MICROMEM TECHNOLOGIES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED JANUARY 31, 2016
PREPARED AS OF MARCH 28, 2016

Introduction:

The following sets out the Management's Discussion and Analysis ("MD&A") of the financial position and result of operations three months ended January 31, 2016 of Micromem Technologies Inc. (the "Company", "Micromem" or "we"). The MD&A should be read in conjunction with the Company's unaudited quarterly financial statements at January 31, 2016 and the audited consolidated financial statements and accompanying notes for the fiscal year ending October 31, 2015 which are prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Additional information regarding the Company is available on the SEDAR website at www.sedar.com.

The Company's shares are traded on the OTCQX under the symbol MMTIF and on the Canadian National Stock Exchange ("CNSX") under the symbol MRM. In November 2007, the Company incorporated Micromem Applied Sensor Technologies Inc. ("MAST") for the purpose of moving forward with the planned commercialization of its technology.

Certain information provided by the Company in this MD&A and in other documents publicly filed throughout the year that are not recitation of historical facts may constitute forward-looking statements. The words "may", "would", "could", "will", "likely", "estimate", "believe", "expect", "forecast" and similar expressions are intended to identify forward-looking statements.

Readers are cautioned that such statements are only predictions and the actual events or results may differ materially. In evaluating such forward-looking statements, readers should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward looking information within the meaning of applicable securities legislation ("forward looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, potentials, future events or performance (often, but not always, using words or phrases such as "believes", "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", or "intends" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken or achieved) are not statements of historical fact, but are "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results present a performance or achievements of the Company, or developments in the Company's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include disclosure regarding possible events, conditions or results of operations that are based on assumptions about future conditions, courses of action and consequences. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. The Company cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things, the successful commercialization of our technology, comments about potential future revenues, joint development agreements and expectations of signed contracts with customers, etc. A number of inherent risks, uncertainties and factors affect the operations, performance and results of the Company and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks and uncertainties include the risk of not securing required capital in future, the risks of not successfully concluding agreements with potential partners on a timely basis, the risks associated with commercializing and bringing to market our technology. These risks are affected by certain factors that are beyond the Company's control: the existence of present and possible future government regulation, competition that exists in the Company's business, uncertainty of revenues, markets and profitability, as well as those other factors discussed in this MD&A report. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements and reference should also be made to the Company's Annual Information Form (prepared and filed in the form of a Form 20-F Annual Report pursuant to The Securities Exchange Act of 1934) for a description of risk factors.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward–looking statements. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities law.

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(*Unless other indicated dollar amounts reported are stated in U.S. dollars*)

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I. OVERVIEW AND BACKGROUND

1) Introduction:

Micromem is a company that develops customized, proprietary sensor-based solutions for large multinational corporations. Over the past several years, it has presented its technology platform to numerous companies who are seeking solutions to various and complex challenges in the measurement of operating performance and real time diagnostics in their operating systems and assets. The Company has established working relationships (in some instances it has executed joint product development agreements ("JPDA")) with these companies to produce sensor-based technology solutions for them. These working arrangements are discussed further in the body of this document.

In essence, Micromem has typically initially developed proposed technology solutions at its own cost and where a company agrees to move forward with Micromem to develop a commercial application, Micromem will negotiate a cost sharing arrangement with that company where the company will absorb up to all of the continued development costs associated with the project. Development milestones are established with the company and Micromem will invoice against these milestones in accordance with the contracted terms. Micromem's recurring revenue stream is anticipated to be derived from product royalties, from product licensing agreements and from outright product sales.

While the applications for Micromem's technology solutions are industry agnostic and cross virtually every industry, the Company has identified the following industry verticals as significant opportunities to pursue – the oil and gas sector, the automotive sector, the power generation and utilities sector and other specific industrial applications. These key market segments and the Company's performance during the three months ending January 31,2016 are discussed further in Section II – Company Profile at October 31, 2015.

