QUEST RARE MINERALS LTD.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
MAY 1, 2017

TAKE NOTICE that an Annual and Special Meeting of Shareholders (the "**Meeting**") of QUEST RARE MINERALS LTD. (the "**Corporation**") will be held at:

Place: Fasken Martineau DuMoulin LLP
Stock Exchange Tower
800 Place Victoria, Suite 3700
Montreal, Québec

Date: May 1, 2017

Time: 11:00 a.m.

The purposes of the Meeting are to:

1. receive and consider the financial statements of the Corporation for the fiscal year ended October 31, 2016 and the auditors' report thereon;

2. elect directors;

3. appoint the auditor and authorize the directors to fix its remuneration;

4. consider, and if deemed advisable, adopt a resolution in the form annexed as Schedule A to the Management Proxy Circular, approving an amendment to the Restricted Share Unit Plan of the Corporation;

5. consider, and if deemed advisable, adopt a resolution in the form annexed as Schedule B to the Management Proxy Circular, approving an amendment to the Deferred Share Unit Plan of the Corporation; and

6. transact such other business as may properly be brought before the Meeting.

Only persons registered as shareholders on the records of the Corporation as of the close of business on March 13, 2017 are entitled to receive notice of, and to vote or act at, the Meeting. No person who becomes a shareholder after the such date will be entitled to vote or act at the Meeting or any adjournment thereof.

The Corporation has fixed March 13, 2017 as the record date for the Meeting. If you are unable to attend the Meeting in person, please date, sign and return the enclosed form of proxy. Proxies to be used at the Meeting must be deposited with Computershare Investor Services Inc. (Attention: Proxy Department), 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1 prior to 5:00 p.m. (eastern time) on April 27, 2017 or with the Secretary of the Corporation before the commencement of the Meeting or at any adjournment thereof.

DATED at Montreal, Québec

March 30, 2017

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Pierre Lortie

Pierre Lortie
Executive Chairman of the Board of Directors

MANAGEMENT PROXY CIRCULAR

SOLICITATION OF PROXIES BY MANAGEMENT

This Management Proxy Circular (the "Circular") is furnished in connection with the solicitation by the management of Quest Rare Minerals Ltd. (the "Corporation") of proxies to be used at the annual and special meeting of shareholders (the "Meeting") of the Corporation to be held at the time and place and for the purposes set out in the Notice of Meeting. It is expected that the solicitation will be made primarily by mail. However, officers and employees of the Corporation may also solicit proxies by telephone, telecopier, e-mail or in person. The total cost of solicitation of proxies will be borne by the Corporation. Information contained herein is given as of the date hereof unless otherwise specifically stated.

INTERNET AVAILABILITY OF PROXY-RELATED MATERIALS

Notice-and-Access

The Corporation has elected to use "notice-and-access" rules ("**Notice-and-Access**") under National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") for distribution of Proxy-Related Materials (as defined below) to shareholders who do not hold shares of the Corporation in their own names (referred to herein as "**Beneficial Shareholders**"). Notice-and-Access is a set of rules that allows issuers to post electronic versions of proxy-related materials on SEDAR and on one additional website, rather than mailing paper copies. "**Proxy-Related Materials**" refers to this Circular, the Notice of Meeting, a voting instruction form, the Corporation's 2016 annual report containing the Corporation's annual audited financial statements for the year ended October 31, 2016 and the related Management's Discussion and Analysis.

The use of Notice-and-Access is more environmentally friendly as it helps reduce paper use. It also reduces the Corporation's printing and mailing costs. Beneficial Shareholders may obtain further information about Notice-and-Access by contacting Broadridge Financial Solutions, Inc. toll free at 1-855-887-2244.

The Corporation is not using Notice-and-Access for delivery to shareholders who hold their shares directly in their respective names (referred to herein as "**Registered Shareholders**"). Registered Shareholders will receive paper copies of this Circular, related materials and the Corporation's 2016 annual report via prepaid mail.

Websites Where Proxy-Related Materials are Posted

The Proxy-Related Materials are available on the Corporation's website at www.questrareminerals.com and under the Corporation's profile on SEDAR at www.sedar.com.

Notice Package

Although the Proxy-Related Materials have been posted on-line as noted above, Beneficial Shareholders will receive paper copies of a notice package ("**Notice Package**") via prepaid mail containing information and documents prescribed by NI 54-101 such as: the date, time and location of the Meeting, the website addresses where the Proxy-Related Materials are posted, a voting instruction form, and supplemental mail list return card for Beneficial Shareholders to request they be included in the Corporation's supplementary mailing list for receipt of the Corporation's interim financial statements for the 2017 fiscal year.

How to Obtain Paper Copies of Proxy-Related Materials

Beneficial Shareholders may obtain paper copies of this Circular and the Corporation's 2016 annual report free of charge by contacting Broadridge Financial Solutions, Inc. toll free at 1-877-907-7643. Any request for paper copies which are required in advance of the Meeting should be sent so that the request is received by the Corporation by April 17, 2017 in order to allow sufficient time for Beneficial Shareholders to receive their paper copies and to return their voting instruction form by its due date.

APPOINTMENT AND REVOCATION OF PROXIES

Appointment of Proxy

A Registered Shareholder who is unable to attend the Meeting in person is requested to complete and sign the enclosed form of proxy and to deliver it to Computershare Investor Services Inc. (i) by mail or hand delivery to Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, or (ii) by facsimile to 416-263-9524 or 1-866-249-7775. A Registered Shareholder may also vote using the internet at www.investorvote.com or telephone at 1-866-732-8683. In order to be valid and acted upon at the Meeting, the form of proxy must be received no later than 5:00 p.m. (eastern time) on April 27, 2017 or be deposited with the Secretary of the Corporation before the commencement of the Meeting or any adjournment thereof.

The document appointing a proxy must be in writing and executed by the Registered Shareholder or his attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

A Registered Shareholder submitting a form of proxy has the right to appoint a person (who need not be a shareholder) to represent him or her at the Meeting other than the persons designated in the form of proxy furnished by the Corporation. To exercise that right, the name of the Registered Shareholder's appointee should be legibly printed in the blank space provided. In addition, the Registered Shareholder should notify the appointee of his or her appointment, obtain his or her consent to act as appointee and instruct the appointee on how the Registered Shareholder's shares are to be voted.

Shareholders who are not Registered Shareholders should refer to "Notice to Beneficial Shareholders" below.

Revocation of Proxy

A Registered Shareholder who has submitted a form of proxy as directed hereunder may revoke it at any time prior to the exercise thereof. If a Registered Shareholder who has given a proxy personally attends the Meeting at which that proxy is to be voted, that Registered Shareholder may revoke the proxy and vote in person. In addition to the revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Registered Shareholder or his attorney or authorized agent and deposited with (i) Computershare Investor Services Inc. at any time up to 5:00 p.m. (eastern time) on April 27, 2017 by mail or by hand delivery to Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, or by facsimile to 416-263-9524 or 1-866-249-7775, (ii) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or (iii) with the chairman of the Meeting on the day of the Meeting before the commencement thereof, or any adjournment thereof, and upon any such deposit, the proxy will be revoked.

Notice to Beneficial Shareholders

The information set out in this section is of importance to many shareholders, as a substantial number of shareholders are Beneficial Shareholders and do not hold shares of the Corporation in their own names. Beneficial Shareholders should note that only proxies deposited by Registered Shareholders (shareholders whose names appear on the records of the Corporation as the registered holders of shares) can be recognized and acted upon at the Meeting or any adjournment(s) thereof. If shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those shares will not be registered in the shareholder's name on the records of the Corporation. Those shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can be voted (for or against resolutions or withheld from voting) only upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting shares for their clients. Subject to the following discussion in relation to NOBOs (as defined below), the Corporation does not know for whose benefit the shares of the Corporation registered in the name of CDS & Co., a broker or another nominee, are held.

There are two categories of Beneficial Shareholders for the purposes of applicable securities regulatory policy in relation to the mechanism of dissemination to Beneficial Shareholders of proxy-related materials and other securityholder materials and the request for voting instructions from such Beneficial Shareholders. Non-objecting beneficial owners ("**NOBOs**") are Beneficial Shareholders who have advised their intermediary (such as brokers or other nominees) that they do not object to their intermediary disclosing ownership information to the Corporation, consisting of their name, address, e-mail address,

securities holdings and preferred language of communication. Securities legislation restricts the use of that information to matters strictly relating to the affairs of the Corporation. Objecting beneficial owners ("**OBOs**") are Beneficial Shareholders who have advised their intermediary that they object to their intermediary disclosing such ownership information to the Corporation.

NI 54-101 permits the Corporation, in its discretion, to obtain a list of its NOBOs from intermediaries and use such NOBO list for the purpose of distributing the Notice Package directly to, and seeking voting instructions directly from, such NOBOs. As a result, the Corporation is entitled to deliver the Notice Package to Beneficial Shareholders in two manners: (a) directly to NOBOs and indirectly through intermediaries to OBOs; or (b) indirectly to all Beneficial Shareholders through intermediaries. In accordance with the requirements of NI 54-101, the Corporation is sending the Notice Package indirectly through intermediaries to NOBOs and OBOs. The cost of the delivery of the Notice Package by intermediaries to Beneficial Shareholders will be borne by the Corporation.

Applicable securities regulatory policy requires intermediaries, on receipt of Notice Packages that seek voting instructions from Beneficial Shareholders indirectly, to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings on Form 54-101F7 (Request for Voting Instructions Made by Intermediary). Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting or any adjournment(s) thereof. Often, the form of request for voting instructions supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to Registered Shareholders; however, its purpose is limited to instructing the Registered Shareholder how to vote on behalf of the Beneficial Shareholder. Beneficial Shareholders who wish to appear in person and vote at the Meeting should be appointed as their own representatives at the Meeting in accordance with the directions of their intermediaries and Form 54-101F7. Beneficial Shareholders can also write the name of someone else whom they wish to appoint to attend at the Meeting and vote on their behalf. Unless prohibited by law, the person whose name is written in the space provided in Form 54-101F7 will have full authority to present matters to the Meeting and vote on all matters that are presented at the Meeting, even if those matters are not set out in Form 54-101F7 or this Circular.

The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). In forwarding the Notice Package to Beneficial Shareholders, Broadridge typically includes a voting instruction form in lieu of the form of proxy that some intermediaries employ. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can call a toll-free telephone number to vote the shares held by them or access Broadridge's dedicated voting website at https://central-online.proxyvote.com to deliver their voting instructions. Broadridge will then provide aggregate voting instructions to the Corporation's transfer agent and registrar, which will tabulate the results and provide appropriate instructions respecting the voting of shares to be represented at the Meeting or any adjournment(s) thereof.

EXERCISE OF DISCRETION BY PROXIES

Shares represented by properly-executed proxies or voting instruction forms in favour of the persons designated in the enclosed form of proxy or voting information forms, in the absence of any direction to the contrary, will be voted for the: (i) election of directors; (ii) appointment of the auditor; (iii) resolution approving an amendment to the Restricted Share Unit Plan of the Corporation; and (iv) resolution approving an amendment to the Deferred Share Unit Plan of the Corporation, as stated under such headings in this Circular. The shares represented by the proxy or voting instruction form will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for, and if a shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. With respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting, such shares will be voted by the persons so designated in their discretion. At the time of printing this Circular, management of the Corporation knows of no such amendments, variations or other matters.

VOTING SHARES

As at March 30, 2017, there were 94,629,011 issued and outstanding common shares of the Corporation. Each common share entitles the holder thereof to one vote. The Corporation has fixed March 13, 2017 as the record date (the "**Record Date**") for the purpose of determining shareholders entitled to receive notice of the Meeting. Pursuant to the *Canada Business Corporations Act*, the Corporation is required to prepare, no later than ten days after the Record Date, an alphabetical list of shareholders entitled to vote as of the Record Date that shows the number of shares held by each shareholder. A shareholder whose name appears on the list referred to above is entitled to vote the shares shown opposite his or her name at the Meeting. The list of shareholders is available for inspection during usual business hours at the head office

of the Corporation, 1155 Robert-Bourassa Blvd., Suite 906, Montreal, Québec and at the Meeting. Only shareholders of record as at the close of business on the Record Date will receive notice of, and be entitled to attend and vote at, the Meeting. A shareholder of record on the Record Date will be entitled to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, even though the shareholder may subsequently dispose of his or her shares. No shareholder who has become a shareholder after the Record Date will be entitled to vote his or her shares at the Meeting or any adjournment(s) thereof.

PRINCIPAL SHAREHOLDERS

As at March 30, 2017, to the best knowledge of the Corporation, no person beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the common shares of the Corporation.

ELECTION OF DIRECTORS

The Board of Directors currently consists of five directors. The persons named in the enclosed form of proxy intend to vote for the election of the five nominees whose names are set out below. Each director will hold office until the next annual meeting of shareholders or until the election of his successor, unless he resigns or his office becomes vacant by removal, death or other cause.

The following table sets out the name of each of the persons proposed to be nominated for election as director, all other positions and offices with the Corporation now held by such person, his municipality of residence and principal occupation, the year in which such person became a director of the Corporation, each committee of the Board of Directors on which such person currently serves, and the number of common shares of the Corporation that such person has advised are beneficially owned or over which control or direction is exercised by such person as at the date indicated below.

