



Initiating Coverage

QRM-V: C\$5.78

BUY Speculative Risk

12-Month Target Price: C\$8.88

January 26, 2011

Quest Rare Minerals Ltd.

Canada's Best Heavy Rare Earth Opportunity



Source: Quest Rare Minerals Ltd - Strange Lake Deposit - B Zone Proposed Open Pit Location

Quest Rare Minerals Limited is a Canadian junior exploration company with a 100% interest in the Strange Lake Project, located in northern Quebec, approximately 170 km northwest of Schefferville and 125 km east of Voisey's Bay.

Operated by a seasoned exploration team, an inferred resource containing over 1.1 million tonnes of total rare earth oxides (TREO) has been delineated, and a preliminary economic assessment demonstrating solid project economics has been completed. As the company continues to define and expand the resource and execute on programs to reduce project risk, strategic partners are being sought to advance the project.

Quest has a compelling in-situ value exceeding C\$18 billion, representing a C\$274 in-situ value per share, the highest of any Canadian rare earth project. With a market capitalization of only C\$0.021 per dollar of contained TREO value, Quest is truly undervalued compared to an average of C\$0.14 per dollar contained TREO for 15 peer projects.

Market conditions remain robust, with increasing industrial demand for rare earth minerals and tight Chinese control over most of the world's supply. Heavy rare earth oxides (HREO) are the most scarce and command premium prices. Projects such as Strange Lake, with a HREO content of 43%, including Yttrium, will be the most valued.

We initiate coverage of Quest Rare Minerals with a BUY recommendation (Risk* - Speculative) and a 12-month target price of C\$8.88 per share.

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INVESTMENT HIGHLIGHTS

Opportunities

Rich in heavy rare earths: Strange Lake contains 15% heavy rare earth oxides (HREO) excluding Yttrium, or 43% including Yttrium. Not all projects will be built, and those that are will not all be profitable in the long run. HREO's are typically in short supply and command a premium price. The average HREO content, excluding Yttrium, in our comparison universe is only 8%. The value of Total Rare Earth Oxides (TREO) at Strange Lake is US\$16/kg based on 2009 prices, the third highest in our 26 project comparison universe.

Simple metallurgical process: The recovery of rare earth oxides from the Strange Lake ore can be accomplished with a relatively simple hydro-metallurgical process, acid leaching, according to preliminary test work. Many rare earth deposits will not be developed due to processing complications.

Large resource and long mine life: Potential off-take partners require security of supply and a long mine life. Strange Lake contains 1.1 million tonnes of Total Rare Earth Oxides (TREO) supporting a mine life in excess of 60 years. Resource expansion potential is very high, and the exploration management team is very experienced. The in-situ value of TREO at Strange Lake is US\$18.4 billion based on 2009 prices, the fourth highest in our 26 project comparison universe.

Potential to attract a strategic partner is excellent: Mitsui's historical involvement at Strange Lake demonstrates the project can be attractive to large players in the industry. With restricted Chinese supply and robust demand growth, the market is well positioned to ensure competitive tension in any merger and acquisition battle.

A very low cost producer: The niobium and zirconium concentrates produced more than pay all the operating costs for the project, leaving the TREO product with a negative operating cost. The mine site is very favourable for open pit mine development, with a very low strip ratio. Transportation of ore by pipeline to the coast offers a relatively low cost means of overland transportation. Relatively close tidewater access allows for the lowest possible transportation cost to international markets.

Political risk is very low: Quebec is one of the most politically favourable mine development jurisdictions in the world. Newfoundland and Labrador encourages mine development. The Company may benefit from stimulus and infrastructure support provided under Quebec's "Plan du Nord".

High in-situ value per share: Quest Rare Minerals has a TREO value of US\$274 per share, the second highest in our comparative universe of 26 companies, and 156% higher than the average of only US\$107 per share.

Low share price compared to in-situ value: Quest Rare Minerals has a market capitalization of only C\$0.021 per dollar TREO value in-situ, the second lowest in our comparative universe of 26 companies. The average is nearly seven times higher at C\$0.14 per share. Furthermore, a revised resource estimate expected in February will likely see a significant increase in global resources, which would positively impact the in-situ value.

Risks

A First Nations Agreement is required: As the ore pipeline and port will be on land controlled by the Labrador Innu, an agreement will be required to obtain permission to construct and operate the project. While the Voisey's Bay negotiations were very time consuming, it is our view that the precedents set through that process will serve the project well and facilitate an early agreement.

A downstream processing requirement may emerge: In the case of Voisey's Bay, Newfoundland and Labrador required a commitment to downstream processing within the province, adding to both the cost and timeline for that project.

Technical risk associated with a cold regions pipeline: While a technical challenge, the technology exists to build and operate overland pipelines in cold regions. Pipelines are protected through burying and insulation. Numerous examples of shorter tailing pipelines have operated successfully for decades in the arctic. More recently, long overland pipelines have been proposed for transporting iron ore concentrates in the northern portion of the Labrador Trough by credible major companies working with international engineering houses.

Project timeline risk is significant: Critical aboriginal, political, market and financing negotiations have yet to be undertaken. Timing of the project will determine such factors as competition for construction resources.

Construction execution risk is an important consideration: With the deposit under the control of a junior exploration company, a clear strategic path through construction, commissioning and into the operational phase has yet to emerge. The relatively remote location and extreme climate further add to the execution risk.

News Flow

A revised resource estimate based on the 2010 drill program is expected to be released in February will likely see a significant increase in global resources, together with potential for higher earlier grade in the mine plan. The estimate will provide resources at the Measured, Indicated and Inferred categories for use in the Pre-feasibility Study (PFS). A Board decision approving the PFS is anticipated in March, with completion of the report by the end of the year.

A total budget of C\$28.5 million has been approved for 2011, with C\$23.5 million for Strange Lake drilling and pre-feasibility study, C\$4.0 million for Misery Lake drilling and C\$1.0 million for project and concept development. The program is fully funded.

A winter drill program at Strange Lake in March and April will involve 2 drills and 5,000 meters of core, aimed at extending mineralization to the south and northwest.

A summer drill program at Strange Lake in July through October will require 7-8 drills, 45,000 meters of core, and will aim to add to resources, complete geotechnical drilling for the pit engineering and allow for additional upgrading to a significant portion of the resource to measured and indicated category. In addition, numerous exploration targets on the Quest's property remain to be drill-tested.

A drill program at Misery Lake, south of the Strange Lake project will provide a news flow that "paints the blue sky" for rare earth potential in the region. From July through October, 2-3 drills will complete 10,000 meters of core while following up on previous airborne geophysical surveys.

A Quebec government exploration rebate of ~40% of 2010 expenditures, estimated to be C\$3 million, is anticipated in July.

Management is actively seeking strategic partners and marketing agreements to advance the project in 2011.

Valuation

The Dundee valuation model incorporated a discounted cash flow evaluation of the Strange Lake B-Zone Deposit. Cash flows are discounted at a real rate of 10 percent. Value is estimated for cash balances as well as un-mined resources. The cash flow model incorporates development concepts from the Preliminary Economic Assessment dated September 24, 2010. A long term price for a basket of total rare earth oxides ("TREO"), niobium, and zirconium of US\$19.68/kg, US\$25/kg, and US\$3.77/kg, respectively, is assumed. The TREO price is based on 60% of the three year average. A price-to-net asset value of 70 percent is applied to the discounted cash flows, reflecting the relatively early stage of project development.

Table 1: Base Case Valuation

NET ASSET VALUE (beginning 2012)	0% NAV (C\$MM)	C\$/share	10% NAV (C\$MM)	C\$/share
Corporate DCF	1,594	25.40	478	7.62
Cash and other	76	1.21	76	1.21
Exploration & unmodelled Resources	147	2.34	147	2.34
Total	1,817	28.95	701	11.17
Dundee DCF Target Multiple				0.7x
Share Price Target				8.88

Source: Dundee Securities Estimates

Sensitivity Analysis

Price sensitivity demonstrates that a 45% increase to our long term price assumption for total rare earth oxides yields a net asset value per share increase of 42% to C\$15.83 from C\$11.17.

Table 2: NAV per Share (C\$) Sensitivity: Long Term Prices

NAV & Price Target Sensitivity to Long-term TREO Metal Oxide Price Assumption					
NAV (C\$/share)	Long Term TREO Metal Oxide Price Assumption (C\$/kg)				
	12	17	22	32	42
0% Discount	14.90	21.93	28.95	42.99	57.01
5% Discount	9.11	13.01	16.91	24.68	32.42
10% Discount	6.48	8.82	11.17	15.83	20.44
15% Discount	5.24	6.73	8.24	11.23	14.18

Source: Dundee Securities Estimates

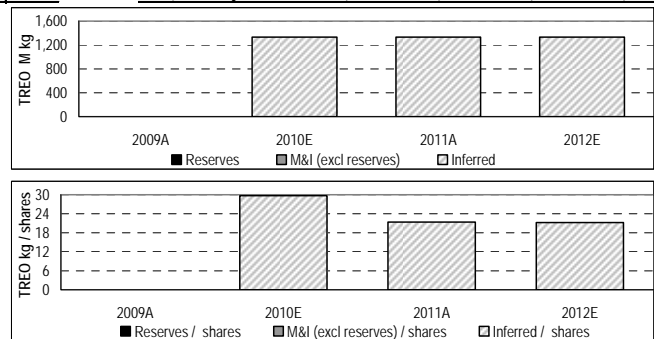
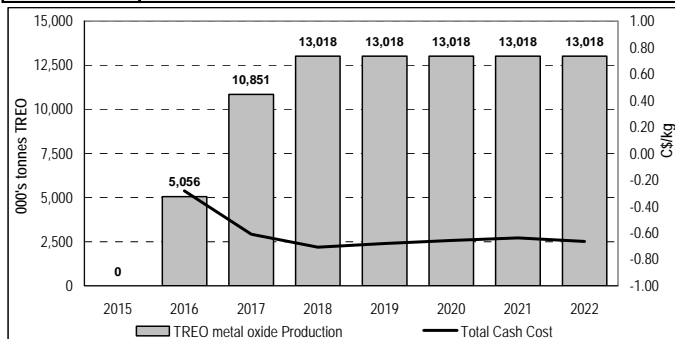
The project net present value (January 2012) at a 10% discount rate, after taxes but pre-financing, is US\$354 million, with an after tax internal rate of return of 18%. Average annual after-tax cash flow is US\$162 million for the life-of-mine and US\$206 million for the first 5 years of commercial production. Payback is less than 4.1 years.