Additional background information of the Company is available on its website, Micromem.com and on the website of its subsidiary, MAST INC.com

2) Product Development Process:

The Company conceives of unique sensor solutions for our clients and will design, engineer and create these solutions; these solutions are very small, typically employing MEMS or NEMS feature size and are driven by client requirements to address a difficult business or process problem that the client is encountering. These product solutions can operate in ruggedized, harsh environments.

The Company has developed a significant list of large multinational clients over the past several years by offering this type of technology solution. Once we have been engaged with a client to pursue a development project, the development phases of the work are consistent in each case:

a) We will develop a proof of concept demonstration with the goal of proving that the proposed technology solution can work. The Company's expertise in rapidly completing this proof of concept phase had advanced quickly over the past several years. We will fund these initial costs of facilitating a proof of concept demonstration.

b) The next phase is the engineering prototype development and extended testing. It is at this stage that the Company will typically attempt to negotiate a funding plan between itself and the client. At the end of this stage the client will ultimately test the product in the field.

c) The next stage, based on the initial field test evaluations is to pursue a pre-manufacturing prototype reflecting required changes in preparation for manufacturing. This phase of work is expected to be fully funded by our clients.

d) The next product development phase is the manufacturing of product. The Company will, at this point, working with its client, look to establish relationships with manufacturing partners and enter into licensing and/or product sale agreements.

The joint development process is built upon protecting our intellectual property. Our clients will participate in the patenting process and the resultant patent is collaborative and protects both the Company's intellectual property rights in the product and our client's interest to use the product within their business space.

To date the Company has advanced its current client development projects to stages (a), (b), (c) as described above. It has not yet successfully commercialized products to the stage where it will realize its goal of securing long term annuity-like revenue streams from royalty and licensing agreements.

2. COMPANY PROFILE AT JANUARY 31, 2016

1. Update of Product Development Activity at January 31, 2016

Chevron: We began working with Chevron in 2013 and at that time announced a substantial JPDA. The proposed development work in that JPDA specified a series of milestones in keeping with our standard development process as described above.

The initial thrust of the work was to develop and test fluorescent magnetic nanoparticles in the application of interwell tracers. We successfully completed the proof of concept and prototype phases. This work progressed in 2014 and the go forward thrust of our development work was to develop a well head real time detection platform for the detection of existing interwell tracer chemicals to measurement levels as low as 300 parts per trillion. By October 31, 2014, Chevron had funded approximately $175,000 of the development costs we had incurred to that point of time.

In 2015, this work was significantly advanced. We worked extensively with key subcontractors building towards a lab demonstration late in the calendar year designed to differentiate between 8-9 interwell tracers simultaneously. These tests provided very positive results in the demonstration and Chevron is now finalizing their review of these results.

In 2015, Chevron funded our development activity in the amount of approximately $1.5 million. In the three months ended January 31, we received additional funding of $193.901.

We are awaiting the start of the next phase of activity which will be infield live demonstrations and testing of an initial number of wells in real time. If this next phase, which is anticipated during 2016, is successful, we will have the opportunity for possible deployment of the technology throughout the client's organization; in this context, in mid 2015, the Company was asked to quote on a multiyear rollout of up to 2,000 manufactured units.

In 2015 we executed a Technology Cooperation Agreement with Chevron relating to the development of a cement integrity sensor platform. Initial work has been completed in the proof of concept phase of development activity. Chevron has prioritized this initiative as a development project in 2016. The overall value of that contract is estimated at in excess of $8 million if we are successful in the first stages of product development.

Castrol: We signed the JPDA with Castrol in December 2014. The development project is to develop a MEMS solution for real time detection of wear elements in lubricating fluids for deployment initially in non-automotive markets and thereafter for the automotive market. Over the course of calendar 2015 we were successful in completing the initial phases of that agreement whereby we have now provided the initial prototypes to Castrol and these have been accepted. In turn we have to date received $488,500 as payment from Castrol as of October 31, 2015 and an additional $250,000 in the three months ended January 31, 2016. We are awaiting an additional payment of $250,750 currently.