Name, municipality of residence and position with the Corporation	Principal occupation	First year as director	Number of shares beneficially owned or over which control is exercised as at March 30, 2017
Yves Beauchamp[(1)] Boucherville, Québec, Canada Director	Vice-Principal (Administration and Finance) McGill University	2015	—
Ronald Kay[(1)(2)] Westmount, Québec, Canada Director	Business Executive	2007	570,392
Pierre Lortie[(2)] St. Lambert, Québec, Canada Executive Chairman of the Board of Directors	Senior Business Advisor Dentons (law firm)	2014	100,000
Michael Pesner, CPA, CA[(1)] Montreal, Québec, Canada Director	President Hermitage Canada Finance Inc. (financial advisory services company)	2007	137,200
Neil Wiener Westmount, Québec, Canada Director	Partner Fasken Martineau DuMoulin LLP (law firm)	2007	92,500

(1) Member of the Audit Committee.
(2) Member of the Human Resources and Governance Committee.

The information as to shares beneficially owned or over which the above-named individuals exercise control or direction is not within the knowledge of the Corporation and has been furnished by the respective nominees individually. The Corporation does not have an Executive Committee of the Board of Directors.

To the knowledge of the Corporation, none of the foregoing nominees for election as a director of the Corporation:

(a) is, or within the last ten years has been, a director, chief executive officer or chief financial officer of any company that:

(i) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an "**Order**"), which Order was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer of such company, with the exception of a management cease trade order ("**MCTO**") issued on January 31, 2017 by the Autorité des marchés financiers under *National Policy 12-203 Cease Trade Orders for Continuous Disclosure Defaults*, pursuant to which the Corporation's directors and senior officers could not trade in the Corporation's securities. The MCTO was issued following the filing by the Corporation of an annual information form for the fiscal year ended October 31, 2016 that was not compliant with *Regulation 51-102 respecting Continuous Disclosure Obligations* (Québec) and the failure by the Corporation to file a technical report compliant with *Regulation 43-101 respecting Standards of Disclosure for Mineral Projects* (Québec) supporting the scientific and technical information relating to the Corporation's Strange Lake project. The MCTO was lifted on March 14, 2017; or

(ii) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company, with the exception of Michael Pesner, who was a director of Liquid Nutrition Group Inc. until June 3, 2015, and which subsequent to his resignation as a director was subject to a cease trade order issued by certain securities commissions for its failure to file interim financial statements and management's discussion and analysis for the period ended March 31, 2015;

(b) is, or within the last ten years has been, a director or executive officer of any company that, while the proposed director was acting in that capacity, or within a year of ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, with the exception of: Michael Pesner, who was until May 25, 2011 a director of Prestige Telecom Inc., which filed in November 2011 a notice of intention to make a proposal to its creditors pursuant to the *Bankruptcy and Insolvency Act* (Canada), which proposal was accepted by the creditors on March 12, 2012 and for which a Final Order was obtained from the Québec Superior Court on March 28, 2012; and Pierre Lortie, who was until June 2015 a director and Chairman of Biocean Canada Inc., which made a proposal to its creditors pursuant to the *Bankruptcy and Insolvency Act* (Canada), which proposal was accepted by the creditors on October 10, 2014 and for which a Final Order was obtained from the Québec Superior Court on December 22, 2014; or

(c) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

None of the foregoing nominees for election as director of the Corporation has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Majority Voting for Directors

In March 2013, the Board of Directors adopted a majority-voting policy. Under this policy, in an uncontested election of directors, any nominee proposed for election as a director who receives a greater number of "withheld" votes than "for" votes is expected promptly following the date of the shareholders' meeting at which the election occurred to tender his or her resignation to the Chairman of the Board of Directors for consideration by the Human Resources and Governance Committee of the Board of Directors (the "**HRGC**"), with the resignation to take effect upon acceptance by the Board of Directors. This policy applies only to "uncontested elections", that is, elections where the number of nominees for director is equal to the number of directors to be elected.

The Board of Directors will act on the HRGC's recommendation within 90 days following the date of the shareholders' meeting at which the election occurred. Following the Board of Directors' decision on the HRGC's recommendation, the Board of Directors will promptly disclose, by way of a press release, the Board of Directors' decision whether or not to accept the director's offer of resignation, together with an explanation of the process by which the decision was made and, if applicable, the Board's reason or reasons for rejecting the tendered resignation.

The HRGC will be expected to recommend that the Board of Directors accept the resignation except in situations where extenuating circumstances would warrant that the director continue to serve on the Board of Directors. In considering whether or not to recommend the acceptance of a resignation, the HRGC will consider all factors deemed relevant by the HRGC, including the stated reason or reasons why shareholders "withheld" votes from the election of that nominee, the length of service and the qualifications of the director whose resignation has been tendered (including, for example, the impact the director's resignation would have on the Corporation's compliance with the requirements of applicable corporate and securities laws and the rules of any stock exchange on which the Corporation's securities are listed or posted for trading), such director's contributions to the Corporation, and whether the director's resignation from the Board of Directors would be in the best interests of the Corporation.

The HRGC will also consider a range of possible alternatives concerning the director's tendered resignation as the HRGC may deem appropriate, including recommending acceptance of the resignation, rejection of the resignation, or rejection of the resignation coupled with a commitment to seek to address and cure the underlying reasons reasonably believed by the HRGC to have substantially resulted in the "withheld" votes.

A director who tenders his or her resignation will not participate in any meetings to consider whether the resignation will be accepted.

Shareholders should note that, as a result of the majority-voting policy, a ''withhold'' vote is effectively the same as a vote against a director nominee in an uncontested election.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide information about the Corporation's executive compensation objectives and process and to discuss compensation relating to each person who acted as President and Chief Executive Officer and Chief Financial Officer of the Corporation and the three most highly-compensated executive officers of the Corporation (or three most highly-compensated individuals acting in a similar capacity), other than the Chief Executive Officer and Chief Financial Officer, whose total compensation was more than $150,000 in the Corporation's last financial year (each a "**Named Executive Officer**" or "**NEO**" and collectively, the "**Named Executive Officers**" or "**NEOs**"). For the fiscal year ended October 31, 2016, the Corporation had three Named Executive Officers, namely, Pierre Lortie (acting Chief Executive Officer), Alain Wilson (Chief Financial Officer) and Dr. Dirk Naumann, President of the Corporation.

Human Resources and Governance Committee

During the fiscal year ended October 31, 2016, the HRGC was comprised of three directors, namely Ronald Kay (Chairman), Pierre Lortie and Prashant Pathak, a majority of whom were "independent" directors within the meaning of National Instrument 52-110 *Audit Committees.* Prashant Pathak resigned as a director of the Corporation on January 27, 2017. The Board of Directors is of the view that the HRGC collectively has the knowledge, experience and background to fulfill its mandate, and that each of the members of the HRGC has direct experience relevant to his responsibilities regarding executive compensation. In particular, Messrs. Kay and Lortie have been associated, or have extensive experience, with

numerous public companies, and Mr. Pathak is an experienced business executive. These collective skills and extensive experience enabled the HRGC to make decisions on the suitability of the Corporation's compensation policies and practices.

The mandate of the HRGC is to annually review and make recommendations to the Board of Directors with respect to the Corporation's compensation and benefit programs for the NEOs and directors as well as other members of senior management of the Corporation, including base salaries, bonuses and stock option grants. In the assessment of the annual compensation of the NEOs, the HRGC consults with senior management to develop, recommend and implement compensation philosophy and policy. The HRGC also takes into consideration the competitiveness of the compensation packages offered to the NEOs. Compensation decisions are generally made in the first quarter of a fiscal year, in respect of performance achieved in the prior fiscal year.

Compensation Philosophy and Objectives

The compensation of the Corporation's NEOs is determined by the Board of Directors upon recommendation by the HRGC. The Corporation's executive compensation program is generally designed to pay for performance and be competitive with other companies of comparable size in the same field of activity. The Chief Executive Officer makes recommendations to the HRGC as to the compensation of the Corporation's executive officers other than himself. The HRGC makes recommendations to the Board of Directors as to the compensation of the Chief Executive Officer and the other NEOs. The general objective of the Corporation's compensation philosophy is to: (i) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (ii) align management's interests with the long-term interests of shareholders; (iii) provide a compensation package that is commensurate with other rare metals companies in order to enable the Corporation to attract and retain talent; and (iv) ensure that the total compensation package is designed in a manner that takes into account the constraints under which the Corporation operates by virtue of the fact that it is a rare metals company without a history of earnings. For the fiscal year ended October 31, 2016, the HRGC recommended and the Board of Directors approved a combination of salary and equity-based compensation for all NEOs.

Executive Compensation Policy

The Corporation's executive compensation program is generally comprised of a base salary and long-term incentives in the form of: (i) stock options granted under the Corporation's 2012 Stock Option Plan (the "**2012 Plan**"); (ii) restricted share units ("**RSUs**") awarded under the Restricted Share Unit Plan (the "**RSU Plan**"); and (iii) deferred share units ("**DSUs**") awarded under the Deferred Share Unit Plan (the "**DSU Plan**"), all of which are described in detail in this Circular.

The 2012 Plan was adopted by the Board of Directors on March 2, 2012, in connection with the listing of the Corporation on the Toronto Stock Exchange (the "**TSX**"), as the 2012 Plan complies with the applicable policies of the TSX. The 2012 Plan replaced the Corporation's 2007 Stock Option Plan (the "**2007 Plan**"), which complied with the policies of the TSX Venture Exchange, on which the Corporation was listed until March 1, 2012. Since the adoption of the 2012 Plan, all stock options granted by the Corporation have been granted under the 2012 Plan and no further stock options have been, or will be, granted under the 2007 Plan.

On March 9, 2012, upon the recommendation of the then-Compensation Committee, the Board of Directors adopted the RSU Plan and DSU Plan.

The 2012 Plan, RSU Plan and DSU Plan are designed to attract and retain the key talent required to drive the Corporation's long-term success by providing participants with an opportunity to share in the shareholder value to which they contribute. The HRGC, at its sole discretion, and from time to time, may propose modifications to the executive compensation policy, including the removal or addition of compensation elements and amendments to the 2012 Plan, RSU Plan and DSU Plan. Any such modifications will be presented to the Board of Directors and, when required, to the shareholders, for approval.

Comparative Group and External Compensation Consultant

To ensure the competitiveness of the compensation offered to the NEOs and other senior executives of the Corporation, the HRGC may retain, from time to time, the services of executive compensation consultants to provide advice on executive compensation.

In March 2011, the then-Compensation Committee retained the services of PCI-Perrault Consulting Inc. ("**PCI**") to provide a benchmarking analysis and to advise the Corporation on the competitiveness and appropriateness of compensation programs offered to its executives. PCI reported to the Chair of the then-Compensation Committee and provided input on the

philosophy and competitiveness of the incentive plan design and award values of the Corporation's executive and director-compensation programs. In its role as executive-compensation consultants, in 2012, PCI attended Compensation Committee meetings at which executive and director-compensation matters were discussed. During the fiscal year ended October 31, 2013, the then-Compensation Committee retained the services of PCI to provide assistance in determining the appropriate compensation for certain officers of the Corporation and for the members of the Corporation's then-Technical Committee.

The Compensation Committee used executive-compensation analyses prepared by PCI to position the Corporation's compensation programs in the context of the market. Although the HRGC may rely on information and advice obtained from consultants such as PCI, all decisions with respect to executive compensation are made by the Board of Directors upon recommendation of the HRGC and may reflect factors and considerations that differ from information and recommendations provided by such consultants, such as merit and the need to retain high-performing executives.

As part of the review process, the then-Compensation Committee conducted an analysis to examine and compare the Corporation's compensation programs with a group of comparable companies to ensure the competitiveness and reasonableness of the compensation offered. In 2011, the Corporation's compensation levels and practices were compared to those of eleven Canadian exploration companies (the "**Comparative Group**"), including companies that explore for rare earth elements, with market capitalization, revenues and financial performance comparable to those of the Corporation, taking into consideration the size of the Corporation, the geographic markets in which it operates and the responsibilities of its executive officers. The Comparative Group was comprised of the following:

Comparative Group	
Anooraq Resources Corporation	Matamec Explorations Inc.
Avalon Rare Metals Inc.	Rare Element Resources Ltd.
Great Western Minerals Group Ltd.	Strateco Resources Inc.
Hathor Exploration Limited	Ucore Rare Metals Inc.
Energy Fuels Inc.	Ur-Energy Inc.
IC Potash Corp.	

The HRGC periodically reviews the Comparative Group to ensure that the companies included in the group share similar industry characteristics with the Corporation and have revenues and market capitalizations comparable to those of the Corporation.

Compensation Process

The Board of Directors, upon the recommendation of the HRGC, ensures that total compensation paid to the Named Executive Officers is fair and reasonable and accomplishes the following long-term objectives:

- produce long-term, positive results for the Corporation's shareholders;
- align executive compensation with corporate performance; and
- provide market-competitive compensation and benefits that will enable the Corporation to recruit, retain and motivate the executive talent necessary for the Corporation to be successful.

Elements of Executive Compensation

The compensation of the NEOs consists of two main components: base salary and long-term incentives, currently in the form of stock options, RSUs and DSUs. The terms and conditions of employment contracts of certain of the NEOs are described below in the section entitled "Termination and Change of Control Benefits". The following discussion describes the components of compensation and discusses how each component relates to the Corporation's overall executive compensation objective. The Corporation believes that:

- base salaries provide an immediate cash incentive for the NEOs and should be at levels competitive with peer companies that compete with the Corporation for business opportunities and executive talent; and
- stock options and RSUs ensure that the NEOs are motivated to achieve long-term growth of the Corporation and continuing increases in shareholder value, and provide capital accumulation linked directly to the Corporation's performance.