QUEST RARE MINERALS					QRM-V	C\$ 5.75
Rating	BUY	C\$ Target	\$8.88		Shares O/S (MM)	58
Risk*	Speculative	C\$ Close	\$5.75		Float (MM)	58
12-month return	54%				Fully Diluted Shares (MM)	68
					Basic Mkt. Capitalization (\$MM)	C\$ 331
All figures in C\$, unless stated otherwise						
EVALUATION DATA						
Year-end Dec	2009A	2010E	2011E	2012E		
EPS	\$ (0.10)	\$ (0.05)	\$ (0.18)	\$ (0.29)		
P/E		N/A	N/A	N/A		
CFPS before changes in WC	\$ (0.06)	\$ 0.03	\$ (0.18)	\$ (0.29)		
P/CF		N/A	N/A	N/A		
market cap/reserve MMt				N/A		
enterprise value/reserve MMt				N/A		
market cap/resource MMt				\$ 380		
enterprise value/resource MMt				\$ 217		
ASSUMPTIONS						
TREO metal oxide US\$/kg	19.68	19.68	19.68	19.68		
Exchange US\$/C\$	0.85	0.96	0.97	1.00		
Dundee Modelled Reserves and Other Mineralization (MM Lbs)						
RESERVES & RESOURCES (as of Sep-2010)						
	Ownership	Tonnes MM t	Grade % TREO	TREO (MM t)		
				100% Basis	QRM Share	
Proven and Probable Reserves						
Strange Lake	100%	-	-	-	-	-
Misery Lake	100%	-	-	-	-	-
Total Reserves						
Measured and Indicated Resources (Inclusive of Reserves)						
Strange Lake	-	-	-	-	-	-
Misery Lake	-	-	-	-	-	-
Total Measured and Indicated Resources						
Inferred Resources						
Strange Lake	100%	114.9	1.00	1.15	1.15	1.15
Misery Lake	100%	-	-	-	-	-
Total Inferred Resources						
TOTAL RESOURCE						
PRODUCTION ESTIMATES (tonnes TREO)						
Year-end Dec.	2013E	2014E	2015E	2016E	2017E	
Strange Lake	0	0	0	5,056	10,851	
Misery Lake	0	0	0	0	0	
Sub total						
TOTAL CASH COST ESTIMATES (US\$/tonne TREO, net zirconium, niobium)						
Year-end Dec.	2013E	2014E	2015E	2016E	2017E	
Strange Lake	0.00	0.00	0.00	(0.28)	(0.61)	
Misery Lake	0.00	0.00	0.00	0.00	0.00	
NET ASSET VALUE (beginning 2012)						
	0% NAV (C\$MM)	C\$/share	10% NAV (C\$MM)	C\$/share		
Corporate DCF	1,594	25.40	478	7.62		
Cash and other	76	1.21	76	1.21		
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10% Discount	6.48	8.82	11.17	15.83	20.44	
15% Discount	5.24	6.73	8.24	11.23	14.18	

Year-end Dec	(000\$)		
BALANCE SHEET	Q2/10A	2010E	Q1/11 E
Assets			
Cash & ST Investments	5,198	55,877	81,041
Other Current Assets	701	701	701
Current Assets	5,899	56,578	81,742
Mineral Properties + Other	9,218	9,146	9,146
Other non-current Assets	-	-	-
Total Assets	15,117	65,724	90,888
Liabilities			
Current Liabilities	2,824	1,324	1,324
Capital lease / LT Debt	(1,500)	-	-
Other non-current Liabilities	-	14,472	14,472
Total Liabilities	1,324	15,796	15,796
Capital Stock	17,720	55,691	82,105
Retained Earnings	(5,552)	(5,763)	(7,013)
Total Shareholder Equity	12,168	49,927	75,092

EARNINGS SUMMARY	2009A	2010E	2011E	2012E
Revenue				
TREO	-	-	-	-
Other	7	9	-	-
Total Revenue	7	9	-	-
costs				
Other Costs	2,116	1,951	-	-
DD&A	-	-	-	-
Exploration	-	-	10,000	16,000
S, G&A	536	178	1,000	2,000
EBIT	(2,646)	(2,120)	(11,000)	(18,000)
FX Gain	-	-	-	-
Interest	(33)	(6)	-	-
Writedown of min. properties	(1,358)	(163)	-	-
EBT	(4,036)	(2,289)	(11,000)	(18,000)
less Tax	(438)	-	-	-
Net Income (reported)	(3,599)	(2,289)	(11,000)	(18,000)
Average shares (MM)	36.2	45.0	62.4	62.8

STATEMENT OF CASH FLOWS	2009A	2010E	2011E	(000\$) 2012E
Net Income (000's\$)	(3,599)	(2,289)	(11,000)	(18,000)
D, D&A	-	-	-	-
Future income taxes	(438)	-	-	-
Writedown of min. properties	1,358	163	-	-
FX Gain	6	52	-	-
Change in working capital	(67)	1,835	-	-
Other Operating	584	1,386	-	-
Total Operating CF	(2,156)	1,148	(11,000)	(18,000)
Short term investments	-	-	-	-
Mineral Properties	(3,477)	(2,866)	-	-
Acquisitions	-	-	-	-
Increase in Investments	-	-	-	-
Other Investing	126	-	-	-
Total Investing CF	(3,352)	(2,866)	-	-
Equity financing	-	50,445	31,317	-
Debt Issue	-	1,500	-	-
Debt Repayment	-	(1,500)	-	-
Other financing	8,174	2,412	-	-
Total Financing CF	8,174	52,857	31,317	-
Foreign Exchange effect	-	-	-	-
Change in cash	2,666	51,138	20,317	(18,000)
Cash & ST Inv., end of year	4,739	55,877	76,194	58,194

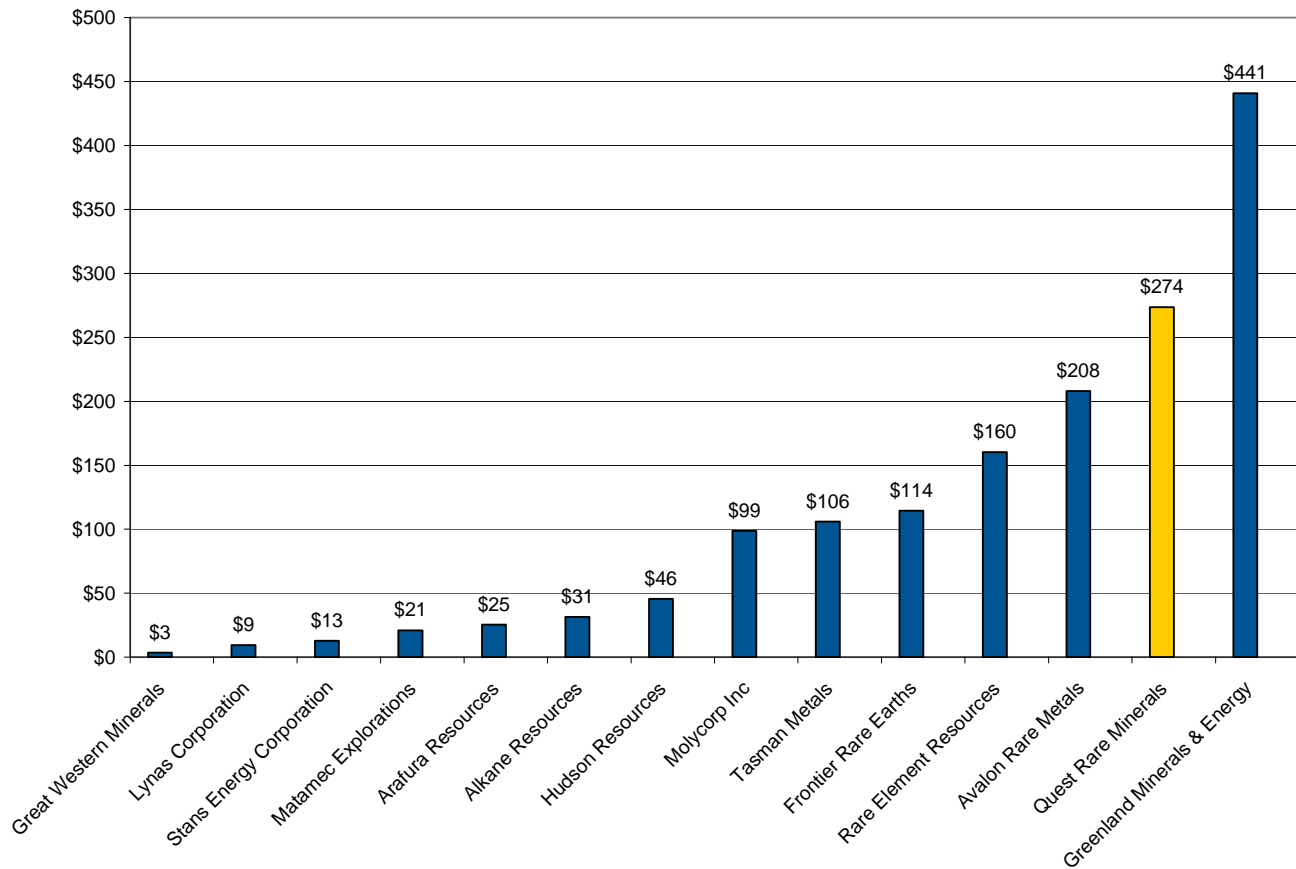


Source: Thomson ONE, Quest Rare Minerals Ltd, Dundee Estimates

Comparable Rare Earth Metals Companies

High in-situ value per share: Quest Rare Minerals has a TREO value of US\$274 per share, the second highest in our comparative universe of 26 companies, and 166% higher than the average of only US\$103 per share. Quest's value per share exceeds the two companies with projects that will be in production in 2011 and 2012, being Lynas Corporation (Mount Weld) at US\$9 per share, and Molycorp (Mountain Pass) at US\$99 per share. Greenland Minerals (Kvanefjeld) is the only company with a higher in-situ value per share, at US\$441.

