, the Corporation reported a net loss of $2,067,354 as compared to a net loss of $2,100,723 for the nine-month period ended July 31, 2016. 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.

Exploration and evaluation expenditures, professional fees, investor relations and administration expenses totaled $1,864,535 (2016 - $1,651,889). The increase of $212,646 related to the following variations:

- Exploration and evaluation expenses increased by $171,573 to $862,164 (2016 - $690,591) mainly due to higher acquisition, prefeasibility studies and environmental & permitting costs offset partly by lower geological survey costs and a lower level of government grant in 2017.
- Professional fees decreased by $66,758 to $164,447 and related mainly to lower legal, accounting and consulting fees incurred during the nine-month period ended July 31, 2017 as compared $231,205 for the nine-month period ended July 31, 2016.
- Investor relations expenses totaled $184,258 compared to $135,968 for the nine-month period ended July 31, 2017. The main components of this net increase of $48,290 as detailed in note 6 to the condensed interim financial statements related mainly to the increase in: investor relation fees, travel and printing and filing expenses, partly offset by lower meetings costs.
- Administration expenses increased by $59,541 to $653,666 for the nine-month period ended July 31, 2017 (2016 – $594,125). The main components of this variation, as detailed in note 6 to the condensed interim financial statements, related to restructuring expenses partly offset by lower salaries and employee benefits, Director's fees and insurance, rent, travel and IT services.

For the nine-month period ended July 31, 2017, finance income totaled $1,150 compared to $16,740 for the nine-month period ended July 31, 2016. The net decrease of $15,590 was as a result of the decrease in funds on deposit offset by interest earned on tax refunds received during the nine-month period ended July 31, 2017 as compared to the nine-month period ended July 31, 2016.

The Corporation has recognized its investments held for trading on the balance sheet at their fair value and changes in fair value are recognized as income or loss in the period in which the change arises. As at July 31, 2017 the fair value of the investments held for trading was $1,350 resulting in an unrealized gain on investments held for trading of $600 compared to an unrealized gain on investments held for trading of $150 for the nine-month period ended July 31, 2016.

Nine-month period ended July 31, 2016 compared with the nine-month period ended July 31, 2015

Expenses for the nine-month period ended July 31, 2016, as detailed in the Interim Statements of Comprehensive Loss, totaled $1,651,889 as compared to $5,645,493 for the nine-month period ended July 31, 2015.

For the nine-month period ended July 31, 2016, the Corporation reported a net loss of $2,100,723 as compared to a net loss of $5,874,687 for the nine-month period ended July 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.

Exploration and evaluation expenditures, professional fees, investor relations and administration expenses totaled $1,651,889 (2015 - $5,645,493). The decrease of $3,993,604 related to the following variations:

- Exploration and evaluation expenses decreased by $2,522,722 to $690,591 (2015 - $3,213,313) mainly due to lower prefeasibility studies, environmental & permitting and other costs offset partly by higher geological survey and in turn offset by a substantial government grant in 2016.
- Professional fees decreased by $135,625 to $231,205 and related mainly to lower legal, accounting and consulting fees incurred during the nine-month period ended July 31, 2016 as compared $366,830 for the nine-month period ended July 31, 2015.
- Investor relations expenses totaled $135,968 compared to $448,674 for the nine-month period ended July 31, 2015. The main components of this net decrease of $312,706 as detailed in note 6 to the condensed interim financial statements related mainly to the reduction in: investor relation fees, salaries and other employee benefits, printing and filing expenses, listing and stock transfer fees, meetings, consulting services, advertising and travel related costs.
- Administration expenses decreased by $1,022,551 to $594,125 for the nine-month period ended July 31, 2016 (2015 – $1,616,676). The main components of this variation, as detailed in note 6 to the condensed interim financial statements, related to restructuring expenses, stock based compensation expenses, salaries and other benefits, rent and Directors' and officers' insurance.

During the nine-month period ended July 31, 2016, the Corporation received refunds amounting $213,593 from the Federal government related to claims for Scientific Research & Experimental Development ("SR&ED") tax credits which were recorded as a reduction in exploration and evaluation assets. The SR&ED claim related to expenditures incurred in fiscal 2103 and 2014 pertaining to the Corporation's Strange Lake project.

For the nine-month period ended July 31, 2016, finance income totaled $16,740 compared to $19,517 for the nine-month period ended July 31, 2015. The net decrease of $2,777 was as a result of the decrease in funds on deposit offset by interest earned on tax refunds received during the nine-month period ended July 31, 2016 as compared to the nine-month period ended July 31, 2015.