Base Salaries

The base salary component of the compensation for the Corporation's executives aims to reflect the median salaries paid by companies in the Comparative Group and companies of a size comparable with the Corporation for positions involving similar responsibilities and complexity, as well as the ability and experience of each executive. The base salary may be paid to the NEO in the form of a consulting fee.

Salaries are reviewed annually based on changes in the marketplace, the evolution of the executive's competencies, and his individual performance as measured by the achievement of objectives determined annually by the executive together with the Chief Executive Officer and, with respect to the Chief Executive Officer, with the HRGC.

Long-Term Incentive Plans

Long-term incentives are comprised of stock options, RSUs and DSUs, and are intended to align executive compensation with the interests of the Corporation's shareholders.

Stock Options

Pursuant to the 2012 Plan, options may be granted by the Board of Directors, from time to time, to executives and other key employees. The terms of the 2012 Plan are described below in the section entitled "2012 Stock Option Plan".

Option-grant guidelines are established pursuant to the HRGC's periodic review of the compensation policy, taking into account the competitiveness of total compensation and compensation practices within the Comparative Group, market trends, the current stage of development of the Corporation as well as the Corporation's pay-for-performance philosophy. Option grants are determined based on the participant's position and responsibility levels, without taking into account the number of stock options already held by such participant. The Board of Directors views the granting of stock options as a means of promoting the success of the Corporation and higher returns to its shareholders. During the fiscal year ended October 31, 2016, the Board of Directors granted stock options to the NEOs in respect of an aggregate of 400,000 common shares.

Restricted Share Units (RSUs)

On March 9, 2012, the Board of Directors adopted the RSU Plan for the Corporation's executives and key employees. The terms of the RSU Plan are described below in the section entitled "Restricted Share Unit Plan". The purpose of the RSU Plan is to attract and retain qualified individuals to serve as executives and key employees of the Corporation and to promote the alignment of interests of such executives and key employees, on the one hand, and the shareholders of the Corporation, on the other hand. No RSUs were granted to the NEOs during the fiscal year ended October 31, 2016.

Deferred Share Units (DSUs)

On March 9, 2012, the Board of Directors adopted the DSU Plan for the Corporation's directors and key employees. The terms of the DSU Plan are described below in the section entitled "Deferred Share Unit Plan". The purpose of the DSU Plan is to attract and retain qualified individuals to serve as directors and key employees of the Corporation and to promote the alignment of interests of such directors and key employees, on the one hand, and the shareholders of the Corporation, on the other hand. No DSUs were granted to the NEOs during the fiscal year ended October 31, 2016.

The HRGC believes that the terms and conditions of the 2012 Plan combined with those of the RSU Plan and DSU Plan adequately meet the objectives of attracting and retaining quality executives while promoting long-term development of the Corporation and maximizing shareholder value.

The Corporation's approach is to position total direct compensation for the NEOs, which is the aggregate of salary, estimated value of stock options, RSUs and DSUs, at approximately the median (50^{th} percentile) of the Comparative Group. Future long-term incentive awards will take into consideration current and intended market positioning.

Group Benefits/Perquisites

Certain of the NEOs benefit from the Corporation's group insurance plans. None of the NEOs benefits from a retirement plan.

Executive Compensation-Related Fees

(a) **Executive Compensation-Related Fees**

"Executive Compensation-Related Fees" consist of fees for professional services billed by each consultant or advisor, or any of its affiliates, that are related to determining compensation for any of the Corporation's directors and executive officers. PCI did not bill the Corporation for Executive Compensation-Related Fees in the fiscal year ended October 31, 2016 or October 31, 2015.

(b) ***All Other Fees***

"All Other Fees" consist of fees for services that are billed by each consultant or advisor mentioned above and which are not reported under "Executive Compensation-Related Fees". PCI did not bill the Corporation for any other fees during the fiscal year ended October 31, 2016 or October 31, 2015.

Assessment of Risks Associated with the Corporation's Compensation Policies and Practices

The HRGC has assessed the Corporation's compensation plans and programs for its executive officers to ensure alignment with the Corporation's business plan and to evaluate the potential risks associated with such plans and programs. The HRGC has concluded that the compensation policies and practices do not create any risks that are reasonably likely to have a material adverse effect on the Corporation. The HRGC considers the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans and programs.

The Corporation has not adopted a policy restricting its NEOs or directors from purchasing financial instruments that are designated to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEOs or directors. To the knowledge of the Corporation, none of the NEOs or directors has purchased such financial instruments.

Summary of the Compensation of the Named Executive Officers

The following table provides information for the financial years ended October 31, 2016, 2015 and 2014 regarding compensation paid to or earned by the NEOs.

Summary Compensation Table

Name and Principal Occupation	Year	Salary[1] ($)	Share-Based Awards[2] ($)	Option-Based Awards[3] ($)	Non-Equity Incentive Plan Compensation ($)		Pension Value[4] ($)	All other Compensation ($)	Total Compensation ($)
					Annual Incentive Plans	Long-Term Incentive Plans			
Pierre Lortie[5] Executive Chairman of the Board of Directors	2016 2015	100,000 68,750[8]	— 12,700	6,853 44,450	— —	— —	— —	8,072 3,713	114,925 129,613
Alain Wilson[6] Vice President and Chief Financial Officer	2016 2015	240,000 95,455[9]	— —	— 12,070	— —	— —	— —	— —	240,000 107,525
Dirk Naumann[7] President	2016 2015 2014	288,000 282,000[10] 288,000	— — —	11,833 27,450 51,735	— — —	— — —	— — —	— — —	299,833 309,450 339,735

(1) This column discloses the actual salary earned during the fiscal year indicated. Of the respective amounts earned in 2016, Pierre Lortie was paid nil, Alain Wilson was paid $140,000 and Dirk Naumann was paid $266,000.

(2) This column discloses the total value of RSUs and DSUs granted to the NEO during the fiscal year indicated. This amount is equal to the number of RSUs or DSUs multiplied by the closing price of the common shares of the Corporation on the TSX on the day before the RSUs and/or DSUs were granted.

(3) This column discloses the total value of stock options granted to the NEOs during the fiscal year indicated. **These figures do not reflect the current value of the stock options or the value, if any, that may be realized if and when the stock options are exercised**. The fair value of stock options shown in this column was calculated using the Black-Scholes option-pricing model at the time of grant, using the same assumptions used for determining the equity-based compensation expense with respect to options granted to officers of the Corporation presented in the Corporation's

financial statements for the fiscal years ended October 31, 2016, 2015 and 2014 in accordance with generally accepted accounting principles. The Black-Scholes model was selected by the Corporation as it is the most widely-adopted and used option-valuation method. These assumptions are:

	2016	2015	2014
Risk-free interest rate	0.72%	0.87%	1.48%
Forfeiture rate	6.44%	5.91%	4.88%
Expected life of options	5 years	5 years	5 years
Expected volatility	90%	78%	97%
Dividend rate	Nil	Nil	Nil
Fair value at grant time	$0.05	$0.18	$0.47

(4) The Corporation does not have a retirement plan.
(5) Pierre Lortie was appointed Executive Chairman of the Board of Directors on April 20, 2015. Prior thereto, Mr. Lortie was Chairman of the Board of Directors.
(6) Alain Wilson was appointed Vice-President and Chief Financial Officer of the Corporation on June 8, 2015.
(7) Dirk Naumann was appointed President of the Corporation on December 1, 2015. Prior thereto, he was Executive Vice-President, Development of the Corporation.
(8) The Corporation paid $25,000 of this amount to a company controlled by Pierre Lortie.
(9) The Corporation paid this amount to a company controlled by Alain Wilson, for the services rendered by Alain Wilson as Chief Financial Officer of the Corporation.
(10) The Corporation paid this amount to a company controlled by Dirk Naumann, for the services rendered by Dirk Naumann as Executive Vice-President, Development of the Corporation.

Incentive Plan Awards

The following table sets out the details of all stock options and share-based awards held by the NEOs as at October 31, 2016, the end of the Corporation's most recently-completed financial year.

	Option-Based Awards				Share-Based Awards		
Name	**Number of Securities Underlying Unexercised Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Value of Unexercised In-the-Money Options[1] ($)**	**Number of Shares or Units of Shares that have not Vested (#)**	**Market or Payout Value of Share-based awards that have not Vested ($)**	**Market or Payout Value of Vested Share-based awards not paid out or distributed ($)[2]**
Pierre Lortie	150,000	0.51	May 1, 2019	—	105,000	—	12,600
	100,000	0.17	December 2, 2019	—			
	150,000	0.183	February 26, 2020	—			
	50,000	0.07	December 1, 2020	2,500			
	100,000	0.065	January 20, 2021	5,500			
Alain Wilson	25,000	0.54	February 27, 2019	—	—	—	—
	71,000	0.17	December 2, 2019	—			
Dirk Naumann	150,000	0.49	February 5, 2019	—	—	—	—
	150,000	0.183	February 26, 2020	—			
	250,000	0.07	December 1, 2020	12,500			

(1) This column sets out the aggregate value of in-the-money unexercised options as at October 31, 2016, calculated based on the difference between the closing price of the common shares of the Corporation on the TSX as at October 31, 2016 ($0.12), and the exercise price of the stock options.
(2) This column sets out the aggregate value of DSUs outstanding at October 31, 2016 that have vested multiplied by the closing price of the common shares of the Corporation on the TSX on October 31, 2016 ($0.12).

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out, for each NEO, the value of option-based awards and share-based awards which vested during the year ended October 31, 2016 and the value of non-equity incentive plan compensation earned during the year ended October 31, 2016.

Name	Option-Based Awards – Value Vested During the Year[1] ($)	Share-Based Awards – Value Vested During the Year[2] ($)	Non-Equity Incentive Plan Compensation – Value Earned During the Year ($)
Pierre Lortie	—	—	n/a
Alain Wilson	—	—	n/a
Dirk Naumann	—	—	n/a

(1) The Corporation granted 400,000 option-based awards to its NEOs during the fiscal year ended October 31, 2016, of which 150,000 vested during the year. The value is based on the difference between the market price of the common shares of the Corporation at the vesting date and the exercise price of the stock options. The stock options which vested during the fiscal year had an exercise price equal to the market price at the time of grant and vested immediately, so that there was no difference between the market price of the Corporation's shares on the vesting date and the exercise price of the stock options.

(2) The Corporation granted nil share-based awards to its NEOs during the fiscal year ended October 31, 2016, of which nil vested during the year.

Termination and Change of Control Benefits

There are no employment contracts between the Corporation and its officers, and there are no plans or compensation mechanisms in favour of officers which could be triggered following a retirement, termination or change of control, other than the following.

Dirk Naumann – President

The Corporation entered into an executive employment agreement dated as of May 8, 2015 with Dirk Naumann, the President of the Corporation, in replacement of an advisory and consulting services agreement entered into in May 2013. The executive employment agreement, which is for an indefinite term, provides that Mr. Naumann will receive an annual salary of $240,000, which may be increased at the sole discretion of the Board of Directors of the Corporation. In consideration for advisory and consultancy services, the Corporation will pay $1,000 per day, up to a maximum of $4,000 per month, plus applicable taxes. Such fee amounts may be increased from time to time at the discretion of the Board of Directors or its authorized delegate. The agreement may be terminated by the Corporation upon a breach by Mr. Naumann of certain terms and conditions thereof. The agreement may also be terminated by the Corporation at its discretion by paying Mr. Naumann an amount equal to the greatest of: (i) his then-current annual base salary; (ii) the average of his base salary during the three years immediately prior to the date of the termination of the agreement; and (iii) $250,000. Such amount will be payable as a one-time lump-sum payment, in cash, less applicable statutory deductions and withholdings, no later than 30 days after the date of the termination of the agreement. Mr. Naumann will not be required to furnish any evidence of entitlement or value of services rendered in order to be paid such indemnity amount. In the event of the termination of the agreement by the Corporation, as well as in the event of a deemed termination of the agreement, in either case within one year following a change in control of the Corporation (as defined in the agreement), and in the event of the termination of the agreement by Dirk Naumann at his sole discretion not less than eleven months and not more than twelve months following a change in control of the Corporation, in addition to any other amounts that may be accrued and owing thereunder, the Corporation will pay to Dirk Naumann an amount equal to two times the indemnity amount. This "change of control indemnity" will be payable as a one-time lump-sum payment, in cash, less applicable statutory deductions and withholdings, no later than 30 days after the date of the termination of the agreement. Mr. Naumann will not be required to furnish any evidence of entitlement or value of services rendered in order to be paid such indemnity.

Alain Wilson – Vice President and Chief Financial Officer

The Corporation entered into an advisory and consulting services agreement dated as of March 8, 2016, with an effective date of June 1, 2015, for an indeterminate term, with Alain Wilson, Vice-President and Chief Financial Officer of the Corporation, in replacement of an advisory and consulting services agreement dated July 2013. In consideration for advisory and consultancy services, the Corporation will pay $20,000 per month plus applicable taxes. The agreement may be terminated by the Corporation upon a breach by Mr. Wilson of certain terms and conditions thereof. The agreement may also be terminated by the Corporation at its discretion by providing at least 30 days advance written notice. In the event termination is subsequent to a change of control, take-over or merger of the Corporation, the Corporation may terminate the agreement by paying an indemnity equal to the monthly consulting fee for a period of six months. In the event that the Corporation is unable to raise the capital to continue its Strange Lake Project or is otherwise in financial distress, the Corporation may terminate the agreement by paying an indemnity equal to one month's consulting fee.