Castrol has commissioned us to produce initial field units for testing. These units are larger than the ultimate product intended for the automotive market. We anticipate that we will penetrate this market in 2016 while development work will continue on miniaturizing the technology for the automotive market by 2017.

The next phase of activity will be to identify a manufacturer for the anticipated rollout of the field units to the non-automotive markets, this process has now commenced.

We have filed provisional patents associated with this development work with the USPTO.

Flextronics: In 2014 we executed a JPDA with Flextronics to test, manufacture and, ultimately, to commercialize the Company's patented automotive oil pan plug sensor suite for automotive OEMS. This JPDA developed at that time after we had spent several years pursuing a proof of concept with GM.

Flextronics has indicated that the initial field development in automobile testing will commence by the end of calendar 2016 and that scale production could begin in 2017. A royalty stream thereafter has been estimated at approximately $18 million. The Company believes that this revenue stream may be accelerated to as early as Q4 2016; however, there can be no assurance that this revenue stream will be accelerated.

The Company's investment in deferred development costs between October 31, 2015 and January 31, 2016 is summarized as below.

	S.A.	Chevron	Castrol	Northeast	Flextronics	Other	Total
Balance at 10/31/2015	-	1,313,843	926,777	-	829,679	-	3,070,299
Additions	-	181,462	276,929	-	272,836	-	731,227
Recoveries	-	(193,901)	(250,000)	-	-	-	(443,901)
Writedowns	-	-	-	-	-	-	-
Balance at 01/31/2016	-	1,301,404	953,706	-	1,102,515	-	3,357,625

Additions during the quarter consist primarily of contracted third party supplier invoices relating to technical design, development and engineering costs associated with work completed by the Company on the proof of concept and prototype stages of product development; these invoices total $704,012. Other costs include project management charges relating to services provided by MAST President, Steven Van Fleet and patent amortization costs.

2. Intellectual Property

The Company has been active in building its intellectual property portfolio as it has furthered the above-noted development projects. We have engaged a Washington, DC based law firm to assist us in these efforts. The Company incurred $81,694 (2015: $42,819) of patent related expenditures in the three months ended January 2016 further development efforts on its memory related technology in 2008

3. Financing

In the three months ended January 2015 the Company raised $565,777 of financing from the exercise by warrant holders of 2,988,876 common share purchase warrants issued in previous private placements that the Company has arranged.

In the year ending October 31, 2015, the Company raised $1,153,007 of financing from the exercise by officers, directors and employees of 4,428,000 common stock options.

In the year ending October 31, 2015, the Company completed two private placements and received gross proceeds of $175,000 and issued a total of 422,768 common shares.

In the three months ended January 31, 2016, the Company completed a private placement and received gross proceeds of $55,000 and issued 183,334 common shares (nil in the quarter ending January 31, 2015).

The Company has secured a series of bridge loans commencing in August 2015 as detailed in Note 9 to the quarterly financial statements as at January 31, 2016.

A breakdown of the outstanding bridge loans is summarized as follows:

	October 31, 2015	January 31, 2016
Principal	$ 1,176,673	$2,084,703
Interest accrued	36,715	154,404
Interest paid	(17,354)	(39,354)
Repayments	(229,446)	(229,446)
Accretion expense	-	4,242
Equity portion of bridge loan	-	(27,355)
	$ 966,588	$ 1,947,194

4. Share Capital

At January 31, 2016 the Company reports 197,359,702 common shares outstanding (2015: 197,176,368). Additionally, the Company has 9,817,000 stock options outstanding with a weighted average exercise price of $0.31 per share (2015: 12,105,000 options outstanding with a weighted average exercise price of $0.27 per share) and there are no remaining warrants outstanding (2015: nil).

