

MICROMEM TECHNOLOGIES INC.

Form 51-102 F6V – Statement of Executive Compensation – Venture Issuers

YEAR ENDED OCTOBER 31, 2016

This discussion describes the compensation program of Micromem Technologies Inc. (the "**Corporation**") for each person who acted as Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the three most highly compensated executive officers (or three most highly compensated individuals acting in a similar capacity), other than the CEO and the CFO, whose compensation was more than \$150,000 during the financial year ended October 31, 2016 (each a "**Named Executive Officer**" or "**NEO**" and collectively the "**Named Executive Officers**" or "**NEOs**"). This document will address the Corporation's executive compensation philosophy and objectives and provide a review of the process our compensation committee undertakes in deciding how to compensate the Corporation's NEOs for the financial year ended October 31, 2016. This document also introduces a new reporting format for the executive compensation disclosure, which is the Form 51-102F6V Statement of Executive Compensation – Venture Issuers ("Form 51-102F6V").

- a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a **chief executive officer**;
- b) each individual who, in respect of the company, during any part of the most recently completed financial year, served as **chief financial officer**, including an individual performing functions similar to a chief financial officer;
- c) in respect of the company and its subsidiaries, **the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000**, as determined in accordance with subsection 1.3(5), for that financial year; and
- d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year.

Unless otherwise stated, all amounts with respect to executive compensation are stated in United States dollars ("**USD**").

Named Executive Officers

During the year ended October 31, 2016, the Corporation had four Named Executive Officers, namely: Salvatore Fuda, Chairman (until April 26, 2016); Joseph Fuda, Chief Executive Officer; Dan Amadori, Chief Financial Officer; and Steven Van Fleet, Business Development Manager and President of the Corporation's wholly-owned U.S. subsidiary, Micromem Applied Sensor Technologies Inc.

There were no other NEOs in 2016 as no other officers or individuals acting in a similar capacity earned in excess of \$150,000 during the year ended October 31, 2016.

Compensation Excluding Compensation Securities

The following table sets out all compensation paid to NEOs and directors who are not NEOs, other than stock options and other compensation securities, for each of the years ended October 31, 2016 and October 31, 2015.

Table of compensation excluding compensation securities							
Name and position ⁽¹⁾	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$) ⁽²⁾	Value of all other compensation (\$) ⁽³⁾	Total compensation (\$)
Joseph Fuda, CEO and Director ⁽⁴⁾	2016	\$353,786	Nil	Nil	Nil	Nil	\$353,786
	2015	\$150,786	Nil	Nil	Nil	Nil	\$150,786
	2014	\$231,782	536,723	Nil	Nil	Nil	\$768,505
Dan Amadori, CFO ⁽⁵⁾	2016	\$113,266	Nil	Nil	Nil	Nil	\$113,266
	2015	\$119,707	Nil	Nil	Nil	Nil	\$119,707

	2014	\$137,172	\$67,875	Nil	Nil	Nil	\$250,047
Steven Van Fleet, Business Development Manager, Director and President of MAST Inc. ⁽⁶⁾⁽⁷⁾	2016	\$231,309	Nil	Nil	Nil	Nil	\$231,309
	2015	\$227,647	\$244,074	Nil	Nil	Nil	\$471,722
	2014	\$231,280	Nil	Nil	Nil	Nil	\$231,280
Salvatore Fuda, Past Chairman and Director ⁽⁸⁾	2016	\$113,266	Nil	Nil	Nil	Nil	\$113,266
	2015	\$119,707	Nil	Nil	Nil	Nil	\$119,707
	2014	\$137,172	Nil	Nil	Nil	Nil	\$137,172
David Sharpless, Director	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil	Nil	Nil
Larry Blue, Director	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil	Nil	Nil
Oliver Nepomuceno, Director	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil	Nil	Nil
Alex Dey, Director	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil	Nil	Nil
Craig Carlson, former Director ⁽⁹⁾	-	-	-	-	-	-	-
	2015	\$34,705	Nil	Nil	Nil	Nil	\$34,705
	2014	\$14,867	Nil	Nil	Nil	Nil	\$14,867
Brian Von Herzen, Director ⁽¹⁰⁾	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil	Nil	Nil
Andrew Brandt, former Director and Advisory Board member ⁽¹¹⁾	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil	Nil	Nil

⁽¹⁾ The compensation of each NEO is disclosed first, followed by compensation of any director who is not an NEO.

⁽²⁾ Prerequisites provided to an NEO or director that are not generally available to all employees and that, in aggregate, are greater than (a) \$15,000 if the NEO or director's total salary for the financial year is \$150,000 or less, (b) 10% of the NEO or director's salary for the financial year if the NEO or director's total salary for the financial year is greater than \$150,000 but less than \$500,000, or (c) \$50,000 if the NEO or director's total salary for the financial year is \$500,000 or greater. The nature of any prerequisites representing more than 25% of the total value of an NEO or director's prerequisites is disclosed in a footnote to this table.

⁽³⁾ Value of all other compensation includes (a) any incremental payments, payables and benefits to a NEO or director that were triggered by a change of control, severance, termination or constructive dismissal that occurred before the end of the applicable financial year, and (b) all compensation relating to defined benefit or defined contribution plans including service costs and other compensatory items such as plan changes and earnings that are different from the estimated earnings for defined benefit plans and above market earnings for defined contribution plans, but (c) excluding Canada Pension Plan, similar government plans and group life, health, hospitalization, medical reimbursements and relocation plans that do not discriminate in scope, terms or operation that are generally available to all salaried employees.