The following table sets out the amount that would have been payable to each NEO had there been a change of control of the Corporation on October 31, 2016 and the severance payment that would have been payable to each NEO had the Corporation terminated employment of the NEO on October 31, 2016.

Name	First year of employment	Change of control payment ($)	Severance payable as of October 31, 2016	
			Amount ($)	Employee health plan ($)
Pierre Lortie	2015	—	—	—
Alain Wilson	2015	120,000[(1)]	20,000	—
Dirk Naumann	2013	500,000[(2)]	250,000	—

(1) This amount represents a lump-sum payment equivalent to six months of the monthly consulting fee of the NEO at the date of termination of his employment following a change of control of the Corporation.

(2) This amount represents a lump-sum payment equivalent to two times the annual base salary of the NEO at the date of termination of his employment following a change of control of the Corporation.

Had an NEO's employment been terminated on October 31, 2016, any unvested options previously granted to the NEO and outstanding on that date would have been cancelled immediately; no other incremental payments would have been owed by the Corporation.

Director Compensation

In designing a compensation program for non-executive directors, the objective is to ensure that the Corporation attracts and retains highly-qualified and committed directors with an extensive level of experience, as well as to align interests of directors with those of the Corporation's shareholders.

The Board of Directors sets the compensation for non-executive directors based on the HRGC's recommendations. The compensation for the directors consists of two main components: directors' fees and long-term incentives, currently in the form of stock options and DSUs.

On September 21, 2011, following a review of directors' compensation, the Board of Directors adopted, based on the recommendation of the then-Compensation Committee, a policy for the compensation of directors, effective as of August 1, 2011. Under the policy, the Corporation's non-executive directors receive an annual fee of $25,000. In addition: (i) the Chairman of the Board of Directors receives an annual fee of $25,000; (ii) the Chairman of the Audit Committee receives an annual fee of $15,000; and (iii) the chairman of any other Board committee receives an annual fee of $5,000. The compensation is paid quarterly in arrears.

On December 2, 2014, in light of the Corporation's financial condition, the Board of Directors reduced the annual fees paid to directors, with the exception of the Chairman of the Board. The annual fees paid to the other directors were reduced from $25,000 to a range of $12,500 to $20,000. On March 11, 2015, the Board of Directors restored the compensation of the directors to their previous levels on a going-forward basis.

On June 8, 2016, the Board of Directors adopted, following a review from the HRGC, a policy for the compensation of directors, with retroactive effect from November 1, 2015. Under the policy, all directors will receive an annual fee of $25,000. In addition: (i) the Chairman of the Board of Directors receives an annual fee of $25,000 in his capacity as Chief Executive Officer; (ii) the Chairman of the Audit Committee receives an annual fee of $10,000; and (iii) the Chairman of the HRGC receives an annual fee of $5,000. The compensation is paid quarterly in arrears.

During the fiscal year ended October 31, 2016, the Corporation granted stock options in respect of 750,000 shares and did not grant any DSUs to its non-executive directors for their services as directors.

The following table provides information for the financial year ended October 31, 2016 regarding compensation paid to or earned by the Corporation's directors (other than a director who is an NEO).

Name	Fees earned[1] ($)	Share-based awards[2] ($)	Option-based awards[3] ($)	Non-equity incentive plan compensation ($)	Pension value ($)[4]	All other compensation ($)[5]	Total ($)
Yves Beauchamp	25,000	—	6,853	—	—	2,996	34,849
Ronald Kay	30,000	—	6,853	—	—	6,998	43,851
Prashant Pathak	25,000	—	6.853	—	—	—	31,853
Michael Pesner	35,000	—	6,853	—	—	6,998	48,851
Neil Wiener[6]	25,000	—	6,853	—	—	—	31,853
Total	**140,000**	**—**	**34,265**	**—**	**—**	**16,992**	**191,257**

(1) The Corporation did not pay any of the fees earned by the directors in 2016.
(2) The Corporation did not grant any share-based awards to its non-executive directors during the fiscal year ended October 31, 2016.
(3) The Corporation granted 750,000 option-based awards to its directors during the fiscal year ended October 31, 2016. This column discloses the total value of stock options granted to the directors (other than a director who is an NEO) during the fiscal year ended October 31, 2016. **These figures do not reflect the current value of the stock options or the value, if any, that may be realized if and when the stock options are exercised**. The fair value of stock options shown in this column was calculated using the Black-Scholes option-pricing model at the time of grant, using the same assumptions used for determining the equity-based compensation expense with respect to options granted to officers of the Corporation presented in the Corporation's financial statements for the fiscal year ended October 31, 2016 in accordance with generally accepted accounting principles. The Black-Scholes model was selected by the Corporation as it is the most widely-adopted and used option-valuation method. These assumptions are:

Risk-free interest rate	0.72%
Forfeiture rate	6.44%
Expected life of options	5 years
Expected volatility	90%
Dividend rate	Nil
Fair value at grant time	$0.05

(4) The Corporation does not have a retirement plan.
(5) These amounts represent the premium paid by the Corporation for health and medical insurance, or the equivalent, for certain directors.
(6) Mr. Wiener is a partner of Fasken Martineau DuMoulin LLP, legal counsel to the Corporation. See note 14(b) to the annual financial statements of the Corporation for the year ended October 31, 2016.

Incentive Plan Awards

The following table sets out the details of all stock options held by the directors (other than a director who is an NEO) as at October 31, 2016, the end of the Corporation's most recently-completed financial year.

	Option-Based Awards				Share-Based Awards		
Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ($)	Option Expiration Date	Value of Unexercised In-the-Money Options[1] ($)	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share-based awards that have not Vested ($)	Market or Payout Value of Vested Share-based awards not paid out or distributed ($)[2]
Yves Beauchamp	50,000 100,000	0.07 0.065	December 1, 2020 January 20, 2021	2,500 5,500	30,000	—	3,600
Ronald Kay	50,000 350,000 20,000 65,000 150,000 50,000 100,000	2.56 4.43 2.95 0.17 0.183 0.07 0.065	March 15, 2020 November 2, 2020 February 17, 2022 December 2, 2019 February 26, 2020 December 1, 2020 January 20, 2021	— — — — — 2,500 5,500	105,000	—	12,600
Prashant Pathak[3]	50,000 100,000	0.07 0.065	December 1, 2020 January 20, 2021	2,500 5,500	30,000	—	3,600

	Option-Based Awards				Share-Based Awards		
Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ($)	Option Expiration Date	Value of Unexercised In-the-Money Options[1] ($)	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share-based awards that have not Vested ($)	Market or Payout Value of Vested Share-based awards not paid out or distributed ($)[2]
Michael Pesner	30,000	2.56	March 15, 2020	—	110,000	—	13,200
	50,000	4.43	November 2, 2020	—			
	20,000	2.95	February 17, 2022	—			
	90,000	0.17	December 2, 2019	—			
	100,000	0.183	February 26, 2020	—			
	50,000	0.07	December 1, 2020	2,500			
	100,000	0.065	January 20, 2021	5,500			
Neil Wiener	30,000	2.56	March 15, 2020	—	100,000	—	12,000
	100,000	4.43	November 2, 2020	—			
	20,000	2.95	February 17, 2022	—			
	55,000	0.17	December 2, 2019	—			
	100,000	0.183	February 26, 2020	—			
	50,000	0.07	December 1, 2020	2,500			
	100,000	0.065	January 20, 2021	5,500			

(1) This column sets out the aggregate value of in-the-money unexercised options as at October 31, 2016, calculated based on the difference between the closing price of the common shares of the Corporation on the TSX as at October 31, 2016 ($0.12) and the exercise price of the stock options.
(2) This column discloses the aggregate value of DSUs granted to the directors as at October 31, 2016 multiplied by the closing price of the common shares of the Corporation on the TSX on October 31, 2016 ($0.12).
(3) Prashant Pathak resigned as a director on January 27, 2017.

Incentive Plan Awards – Value Vested or Earned During the Year

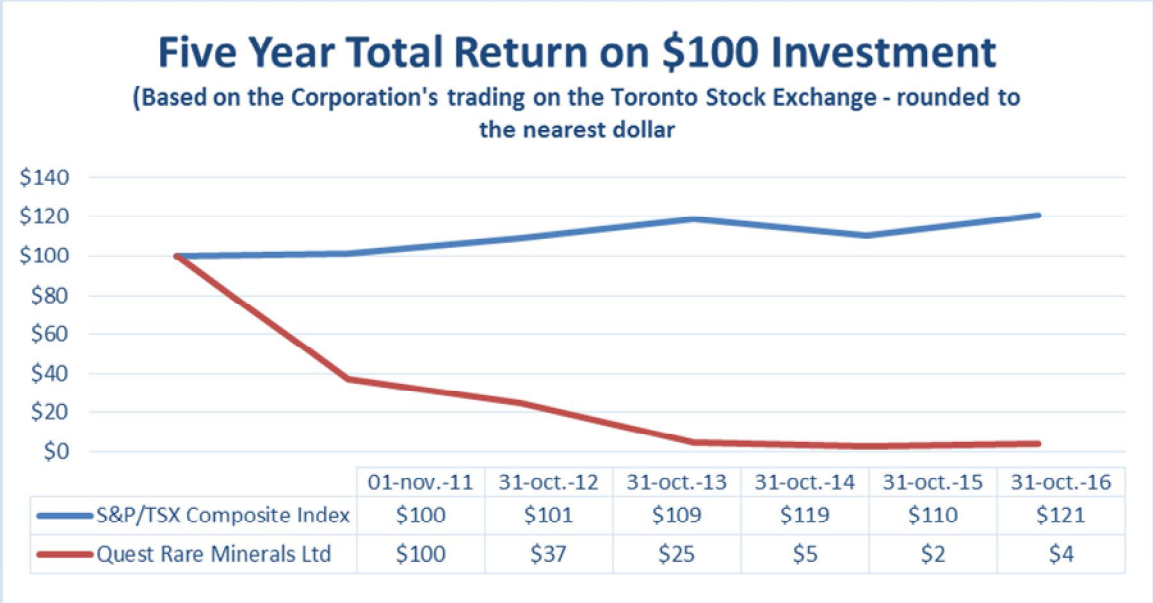
The following table sets out, for each director (other than a director who is an NEO), the value of option-based awards and share-based awards which vested during the year ended October 31, 2016 and the value of non-equity incentive plan compensation earned during the year ended October 31, 2016.

Name	Option-Based Awards – Value Vested During the Year[1] ($)	Share-Based Awards – Value Vested During the Year[2] ($)	Non-Equity Incentive Plan Compensation – Value Earned During the Year ($)
Yves Beauchamp	—	—	n/a
Ronald Kay	—	—	n/a
Prashant Pathak[3]	—	—	n/a
Michael Pesner	—	—	n/a
Neil Wiener	—	—	n/a

(1) Calculated based on the difference between the closing price of the common shares of the Corporation on the TSX on the vesting date and the exercise price of the stock options. In all cases, the stock options granted during the fiscal year had an exercise price equal to the market price at the time of grant and vested immediately, so that there was no difference between the market price of the Corporation's shares on the vesting date and the exercise price of the stock options.
(2) The Corporation did not grant any share-based awards to its directors during the fiscal year ended October 31, 2016 and no share-based awards vested during the fiscal year ended October 31, 2016.
(3) Prashant Pathak resigned as a director on January 27, 2017.

Performance Graph

The following graph compares the total return of a $100 investment in the common shares of the Corporation made on November 1, 2011 with the cumulative return of the S&P/TSX Composite Index for the period from November 1, 2011 to October 31, 2016.



The Corporation's annualized return between November 1, 2011 and October 31, 2016 was -48%, compared to 3.8% for the S&P/TSX Composite Index.

During this period, the salaries of the NEOs were adjusted annually to reflect the growth of the Corporation and the contribution made by the NEOs to such growth. The Corporation has entered into employment agreements with certain of the current NEOs which provide for annual salaries, in each case subject to adjustment, as described under "Termination and Change of Control Benefits" above.

INFORMATION ON THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors is comprised of Michael Pesner (chairman), Ronald Kay and Yves Beauchamp, each of whom is an "independent" director within the meaning of National Instrument 52-110 *Audit Committees*. Reference is made to the section entitled "Audit Committee" of the Corporation's Amended and Restated Annual Information Form dated March 9, 2017 for the fiscal year ended October 31, 2016 for required disclosure relating to the Audit Committee. The Amended and Restated Annual Information Form is available on SEDAR at www.sedar.com and can be obtained by contacting the Secretary of the Corporation at 1155 Robert-Bourassa Blvd., Suite 906, Montreal, Québec H3B 3A7, telephone (514) 878-3551.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Aggregate Indebtedness

As of March 30, 2017, no person who is, or who was at any time during the fiscal year ended October 31, 2016, a director, executive officer, senior officer or employee, or a former director, executive officer, senior officer or employee, of the Corporation or a subsidiary thereof, and no person who is a proposed nominee for election as a director of the Corporation, and no associate of such persons, is, or was at any time since the beginning of the fiscal year ended October 31, 2016, indebted to the Corporation or a subsidiary of the Corporation, nor has any such person been indebted at any time since the beginning of the fiscal year ended October 31, 2016 to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or a subsidiary of the Corporation.

During the fiscal year ended October 31, 2016, none of the directors or executive officers of the Corporation, proposed nominees for election as a director, or any associate of the foregoing was indebted to the Corporation or any subsidiary of the Corporation, and no such indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any subsidiary thereof, other than "routine indebtedness" as defined in National Instrument 51-102 *Continuous Disclosure Obligations*.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out certain details as at October 31, 2016, the end of the Corporation's last fiscal year, with respect to compensation plans pursuant to which equity securities of the Corporation are authorized for issuance.