Chart 1: Total Rare Earth Elements Oxides (TREO) Value per Share Basis (US\$/share)



Please note: With the exception of QRM, all other companies Not Rated

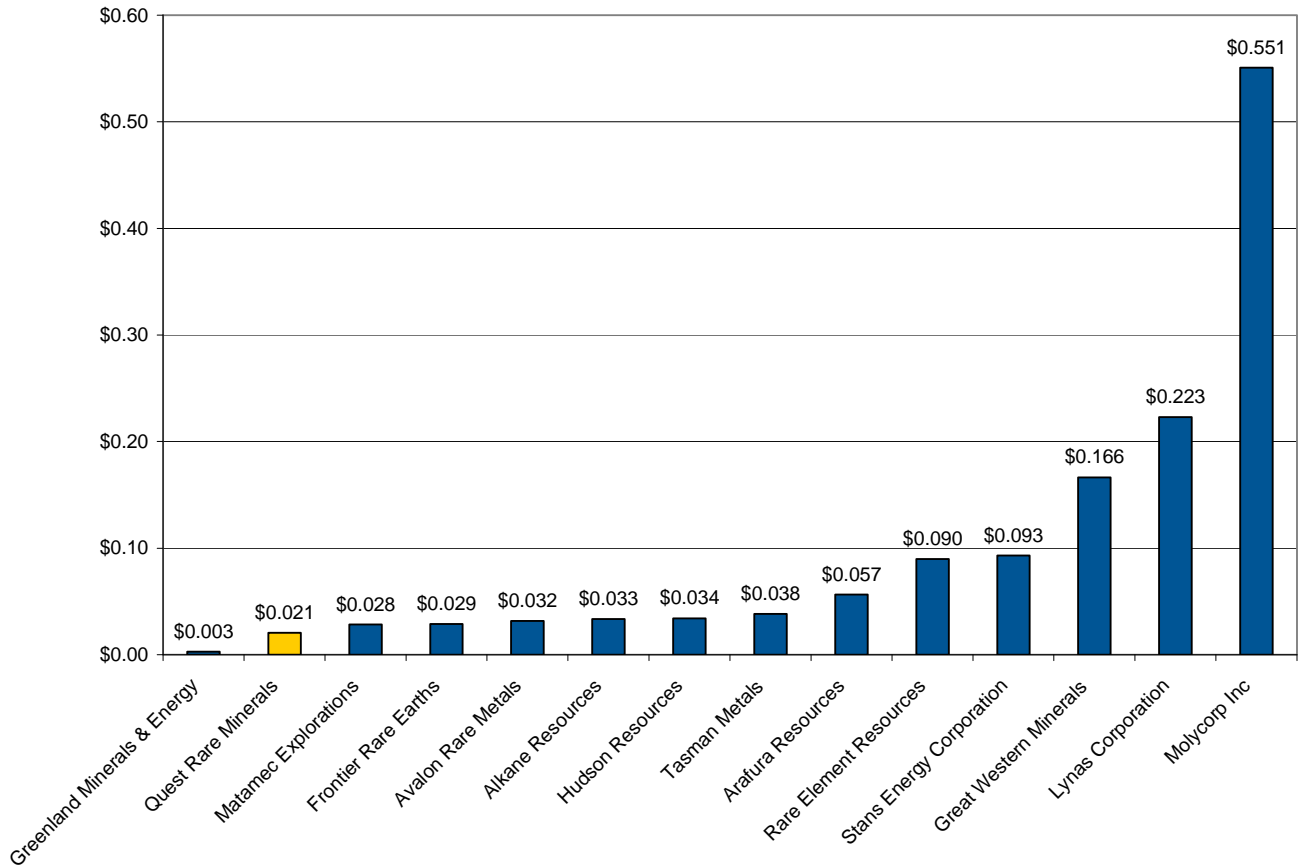
Source: Company Reports, Dundee Estimates

Strange Lake operating cost advantage is compelling: From an operating cost perspective, Molycorp's Mountain Pass mine is anticipated to have costs of US\$2.77/kg TREO, while Lynas's Corp's Mount Lynas is forecasted to have costs of approximately US\$7.00/kg. Average operating costs in China are currently estimated to be US\$5.66/kg, but could potentially double to the US\$11-12/kg range due to environmental and energy efficiency constraints imposed by the central government. In contrast, Quest's Strange Lake deposit, will have costs, estimated by Dundee, of US\$11.38/kg TREO prior to accounting for by-product Niobium and Zirconium concentrates. This reflects the relatively remote location. Accounting for these by-products, the cash costs for Strange Lake are negative, at US\$0.68 / Kg TREO, the lowest in the comparative universe studied.

Comparable Rare Earth Metals Companies

Low share price compared to in-situ value: Quest Rare Minerals has a market capitalization of only C\$0.021 per dollar TREO value in-situ, the second lowest in our comparative universe of 26 companies. The average is nearly seven times higher at C\$0.14 per share. Clearly the two companies with near-term production prospects command the highest market value per dollar of in-situ TREO.

Chart 2: Market Capitalization per Value of In-Situ TREO



Source: Company Reports, Dundee Estimates

Comparable Rare Earth Metals Companies

Dundee has developed a subjective point-ranking system for evaluating the relative development potential for 15 projects. All of these projects have defined resources and are compared in several tables included in the Appendix this report.

Seven factors are considered, and equal weight is established for each factor. A higher score in each category represents a more favourable feature of the project with respect to that factor.

Strange Lake is ranked fourth among all projects. Excluding the two projects which will reach the production stage in 2011 and 2012, Mount Weld and Mountain Pass, respectively, Strange Lake ranks second. Only Frontier's Zandkopsdrift project is ranked higher based on its favourable location with respect to existing infrastructure that positions the project for earlier production.

Table 3: Dundee Point Ranking System for Rare Earth Deposits (Point Value by Category)

Stage	26 Projects	TREO Value Insitu (US\$/kg)	TREO Value Insitu (US\$ m)	HREO Portion %	Production Timing	Capex	Strategic Partner	Location	Total Score	Overall Rank	Advanced Exploration Rank
Near Term Production											
1	Mount Weld	10	12	3	14	14	14	14	81	1	n.a.
2	Mountain Pass	7	9	1	15	8	15	14	69	2	n.a.
Advanced Exploration											
1	Kvaneveld	9	15	4	8	1	1	11	49	9	7
2	Nechalacho (Thor Lake)	12	14	10	11	1	2	5	55	6	4
3	Strange Lake (B Zone)	13	13	12	10	2	8	7	65	4	2
4	Zandkopsdrift	11	11	3	13	14	1	14	67	3	1
5	Nolans Bore	10	10	2	9	10	1	8	50	8	6
6	Dubbo	11	8	8	9	6	1	6	49	9	7
7	Norra Karr	14	7	13	8	5	1	6	54	7	5
8	Bear Lodge	9	6	2	12	14	8	12	63	5	3
9	Zeus (Kipawa)	13	4	11	4	5	8	10	55	6	4
10	Kutessay II	15	3	15	2	5	1	8	49	9	7
11	Hoidas Lake	10	2	2	3	5	1	6	29	12	9
12	Steenkampskraal	8	1	2	2	10	1	12	36	11	8
Early Exploration											
1	Sarfartoq	12	5	14	1	5	1	9	47	10	n.a.
2	J6L1 Rare Earth Elements	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
3	Wicheeda	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
4	Carbo	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5	Kanyika Niobium	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6	Cap, Seebach, Javorsky	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7	Eden Lake	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8	Eden Lake	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
9	Port Hope Simpson District	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10	Red Wine	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11	Bokan - Dotson Ridge	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Arbitrage											
1	Dacha	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average		11	8	7	8	7	4	9	55	7	5

Source: Company Reports, Dundee Estimates

- In-situ TREO value (per kg) defines the basket value contained in the ore body based on relative composition. Higher value reflects a greater HREO component, representing a project with higher "survivability".
- Higher in-situ TREO value in total defines the size and likely mine life for the project, desirable characteristics for supplying the market in the long term and attracting off-take interest.
- The production timing is important in that "first mover" status will segregate projects that are actually developed from ones that are unlikely to be developed. Projects that will not reach market until well after 2016 have a lower probability of being developed under favourable market conditions. Rare earths are actually not all that "rare". It is our view that the long term market will not be able to absorb additional supply from all potential projects proposed.
- Projects with a lower capital cost and a favourable location with respect to existing infrastructure are likely to be developed sooner and with lower execution risk.
- Projects that have already established strategic relationships with senior market participants are rewarded under this point system.

QUEST RARE MINERALS OVERVIEW

The Strange Lake Deposit is located in Quebec, adjacent to the Newfoundland and Labrador border, approximately 125 kilometers east of Voisey's Bay, the location for Vale's nickel mining operation. The project site is relatively remote with airstrip access and camp accommodation.

Quest proposes a conventional open pit mining operation, supported by a camp, maintenance facility, crusher and power plant at the mine site.

A road paralleling a overland pipeline would transport the crushed ore to a location near the coast, where processing facilities could be located.