5. Management and Board of Directors

At our Annual Meeting of Shareholders held on Friday, January 30, 2015, Salvatore Fuda, Joseph Fuda, David Sharpless, Steven Van Fleet, Oliver Nepomuceno, Larry Blue, Alex Dey, Craig Carison and Brian Von Herzen were re-elected to serve on our Board of Directors. Messrs. Salvatore Fuda, Joseph Fuda, Dan Amadori and Steven Van Fleet continue to serve as officers of the Company. Andrew Brandt did not stand for reelection.

6. Transactions with Related Parties

The Company reports the following related party transactions

The Company reports the following related party transactions:

(a) Chairman:
The Chairman receives cash compensation on a month to month basis calculated at an annual rate of $150,000 CDN. The total compensation paid to the Chairman during the quarter ended January 31, 2016 was $27,306 of cash compensation and $nil of stock based compensation (2015 - $31,467 of cash compensation and $nil of stock based compensation).

(b) Management and consulting fees:
Included in professional fees, other fees and salaries as reported are management and consulting fees paid or payable to individuals (or companies controlled by such individuals) who served as officers and directors of the Company. The total compensation paid to such parties during the quarter ended January 31, 2016 was $180,248 of cash compensation and $nil of stock based compensation (2015 - $140,664 of cash compensation and $nil of stock based compensation).

(c) On February 19, 2014 the Company appointed an individual to serve as its Chief Technology Officer and also to serve as a director of the Company. Since that date this individual, through the Company in which he is a major shareholder has invoiced the Company for engineering and design services as totaling $1,049,524 through October 31, 2015 and $nil in the quarter ending January 31, 2016. These charges have been capitalized as deferred development costs.

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3. DISCUSSION OF OPERATING RESULTS – QUARTER ENDING JANUARY 31, 2016

1) Financial Position:

	January 31, 2016 ('$000)	October 31, 2015 ('$000)
Cash	163	159
Deposits and other receivables	202	56
	365	215
Property and equipment, net	14	16
Deferred development costs	3,358	3,070
Intangible assets, net	53	58
Patents, net	374	309
	4,163	3,668
Bridge loans	1,947	967
Accounts payable and accrued liabilities	1,427	1,297
	3,374	2,264
Shareholders' Equity		
Share capital:	74,053	74,084
Equity component of bridge loans	27	-
Contributed surplus	27,213	27,213
Deficit	(100,505)	(99,893)
	789	1,404
	4,163	3,668

Commentary:

1. The Company's working capital deficiency at January 31, 2016 is $3,009,777 (at October 31, 2015: deficiency of $2,049,302).

2. Included in deposits and other receivables are $100,000 of client invoices, $15,903 of advances to employees $85,621 of other prepaid amounts and recoverable taxes of $14,536.

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3. Intangible assets relate to technical knowhow and start up costs incurred in prior years relating to the Company's early development of its sensor based technologies. The only current activity is amortization expense; the Company is amortizing these costs over 7 years through 2018.

4. The Company continues to invest in its intellectual property and is devoting more efforts and funding to this asset class as its pace of development activity increases. In the current quarter, it incurred $81,694 in patent related expenditures.

5. Account payable and accrued liabilities as reported represent current and recurring charges incurred in the normal course of operations.

6. The Company raised $55,000 of financing from as a private placement of 183,334 common shares.

7. The Company raised an additional $908,030 of bridge loan financing during the quarter; at January 31, 2016 the total amount of bridge loans outstanding, including accrued interest was $1,947,194. (refer to Section 5 - Subsequent Events)

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2) Results of Operations:

The following table summarizes the Company’s operating results for the three months ended January 31, 2016 and 2015:

	Three months ended January 31,	
	2016 ($000)	2015 ($000)
Revenue	-	-
Administration	201	107
Professional fees and salaries	370	494
Research and development	1	9
Travel and entertainment	45	36
Foreign exchange loss (gain)	(6)	(10)
Amortization of property and equipment	1	2
Total expenses	612	638
Income taxes	-	-
Net comprehensive loss	612	638
Loss per share	-	-

Commentary:

1) *The components of administration costs compare as follows:*

	Q1 2016	Q1 2015
General and administrative	29	25
Rent and occupancy cost	17	19
Interest income	-	-
Accretion expense	4	-
Interest expense	110	-
Office insurance	15	15
Telephone	4	5
Investor relations, listing and filing	22	43
	201	107

Interest and accretion expense relate to the bridge loans which the Company has secured.