Plan Category	Equity Compensation plan	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under the Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans previously approved by shareholders	Stock Option Plans[(1)]	6,821,000	$1.66	1,821,901
	RSU Plan	275,000	$0.18	220,000
	DSU Plan	480,000	$0.48	5,000
Equity compensation plans not previously approved by shareholders	—	Nil	Nil	Nil

(1) Refers to the 2007 Plan and 2012 Plan.

APPOINTMENT OF AUDITOR

Except where authorization to vote with respect to the appointment of the auditor is withheld, the persons named in the accompanying form of proxy intend to vote for the appointment of Ernst & Young LLP, Chartered Professional Accountants, as the auditor of the Corporation until the next annual meeting of shareholders. Ernst & Young LLP, Chartered Professional Accountants, has been the auditor of the Corporation since December 15, 2010.

2012 STOCK OPTION PLAN

On March 2, 2012, the Board of Directors of the Corporation adopted the 2012 Plan for directors, officers and employees of, and service providers to, the Corporation and its subsidiaries. The 2012 Plan was adopted by the Board of Directors in connection with the listing of the Corporation on the TSX, as the 2012 Plan complies with the applicable policies of the TSX. The 2012 Plan replaced the 2007 Plan, which complies with the policies of the TSX Venture Exchange, on which the Corporation was listed until March 1, 2012. Since the adoption of the 2012 Plan, all stock options granted by the Corporation have been granted under the 2012 Plan and no further stock options have been, or will be, granted under the 2007 Plan. Options outstanding under the 2007 Plan may continue to be exercised in accordance with the 2007 Plan.

The following is a description of certain features of the 2012 Plan, as required by the TSX:

(a) the aggregate number of common shares in respect of which options may be outstanding at any time under the 2012 Plan and under all of the Corporation's other stock option plans (at present, the 2007 Plan) cannot exceed 10% of the issued and outstanding common shares of the Corporation at such time;

(b) no option may be granted to any optionee unless the aggregate number of the common shares: (i) issued to "insiders" within any one-year period; and (ii) issuable to "insiders" at any time, under the 2012 Plan, or when combined with all of the Corporation's other security-based compensation arrangements, could not exceed 10% of the total number of issued and outstanding common shares of the Corporation, respectively. For the purpose of the 2012 Plan, the term "insiders" means "reporting insiders" as defined in National Instrument – 55-104 *Insider Reporting Requirements and Exemptions*;

(c) the exercise price of options is set at the time of their grant, but cannot be less than the volume weighted average trading price of the common shares of the Corporation on the TSX for the last five days on which the common shares traded on the TSX immediately prior to the day on which the option is granted;

(d) the maximum period during which an option may be exercised is ten years from the date on which it is granted;

(e) if an option is to expire during a period when the optionee is prohibited by the Corporation from trading in the Corporation's shares pursuant to the policies of the Corporation (a "**Blackout Period**"), or within ten business days of the expiry of such Blackout Period, the term of such option will be automatically extended for a period of ten business days immediately following the end of the Blackout Period;

(f) at the time of granting an option, the Board of Directors, at its discretion, may set a "vesting schedule", that is, one or more dates from which an option may be exercised in whole or in part;

(g) options granted are not transferable other than by will or by the laws of succession of the domicile of the deceased optionee;

(h) if an optionee's employment or service provider relationship with the Corporation is terminated for "serious reason", within the meaning of the *Civil Code of Québec*, any options not then exercised terminate immediately;

(i) if an optionee dies, options may be exercised by the person to whom the option is transferred by will or the laws of succession only for that number of common shares which the optionee was entitled to acquire at the time of death, for a period of one year after the date of death or prior to the expiration of the term of the option, whichever occurs earlier;

(j) if an optionee becomes, in the determination of the Board of Directors, permanently disabled, options may be exercised only for that number of common shares which the optionee was entitled to acquire at the time of permanent disability, for a period of 90 days after the date of permanent disability or prior to the expiration of the term of the option, whichever occurs earlier;

(k) upon an optionee's employment, office, directorship or service-provider relationship with the Corporation terminating or ending other than by reason of death, permanent disability or termination for "serious reason", options may be exercised for that number of common shares which the optionee was entitled to acquire at the time of such termination, for a period of 90 days after such date or prior to the expiration of the term of the option, whichever occurs earlier;

(l) the 2012 Plan does not provide for financial assistance from the Corporation to option holders;

(m) the Board of Directors may, by resolution, advance the date on which any option may be exercised in a manner to be set forth in such resolution, but will not, in the event of any such advancement, be under any obligation to advance the date on or by which any option may be exercised by any other optionee;

(n) the Board of Directors may, by resolution, but subject to applicable regulatory requirements, decide that any of the provisions in the 2012 Plan concerning the effect of termination of the optionee's employment will not apply for any reason acceptable to the Board of Directors;

(o) if the Corporation is required under the *Income Tax Act* (Canada) or any other applicable law to remit to any governmental authority an amount on account of tax on the value of any taxable benefit associated with the exercise of an option by an optionee, then the optionee will, concurrently with the exercise of the option:

(i) pay to the Corporation, in addition to the exercise price for the options, sufficient cash as is determined by the Corporation, in its sole discretion, to be the amount necessary to fund the required tax remittance;

(ii) authorize the Corporation, on behalf of the optionee, to sell in the market, on such terms and at such time or times as the Corporation determines, in its sole discretion, such portion of the common shares being issued upon exercise of the option as is required to realize cash proceeds in an amount necessary to fund the required tax remittance; or

(iii) make other arrangements acceptable to the Corporation, in its sole discretion, to fund the required tax remittance;

(p) in the event that the Corporation proposes to amalgamate or merge with another company (other than a wholly-owned subsidiary of the Corporation), or to liquidate, dissolve or wind-up, or in the event that an offer to purchase common shares is made to all shareholders of the Corporation (other than the offeror or offerors), the Corporation has the right, upon written notice to each optionee holding options under the 2012 Plan, to permit the exercise of all options outstanding under the 2012 Plan within a 20-day period following the date of such notice and to determine that upon the expiry of such 20-day period, all options cease to have further force or effect;

(q) approval by the shareholders of the Corporation is required for the following amendments to the 2012 Plan: (i) amendments to the number of shares issuable under the 2012 Plan, including an increase to a maximum percentage or number of shares; (ii) any amendment that increases the length of any Blackout Period; (iii) any amendment which reduces the exercise price or purchase price of an option; (iv) any amendment extending the term of an option held by an "insider" beyond its original expiry date except as otherwise permitted by the 2012 Plan; and (v) amendments required to be approved by shareholders under applicable law (including the rules, regulations and policies of the TSX); and

(r) the Board of Directors of the Corporation may make the following types of amendments to the 2012 Plan without seeking approval from the shareholders of the Corporation: (i) amendments of a "housekeeping" or ministerial nature, including any amendment for the purpose of curing any ambiguity, error or omission in the 2012 Plan or to correct or supplement any provision of the 2012 Plan that is inconsistent with any other provision of the 2012 Plan; (ii) amendments necessary to comply with the provisions of applicable law (including the rules, regulations and policies of the TSX); (iii) amendments necessary in order for options to qualify for favourable treatment under applicable taxation laws; (iv) amendments respecting administration of the 2012 Plan; (v) any amendment to the vesting provisions of the 2012 Plan or any option; (vi) any amendment to the early termination provisions of the 2012 Plan or any option, whether or not such option is held by an "insider" of the Corporation, provided such amendment does not entail an extension beyond the original expiry date; (vii) the addition of any form of financial assistance by the Corporation for the acquisition by all or certain categories of eligible participants of shares under the 2012 Plan, and the subsequent amendment of any such provisions; (viii) the addition or modification of a cashless exercise feature, payable in cash or shares of the Corporation; (ix) amendments necessary to suspend or terminate the 2012 Plan; and (x) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law.

The following is a description with respect to grants and exercises of options under the 2007 Plan and 2012 Plan, as required by the TSX:

(a) since the inception of the 2007 Plan and 2012 Plan, the Corporation has granted options in respect of an aggregate of 12,718,500 common shares, representing 13.44% of the Corporation's issued and outstanding common shares as at March 30, 2017;

(b) since the inception of the 2007 Plan and 2012 Plan, the Corporation has issued 3,010,966 common shares upon the exercise of stock options, representing 3.18% of the Corporation's issued and outstanding common shares as at March 30, 2017; and

(c) as at March 30, 2017, there were options issued and outstanding in respect of an aggregate of 6,721,000 common shares, representing 7.10% of the Corporation's issued and outstanding common shares as at that date.

The complete text of the 2012 Plan is available to shareholders on request from the Secretary of the Corporation. Shareholders wishing to receive a copy of the 2012 Plan should contact the Secretary of the Corporation at 1155 Robert-Bourassa Blvd., Suite 906, Montreal, Québec H3B 3A7, telephone (514) 878-3551.

2007 STOCK OPTION PLAN

As noted above, the 2012 Plan replaced the 2007 Plan, which complies with the policies of the TSX Venture Exchange, on which the Corporation was listed until March 1, 2012. Since the adoption of the 2012 Plan, all stock options granted by the Corporation have been granted under the 2012 Plan and no further stock options have been, or will be, granted under the 2007 Plan. Options outstanding under the 2007 Plan may continue to be exercised in accordance with the 2007 Plan.

As required by the TSX, the following is a summary of the terms and conditions of the 2007 Plan:

(a) the Board of Directors of the Corporation may grant options to acquire common shares of the Corporation to directors, officers and employees of, and service providers to, the Corporation and its subsidiaries;

(b) the granting of an option to an officer or employee does not impose upon the Corporation any obligation to retain the optionee in its employ;

(c) the maximum number of common shares that can be issued upon the exercise of options granted under the 2007 Plan, together with any common shares issued or reserved for issuance under any other share compensation arrangement which is then in place, is equal to 10% of the number of the Corporation's common shares issued and outstanding from time-to-time;

(d) the exercise price of options is set at the time of the grant of the options, but cannot be less than the closing price of the Corporation's common shares on the TSX Venture Exchange on the trading day immediately preceding the day on which an option is granted;

(e) the maximum period during which an option may be exercised is ten years from the date on which they are granted;

(f) all options vest immediately, subject to the power of the Board of Directors of the Corporation to set a vesting schedule for any option, and subject to the further condition that options granted to consultants performing investor-relations activities must vest over a period of at least twelve months, with no more than one-quarter of the options vesting in any three-month period;

(g) options are not transferable other than by will or by the laws of succession of the domicile of the deceased optionee;

(h) options cannot be pledged, charged, transferred, assigned or otherwise encumbered or disposed of, on pain of nullity;

(i) an option is exercised by the optionee (or his personal representatives or legatees) giving notice in writing to the Secretary of the Corporation at its head office, which notice must specify the number of common shares in respect of which the option is being exercised and be accompanied by payment in full of the purchase price, by certified cheque, for the number of shares specified;

(j) if an optionee's employment or service-provider relationship with the Corporation is terminated for cause, options not then exercised terminate immediately;

(k) if an optionee dies, options may be exercised, for a period of one year after the date of death, for that number of common shares which the optionee was entitled to acquire at the time of death;

(l) if an optionee becomes, in the determination of the Board of Directors, permanently disabled, options may be exercised, for a period of 90 days after the date of permanent disability, for that number of common shares which the optionee was entitled to acquire at the time of permanent disability, provided that if the optionee was engaged in investor-relations activities for the Corporation, the foregoing period is reduced to 30 days after the date of such permanent disability;

(m) upon an optionee's employment, office, directorship or service-provider relationship with the Corporation terminating or ending other than by reason of death, permanent disability or termination for cause, options may be exercised, for a period of 90 days after such date, for that number of common shares which the optionee was entitled to acquire at the time of such termination, provided that if the optionee was engaged in investor-relations activities for the Corporation, the forgoing period is reduced to 30 days after such date;

(n) in the event of the subdivision of the common shares of the Corporation into a greater number of shares at any time after the grant of an option to any optionee and prior to the expiration of the term of such option, the Corporation must deliver to such optionee at the time of any subsequent exercise of his option in lieu of the number of common shares to which he was theretofore entitled upon such exercise, but for the same

aggregate consideration payable therefor, such number of common shares as such optionee would have held as a result of such subdivision if on the record date thereof the optionee had been the registered holder of the number of common shares to which he was theretofore entitled upon such exercise;

(o) in the event of the consolidation of the common shares of the Corporation into a lesser number of shares at any time after the grant of an option to any optionee and prior to the expiration of the term of such option, the Corporation must deliver to such optionee at the time of any subsequent exercise of his option in lieu of the number of shares to which he was theretofore entitled upon such exercise, but for the same aggregate consideration payable therefor, such number of common shares as such optionee would have held as a result of such consolidation if on the record date thereof the optionee had been the registered holder of the number of common shares to which he was theretofore entitled upon such exercise;

(p) in the event the Corporation proposes to amalgamate, merge or consolidate with or into any other company (other than with a wholly-owned subsidiary of the Corporation) or to liquidate, dissolve or wind-up, or in the event an offer to purchase the common shares of the Corporation or any part thereof is made to all holders of common shares of the Corporation, the Corporation has the right, upon written notice thereof to each optionee holding options under the 2007 Plan, to permit the exercise of all such options within the 20-day period next following the date of such notice and to determine that upon the expiration of such 20-day period, all rights of optionees to such options or to exercise same (to the extent not theretofore exercised) will terminate and cease to have further force or effect whatsoever; and

(q) subject to obtaining the necessary regulatory approvals, the Board of Directors may amend or discontinue the 2007 Plan at any time, provided, however, that no such amendment may adversely affect any option rights previously granted to an optionee under the 2007 Plan without the consent of the optionee, except to the extent required by law.