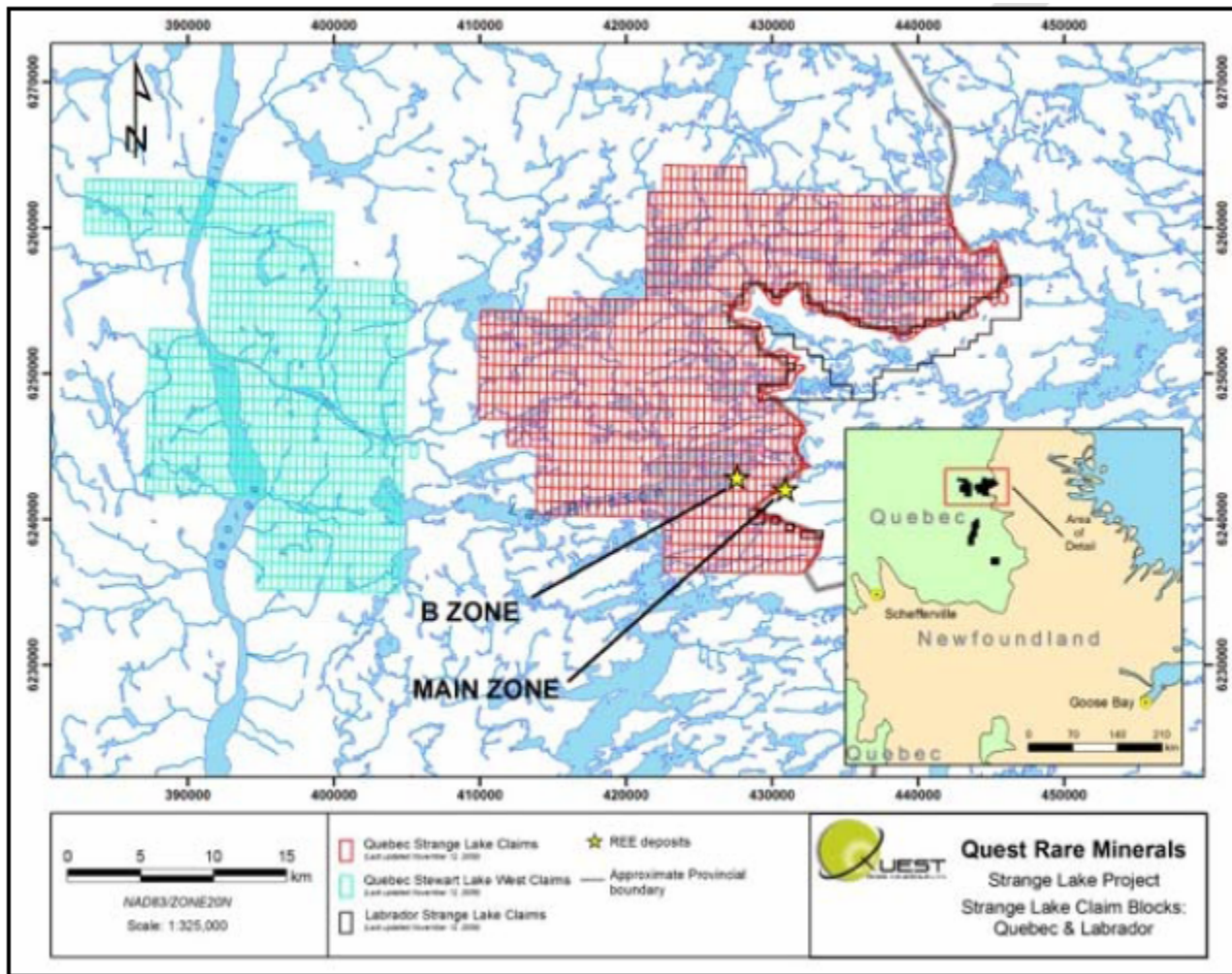
The Snook Lake, Kenora North and Plaster Rock projects are in very early exploration and do not form part of the Dundee valuation.

Figure 1: Strange Lake Property Location Map



Source: Quest Rare Minerals Ltd.

Figure 2: Strange Lake Project Claim Map



Source: Quest Rare Minerals Ltd.

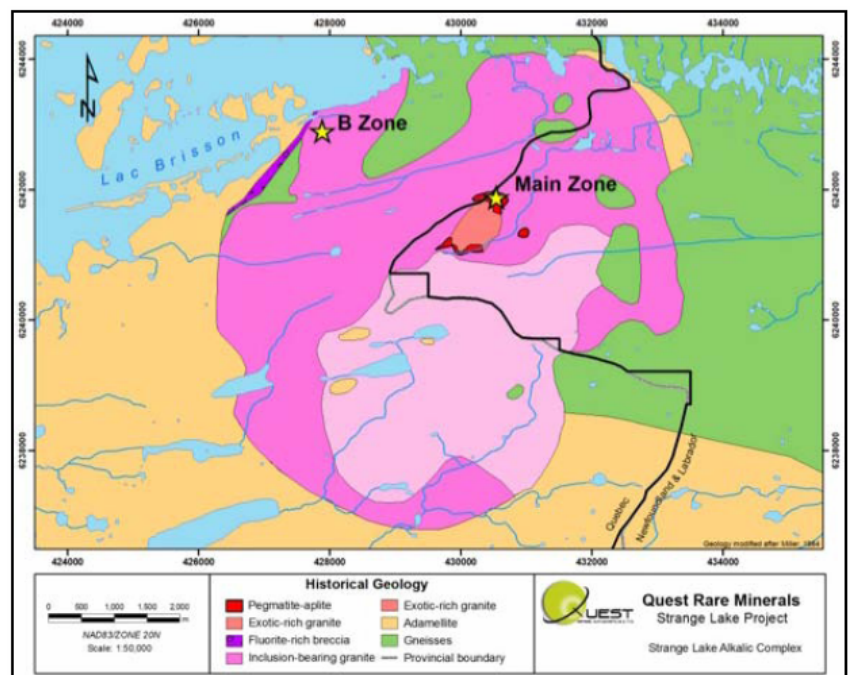
Geology

The Strange Lake Project is located within the Paleoproterozoic Rae or Southeastern Churchill Province ("SECP") situated in the northeastern Canadian Shield of Québec and Labrador. The SECP is believed to have formed from oblique collisions involving the Superior and Nain cratons with a third intervening Archean block. Mapping has identified numerous distinctive, north-south trending lithotectonic domains within the SECP east of the Labrador Trough. The domains spanning east to west include the Labrador Trough, the Laporte, the Lac Tudor Shear Zone, the De Pas, the George River Shear Zone, the Mistinibi-Raude and the Mistastin. The majority of the Strange Lake Project is situated within the Mistinibi-Raude domain.

The Property is underlain principally by the post-tectonic Mistastin Batholith. Included in the composite body are monzonitic, granitic, granodioritic and rapakivi-type granitic phases. A small peralkaline intrusion called the Strange Lake granite intrudes the northeastern margin of the Mistastin Batholith and heterolithic Archean gneiss. This peralkaline granitic is known as the Strange Lake Alkalic Complex ("SLAC"). The SLAC comprises numerous distinct phases that vary in modal abundance of rock forming minerals and the relative concentrations of rare earth elements ("REE") and high field strength elements ("HFSE").

There are two distinct styles of mineralization that have been encountered on the area of the Strange Lake Property. The first is made up of alkali granite-hosted REE-rich pegmatites and aplites. The second is comprised of sheared discontinuous paragneiss-hosted uranium-bearing pegmatites along the Stewart Lake Trend approximately 14 km northeast of the B Zone deposit.

Figure 3: Strange Lake Property Geology Map



Source: Quest Rare Minerals Ltd.

Targeted mineralization at Strange Lake occurs within peralkaline granite-hosted pegmatites and aplite. The REE and HFSE-bearing phases are hosted primarily in pegmatites as relatively fine-grained phases or pseudomorphs. The gangue phases are comprised of quartz, feldspar, amphibole and pyroxene. The potential ore minerals are the following: kainosite (Ca-Y-Ce silica/carbonate), gerenite (Y-REE silicate), gadolinite (Y-Be-REE-silicate), zircon, pyrochlore and gittinsite.

Table 4: List of Elements and Oxides Associated with Rare Earth Metal Mineralization Occurring in the B Zone Deposit

Element	Element Acronym	Common Oxides		
Associated Elements and Oxides				
Fluorine	F	-		
Zirconium	Zr	ZrO ₂		
Niobium	Nb	Nb ₂ O ₅		
Hafnium	Hf	HfO ₂		
Beryllium	Be	BeO		
Yttrium	Y	Y ₂ O ₃		
Light Rare Earth Metals and Oxides				
Lanthanum	La	La ₂ O ₃	Total Rare Earth Oxides (TREO)	
Cerium	Ce	Ce ₂ O ₃		
Praseodymium	Pr	Pr ₂ O ₃		
Neodymium	Nd	Nd ₂ O ₃		
Samarium	Sm	Sm ₂ O ₃		
Heavy Rare Earth Metals and Oxides				
Europium	Eu	Eu ₂ O ₃		
Gadolinium	Gd	Gd ₂ O ₃		
Terbium	Tb	Tb ₂ O ₃		
Dysprosium	Dy	Dy ₂ O ₃		
Holmium	Ho	Ho ₂ O ₃		
Erbium	Er	Er ₂ O ₃		
Thulium	Tm	Tm ₂ O ₃		
Ytterbium	Yb	Yb ₂ O ₃		
Lutetium	Lu	Lu ₂ O ₃		

Source: Quest Rare Minerals Ltd.

STRANGE LAKE DEVELOPMENT PLAN

Open Pit Mining

Our model incorporates a conventional (Truck and Shovel) open pit mining method. The mine will provide mill feed or ore at a rate of 4,055 tonnes per day beginning in the second year of the production life. Dundee estimates an annual average milling rate of 1.5 million tonnes per annum over a 17 year life. In the initial 2 year ramp-up period, ore delivered to the mill will average 892,000 tonnes per annum.