2) *The components of professional fees and salaries include:*

	2016	2015
Audit related fees	30	29
Legal fees	41	116
Other fees	-	28
Management compensation	207	172
	278	345
Salaries & benefits	92	149
	370	494

Legal fees relate to fees incurred with respect to regulatory filings, contractual negotiations and the legal matter referred to in Sections 4.3 of this report.

3 Unaudited Quarterly Financial Information – Summary

*Quarterly Balance sheet information is presented in **Table 1** and operating data is as presented below:*

Three months ended (unaudited)	Revenues $	Expenses $	Loss in period $	Loss per share $
April 30, 2014	-	922,183	(922,183)	-
July 31, 2014	125,000	1,727,411	(1,602,411)	(0.01)
October 31, 2014	(125,000)	963,154	(1,088,154)	(0.01)
January 31, 2015	-	638,088	(638,088)	-
April 30, 2015	-	1,102,664	(1,102,664)	(0.01)
July 31, 2015		1,175,706	(1,175,706)	(0.01)
October 31, 2015		3,600,152	(3,600,152)	(0.01)
January 31, 2016		611,687	(611,687)	(0.00)

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4. COMPLIANCE RELATED REPORTING MATTERS

1. Liquidity and Capital Resources:

Table 2 provides a summary of financing raised between 2014 and Q1 2016.

We currently report negative cash flows from operations. This will change when we are generating revenues from license fees royalties or the sale of products utilizing our technology, sufficient to cover the Company's direct costs associated with its client projects and its overhead costs.

The Company's working capital deficiency at January 31, 2016 is $3,009,777

The Company has granted stock options to officers, directors employees and consultants; at January 31, 2016 a total of 9,817,000 options are outstanding which, if fully exercised, would result in additional financing of $3.07 million.

We have no commitments for capital expenditures at January 31, 2016.

2. Financial Instruments:

It is management's opinion that the Company is not exposed to significant interest rate and credit risks arising from financial instruments and that the fair value of financial instruments approximate their carrying values.

The Company's financial instruments consist of deposits and other receivables, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

3. Commitments and Contingencies:

The Company secured new leased premises in June 2012. The lease term is for 5 years and stipulates base monthly rental expenses of $3,800 CDN. Lease commitments are as follows – commitments less than one year of $45,600 CDN; commitments in years 2 total $30,400 CDN.

The Company has certain outstanding commitments to 3rd party subcontractors with respect to deferred development costs. These commitments are as follows- commitments less than one year of $2,653,000; commitments between years 2-5 total $1,103,000.

On November 17, 2014, Micromem and MAST ("Plaintiffs") commenced a lawsuit in the United States District Court for the Southern District of New York against Dreifus Associates Limited and Henry Dreifus ("Defendants"). The Plaintiffs original complaint contained five causes of action by which they sought money damages, declaratory relief and specific performance relating to certain contracts. On February 24, 2015, Plaintiffs filed an amended complaint to add a claim for declaratory relief relating to a patent held by Plaintiffs. In March 2015, the Defendants responded to allegations filed by the Company. The Defendants denied the substantive allegations in the complaints filed by the Company and sought to have the action transferred to Florida where the Defendants reside. Additionally, the Defendants have counterclaimed seeking approximately $270,000 of disputed charges for services allegedly rendered and also seeking inventorship status on one of the Company's patents.

The Defendants were successful in having the action transferred to Federal Court in Orlando, Florida from Federal Court in New York in December 2015.

After transfer, the Defendants filed a separate answer to the complaint filed by the Plaintiffs denying the material allegations in the complaint and asserted a counterclaim that requests that Henry Dreifus be added as an inventor on a patent held by the Plaintiffs.

With respect to these counterclaims asserted by the Defendants, the Company has filed responses denying the material allegations of these counterclaims.