The Corporation has recognized its investments held for trading on the balance sheet at their fair value and changes in fair value are recognized as income or loss in the period in which the change arises. As at July 31, 2016 the fair value of the investments held for trading was $800 resulting in an unrealized gain on investments held for trading of $150 compared to an unrealized loss on investments held for trading of $100 for the nine-month period ended July 31, 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. 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 including a strategic partnership or off take agreements with end users or potential divestiture 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 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 debenture 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.

In connection with this private placement, the Corporation incurred professional fees and expenses of $24,592 which have been pro-rated between the share capital and warrants of $12,192 and $12,400 respectively.

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.

As at October 31, 2015, none of the 613,008 broker compensation units issued had been exercised.
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 for fiscal 2014.

On March 11, 2016, the Corporation completed a partial redemption of its Ekagrata Debentures in the amount of $158,000.

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 "2017 Debenture") and 550,000 common share purchase warrants.

The 2017 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 2017 Debenture is secured by a first-ranking hypothec on all of Quest's assets, present and future, corporeal and incorporeal. The proceeds of the 2017 Debenture, were, in part, used to redeem in full, the remaining balance of the Ekagrata debenture and all accrued interest owing, amounting to $385,420 and $78,524 respectively.

On February 22, 2017, the Corporation issued 8,100,000 Special Warrants (“Special Warrants) at a price of $0.20 per Special Warrant, for total proceeds of $1,620,000, pursuant to a private placement.

On March 30, 2017 each of the Special Warrants was exchanged, for no additional consideration, for one Quest common share and one common share purchase warrant (“Warrant”) of the Corporation. Each of the Warrants entitles its holder to purchase one common share at a price of $0.275 for a period of three years from the closing date of the private placement.

The Corporation filed a prospectus on March 23, 2017 in those provinces in which Special Warrants were sold in order to qualify for distribution the Shares and Warrants issuable upon the exchange of the Special Warrants. The Special Warrants were deemed to be exercised without payment of additional consideration or further action on the third business day following the day upon which the Corporation obtained a receipt for the final prospectus.

On June 5, 2017 the Corporation announced that it would apply for listing on the TSX Venture Exchange (“TSX-V”) and for voluntary delisting from the Toronto Stock Exchange (“TSX”). Following the Corporation’s filing of a Notice of Intention pursuant to Part III of the BIA, the Corporation was delisted from the TSX and did not pursue a listing on the TSX-V.

On July 5, 2017 the Corporation announced that it had filed a Notice of Intention to Make a Proposal ["Notice of Intention"] pursuant to the provisions of Part III of the Bankruptcy and Insolvency Act (Canada) [the "BIA"].

Pursuant to the Notice of Intention, PricewaterhouseCoopers Inc. ["PwC"] has been appointed as the trustee in the Corporation’s proposal proceedings and will assist the Corporation in its restructuring efforts.

This filing follows the Corporation’s strategic review of its options pursuant to the decision of a major industrial conglomerate with interests in construction, mining and hydrocarbons not to follow through with an investment in the Quest project, as contemplated in the Memorandum of Understanding signed on November 2, 2016. The filing of the Notice of Intention has the effect of imposing an automatic 30-day stay of proceedings that will protect the Corporation and its assets from the claims of creditors while the Corporation pursues its restructuring efforts. This 30-day period may be renewed with the authorization of the Superior Court of Québec.

On August 4, 2017 the Superior Court of Québec granted Quest’s motion for an extension of the delay to file a proposal pursuant to the provisions of Part III of the Bankruptcy and Insolvency Act, thereby extending the delay to file such proposal by an additional 45 days, up to and including September 18, 2017.

The Corporation believes that the action it has taken will be beneficial to all stakeholders by giving the Corporation the time and resources needed to find other sources of funding or take opportunity to merge with or be acquired by another company. There is no guarantee that these efforts will be successful.

Nine-month period ended July 31, 2017 compared with the nine-month period ended July 31, 2016

As at July 31, 2017, the Corporation had a total of $208,676 in cash compared to $1,043,003 in cash as at July 31, 2016 and $1,350 (2016 - $750) 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.

During the nine-month period ended July 31, 2017, 100,000 stock options were exercised. No warrants were exercised during the period. No stock options or warrants were exercised during the none-month period ended July 31, 2016.

Nine-month period ended July 31, 2016 compared with the nine-month period ended July 31, 2015

As at July 31, 2016, the Corporation had a total of $1,043,003 in cash compared to $1,402,564 in cash as at July 31, 2015 and $800 (2015 - $850) 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.

During the nine-month periods ended July 31, 2016 and 2015, no stock options or warrants had been exercised.

Outstanding Share Data

As at September 11, 2017, there were 94,629,011 common shares, stock options in respect of 6,541,000 common shares, 480,000 deferred share units, 275,000 restricted share units, 15,729,815 warrants outstanding.