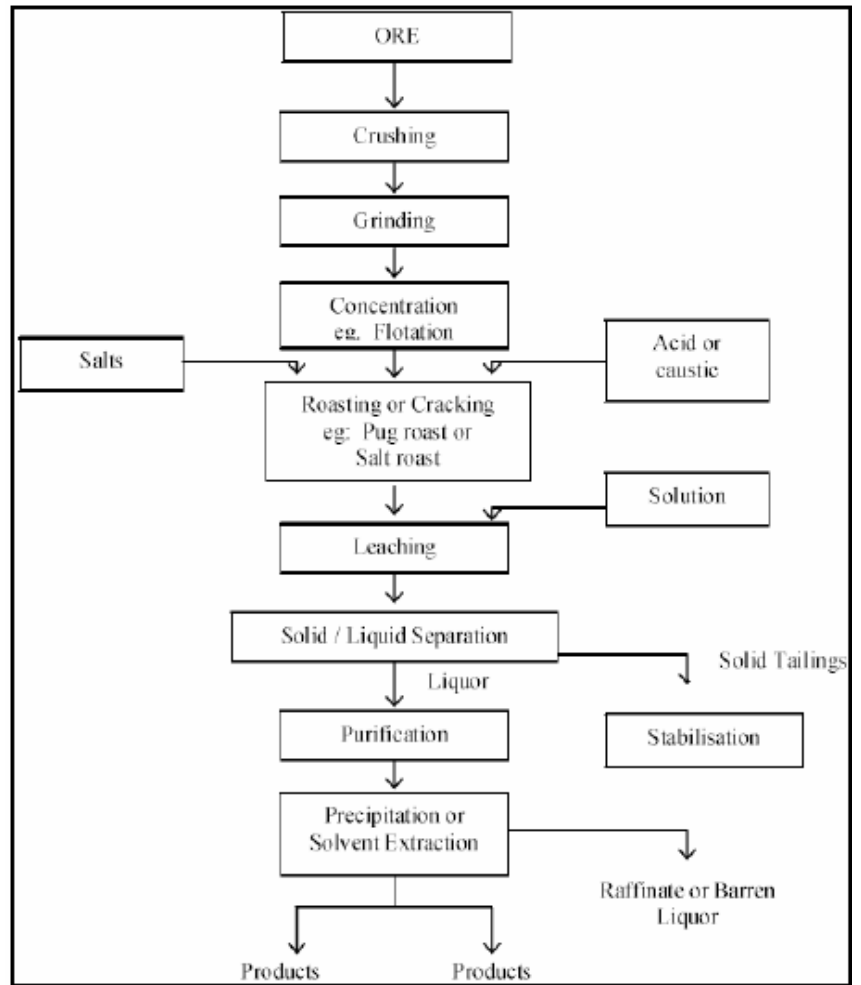
The Company is proposing it will carry out operations with an equipment fleet comprising a single 193 mm (diameter) rotary blast hole drill rig for ore and waster, a 6.5 cubic meter (bucket capacity) hydraulic face shovel with a fleet of 55-tonne haul trucks. Support equipment such as graders, dozers, and backhoe excavators are also proposed.

In targeting high-grade ore first and balancing the stripping ratio over the mine life, Quest has developed the overall mining sequence in three phases: one initial pit phase (Phase I) and two pushback phases (Phase II and III). The Company anticipates mine development for the ore and the waste will be carried out using 12-meter high benches.

Leach and Solvent Extraction

Our model assumes the use of a beneficiation, leach and solvent extraction process to produce a single TREO concentrate as well as two non rare earth oxide concentrates, namely Zr₂O₅ and NbO₂. Initial testing conducted by Hazen Research has demonstrated that the silicates contained in the metallic concentrate at Strange Lake consume less acid than other comparable rare earth deposits.

Figure 4: Proposed Metallurgical Processing - Flow Sheet



Source: Quest Rare Minerals Ltd.

Hazen Research is currently looking at optimizing the process flow-sheet in order to reduce grinding requirements on the mineralization, reduce sulphuric acid addition to the mill feed in the leach phase as well as increase leach times in order to improve REE recoveries and optimize costs. For example, recent metallurgical test results revealed that mineralization could potentially be processed without the need of costly concentrator technology.

Infrastructure

The proposed project will require the following infrastructure:

Camp Complex: The camp will be situated in the northwest corner of the site. The mine site will be designed for a heavy-duty industrial environment and sized to accommodate 150 personnel, including construction crew.

Fuelling Storage Facilities: There are currently facilities located in the current camp area for geology exploration. The Company expects that fuel will be delivered twice a week from Voisey's Bay, Labrador.

Stockpile: The stockpile is situated in the southwest corner of the open pit. Quest is guiding that stockpile tonnage will reach 360,000, enough to sustain 3 months worth of production once mill is placed into operation.

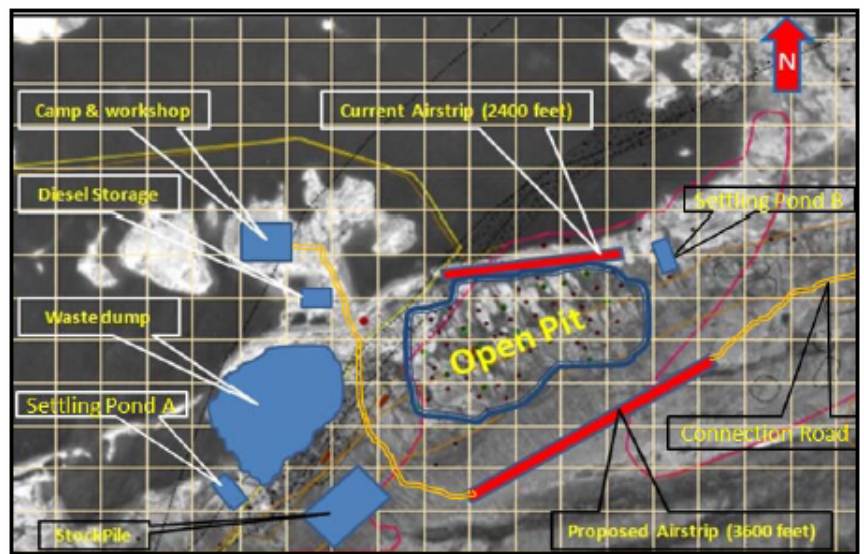
Waste Dump: The designed waste dump will be located in the west side of the open pit. To prevent fine waste material from settling into the lake, an anti-wave dyke will be built at the edge of the waste dump.

Airstrip: The current airstrip is situated between the Brisson Lake and the open pit. The strip can be used in the initial years, reducing mine capital costs; however, will be removed when the open pit pushes back to the north of the ore boundary. The proposed airstrip is likely to be located in the south of the open pit, in close proximity to the access road leading to Voisey's Bay.

Access Road: The access road will extend from the site to Voisey's Bay and connect to the camp complex via the south side of the open pit. Site roads extend throughout the site, providing access to all operational areas of the mine from the access road. The Company may benefit from infrastructure support provided to it under Quebec's "Plan du Nord".

Settling Ponds: In order to prevent surface water from flowing into the open pit and waste dump, a water drainage ditch will need to be dug at the south edge of the open pit and the waste dump, connecting Settling Pond A and Settling pond B.

Figure 5: Conceptual Layout of Site Infrastructure



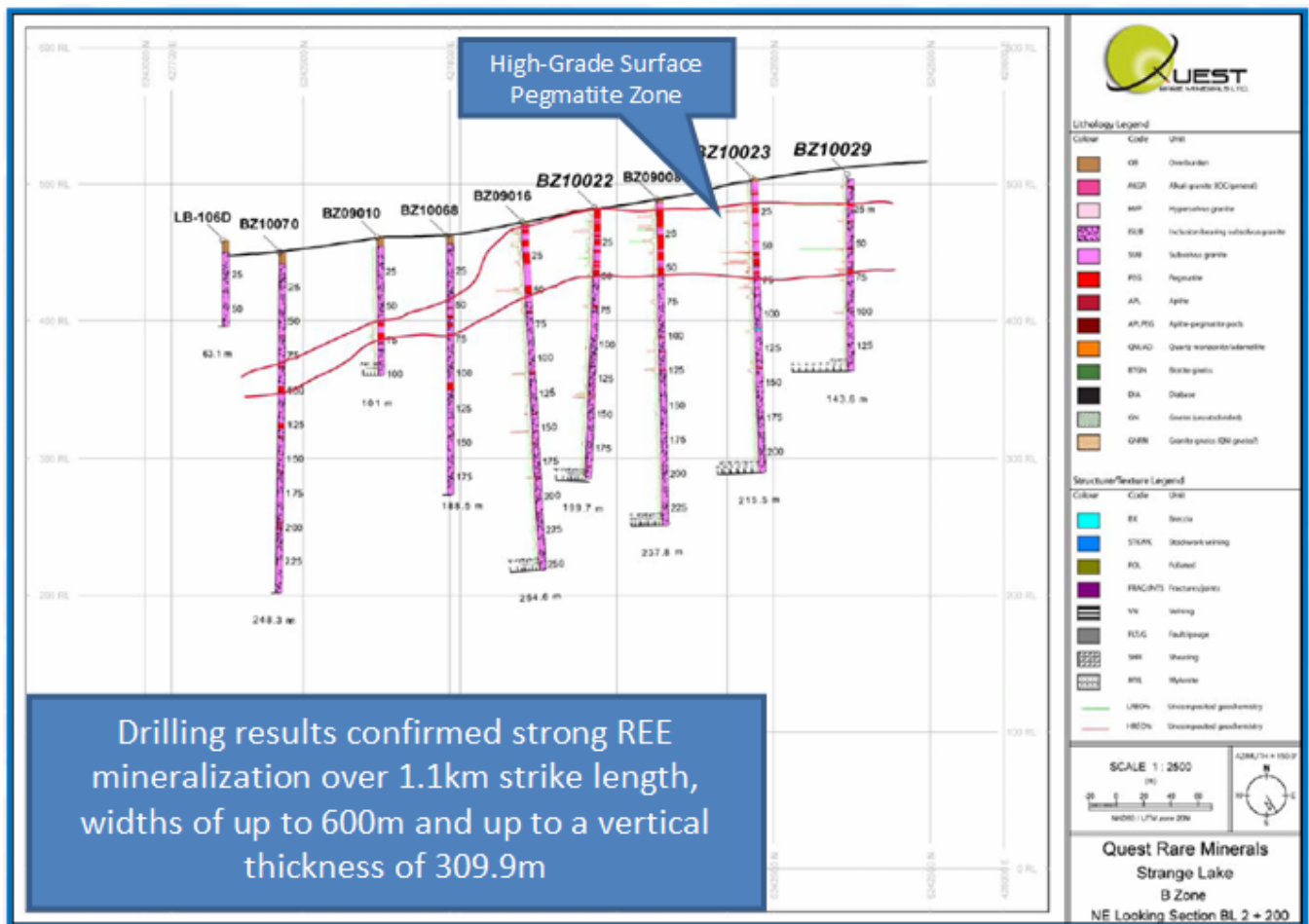
Source: Quest Rare Minerals Ltd.

Strange Lake Exploration - The Pegmatite Zone

Drilling on the B-Zone deposit in 2010 confirmed very strong grades and vertical thicknesses of rare earth elements and the high proportions of heavy rare earth elements related to the Pegmatite Zone, situated near surface (Refer to Figure 6). The north trending Pegmatite Zone will likely serve as the focal point for more advanced economic assessments of the B-Zone deposit area. Planned future exploration drilling will aim to extend the Pegmatite Zone to the north and south.