RESTRICTED SHARE UNIT PLAN

On March 9, 2012, the Board of Directors adopted the RSU Plan for the Corporation's executives and key employees. The purpose of the RSU Plan is to attract and retain qualified individuals to serve as executives and key employees of the Corporation and of its subsidiary companies, if any, and to promote the alignment of interests of such executives and key employees, on the one hand, and the shareholders of the Corporation, on the other hand. On March 30, 2017, the Board of Directors amended the RSU Plan so as to increase by 2,000,000 the number of common shares which are available for issuance under the RSU Plan, from 750,000 common shares to 2,750,000 common shares. See "Amendment to the Restricted Share Unit Plan" below.

Under the RSU Plan, the Board of Directors may, in its sole discretion, upon the recommendation of the HRGC after consultation with the Chief Executive Officer of the Corporation, grant RSUs to executives and key employees of the Corporation and of its subsidiary companies, if any, (each, an "**RSU Participant**") from time-to-time in lieu of a bonus or other similar arrangement. The RSUs will be credited to an account maintained for the RSU Participant by the Corporation.

At the end of the second fiscal year of the Corporation following the fiscal year during which an RSU Participant provided services to the Corporation in respect of which RSUs were granted to the RSU Participant (a "**Performance Cycle**"), provided that termination of employment of such RSU Participant has not occurred prior to the Settlement Date (as defined below), other than by reason of death or long-term disability, as defined in the RSU Plan, an RSU Participant will receive either:

(a) a number of common shares, to be issued from the Corporation's treasury, equal to the number of RSUs granted to the RSU Participant which have vested at the end of such Performance Cycle; or

(b) a lump-sum cash amount equal to the number of such vested RSUs multiplied by the fair market value of the common shares of the Corporation on the Settlement Date. The fair market value of the common shares will be equal to their average closing price during the last ten days on which the shares traded on the TSX preceding such Settlement Date.

Under the RSU Plan, "**Settlement Date**" means the date on which the Board of Directors of the Corporation approves the audited annual financial statements of the Corporation for the fiscal year coinciding with the end of the applicable Performance Cycle.

The mode of payment will be determined by the Board of Directors in its sole discretion. All payments will be made net of applicable withholdings. Prior to the amendment described below under "Amendment to the Restricted Share Unit Plan", a maximum of 750,000 common shares were issuable from treasury under the RSU Plan, representing 0.79% of the issued and outstanding common shares as at March 30, 2017.

At the time of granting RSUs, the Board of Directors may, in its sole discretion, upon the recommendation of the HRGC after consultation with the Chief Executive Officer of the Corporation, establish vesting conditions in respect of any RSUs, which vesting conditions may be based on corporate, financial and/or business objectives of the Corporation.

In the event of the termination of employment of an RSU Participant prior to the end of a Performance Cycle, other than by reason of death or long-term disability, as defined in the RSU Plan, all RSUs held by such RSU Participant, whether vested or not, will lapse and be cancelled, unless otherwise determined by the Board of Directors in its sole discretion. Any such cancellation will be as of the date on which: (i) in the event of termination of employment at the initiative of the Corporation, the RSU Participant is advised of the termination by the Corporation, or (ii) in the event of termination of employment at the initiative of the RSU Participant (that is, voluntary departure from the Corporation), the Corporation is advised of the termination by the RSU Participant, in both cases without taking into account any applicable notice period or severance payments made in lieu of such notice.

In the event of an RSU Participant's death or long-term disability, as defined in the RSU Plan, prior to the end of a Performance Cycle, there will immediately vest, provided that all applicable vesting conditions have been met at such time, a number of RSUs equal to: (i) the number of RSUs granted to the RSU Participant in respect of the applicable Performance Cycle multiplied by (ii) the fraction arrived at by dividing the number of months elapsed in the Performance Cycle at the time of death or long-term disability, as the case may be, by 36. In such event, the balance of unvested RSUs will automatically lapse and be cancelled, unless the Board of Directors in its sole discretion determines that such balance of unvested RSUs may vest at the end of the applicable Performance Cycle.

In the event that the Corporation makes a public announcement that it has entered into an agreement to sell all or substantially all of its shares to a third party, by whatever means (a "**Fundamental Transaction**"), the Corporation will not grant any additional RSUs thereafter. In such event, all outstanding unvested RSUs will continue to vest until the completion, if any, of the Fundamental Transaction, at which time all such outstanding unvested RSUs will vest, whether or not the vesting conditions (if any) have been met at the date of completion of the Fundamental Transaction. In the event of a Fundamental Transaction, the settlement date will be the date of completion of the Fundamental Transaction and the Corporation will pay to an RSU Participant on such date, provided that termination of employment, other than by reason of death or long-term disability, as defined in the RSU Plan, of such RSU Participant has not occurred prior to the settlement date, for all RSUs held by such RSU Participant which have vested at the date of completion of the Fundamental Transaction, a lump-sum cash amount equal to the number of such vested RSUs multiplied by the fair market value of the common shares of the Corporation on the settlement date, defined as the average closing price of the shares during the last ten days on which the shares traded on the TSX preceding such settlement date. Any such payment will be made net of any applicable withholdings. Notwithstanding the foregoing, the Board of Directors may, in its sole discretion, deem the fair market value of the common shares of the Corporation to be the total consideration per share received by the shareholders of the Corporation pursuant to the Fundamental Transaction. The Board of Directors may also, in its sole discretion, determine that any given transaction involving the Corporation, its shares or assets constitutes a Fundamental Transaction.

RSUs may not be assigned or transferred, other than by will or the laws of succession. Nothing in the RSU Plan gives any RSU Participant a right to be retained as an employee of the Corporation.

The RSU Plan contains restrictions on the number of common shares which may be issued thereunder to the Corporation's "insiders", defined to have the same meaning as "reporting insiders" as defined in National Instrument 55-104 *Insider Reporting Requirements and Exemptions* ("**Insiders**"). Under the RSU Plan, no RSU may be granted to any RSU Participant unless the aggregate number of common shares of the Corporation: (a) issued to Insiders within any one-year period; and (b) issuable to Insiders at any time, under the RSU Plan, or when combined with all of the Corporation's other security-based compensation arrangements (such as the 2007 Plan and 2012 Plan), cannot exceed 10% of the total number of issued and outstanding common shares of the Corporation, respectively.

Subject to the exceptions set out in paragraphs (a) to (c) below, the Board of Directors may amend, suspend or terminate the RSU Plan, or any portion thereof, at any time, and may do so without shareholder approval, subject to those provisions of applicable law, if any, that require the approval of shareholders or any governmental or regulatory body. Without limiting the generality of the foregoing, the Board of Directors may make the following types of amendments to the RSU Plan without seeking shareholder approval:

(i) amendments of a "housekeeping" or ministerial nature, including any amendment for the purpose of curing any ambiguity, error or omission in the RSU Plan or to correct or supplement any provision of the RSU Plan that is inconsistent with any other provision of the RSU Plan;

(ii) amendments necessary to comply with the provisions of applicable law (including the rules, regulations and policies of the TSX);

(iii) amendments necessary in order for RSUs to qualify for favourable treatment under applicable taxation laws;

(iv) amendments respecting administration of the RSU Plan;

(v) any amendment to the vesting provisions of the RSU Plan or any RSU;

(vi) amendments to the definitions of certain terms in the RSU Plan;

(vii) amendments to the settlement provisions of the RSU Plan or relating to any RSU, whether or not such RSU is held by an Insider;

(viii) amendments necessary to suspend or terminate the RSU Plan; and

(ix) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law.

Shareholder approval will be required for the following types of amendments to the RSU Plan:

(a) amendments to the number of common shares issuable under the RSU Plan, including an increase to a maximum percentage or number of shares;

(b) any amendment which increases the number of RSUs that may be issued, or the number of common shares that may be issued or paid upon settlement of RSUs, to an RSU Participant who is an Insider; and

(c) amendments required to be approved by shareholders under applicable law (including the rules, regulations and policies of the TSX).

In the event of any conflict between paragraphs (i) to (ix) and paragraphs (a) to (c) above, the latter will prevail.

Since the inception of the RSU Plan: (i) the Corporation has awarded 665,000 RSUs, (ii) 135,000 RSUs have been cancelled, and (iii) 255,000 RSUs have been exercised, so that, as of the date of this Circular, there are 275,000 RSUs outstanding.

The complete text of the RSU Plan is available to shareholders on request from the Secretary of the Corporation. Shareholders wishing to receive a copy of the RSU Plan should contact the Secretary of the Corporation at 1155 Robert-Bourassa Blvd., Suite 906, Montreal, Québec H3B 3A7, telephone (514) 878-3551.

DEFERRED SHARE UNIT PLAN

On March 9, 2012, the Board of Directors adopted the DSU Plan for the Corporation's directors and key executives. The purpose of the DSU Plan is to attract and retain qualified individuals to serve as directors and key executives of the Corporation and of its subsidiary companies, if any, and to promote the alignment of interests of such directors and key executives, on the one hand, and the shareholders of the Corporation, on the other hand. It is expected that the Corporation's directors will be granted a fixed number of DSUs on an annual basis, as determined by the Board of Directors, and that grants of DSUs to key executives of the Corporation will be on an exceptional basis. On March 30, 2017, the Board of Directors amended the DSU Plan so as to increase by 2,000,000 the number of common shares which are available for issuance under the DSU Plan, from 750,000 common shares to 2,750,000 common shares. See "Amendment to the Deferred Share Unit Plan" below.

Under the DSU Plan, the Board of Directors may, in its sole discretion, upon the recommendation of the HRGC, grant DSUs to directors and key executives of the Corporation and of its subsidiary companies, if any, (each, a "**DSU Participant**"). The DSUs will be credited to an account maintained for the DSU Participant by the Corporation.

Upon the termination of a DSU Participant's service with the Corporation, the DSU Participant will receive either:

(a) a number of common shares, to be issued from the Corporation's treasury, equal to the number of DSUs in the DSU Participant's account; or

(b) a lump-sum cash amount equal to the number of DSUs in the DSU Participant's account multiplied by the fair market value of the common shares of the Corporation on the date to be determined by the Corporation, which date will be no later than one year after such termination. The fair market value of the common shares will be equal to their average closing price during the last ten days on which the common shares of the Corporation traded on the TSX preceding the date determined by the Corporation in accordance with the foregoing.

Such payment will be made on a date to be determined by the Corporation, which date is no later than one year after the date of termination of the DSU Participant. The mode of payment will be determined by the Board of Directors in its sole discretion. All payments will be made net of applicable withholdings. Prior to the amendment described below under "Amendment to the Deferred Share Unit Plan", a maximum of 750,000 common shares were issuable from treasury under the DSU Plan, representing 0.79% of the issued and outstanding common shares as at March 30, 2017.

DSUs granted to key executives of the Corporation will be subject to the following additional conditions: (i) at the time of granting DSUs to a key executive, the Board of Directors may, in its sole discretion, upon the recommendation of the HRGC, establish vesting conditions in respect of such DSUs, which vesting conditions may be based on corporate, financial and/or business objectives of the Corporation; (ii) if the termination of the key executive occurs at any time for just cause, all DSUs held by the key executive will automatically lapse and be cancelled; (iii) if the termination of the key executive results at any time from death or from long-term disability, as defined in the DSU Plan, all DSUs held by the key executive will immediately vest; and (iv) if the termination of the key executive occurs less than three years after the date of grant of DSUs, other than by reason of death or long-term disability, all such DSUs held by the key executive will automatically lapse and be cancelled, unless otherwise determined by the Board of Directors, in its sole discretion.

In the event that the Corporation makes a public announcement that it has entered into an agreement to sell all or substantially all of its shares to a third party, by whatever means (a "**Fundamental Transaction**"), the Corporation will not grant any additional DSUs thereafter. In such event, all outstanding unvested DSUs will continue to vest until the completion, if any, of the Fundamental Transaction, at which time all outstanding DSUs will vest, whether or not the vesting conditions (if any) have been met at the date of completion of the Fundamental Transaction. In the event of a Fundamental Transaction, the settlement date will be the date of completion of the Fundamental Transaction and the Corporation will pay to a DSU Participant on such date, provided, as regards a key executive, that a termination of service, other than by reason of death or long-term disability, as defined in the DSU Plan, has not occurred prior to the settlement date, for all DSUs held by such DSU Participant, a lump-sum cash amount equal to the number of such vested DSUs multiplied by the fair market value of the common shares of the Corporation on the settlement date, defined as the average closing price of the shares during the last ten days on which the shares traded on the TSX preceding such settlement date. Any such payment will be made net of any applicable withholdings. Notwithstanding the foregoing, the Board of Directors may, in its sole discretion, deem the fair market value of the common shares of the Corporation to be the total consideration per share received by the shareholders of the Corporation pursuant to the Fundamental Transaction. The Board of Directors may also, in its sole discretion, determine that any given transaction involving the Corporation, its shares or assets constitutes a Fundamental Transaction.