The parties have recently submitted a case management report to the Federal Court in Florida that contains a schedule for discoveries, dispositive motions and trials. The parties have also agreed to participate in mediation to attempt to resolve this dispute.

The outcome of this matter cannot, as yet, be determined.

4. Disclosure Controls/Internal Controls:

Management and the Board of Directors, primarily through the Audit Committee, have instituted review procedures on all of our periodic filings. We have established a Disclosure Committee including an independent director. A committee charter has been developed and has been ratified by our Board of Directors. We engage legal counsel, as required, to provide guidance and commentary on our press releases. Management has concluded that our disclosure controls and procedures meet required standards. These disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in its various reports is recorded, processed, summarized and reported accurately.

We have a small number of employees and segregation of duties and responsibilities is restricted. The Audit Committee, in tandem with the CFO, has evaluated the Company's internal control procedures and has concluded that these procedures are adequate to provide reasonable assurance of operational effectiveness. In spite of its evaluation, management does recognize that any controls and procedures no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives.

5. Off-Balance Sheet Arrangements:

The Company has no off-balance sheet financial commitments and does not anticipate entering into any contracts of such nature other than the addition of new operating leases for equipment and premises as may be required in the normal course of business.

6. Critical Accounting Policies and Significant Accounting Estimates:

The condensed interim quarterly Financial Statements comply with the requirements of IAS standard 34, Interim Financial Reporting. Reference should be made to the disclosures of Significant Accounting Policies that are presented in the audited statements as at October 31, 2015. The Company's significant accounting policies include measurement and disclosure policies on foreign currency translation, financial instruments, compound and hybrid financial instruments, derivatives, intangible assets, property and equipment and related amortization, deferred development costs, patents, private placements, stock based compensation and income taxes. There have been no changes to the Company's significant accounting policies in the quarter ended January 31, 2016. New Standards and Interpretations as issued during the quarter by the IASB or the International Financial Reporting Interpretations Committee do not have an impact on the Company's financial statements.

7. Going Concern:

The consolidated financial statements have been prepared on the "going concern" basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

There are uncertainties related to conditions and events that cast doubt about the Company's ability to continue as a going concern for a reasonable period of time in future. During the quarter ended January 31, 2016, the Company reported a net loss and comprehensive loss of $611,687 (2015 - $638,088), and negative cash flow from operations of $707,413 (2015 - $765,291). The Company's working capital deficiency at January 31, 2016 is $3,009,777 (at October 31, 2015:$ 2,049,302)

The Company's future success depends on the profitable commercialization of its proprietary sensor technology. Based upon its current operating and financial plans, management of the Company believes that it will have sufficient access to financial resources to fund the Company's planned operations through fiscal 2015; however, if the Company is not able to complete its financial plans and/or is not able to profitably commercialize its technology, then there would be doubt that the Company would continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used; in such cases, these adjustments could be material.

8. **Risks and Uncertainties:**

There are a number of risks which may individually or in the aggregate affect the long-term commercial success of the Company, both known and unknown:

Stage of Development of Technology:

The Company has made considerable strides in advancing its technology and in developing a product portfolio. Our various products are in different phases of development and there remains the risk that the Company must successfully complete development work on these products to have available commercially viable products which can be licensed or sold.

Customers' Willingness to Purchase:

We have entered into multiple joint development agreements whereby our products are being subjected to rigorous testing by our partners. We expect to be successful in completing remaining development work on our product portfolio. If we are successful in doing so, our partners will then have to decide the extent to which they will adopt our technology for future use for their applications. The future revenue streams for the Company are dependent upon the rate of adoption by our customers and their willingness to do so.

Patent Portfolio:

The Company has spent considerable time and effort and incurred significant costs with respect to the maintenance and development of our intellectual property portfolio. However, given the nature of IP development, the Company is subject to continuing risks that our patents could be successfully challenged and that our patent pending files may not ultimately be granted full patent status. While we continue to make specific efforts to broaden our IP claims, this is an ongoing process and requires continued effort and vigilance.