Work is also planned to evaluate the new deep zone, situated to the northwest of the Pegmatite Zone. Previous drilling had intersected this zone and found it to contain pegmatite-style mineralization at a vertical depth of approximately 60 meters below surface. The new Pegmatite Deep Zone was intersected to a depth of 241 meters. Drilling will look to expand the limits of the mineralization.

Figure 6: High-Grade, Near-Surface, Pegmatite Zone



Source: Quest Rare Minerals Ltd.

PROJECT PIPELINE

Misery Lake Rare Earth Project

The Misery Lake property, located 120 kilometers south of the Strange Lake Project, was first recognized by the Quest exploration team in August 2007, when reconnaissance bedrock sampling on a regional magnetic anomaly returned up to 27% iron oxide, 1.2% phosphate, 1.5% titanium oxide and 2.25% TREO (Refer to Figure 7).

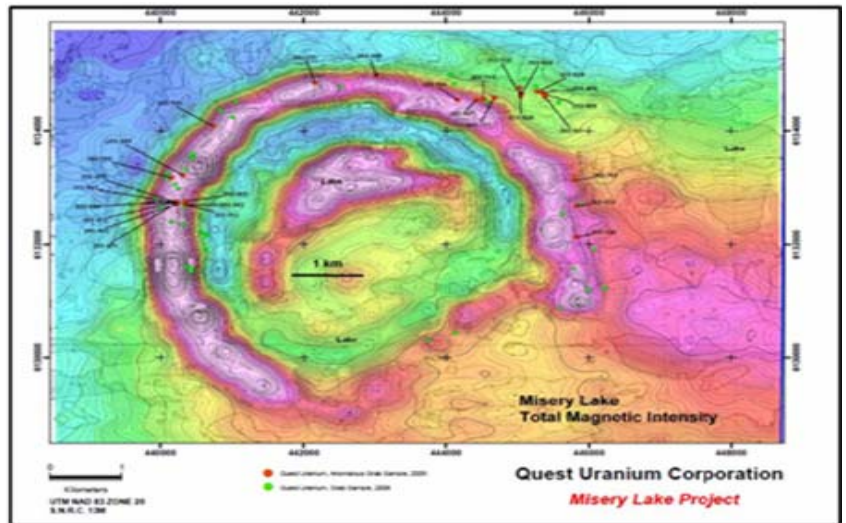
Figure 7: Location Map - Misery Lake Rare Earth Project



Source: Quest Rare Minerals Ltd.

Additional reconnaissance led to the discovery of a large, ring shaped, rare earth bearing alkali intrusive complex (Refer to Figure 8).

Figure 8: Misery Lake Project - Airborne Magnetics



Source: Quest Rare Minerals Ltd.

In 2010, the Company performed additional exploration work, implementing a prospecting program and performing geological mapping in addition to regional till geochemical sampling. A 1,250 meter diamond drill program was completed to test numerous prospective targets identified from the field work at Misery Lake.

DUNDEE MODEL ASSUMPTIONS

Our valuation model assumes construction will begin in 2013 with initial production scheduled to start in 2016. During the two-year ramp up phase, the operation will process 3,300 tons of ore per followed by 4,100 tons per day when Quest attains full production in 2018.

We incorporated the April 2010 published estimate of inferred resources of approximately 115 million tonnes, grading 0.99% total rare earth oxides ("TREO"), including Yttrium. The proportion of heavy rare earth oxides in the TREO percentage is 43 percent. The inferred resource also averages 1.973% Zirconium and 0.208% Niobium. We model a 17 year discounted cash flow in our valuation, incorporating 21% of the total mineral inventory. The balance is valued as an un-mined resource at \$250 per ton of contained TREO, applied conservatively to only 75% of the remaining resource.

We evaluated a 17 year leaching operation, processing 1.5 million tons of ore per year and producing 13,000 tons of TREO payable, 2,800 tons of Niobium payable, and 23,200 tons of Zirconium payable. Mill recovery assumed is 77% for all payable metals.

Capital Costs for Strange Lake are assumed to total US\$915 million, life-of-mine, including initial costs totalling US\$739 million, working capital of US\$96 million and sustaining capital of US\$80 million.

Cash operating costs are assumed to average US\$101.50 per tonne of ore milled, which includes US\$4.86 per tonne for mining, \$US64.37 per tonne for milling, and \$US32.28 per tonne for general administrative, materials, and transportation. Cash costs average US\$11.38/kg TREO before accounting for niobium and zirconium concentrate by-products. Net of these by-product credits, cash costs are negative US\$0.68/kg.

We account for, in our model, corporate costs of US\$8 million per year. The effective tax rate is assumed to be 35%. Financing of the project is assumed at 40% equity and 60% debt at 8% interest per annum. Long term prices are assumed fixed at US\$19.68/kg TREO, US\$25/kg niobium oxide, and US\$3.77/kg zirconium oxide (Refer to Table 5).

The project net present value (January 2012) at a 10% discount rate, after taxes but pre-financing, is US\$354 million, with an after tax internal rate of return of 18%. Average annual after-tax cash flow is US\$162 million for the life-of-mine and US\$206 million for the first 5 years of commercial production. Payback is less than 4.1 years.

Table 5: Strange Lake Deposit - B Zone TREO Basket Price Assumptions by Oxide Component

Oxide Resource Components	Acronym	Common oxide	Inferred Resource Grade (%)	Metal Oxide Pricing (US\$/kg) HISTORY	Metal Oxide Pricing (US\$/kg) RECENT	Metal Oxide Pricing (US\$/kg) QRM PEA	Metal Oxide Pricing (US\$/kg) DUNDEE	Strange Lake TREO Pricing (US\$/kg) QRM PEA	Strange Lake TREO Pricing (US\$/kg) DUNDEE
				Avg 2009	Nov-10	Sep-10	Jan-11	Sep-10	Jan-11
Total Rare Earth Oxide	TREO + Y		0.999					21.94	21.94
Associated Oxides									
Zirconium	Zr	ZrO ₂	1.973	\$ 4.67	\$ 3.77	\$ 3.77	\$ 3.77	7.44	7.44
Niobium	Nb	Nb ₂ O ₅	0.208	\$ 32.80	\$ 32.00	\$ 45.00	\$ 25.00	9.36	5.20
Yttrium	Y	Y ₂ O ₃	0.281	\$ 13.00	\$ 70.00	\$ 8.74	\$ 8.74	2.46	2.46
Associated Oxides			2.462					19.25	15.09
Light Rare Earth Oxides (LREO)									
Lanthanum	La	La ₂ O ₃	0.132	\$ 5.50	\$ 57.00	\$ 4.26	\$ 4.26	0.56	0.56
Cerium	Ce	Ce ₂ O ₃	0.274	\$ 4.50	\$ 60.00	\$ 2.77	\$ 2.77	0.76	0.76
Praseodymium	Pr	Pr ₂ O ₃	0.03	\$ 17.00	\$ 82.00	\$ 23.24	\$ 23.24	0.70	0.70
Neodymium	Nd	Nd ₂ O ₃	0.107	\$ 17.00	\$ 82.00	\$ 24.52	\$ 24.52	2.62	2.62
Samarium	Sm	Sm ₂ O ₃	0.026	\$ 4.50	\$ 35.00	\$ 3.59	\$ 3.59	0.09	0.09
LREO			0.569					4.74	4.74
Heavy Rare Earth Oxides (HREO)									
Europium	Eu	Eu ₂ O ₃	0.002	\$ 440.00	\$ 620.00	\$ 335.74	\$ 335.74	0.67	0.67
Gadolinium	Gd	Gd ₂ O ₃	0.027	\$ 7.00	\$ 44.00	\$ 10.29	\$ 10.29	0.28	0.28
Terbium	Tb	Tb ₂ O ₃	0.006	\$ 350.00	\$ 600.00	\$ 573.46	\$ 573.46	3.44	3.44
Dysprosium	Dy	Dy ₂ O ₃	0.041	\$ 110.00	\$ 330.00	\$ 88.55	\$ 88.55	3.63	3.63
Holmium	Ho	Ho ₂ O ₃	0.009	n.a.	n.a.	\$ 25.50	\$ 25.50	0.23	0.23
Erbium	Er	Er ₂ O ₃	0.028	n.a.	n.a.	\$ 55.00	\$ 55.00	1.54	1.54
Thulium	Tm	Tm ₂ O ₃	0.005	n.a.	n.a.	\$ 90.00	\$ 90.00	0.45	0.45
Ytterbium	Yb	Yb ₂ O ₃	0.029	n.a.	n.a.	\$ 25.00	\$ 25.00	0.73	0.73
Lutetium	Lu	Lu ₂ O ₃	0.004	n.a.	n.a.	\$ 500.00	\$ 500.00	2.00	2.00
HREO			0.151					12.97	12.97
Contained Metal Oxide Pricing (US\$/kg TREO)								36.95	32.79
Discount Multiple								0.59x	0.60x
Discounted Metal Oxide Pricing (US\$/kg TREO)								21.94	19.68

**Cut-off grade 0.85% TREO

Source: Quest Rare Minerals, Dundee Estimates

CORPORATE OVERVIEW

Share Structure

Quest Rare Minerals Ltd. had 58.1 million common shares outstanding (69.8 million fully diluted) and a market capitalization of C\$342 million. The top 10 shareholders hold 13% of all shares outstanding according to Bloomberg.

The 52-week high is C\$6.23 while the 52-week low is C\$1.74 per share. Daily trading volume averages 613,636 shares (3-month average).

Table 6: Primary Shareholders - Top Ten

Top Shareholders	Shares (m)	Shares (%)
Wellington	2.60	4.51%
Jvar Capital Limited	1.12	1.94%
Libra	1.12	1.94%
Kay Ronald (Insider)	0.73	1.27%
Watson, Mackenzie Iles (Insider)	0.56	0.98%
AGF	0.45	0.77%
Front Street Capital	0.39	0.67%
JMM Capital Partners	0.34	0.58%
Osiris Partners	0.23	0.39%
Apogee	0.23	0.39%
	7.75	13%

Source: Bloomberg, Dundee Estimates

Quest Rare Minerals has 3.6 million options and 6.3 million warrants outstanding. If all in-the-money options and warrants were exercised, the Company could raise an additional C\$31.3 million (Refer to Table 7).