DSUs may not be assigned or transferred, other than by will or the laws of succession, or, subject to applicable law, to a dependent or relation (as that term is used in paragraph 6801(d) of the Regulations under the *Income Tax Act* (Canada), including, without limitation, the spouse of a DSU Participant. Nothing in the DSU Plan gives any DSU Participant a right to be retained as an employee of the Corporation.

The DSU Plan contains restrictions on the number of common shares which may be issued thereunder to Insiders. Under the DSU Plan, no DSU may be granted to any DSU Participant unless the aggregate number of common shares of the Corporation: (a) issued to Insiders within any one-year period; and (b) issuable to Insiders at any time, under the DSU Plan, or when combined with all of the Corporation's other security-based compensation arrangements (such as the 2007 Plan and 2012 Plan), cannot exceed 10% of the total number of issued and outstanding common shares of the Corporation, respectively.

Subject to the exceptions set out in paragraphs (a) to (c) below, the Board of Directors may amend, suspend or terminate the DSU Plan, or any portion thereof, at any time, and may do so without shareholder approval, subject to those provisions of applicable law, if any, that require the approval of shareholders or any governmental or regulatory body. Without limiting the generality of the foregoing, the Board of Directors may make the following types of amendments to the DSU Plan without seeking shareholder approval:

(i) amendments of a "housekeeping" or ministerial nature, including any amendment for the purpose of curing any ambiguity, error or omission in the DSU Plan or to correct or supplement any provision of the DSU Plan that is inconsistent with any other provision of the DSU Plan;

(ii) amendments necessary to comply with the provisions of applicable law (including the rules, regulations and policies of the TSX);

(iii) amendments necessary in order for DSUs to qualify for favourable treatment under applicable taxation laws;

(iv) amendments respecting administration of the DSU Plan;

(v) any amendment to the vesting provisions of the DSU Plan or any DSU;

(vi) amendments to the definitions of certain terms in the DSU Plan;

(vii) amendments to the settlement provisions of the DSU Plan or relating to any DSU, whether or not such DSU is held by an Insider;

(viii) amendments necessary to suspend or terminate the DSU Plan; and

(ix) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law.

Shareholder approval will be required for the following types of amendments to the DSU Plan:

(a) amendments to the number of common shares issuable under the DSU Plan, including an increase to a maximum percentage or number of shares;

(b) any amendment which increases the number of DSUs that may be issued, or the number of common shares that may be issued or paid upon settlement of DSUs, to a DSU Participant who is an Insider; and

(c) amendments required to be approved by shareholders under applicable law (including the rules, regulations and policies of the TSX).

In the event of any conflict between paragraphs (i) to (ix) and paragraphs (a) to (c) above, the latter shall prevail.

Since the inception of the DSU Plan: (i) the Corporation has awarded 745,000 DSUs, (ii) no DSUs have lapsed, and (iii) 265,000 DSUs have been exercised, so that, as of the date of this Circular, there are 480,000 DSUs outstanding.

The complete text of the DSU Plan is available to shareholders on request from the Secretary of the Corporation. Shareholders wishing to receive a copy of the DSU Plan should contact the Secretary of the Corporation at 1155 Robert-Bourassa Blvd., Suite 906, Montreal, Québec H3B 3A7, telephone (514) 878-3551.

AMENDMENT TO THE RESTRICTED SHARE UNIT PLAN

On March 9, 2012, the Board of Directors adopted the RSU Plan for the Corporation's executives and key employees. The RSU Plan was subsequently ratified by shareholders at the Corporation's annual and special meeting of shareholders held on April 18, 2012. The terms of the RSU Plan are described above in the section entitled "Restricted Share Unit Plan". The purpose of the RSU Plan is to attract and retain qualified individuals to serve as executives and key employees of the Corporation and of its subsidiary companies, if any, and to promote the alignment of interests of such executives and key employees, on the one hand, and the shareholders of the Corporation, on the other hand.

Since the inception of the RSU Plan: (i) the Corporation has awarded 665,000 RSUs, (ii) 135,000 RSUs have been cancelled, and (iii) 255,000 RSUs have been exercised, so that, as of the date hereof, there are 275,000 RSUs outstanding, representing 0.29% of the issued and outstanding common shares of the Corporation. Prior to the amendment adopted by the Board of Directors on March 30, 2017, a maximum of 750,000 common shares were issuable from treasury under the RSU Plan, representing 0.79% of the Corporation's issued and outstanding common shares. As a result, only 220,000 common shares remained available for issuance pursuant to the RSU Plan, representing 0.23% of the issued and outstanding common shares of the Corporation. On March 30, 2017, the Board of Directors determined that additional RSUs were required to meet the Corporation's compensation objectives for executives and key employees and accordingly adopted an amendment to the RSU Plan so as to increase by 2,000,000 the number of common shares which are available for issuance under the RSU Plan, from 750,000 common shares to 2,750,000 common shares, representing 2.91% of the currently issued and outstanding common shares.

The Board of Directors believes that issuing RSUs is an effective approach for meeting compensation objectives while conserving the Corporation's cash. In addition, the Board of Directors considers that an increase of 2,000,000 in the number of common shares reserved for issuance from treasury under the RSU Plan is required in order to enable the Corporation to meet future compensation needs and is reasonable and appropriate.

Shareholder Approval Requirement

The foregoing amendment to the RSU Plan has been approved by the TSX, subject to approval by a simple majority of the votes cast by the holders of the common shares, either present in person or represented by proxy at the Meeting. The text of the resolution with respect to the amendment to the RSU Plan is annexed as Schedule A to this Circular. **Unless otherwise specified, the persons named in the accompanying form of proxy intend to vote for the resolution with respect to the amendment to the RSU Plan.**

AMENDMENT TO THE DEFERRED SHARE UNIT PLAN

On March 9, 2012, the Board of Directors adopted the DSU Plan for the Corporation's directors and key employees. The DSU Plan was subsequently ratified by shareholders at the Corporation's annual and special meeting of shareholders held on April 18, 2012. The terms of the DSU Plan are described below in the section entitled "Deferred Share Unit Plan". The purpose of the DSU Plan is to attract and retain qualified individuals to serve as directors and key employees of the Corporation and of its subsidiary companies, if any, and to promote the alignment of interests of such directors and key employees, on the one hand, and the shareholders of the Corporation, on the other hand. Prior to the amendment adopted by the Board of Directors on March 30, 2017, a maximum of 750,000 common shares were issuable from treasury under the DSU Plan, representing 0.79% of the Corporation's issued and outstanding common shares.

Since the inception of the DSU Plan: (i) the Corporation has awarded 745,000 RSUs, (ii) no DSUs have lapsed, and (iii) 265,000 DSUs have been exercised, so that, as of the date hereof, there are 480,000 DSUs outstanding, representing 0.51% of the issued and outstanding common shares of the Corporation. Prior to the amendment adopted by the Board of Directors on March 30, 2017, a maximum of 750,000 common shares were issuable from treasury under the DSU Plan, representing 0.79% of the Corporation's issued and outstanding common shares. As a result, only 5,000 common shares remain available for issuance pursuant to the DSU Plan, representing 0.005% of the issued and outstanding common shares of the Corporation. On March 30, 2017, the Board of Directors determined that additional DSUs were required to meet the Corporation's compensation objectives for directors and other officers and accordingly adopted an amendment to the DSU Plan so as to increase by 2,000,000 the number of common shares which are available for issuance under the DSU Plan, from 750,000 common shares to 2,750,000 common shares, representing 2.91% of the currently issued and outstanding common shares.

The Board of Directors believes that issuing DSUs is an effective approach for meeting compensation objectives while conserving the Corporation's cash. In addition, the Board of Directors considers that an increase of 2,000,000 in the number of common shares reserved for issuance from treasury under the DSU Plan is required in order to enable the Corporation to meet future director compensation needs and is reasonable and appropriate.

Shareholder Approval Requirement

The foregoing amendment to the DSU Plan has been approved by the TSX, subject to approval by a simple majority of the votes cast by the holders of the common shares, either present in person or represented by proxy at the Meeting. The text of the resolution with respect to the amendment to the DSU Plan is annexed as Schedule B to this Circular. **Unless otherwise specified, the persons named in the accompanying form of proxy intend to vote for the resolution with respect to the amendment to the DSU Plan.**

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No "informed person" of the Corporation, that is: (a) the directors and executive officers of the Corporation; (b) any person who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the Corporation's outstanding voting shares; (c) any director or executive officer of a person referred to in (b) above; or (d) any associate or affiliate of any "informed person" of the Corporation, has any material interest, direct or indirect, in any transaction since November 1, 2015 or in any proposed transaction which has materially affected or would materially affect the Corporation.

OTHER MATTERS

Management of the Corporation knows of no other matter to come before the Meeting other than those referred to in the Notice of Meeting. However, if any other matters which are not known to the management should properly come before the Meeting, the accompanying form of proxy confers discretionary authority upon the persons named therein to vote on such matters in accordance with their best judgment.

SHAREHOLDER PROPOSALS

The *Canada Business Corporations Act* provides, in effect, that a Registered Shareholder or a Beneficial Shareholder that is entitled to vote at an annual meeting of the Corporation may submit to the Corporation notice of any matter that the person proposes to raise at the meeting (referred to as a "**Proposal**") and discuss at the meeting any matter in respect of which the person would have been entitled to submit a Proposal. The *Canada Business Corporations Act* further provides, in effect, that the Corporation must set out the Proposal in its management proxy circular along with, if so requested by the person who makes the Proposal, a statement in support of the Proposal by such person. However, the Corporation will not be required to set out the Proposal in its management proxy circular or include a supporting statement if, among other things, the Proposal is not submitted to the Corporation at least 90 days before the anniversary date of the notice of meeting that was sent to the shareholders in connection with the previous annual meeting of shareholders of the Corporation. As the notice in connection with the Meeting is dated March 30, 2017, the deadline for submitting a proposal to the Corporation in connection with the next annual meeting of shareholders is December 29, 2017.

The foregoing is a summary only; shareholders should carefully review the provisions of the *Canada Business Corporations Act* relating to Proposals and consult with a legal advisor.

CORPORATE GOVERNANCE

National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices* set out a series of guidelines for effective corporate governance. The guidelines address matters such as the composition and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. Each reporting issuer, such as the Corporation, must disclose on an annual basis and in prescribed form, the corporate governance practices that it has adopted. The following is the Corporation's required annual disclosure of its corporate governance practices.

1. Board of Directors

The Board of Directors considers that Ronald Kay, Yves Beauchamp and Michael Pesner are independent within the meaning of National Instrument 52-110 *Audit Committees*.

The Board of Directors considers that Pierre Lortie and Neil Wiener are not independent within the meaning of National Instrument 52-110 *Audit Committees* in that Mr. Lortie is Executive Chairman of the Corporation, and Mr. Wiener is a partner of Fasken Martineau DuMoulin LLP, counsel to the Corporation.

The Board of Directors considers that three of the five directors are independent within the meaning of National Instrument 52-110 *Audit Committees.* Accordingly, a majority of the Board of Directors is independent.

In addition, all three members of the Audit Committee of the Board of Directors are independent directors. The members of the Audit Committee are Michael Pesner (Chairman), Ronald Kay and Yves Beauchamp.

Meetings of the Board of Directors are chaired by Pierre Lortie, who is not an independent director. If necessary, the independent members of the Board of Directors can meet without non-independent directors and members of management present.

The following directors are currently directors of other issuers that are reporting issuers (or the equivalent) in a jurisdiction of Canada or a foreign jurisdiction:

Name of Director	Issuer
Pierre Lortie	Canam Group Inc. ECN Capital Corp.
Michael Pesner	Le Château Inc. Richmont Mines Inc.

The independent directors do not hold regularly scheduled meetings at which the Chief Executive Officer and other members of management are not in attendance. However, directors routinely hold an *in camera* session during the meetings of the Board of Directors where they meet without the Chief Executive Officer or other members of management of the Corporation being present.

Pierre Lortie, Executive Chairman of the Board of Directors, is not an independent director. The responsibilities of the Chairman include chairing all meetings of the Board of Directors and acting as a liaison between the Board of Directors and the President and Chief Executive Officer of the Corporation, if any.

During the period from November 1, 2015 to the date hereof, the Board of Directors held 14 meetings. Attendance of directors at the seven meetings is indicated in the table below.

Yves Beauchamp	12/14	Ronald Kay	14/14
Pierre Lortie	14/14	Prashant Pathak[(1)]	7/12
Michael Pesner	14/14	Neil Wiener	14/14

(1) Prashant Pathak resigned as a director on January 27, 2017.

2. Board Mandate

The Board has developed a written mandate for itself. The written mandate provides that the Board: (i) reports to the Corporation's shareholders, who elect the Board annually, and (ii) ensures that the interests of shareholders, creditors, employees and the community are properly served, and that the Corporation acts in a lawful, ethical and responsible manner. The written mandate further provides that the responsibilities of the Board are to (a) act honestly and in good faith with a view to the best interests of the Corporation; (b) exercise the care, diligence and skill that reasonably prudent persons would exercise in comparable circumstances; (c) consider strategic alternatives and select and approve a strategic plan; (d) approve an annual budget and operating plan; (e) identify the principal risks of the business, and monitor to see that they are being controlled; (f) select a Chief Executive Officer, approve all key executive appointments, and monitor the executive development process to ensure management continuity; (g) appoint a Chairman of the Board; (h) make certain that the technical basis of business decisions is sound, so as to prevent, to the greatest extent possible, economic or other error; (i) ensure that the Corporation has the financial resources sufficient to meet its commitments to lenders, employees and other stakeholders; (j) take action, separate from management, on issues that by law or practice require the independent action of a Board or one of its Committees; (k) ensure the Corporation has effective programs to provide a safe work environment; (l) ensure that the Corporation is employing sound environmental practices, and is operating in accordance with applicable laws, regulations and permits; (m) ensure that the Corporation has an effective communications policy with regard to investors, employees, the communities in which it operates and the governments of those communities; and (n) consistent with its other responsibilities to employees, the communities within which it works, their governments, and other stakeholders, to further the interests of the shareholders.