Financing:

The Company has successfully raised funding over the past several years to continue to support its development initiatives and fund the Company's corporate structure and overheads. The financing environment for early stage technology companies remains challenging and there cannot be certainty that the Company will be able to continue to raise financing as it has in the past to continue to support its business initiatives.

Competitors:

The Company may be subject to competition from other entities that may have greater financial resources and more in-house technical expertise.

Management Structure:

The Company is highly dependent on the services of a small number of senior management team members. If one or several of these individuals were unavailable, the Company could encounter a difficult transition process.

Foreign Currency Exposure:

The Company expects to sell its products and license technologies in the United States, in Canada and abroad. The Company has not hedged its foreign currency exposure, which has not been significant to date. In future, foreign currency fluctuations could present a risk to the business.

5 SUBSEQUENT EVENTS

(a) On February 12, 2016, an investor provided an unsecured $500,000 US convertible debenture due on May 12, 2016. The interest rate on this debenture is at a rate of 1% per month calculated on a daily basis. This investor has the privilege, but not the obligation, to convert the outstanding principal plus any accrued interest at any time before the maturity date at a conversion price of $0.30 per share.

(b) The bridge loans described in Note 9(a) to the quarterly financial statements at January 31, 2016 were converted on March 15, 2016 with a new maturity date of July 15, 2016. Under the terms of the conversion, the lender has been provided with the privilege, but not the obligation, to convert up to all of the outstanding principal plus accrued interest into common shares at a price of $0.30 per share at any time up to the maturity date. The Company has the right, but not the obligation, to prepay up to all of the outstanding balance due of principal plus interest at any time prior to the maturity date.

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Table 1

Micromem Technologies Inc
Management Discussion and Analysis
Selected Balance Sheet Information
January 31,2016
($US)

Fiscal year ending October 31	Working capital (deficiency)	Capital asssets at NBV	Other Assets	Total Assets	Shareholders equity (deficit)
Quarter ending					
January 31, 2016	(3,009,777)	14,423	3,784,410	4,163,419	789,056
October 31, 2015	(2,049,302)	15,592	3,437,598	3,667,866	1,403,888
July 31, 2015	(1,353,088)	16,197	5,232,312	546,755	3,895,421
April 30, 2015	(923,281)	17,935	4,792,644	5,269,245	3,887,298
January 31, 2015	1,530,982	19,690	3,239,790	5,663,008	4,790,462
October 31, 2014	1,034,921	21,483	3,806,369	5,636,605	4,862,773
July 31, 2014	262,467	23,319	2,832,160	3,978,560	3,117,946
April 30, 2014	1,305,366	25,892	2,298,210	3,910,994	3,629,468

Table 2

Micromem Technologies Inc
Management Discussion and Analysis
Summary of financing raised by Company
January 31,2016

	2014			2015		
	Shares	Price / share	$	Shares	Price / share	$
Private placements						
Q3	-	-	-	122,768	0.448	55,000
Q4				300,000	0.400	120,000
Exercise of warrants						
Q1	6,325,224	0.235	1,486,022	2,988,876	0.189	565,777
Q2	6,023,399	0.232	1,400,080			
Q3	3,653,495	0.299	1,090,889			
Q4	11,408,599	0.248	2,824,628			
Exercise of options						
Q1				-	-	-
Q2				570,000	0.350	199,500
Q3				2,170,000	0.242	525,142
Q3				1,688,000	0.254	428,365
Conversion of bridge loan						
Q1	2,517,501	0.120	302,100			
Q2	-		-			
Q3	-		-			
Q4	-		-			
Shares issued re trade account settlement	17,081	0.489	8,353			
	29,945,299		7,112,072	7,839,644		1,893,784

	2016		
	Shares	Price / share	$
Private placements			
Q1	183,334	0.300	55,000
	183,334		55,000

Bridge Loans

Refer to Section 2(3) and Section 5 of this MD&A document.