Table 7: Quest Rare Minerals Capital Structure

CAPITAL STRUCTURE	Avg. Strike C\$	Basic (MM)	In-the- Money	Proceeds C\$M
Shares Outstanding		57.7		
Options	\$0.71	3.6	3.6	2.56
Warrants	\$4.56	6.3	6.3	28.73
Fully Diluted Shares		67.6	9.9	31.28

Source: Quest Rare Minerals

Balance Sheet

Quest Rare Minerals' financial reporting year-end falls on October 31. As at July 31, 2010, the Company held cash and cash equivalents of C\$3.6 million and current liabilities of C\$1.3 million for a net working capital position of C\$2.3 million. The Company did not report any long term debt. On October 21, 2010, Quest announced the completion of a \$51.75 million new issue (gross proceeds). The Company intends to use the net proceeds to fund a pre-feasibility study on its Strange Lake B-Zone Project. The balance of the net proceeds are expected to cover exploration costs on the Company's Misery Lake Project, to fund working capital, and to cover part of the costs associated with a potential feasibility study conducted on the Strange Lake B-Zone Project.

MANAGEMENT TEAM

Peter J. Cashin - P.Geo. President & CEO: Peter Cashin has over 30 years of experience in the mining and minerals industry. He has worked for major and junior mining exploration companies in Québec, Ontario, the Maritimes, the United States as well as overseas. Mr. Cashin has spent time with the Ontario Ministry of Northern Development and Mines working in the area of mineral resource promotion and marketing.

Neil Wiener, B.C.L., LL.B. – Corporate Secretary and Director: Mr. Wiener is a partner in the Montréal office of Heenan Blaikie LLP, where he has practiced law since 1981. He focuses mainly in the area of securities law, with an emphasis on public financings. Mr. Wiener was involved in several public offerings as well as private placements, take-over bids, going-private transactions, stock exchange listings and a several other securities matters.

Mark Schneiderman*, C.A. – Chief Financial Officer: Mr. Schneiderman is a Chartered Accountant and a Certified Fraud Examiner with 26 years of financial administration experience which includes partnership in an accounting practice as well as a senior audit position at Via Rail Canada Inc.

Reno Pressacco, P. Geo. - Vice-President, Operations: Mr. Pressacco's 24-year career includes active involvement in Canadian exploration programs, participating in mine development and open-pit operations, acting as a consulting geologist with well-respected Canadian consulting companies, and holding the position of Vice President, Exploration and Development with a mid-tier Canadian mining company, responsible for the development of small- to mid-sized mining operations, utilizing both underground and open-pit mining methods and conventional flotation flow sheets to produce saleable concentrates

Jeff Phillips – Member of Management Advisory Board: Jeff Phillips currently serves as President of Global Market Development in San Diego, California. He has extensive experience in finance, business development, and corporate communications for publically listed companies.

Dr. Steve Zajac, M. Sc., P. Geo. – Member of Management Advisory Board: Dr. Zajac has 45 years experience in the Canadian and International mineral industry which includes the discovery and subsequent evaluation of the Strange Lake REE deposit while serving as Chief Geologist of the Iron Ore Company of Canada (IOC).

Amy McQuade – Member of the Management Advisory Board: Amy McQuade serves as Vice President of Global Market Development (GMD) in San Diego, California. Amy previously served as Vice President of Business Development for the Western U.S. and Asia for the American Stock Exchange (AMEX) for twelve years.

BOARD OF DIRECTORS

Robert L. Leclerc - Chairman of the Board: Robert Leclerc serves as business and legal advisor and is currently Chairman of Minefinders Corporation Ltd. He formerly served as Chairman and CEO of Echo Bay Mines Ltd.

Mackenzie I. Watson – Honorary Chairman: Mr. Watson has over 45 years of explorations experience and was involved in the discovery of several mineral deposits throughout Canada. In 1991 and 2009, he was awarded Canada's Prospector of the Year Award, and, in 1992, Mr. Watson was awarded the Québec Prospector of the Year Award.

Ronald Kay*, Eng. M.B.A – Director: Mr. Kay is a metallurgical engineer with 40 years experience in the financial industry. He served as senior mining analyst as well as consultant to numerous major brokerage companies.

Neil Wiener, B.C.L., LL.B. – Corporate Secretary and Director: Refer to management section above.

Daniel B. Larkin, P. Geo. – Director: Between 1970 and 1992, Mr. Larkin was involved in mineral exploration and served as a manager, oil sands economist and researcher, government affairs manager as well as a senior executive in minerals for Imperial Oil Ltd. In 1993, he joined the National Research Council of Canada, identifying technologies that are ready for commercialization in the resources industries. Mr. Larkin previously served as president of the Geological Society of the Canadian Institute of Mining, and of the Calgary Mineral Exploration Group.

Michael Pesner, BCA., B.A. – Director: Since 2002, Mr. Pesner has served as President of Hermitage Canada Finance Inc, which specializes in financial advisory services. Prior to this, he served as senior partner in financial advisory services at KPMG LLP, focusing on mergers and acquisitions, divestitures, restructuring and corporate recovery in Canada.

John Panneton - Director: Mr. Panneton has had an extensive and progressive 45 year career in the Capital Markets industry working in positions of authority with CIBC and the Dundee Group of Companies, Over his distinguished career, he has served on several public and philanthropic boards, and has extensive knowledge of the Canadian Capital Markets.

*It should be noted that Mr. Kay and Mr. Schneiderman were both executives and directors of Freewest (FWR, Not Rated), which was successfully sold in 2010 to Cliffs Natural Resources (CLF, Not Rated), thus illustrating the successful track record of the management team and Board of Directors at negotiating acquisition transactions.

FUNDAMENTALS OF RARE EARTH METALS

The term "rare earths" encompasses 17 chemically analogous metals, which include 15 elements referred to as the lanthanides in addition to yttrium and scandium. Of particular importance to science and industry are rare earth metals and oxides, sought after for their unique magnetic and spectroscopic properties. Rare earths are usually labelled as rare earth oxides (REO) and often classified in three groups: Light, Medium and Heavy.

Table 8: Rare Earths: Atomic Weights and Symbols

Element	Type	Symbol	Atomic Weight
Lanthanum	'Light' or 'Ceric'	La	138.92
Cerium		Ce	140.13
Praseodymium		Pr	140.92
Neodymium		Nd	144.27
Samarium	'Medium'	Sm	150.43
Europium		Eu	152.00
Gadolinium		Gd	156.90
Terbium	'Heavy' or 'Yttric'	Tb	159.20
Dysprosium		Dy	162.46
Holmium		Ho	163.50
Erbium		Er	167.20
Thulium		Tm	169.40
Ytterbium		Yb	173.04
Lutetium		Lu	174.99
Yttrium	Y	88.92	

Source: Industrial Minerals Company of Australia Pty Ltd (IMCOA).

Demand

In 2015, overall demand for rare earths is expected to increase by 56% to 197,000 tons from 2008 levels (124,000 tons). Between 2011 and 2015, assuming forecast global GDP growth rates between 3.5%-4.5%, demand for rare earths is projected to increase by 8-11% per annum. Growth in demand will mainly be led by metal alloys (15-20%), magnets (10-15%), and phosphors (7-10%) (Source: IMCOA).

Table 9: Forecast Global Rare Earths Demand in 2015

Application	China	Japan & SE Asia	USA	Others	Total	Market Share
Catalysts	12,000	3,000	13,000	4,000	32,000	16%
Glass	9,000	2,000	1,000	1,000	13,000	7%
Polishing	13,000	5,000	1,500	1,500	21,000	11%
Metal Alloys	40,000	7,000	3,000	2,000	52,000	26%
Magnets	38,000	5,000	2,000	1,000	46,000	23%
Phosphors	8,000	3,000	1,000	1,000	13,000	7%
Ceramics	3,000	3,000	2,000	1,000	9,000	5%
Other	7,000	3,000	500	500	11,000	6%
Total	130,000	31,000	24,000	12,000	197,000	100%

Source: Industrial Minerals Company of Australia Pty Ltd (IMCOA).

Supply

According to IMCOA, China produces over 90% of rare earths globally; by extension, the rest of world produces very little. Other estimates peg China's production as high as 97%. The dominance of China as the 'major player' in the rare earth space cannot be over-stated. Further, China is estimated to consume only 60% of global supplies of rare earths, making it the principal global supplier. In the long-run, the situation is likely to change as China's medium and heavy rare earths reserves may have only 15-20 years remaining, possibly turning China into a net importer of rare earths in the not so distant future (Source: Bloomberg News - China Rare Earths to Last 15-20 Years, May Import - October 16, 2010).

Table10: Global Rare Earths Supply from 2005 - 2015

Year	Global (t)	China (t)	ROW (t)
2005	105,500	99,000	6,500
2006	117,500	110,000	7,500
2007	108,500	100,000	8,500
2008	122,000	115,000	7,000
2009f	96,500	90,000	6,500
2010f	127,500	120,000	7,500
2011f	145,000	130,000	15,000
2012f	165,000	145,000	20,000
2013f	186,500	155,000	31,500
2014f	203,500	165,000	38,500
2015f	225,000	175,000	50,000

Source: Industrial Minerals Company of Australia Pty Ltd (IMCOA).

Market Balance

As a result of a perpetual disconnect between the ratios of individual rare earths produced and consumed, there is a consistent shortfall for some rare earths while others experience a surplus. According to IMCOA, production would likely need to reach 225,000t REO in 2015 to accommodate total demand of 197,000t. Notwithstanding total production of REO exceeding demand in 2015, neodymium, terbium and dysprosium are projected to be in a deficit (Refer to Table 11).

Table 11: Balance of Global Supply and Demand for Individual Rare Earths in 2015

Rare Earth Oxide	Demand		Supply/Production		Surplus/Deficit
	REO Tonnes	%	REO Tonnes	%	
Lanthanum	59,250	30.2%	60,700	26.9%	1,450
Cerium	69,425	35.3%	90,900	40.4%	21,475
Praseodymium	9,750	5.0%	10,900	4.8%	1,150
Neodymium	37,000	18.7%	36,600	16.2%	(400)
Samarium	1,350	0.6%	4,500	2.0%	3,150
Europium	925	0.5%	925	0.4%	-
Gadolinium	2,575	1.3%	3,400	1.5%	825
Terbium	480	0.2%	375	0.2%	(105)
Dysprosium	2,450	1.2%	1,950	0.9%	(500)
Erbium	1,075	0.6%	1,050	0.5%	(25)
Yttrium	12,500	6.3%	12,300	5.5%	(200)
Ho-Tm-Yb-Lu	220	0.1%	1,400	0.7%	1,180
Total	197,000	100.0%	225,000	100.0%	28,000

Source: Industrial Minerals Company of Australia Pty Ltd (IMCOA).

