MONTREAL, QUEBEC--(Marketwired - Feb. 1, 2017) -

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Quest Rare Minerals Ltd. (TSX:QRM) (Quest) is pleased to announce that the Toronto Stock Exchange has confirmed that Quest's previously-announced private placement of special warrants ("Special Warrants") in a maximum amount of $8 million (the "Private Placement") is exempt from the requirement that it be approved by Quest's shareholders.

Under section 607(g)(i) of the TSX Company Manual, the Private Placement would be subject to shareholder approval in that the maximum number of Quest common shares issuable in the Private Placement is greater than 25% of the number of Quest's issued and outstanding shares (86,429,011 shares). Quest is relying on the exemption from shareholder approval provided in section 604(e) of the TSX Company Manual, in light of the serious financial difficulties faced by Quest. The Private Placement, which is intended to improve Quest's financial situation, has been approved by Quest's Board of Directors, all of whose members are free from any interest, and unrelated to investors, in the Private Placement. Quest's Board of Directors has determined that the Private Placement is reasonable for Quest in the circumstances. It is not expected that any of Quest's directors or officers will participate in the Private Placement.

The terms and conditions of the Private Placement were negotiated at arm's length between Quest and Secutor Capital Management Corporation, lead agent for the Private Placement. The issue price of $0.20 per Special Warrant represents a discount of 17.53% to the volume weighted average trading price of Quest's shares on the TSX for the five trading days ended January 25, 2017 ($0.2425), the trading day prior to the date of Secutor's engagement as agent.

In the event of a Private Placement in a maximum amount of $8 million, Quest will issue 40 million Special Warrants, which may be exchanged for an aggregate of 40 million shares and 40 million common share purchase warrants ("Warrants"). Each of the Warrants will entitle its holder to acquire one share at a price of $0.275 for three years. In the event of a maximum Private Placement, Quest will also issue 2 million "compensation warrants" to the agents for the Private Placement, each of which will entitle its holder to acquire one Share at a price of $0.275 for three years. The 82 million shares which will be issuable in the event of a maximum Private Placement represent in the aggregate 94.86% of Quest's currently issued and outstanding shares.

If Quest does not obtain a receipt in respect of a final prospectus filed in Québec, Ontario, British Columbia and Alberta qualifying the distribution of the shares and Warrants underlying the Special Warrants within 30 days of the closing date of the Private Placement, each Special Warrant will entitle its holder to purchase, for no additional consideration, 1.25 shares and 0.75 Warrants (in lieu of one share and one Warrant), representing an aggregate of 50 million shares and 30 million Warrants. In that event, each full Warrant will entitle its holder to purchase one share at a price of $0.275 for a period of four years from the closing date of the Private Placement (in lieu of three years). The discount for the 1.25 shares per Special Warrant, which will be issued at a deemed price of $0.16 per share, exceeds the maximum discount of 25% from the market price for Quest's shares set out in section 607(e) of the TSX Company Manual and is therefore subject to shareholder approval. Quest is relying on the exemption from shareholder approval provided in section 604(e) of the TSX Company Manual, as described above, with respect to this provision of the TSX Company Manual as well. Quest understands that as a result of its use of this exemption, it will be placed under delisting review under the policies of the TSX.

The Private Placement is not expected to have an effect on control of Quest, and Quest is not aware that any investor in the Private Placement will become a "control person" of Quest.

The closing of the Private Placement is expected to take place on February 9, 2017, subject to customary conditions and regulatory approval, including that of the TSX.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities described herein. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws of the United States. Accordingly, these securities will not be offered or sold to persons within the United States unless an exemption from the registration requirements of the 1933 Act and applicable state securities laws is available.

This press release does not constitute an offer to sell or a solicitation of an offer to buy any of these securities, and these securities will not be offered or sold in any jurisdiction in which their offer or sale would be unlawful.

ABOUT QUEST

Quest is a Canadian-based company focused on becoming an integrated producer of rare earth metal oxides and a significant participant in the rare earth elements (REE) material supply chain. Quest is led by a management team with in-depth experience in chemical and metallurgical processing. Quest's objective is the establishment of major hydrometallurgical and refining facilities in Bécancour, Québec, to separate and produce strategically critical rare earth metal oxides. These industrial facilities

will process mineral concentrates extracted from Quest's Strange Lake mining properties in northern Québec and recycle lamp phosphors utilizing Quest's efficient, eco-friendly "Selective Thermal Sulphation (STS)"[1] process.

Forward-Looking Statements

This news release contains statements that may constitute "forward-looking information" or "forward-looking statements" within the meaning of applicable Canadian securities legislation. Forward-looking information and statements may include, among others, statements regarding the future plans, objectives or performance of Quest, including the Strange Lake Rare Earths Project's technical and pre-economic feasibility, future financing by Quest, or the assumptions underlying any of the foregoing. In this news release, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at or by which, such future performance will be achieved. No assurance can be given that any events anticipated by the forward-looking information will transpire or occur, including the development of the Strange Lake Rare Earths Project or any financing by Quest, or if any of them do so, what benefits Quest will derive from them.

Forward-looking statements and information are based on information available at the time and/or management's good-faith belief with respect to future events and are subject to known or unknown risks, uncertainties, assumptions and other unpredictable factors, many of which are beyond Quest's control. These risks, uncertainties and assumptions include, but are not limited to, estimates relating to capital costs and operating costs based upon anticipated tonnage and grades of resources to be mined and processed and the expected recovery rates, together with those described under "Risk Factors" in Quest's annual information form dated January 19, 2017, and under "Risk Factors" in Quest's Management's Discussion and Analysis for the fiscal year ended October 31, 2016, all of which are available on SEDAR at www.sedar.com, and could cause actual events or results to differ materially from those projected in any forward-looking statements. Quest does not intend, nor does Quest undertake any obligation, to update or revise any forward-looking information or statements contained in this news release to reflect subsequent information, events or circumstances or otherwise, except if required by applicable law.

[1] Patent Pending

Contact

Quest Rare Minerals Ltd.
Alain Wilson
Chief Financial Officer
+ 416 456 6770
info@questrareminerals.com