3. Position Description

The Board has developed a written position description for the Chairman of the Board. No written position has been developed for the chairs of each of the committees of the Board. The Board has adopted charters for each of its committees that delineate the role and responsibilities of such committees.

The Chairman of the Board of Directors is responsible, in consultation with the President and Chief Executive Officer, for setting the agenda for, and chairing meetings of, the Board of Directors. In addition, the Chairman of the Board of Directors is responsible for the management, development and effective performance of the Board and provides leadership to the Board in all aspects of its work. The Chairman is also responsible for leading the Board's periodic assessment of the management team and ensuring adherence by the Corporation to high standards of corporate governance.

The primary role and responsibility of the chair of each committee of the Board of Directors is to: (i) in general, ensure that the committee fulfills its mandate, as determined by the Board of Directors; (ii) chair meetings of the committee; (iii) report thereon to the Board of Directors; and (iv) act as liaison between the committee and the Board of Directors and, if necessary, management of the Corporation.

The Board of Directors has developed a written position description for the President and Chief Executive Officer. The position description of the President and Chief Executive Officer includes the following duties and responsibilities: (i) to develop a strategic plan for recommendation to and approval by the Board of Directors; (ii) to develop an annual budget and operating plan for approval by the Board of Directors; (iii) to develop plans to enable the Board of Directors to discharge its responsibilities under the laws of the jurisdictions in which the Corporation operates; (iv) to execute successfully all plans approved by the Board of Directors; (v) to assume responsibility for the business and financial affairs of the Corporation and, in so doing, to recruit, train and develop a management team to achieve the Corporation's plans; (vi) to act as and be the chief spokesperson for the Corporation; (vii) to act honestly and in good faith with a view to the best interests of the Corporation and, while so doing, ensure that all employees act in a like manner; and (viii) to devote substantially all of his working time to the Corporation.

4. Orientation and Continuing Education

The Corporation does not currently have a formal orientation program for new directors. The Board does not formally provide continuing education to its directors. The directors are experienced members, including four who are, or were, directors and/or senior officers of other Canadian reporting issuers. The Board of Directors relies on professional assistance when judged necessary in order to be educated or updated on a particular topic.

In light of the Corporation's size, nature and scope of operations, the Board of Directors believes the approach described above is practical and effective. There is currently no formal continuing education program in place. Each director is responsible for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director, and Board members are entitled, at the Corporation's expense, to acquire educational materials and attend seminars they determine necessary or appropriate to keep them up-to-date with current issues relevant to their service as directors of the Corporation.

5. Ethical Business Conduct

The Board of Directors adopted a Code of Business Conduct and Ethics on July 15, 2009, applicable to directors, senior officers and employees of the Corporation. A copy of the Code of Business Conduct and Ethics is available on the website of the Corporation at www.questrareminerals.com under the heading "About Us / Corporate Governance" and on SEDAR at www.sedar.com.

Under the *Canada Business Corporations Act*, to which the Corporation is subject, a director or officer of the Corporation must disclose to the Corporation, in writing or by requesting that it be entered in the minutes of meetings of the Board of Directors, the nature and extent of any interest that he or she has in a material contract or material transaction, whether made or proposed, with the Corporation, if the director or officer: (i) is a party to the contract or transaction; (ii) is a director or an officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or (iii) has a material interest in a party to the contract or transaction. Subject to limited exceptions set out in the *Canada Business Corporations Act*, the director cannot vote on any resolution to approve the contract or transaction.

Further, it is the policy of the Corporation that an interested director or officer recuse himself or herself from the decision-making process pertaining to a contract or transaction in which he or she has an interest.

The directors are apprised of the activities of the Corporation and ensure that it conducts such activities in an ethical manner. The directors encourage and promote an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations; providing guidance to consultants, officers and directors to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary actions for violations of ethical business conduct.

In addition, the Corporation takes measures to ensure that directors and officers do not trade in the Corporation's shares at a time when disclosure of material information may be pending.

On March 9, 2012, the Board of Directors adopted a "Whistleblower Policy" for the Corporation. The Whistleblower Policy provides in general that it is the responsibility of all directors, officers and employees of the Corporation to comply with the Corporation's Code of Business Conduct and Ethics and to report violations or suspected violations thereof in accordance with the Whistleblower Policy. The Whistleblower Policy provides that any such violations may be reported to the Chairman of the Audit Committee.

The Chairman of the Audit Committee is responsible for investigating and attempting to resolve all reported complaints and allegations. The Chairman is required to report to the Audit Committee at least annually on compliance activity.

6. Nomination of Directors

The HRGC is responsible for recommending candidates for nomination to the Board of Directors. In making such recommendations, the HRGC considers the qualifications, skills, expertise and competencies that:

(i) the Board of Directors considers to be necessary for the Board of Directors, as a whole, to possess;

(ii) the Board of Directors considers each existing director to possess; and

(iii) each new nominee will bring to the Board of Directors.

Board members or management will have an opportunity to suggest candidates for consideration. A search firm may be employed. Prospective candidates will be interviewed by the Chairman and other Board members on an *ad hoc* basis. An invitation to join the Board will be extended only after the Board has reached a consensus on the appropriateness of the candidate.

On April 20, 2011, the Board of Directors created a Nominating Committee, since replaced by the HRGC. The members of the HRGC are Ronald Kay (Chairman) and Pierre Lortie. Prashant Pathak was a member of the HRGC until his resignation as a director of the Corporation on January 27, 2017. Prior to Mr. Pathak's resignation, a majority of the members of the HRGC were "independent" directors within the meaning of National Instrument 52-110 *Audit Committees*.

The HRGC is responsible for, among other things, identifying and recommending to the Board of Directors new candidates for the Board of Directors and annually reviewing the credentials of existing board members to assess their suitability for re-election.

The HRGC meets as often as is necessary to carry out its responsibilities.

The HRGC is permitted access to all records and corporate information that it determines is required in order to perform its duties. The HRGC has the authority to engage independent legal counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for any advisors engaged by it.

7. Compensation

The HRGC is mandated to review and recommend to the Board of Directors for approval the remuneration of executive officers and directors of the Corporation. The process by which the HRGC determines the compensation of the executive officers of the Corporation is described in the section entitled "Compensation of Executive Officers and Directors" above.

With respect to the compensation of the Corporation's directors, see "Compensation of Directors" above.

One of the two members of the HRGC is an independent director within the meaning of National Instrument 52-110 *Audit Committees*. The members of the HRGC are Ronald Kay (Chairman) and Pierre Lortie.

The HRGC's primary role and responsibility concerns human resources and compensation policies and processes. Among the main responsibilities of the HRGC is recommending the compensation of the Corporation's executive officers and directors to the Board of Directors.

If the HRGC considers it necessary, it may investigate and review any human resources or compensation matter relating to the Corporation. The HRGC may retain outside experts and engage special legal counsel, if necessary.

In March 2011, the then-Compensation Committee retained the services of PCI to provide a benchmarking analysis and to advise the Corporation on the competitiveness and appropriateness of compensation programs offered to its executives. See "Compensation of Executive Officers and Directors Executive Compensation - Comparative Group and External Compensation Consultant" above. During the fiscal year ended October 31, 2013, the Compensation Committee retained the services of PCI to provide assistance in determining the appropriate compensation for certain officers of the Corporation and for the members of the Corporation's then-Technical Committee.

8. Other Board Committees

The Board does not have any committees other than the Audit Committee and HRGC.

9. Assessments

The Board of Directors is responsible for assessing the effectiveness of the Board of Directors, its committees and individual directors. Assessments are not conducted on a regular basis. The Board of Directors from time-to-time examines and comments on its effectiveness and that of its committees and makes adjustments when warranted.

10. Director Term Limits and Other Mechanisms of Board Renewal

The Corporation has not adopted term limits for its directors or other mechanisms of Board renewal. The Corporation is aware of the positive impacts of bringing new perspectives to the Board of Directors, and therefore does occasionally add new members; however, it values continuity on the Board of Directors and the in-depth knowledge of the Corporation held by those members who have a long-standing relationship with the Corporation.

11. Policies Regarding the Representation of Women on the Board

The Corporation does not currently have a written policy relating to the identification and nomination of women directors. Historically, the Corporation has not felt that such a policy was needed. However, the Corporation will consider the adoption of such a policy.

12. Consideration of the Representation of Women in the Director Identification and Selection Process

When the HRGC recommends candidates for director positions, it considers not only the qualifications, personal qualities, business background and experience of the candidates, it also considers the composition of the group of nominees, to best bring together a selection of candidates allowing the Board of Directors to perform efficiently and act in the best interest of the Corporation and its stakeholders. The Corporation is aware of the benefits of diversity both on the Board and at the executive level, and therefore female representation is one factor taken into consideration during the search process to fill leadership roles within the Corporation.

13. Consideration Given to the Representation of Women in Executive Officer Appointments

When the Board of Directors selects candidates for executive officer positions, it considers not only the qualifications, personal qualities, business background and experience of the candidates, it also considers the composition of the group of nominees, to best bring together a selection of candidates allowing the Corporation's management to perform efficiently and act in the best interest of the Corporation and its stakeholders. The Corporation is aware of the benefits of diversity both on the Board and at the executive level, and therefore female representation is one factor taken into consideration during the search process to fill leadership roles within the Corporation.

14. Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

The Corporation has not adopted a "target" regarding women on the Board of Directors or in executive officer positions. The Corporation considers candidates based on their qualifications, personal qualities, business background and experience, and does not feel that targets necessarily result in the identification or selection of the best candidates.

15 Number of Women on the Board and in Executive Officer Positions

There are no women on the Board of Directors of the Corporation. Of the five executive officers of the Corporation, one (20%) is a woman.

ADDITIONAL INFORMATION

Financial information about the Corporation is contained in its comparative financial statements and Management's Discussion and Analysis for the fiscal year ended October 31, 2016, and additional information about the Corporation is available on SEDAR at www.sedar.com.

If you would like to obtain, at no cost to you, a copy of any of the following documents:

(a) the financial statements of the Corporation for the fiscal year ended October 31, 2016 together with the accompanying report of the auditor thereon and any interim financial statements of the Corporation for periods subsequent to October 31, 2016 and Management's Discussion and Analysis with respect thereto; or

(b) this Circular,

please send your request to:

Quest Rare Minerals Ltd.
1155 Robert-Bourassa Blvd., Suite 906
Montreal, Québec
H3B 3A7

telephone: (514) 878-3551
telecopier: (514) 878-4427
e-mail: info@questrareminerals.com

AUTHORIZATION

The contents and the mailing of this Circular have been approved by the Board of Directors of the Corporation.

(signed) Pierre Lortie

Pierre Lortie
Executive Chairman of the Board of Directors

DATED at Montreal, Québec
March 30, 2017

SCHEDULE A
SHAREHOLDERS' RESOLUTION
AMENDMENT TO RESTRICTED SHARE UNIT PLAN

WHEREAS on March 30, 2017, the Board of Directors adopted an amendment to the Restricted Share Unit Plan of the Corporation (the "**RSU Plan**") so as to increase by 2,000,000 the number of common shares which are available for issuance under the RSU Plan, from 750,000 common shares to 2,750,000 common shares, representing approximately 2.91% of the currently issued and outstanding common shares of the Corporation;

WHEREAS the foregoing amendment to the RSU Plan has been approved by the Toronto Stock Exchange; and

WHEREAS pursuant to the policies of the Toronto Stock Exchange, the foregoing amendment to the RSU Plan must be approved by a simple majority of the votes cast by the holders of the common shares, either present in person or represented by proxy at a shareholders' meeting;

BE AND IT IS HEREBY RESOLVED:

> THAT the amendment to the RSU Plan, increasing from 750,000 to 2,750,000 the number of common shares which are available for issuance from treasury thereunder, as approved by the Board of Directors of the Corporation and as described in the Management Proxy Circular of the Corporation dated March 30, 2017, is hereby ratified, confirmed and approved.

SCHEDULE B
SHAREHOLDERS' RESOLUTION
AMENDMENT TO DEFERRED SHARE UNIT PLAN

WHEREAS on March 30, 2017, the Board of Directors adopted an amendment to the Directors' Deferred Share Unit Plan of the Corporation (the "**DSU Plan**") so as to increase by 2,000,000 the number of common shares which are available for issuance under the DSU Plan, from 750,000 common shares to 2,750,000 common shares, representing approximately 2.91% of the currently issued and outstanding common shares of the Corporation;

WHEREAS the foregoing amendment to the DSU Plan has been approved by the Toronto Stock Exchange; and

WHEREAS pursuant to the policies of the Toronto Stock Exchange, the foregoing amendment to the DSU Plan must be approved by a simple majority of the votes cast by the holders of the common shares, either present in person or represented by proxy at a shareholders' meeting;

BE AND IT IS HEREBY RESOLVED:

> THAT the amendment to the DSU Plan, increasing from 750,000 to 2,750,000 the number of common shares which are available for issuance from treasury thereunder, as approved by the Board of Directors of the Corporation and as described in the Management Proxy Circular of the Corporation dated March 30, 2017, is hereby ratified, confirmed and approved.