Even if future estimates point to a market in balance by 2015, much depends on how tightly the Chinese will control the supply of rare earths. More recently, in a bid to divert supplies of rare earths for domestic consumption, the Chinese have instituted measures to restrict the exporting of these critical metals. China's commerce Ministry confirmed the export quota for rare earth elements will be cut by 35% in the first six months of 2011. As a result, other countries and companies are scrambling to replace lost Chinese supply. The market will likely need to see new supplies emerging from the ROW for it to return to balance conditions. We believe the developing structural shift in the market for rare earths bodes very well for Quest Rare Minerals Ltd.

APPENDIX - RARE EARTH COMPARISON UNIVERSE

Table 12: Rare Earth Companies with Defined Resources - Market Information

Stage	26 Projects	Location	Ownership	Symbol	FD Shares Outstanding (m)	Recent Share Price (C\$)	Market Capitalization (C\$ m)	
Near Term Production	1	Mount Weld	Western Australia	Lynas Corporation	LYC-AU	1,663	\$2.09	\$3,475
	2	Mountain Pass	California USA	Molycorp Inc	MCP-N	82	\$54.40	\$4,477
Advanced Exploration	1	Kvanefjeld	Kujalleq Greenland	Greenland Minerals & Energy	GGG-AU	111	\$1.24	\$138
	2	Nechalacho (Thor Lake)	Northwest Territories CA	Avalon Rare Metals	AVL-T	103	\$6.58	\$680
	3	Strange Lake (B Zone)	Quebec CA	Quest Rare Minerals	QRM-V	67	\$5.65	\$380
	4	Zandkopsdrift	Northern Cape	Frontier Rare Earths	FPO-T	99	\$3.30	\$327
	5	Nolans Bore	Northern Territory AU	Arafura Resources	ARU-AU	366	\$1.44	\$527
	6	Dubbo	New South Wales AU	Alkane Resources	ALK-AU	249	\$1.05	\$261
	7	Norra Karr	Smaland Sweden	Tasman Metals	TSM-V	55	\$4.06	\$225
	8	Bear Lodge	Wyoming USA	Rare Element Resources	RES-V	34	\$14.38	\$492
	9	Zeus (Kipawa)	Quebec CA	Matamec Explorations	MAT-V	92	\$0.59	\$54
	10	Kutessay II	Chui, Kyrgyzstan	Stans Energy Corporation	RUU-V	148	\$1.19	\$176
	11	Hoidas Lake	Saskatchewan CA	Great Western Minerals	GWG-V	292	\$0.58	\$169
	12	Steenkampskraal	Western Cape SA	Great Western Minerals	GWG-V	292	\$0.58	\$169
Early Exploration	1	Sarfartoq	Greenland	Hudson Resources	HUD-V	70	\$1.56	\$109
Average					248	\$4.26	\$777	

Source: Company Reports, Dundee Estimates

Table 13: Rare Earth Companies with Defined Resources - Project Metrics

Stage	26 Projects	Total Mineral Inventory (000 t TREO)	NI 43-101 Category	TREO Grade %	HREO Portion %	Production Timing	Production Rate (TREO tpa)	
Near Term Production	1	Mount Weld	1,417	M&I & Inferred	8.10%	3.3%	2011	22,000
	2	Mountain Pass	1,016	Proven Probable	8.24%	0.5%	2012	19,050
Advanced Exploration	1	Kvanefjeld	4,899	Indicated, Inferred	1.07%	4.1%	2015-16	43,700
	2	Nechalacho (Thor Lake)	1,434	Probable, Inferred	1.61%	9.7%	2015	10,000
	3	Strange Lake (B Zone)	1,149	Inferred	1.00%	15.1%	2016	13,000
	4	Zandkopsdrift	946	Indicated, Inferred	2.16%	3.7%	2015	20,000
	5	Nolans Bore	848	M&I & Inferred	2.81%	2.0%	2014	20,000
	6	Dubbo	651	Indicated, Inferred	0.89%	7.5%	> 2016	unknown
	7	Norra Karr	326	Inferred	0.54%	17.7%	> 2016	unknown
	8	Bear Lodge	548	Inferred	3.54%	2.5%	2014-15	10,000
	9	Zeus (Kipawa)	120	Indicated, Inferred	0.24%	10.8%	> 2016	unknown
	10	Kutessay II	63	Historical	0.34%	21.2%	> 2016	unknown
	11	Hoidas Lake	68	M&I & Inferred	2.40%	2.5%	> 2016	unknown
	12	Steenkampskraal	29	Historical	11.78%	2.7%	> 2016	unknown
Early Exploration	1	Sarfartoq	211	Inferred	1.51%	20.4%	> 2016	n.a
	2	J6L1 Rare Earth Elements	n.a	n.a	n.a	n.a	> 2016	n.a
	3	Wicheeda	n.a	n.a	n.a	n.a	> 2016	n.a
	4	Carbo	n.a	n.a	n.a	n.a	> 2016	n.a
	5	Kanyika Niobium	n.a	n.a	n.a	n.a	> 2016	n.a
	6	Cap, Seebach, Javorsky	n.a	n.a	n.a	n.a	> 2016	n.a
	7	Eden Lake	n.a	n.a	n.a	n.a	> 2016	n.a
	8	Eden Lake	n.a	n.a	n.a	n.a	> 2016	n.a
	9	Port Hope Simpson District	n.a	n.a	n.a	n.a	> 2016	n.a
	10	Red Wine	n.a	n.a	n.a	n.a	> 2016	n.a
	11	Bokan - Dotson Ridge	n.a	n.a	n.a	n.a	> 2016	n.a
Arbitrage	1	Dacha	n.a	n.a	n.a	n.a	n.a	
Average		915		3.08%	8%		19,719	

Source: Company Reports, Dundee Estimates

Note: HREO Heavy Rare Earth Oxides excluding Yttrium / TREO Total Rare Earth Oxides including Yttrium

Table 14: Rare Earth Companies with Defined Resources - Valuation Comparison

Stage	26 Projects	TREO Value Insitu (US\$/kg)	TREO Value Insitu (US\$ m)	TREO Value Per Share	Market Capitalization Per Insitu TREO (C\$/TREO \$)
Near Term Production					
1	Mount Weld	\$11	\$15,583	\$9	\$0.223
2	Mountain Pass	\$8	\$8,128	\$99	\$0.551
Advanced Exploration					
1	Kvanefjeld	\$10	\$48,994	\$441	\$0.003
2	Nechalacho (Thor Lake)	\$15	\$21,511	\$208	\$0.032
3	Strange Lake (B Zone)	\$16	\$18,390	\$274	\$0.021
4	Zandkopsdrift	\$12	\$11,350	\$114	\$0.029
5	Nolans Bore	\$11	\$9,328	\$25	\$0.057
6	Dubbo	\$12	\$7,818	\$31	\$0.033
7	Norra Karr	\$18	\$5,868	\$106	\$0.038
8	Bear Lodge	\$10	\$5,483	\$160	\$0.090
9	Zeus (Kipawa)	\$16	\$1,920	\$21	\$0.028
10	Kutessay II	\$30	\$1,890	\$13	\$0.093
11	Hoidas Lake	\$11	\$752	\$3	\$0.225
12	Steenkampskraal	\$9	\$265	\$1	\$0.640
Early Exploration					
1	Sarfartoq	\$15	\$3,171	\$46	\$0.034
2	J6L1 Rare Earth Elements	n.a	n.a	n.a	n.a.
3	Wicheeda	n.a	n.a	n.a	n.a.
4	Carbo	n.a	n.a	n.a	n.a.
5	Kanyika Niobium	n.a	n.a	n.a	n.a.
6	Cap, Seebach, Javorsky	n.a	n.a	n.a	n.a.
7	Eden Lake	n.a	n.a	n.a	n.a.
8	Eden Lake	n.a	n.a	n.a	n.a.
9	Port Hope Simpson District	n.a	n.a	n.a	n.a.
10	Red Wine	n.a	n.a	n.a	n.a.
11	Bokan - Dotson Ridge	n.a	n.a	n.a	n.a.
Arbitrage					
1	Dacha	n.a	n.a	n.a	n.a.
Average		\$14	\$10,697	\$103	\$0.14

Source: Company Reports, Dundee Estimates

Note: TREO Total Rare Earth Oxides including Yttrium. TREO Value per share in US\$

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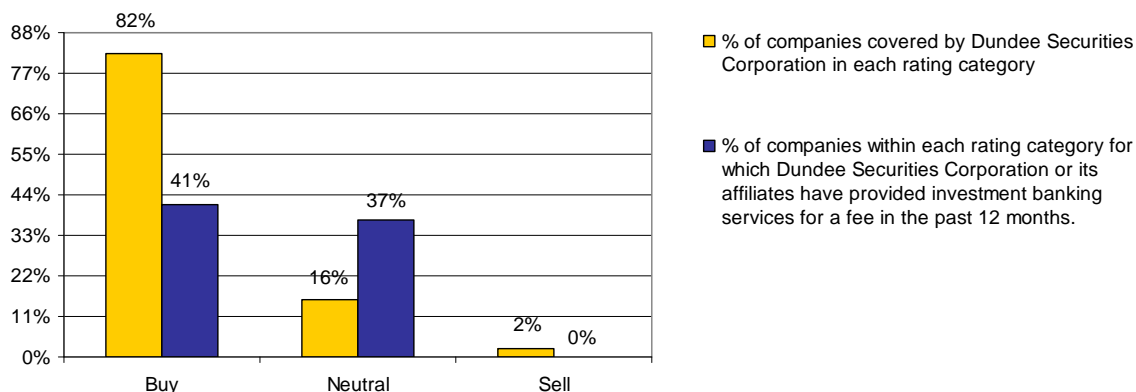
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