Off-Balance Sheet Arrangements

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

Related Party Transactions

In addition to the related party transaction disclosed in note 8, the following related party transactions occurred in the normal course of operations.

During the three and nine-month periods ended July 31, 2017, the Corporation incurred fees to a law firm in which a director of the Corporation is a partner. For the three-month period ended July 31, 2017, the total amount for such services provided was $3,216, of which $3,055 was recorded in professional fees, nil was recorded in issue costs and $161 in annual meetings [2016 – $1,253 $1,713, and $828 respectively]. For the nine-month period ended July 31, 2017, the total amount for such services provided was $215,366, of which $30,796 was recorded in professional fees, $169,376 was recorded in issue costs and $15,194 was recorded in annual meetings [2016 – $43,525, $1,713, and $9,695 respectively]. As at July 31, 2017, an amount of $400,178 [October 31, 2016 – $193,093] owing to this law firm was included in accounts payable and accrued liabilities in respect of these fees.

During the three and nine-month periods ended July 31, 2017, the Corporation incurred fees to a private investment firm of which a director of the Corporation has a related party association. For the three and nine-month periods ended July 31, 2017, the total amounts for such services provided was nil and $42,581 respectively, which were recorded in professional fees [2016 – $30,000 and $90,000 respectively]. As at July 31, 2017, an amount of $186,481 [October 31, 2016 – $143,900] owing to this firm was included in accounts payable and accrued liabilities in respect of these fees.

During the three and nine-month periods ended July 31, 2017, 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 three-month period ended July 31, 2017, the total amount for such services provided was $80,500, of which $12,500 was recorded in directors fees and $68,000 was recorded in exploration and evaluation expenditures [2016 – $12,500 and $72,000 respectively]. For the nine-month period ended July 31, 2017, the total amount for such services provided was $249,500, of which $37,500 was recorded in directors fees and $212,000 was recorded in exploration and evaluation expenditures [2016 – $37,500 and $219,016 respectively]. As at July 31, 2017, an amount of $447,957 [October 31, 2016 – $233,125] owing to these firms was included in accounts payable and accrued liabilities in respect of these fees.

Compensation of key management personnel and Board of Directors

Excluding the amounts reported above, during the three and nine-month periods ended July 31, 2017 and 2016, the Corporation recorded the following compensation for key management personnel and the Board of Directors:

	Three-month period ended July 31		Nine-month period ended July 31	
	2017	2016	**2017**	2016
	$	$	**$**	$
Salaries and employee benefits	**71,571**	73,606	**199,145**	224,336
Directors' fees	**41,250**	45,000	**130,000**	142,500
Stock compensation	**730**	2,480	**2,922**	49,700
Total	**113,551**	121,086	**332,067**	416,536

None of the above Directors' fees have been paid in 2017 or 2016. Salary amounts of $41,348 and $51,685 for the three and none months ended July 31, 2017 have not been paid.

Financial Instruments

The Corporation is not exposed to any significant credit risk as at July 31, 2017. The Corporation's cash is deposited with a major Canadian chartered bank.

The rates as at July 31, 2017 for Canadian and U.S. funds were 0.75% and 0.05% [October 31, 2016 – 0.90% and 0.05%], respectively.

The Corporation's objectives when managing capital are to safeguard its ability to continue its operations as well as its exploration programs. As such, the Corporation has primarily relied on the equity markets to fund its activities. In order to carry out planned exploration and to pay for administrative costs, the Corporation will spend its existing working capital and is attempting to raise additional funds as needed. The Corporation does not use term debt financing and has not paid any dividends. As well, the Corporation does not have any externally imposed capital requirements, either regulatory or contractual.

Critical Accounting Estimates

The Corporation's condensed interim financial statements include estimates and assumptions made by management. Actual results may vary from these estimates. Critical accounting estimates are discussed under Note 2 of the financial statements for the year ended October 31, 2016.

Changes in Significant Accounting Policies

The Corporation's significant accounting policies are disclosed under the note 2 of the financial statements for the year ended October 31, 2016. There have been no changes in the Corporation's significant accounting policies during the quarter ended July 31, 2017.

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.

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 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.

The primary risk facing the Corporation is if the restructuring and sale process is not successful and it is forced to declare bankruptcy. Management is working towards a successful outcome of the sale process but such an outcome is not guaranteed.

Reference is made to the section of the Corporation's 2016 Annual Information Form and Short Form Prospectus dated March 23, 2017 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

No changes were made to the Corporation's internal controls over financial reporting during the three-month period ended July 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Corporations internal controls 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.

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.