⁽⁴⁾ In 2016 Joseph Fuda's base compensation amount of \$256,000 CDN (\$199,500 US at the then prevailing exchange rates) remained unchanged from 2015. No bonus was paid in 2016. In 2014 Joseph Fuda's base compensation amount was \$256,000 CDN (\$231,782 US at the then prevailing exchange rates). He was awarded a performance related bonus of \$536,723 in recognition of cumulative service provided to the Company since 2002, unreimbursed expenses personally incurred over that timeframe.

⁽⁵⁾ In 2016 Dan Amadori's base compensation amount of \$150,000 CDN (\$119,707 US at the then prevailing exchange rates) was unchanged from 2015. No bonus was paid in 2016. In 2014, Dan Amadori's base compensation amount was \$150,000 CDN (\$137,172 US at the then prevailing exchange rates). He was awarded a \$75,000 CDN (\$67,875 US at the then prevailing exchange rates) performance related bonus in recognition of his service in upgrading the Company's listing status to OTCQX in 2014 and with respect to organizing and executing the SOX 404 audit for the fiscal year ended October 31, 2014.

⁽⁶⁾ Steven Van Fleet's base compensation amount in 2016 and in 2014 was \$231,280.

⁽⁷⁾ In May 2014, Steven Van Fleet was advanced USD\$250,000 against future performance related compensation. It was stipulated that the performance milestones be achieved prior to May 2015, failing which the advance would be recoverable from Mr. Van Fleet. The key performance milestones were that the company realize in excess of \$1 million of client funding support between May 2014 and May 2015, and that a Joint Product Development Agreement be executed with one of the Corporation's key strategic partners. By February 2015, both performance milestones were achieved, and the advance was converted to remuneration as a performance bonus in February 2015.

⁽⁸⁾ Salvatore Fuda's base compensation in each of 2016, 2015 and 2014 was \$150,000 Canadian based on a month to month contract (2016: \$113,266 US; 2015: \$119,707; 2014: \$137,172) at the then prevailing exchange rates). He did not stand for reelection to the Board on April 26, 2016; his compensation was extended to October 31, 2016.

⁽⁹⁾ Craig Carlson was elected as a director of the Company in November 2013; he resigned as a director in June 2015. He was paid a monthly fee of \$5,000 for consulting services provided; totaling \$15,000 in 2014 and \$30,000 in 2015.

⁽¹⁰⁾ Brian Von Herzen was appointed to the Board of Directors on February 19, 2014. The Company was invoiced \$1,843,643 in 2014 and \$1,049,524 in 2015 by Rapid Prototypes Inc., a company that is controlled by Brian Von Herzen. These payments relate to the period after his election as a director. Rapid Prototypes Inc. is an engineering and design company whose staff have worked for the Company on a number of its significant development projects for its clients. These services were provided to the Corporation based on purchase orders submitted by Rapid Prototypes Inc. and approved by Steven Van Fleet, in his capacity as President of MAST.

⁽¹²⁾ Andrew Brandt resigned from the Board of Directors on January 30, 2016. He joined the Company's Advisory Board at that time.

External Management Companies – Dan Amadori

Dan Amadori is engaged by the Corporation through his company, Lamerac Financial Corp., to provide management services on a month-to-month contract which stipulates an annual base amount of remuneration of (CDN) \$150,000 for his services. He is also entitled to an annual performance based bonus determined at the discretion of the Compensation Committee with the approval of the Board of Directors. There are no provisions for any additional payments upon termination.

Stock Options and Other Compensation Securities

There were no compensation securities granted or issued to NEOs and directors who are not NEOs **in the most recently completed financial year.**

Exercise of Compensation Securities by Directors and NEOs

The following table sets out all exercises of compensation securities by NEOs and directors **during the most recently completed financial year.**

Compensation Securities							
Name and Position	Type of Compensation Security	Number of Underlying Securities Exercised	Exercise Price Per Security (\$)	Date of Exercise	Closing Price per Security on Date of Exercise (\$)	Difference Between Exercise Price and Closing Price on Date of Exercise (\$)	Total Value on Exercise Date (\$)
Joseph Fuda, CEO and Director	Options	300,000	0.20	June.21.16	0.30	0.10	30,000
	Options	50,000	0.20	July.26.16	0.27	0.07	3,500
	Options	252,318	0.20	July.29.16	0.23	0.03	7,570
	Options	219,048	0.20	Oct.5.16	0.22	0.02	4,381
	Options	100,000	0.20	Oct.31.16	0.25	0.05	5,000
Dan Amadori, CFO	Options	1,000,000	0.20	May.26.16	0.28	0.08	80,000
Steven Van Fleet, Business Development Manager, Director and President of MAST Inc.	Options	200,000	0.20	May.6.16	0.35	0.15	30,000
	Options	200,000	0.20	June.10.16	0.27	0.07	14,000
	Options	550,000	0.20	June.15.16	0.26	0.06	33,000
	Options	50,000	0.20	June.21.16	0.30	0.10	5,000
Salvatore Fuda, Chairman and Director	Options	700,000	0.20	June.1.16	0.27	0.07	49,000
David Sharpless, Director	-	-	-	-	-	-	-
Larry Blue, Director	-	-	-	-	-	-	-
Oliver Nepomuceno, Director	-	-	-	-	-	-	-
Alex Dey, Director	-	-	-	-	-	-	-
Brian Von Herzen, Director	-	-	-	-	-	-	-

Stock Option Plan

The purpose of the Corporation's stock option plan, as amended and restated as of December 12, 2014 and approved by the shareholders on January 30, 2016 (the "**Stock Option Plan**") is to strengthen retention of key management employees, to align their interests with those of shareholders and to provide incentive compensation. The total number of shares that may be issued pursuant to options granted under the Stock Option Plan is 18,840,000. As at October 31, 2016, there were options outstanding under the Stock Option Plan to purchase 4,395,000 common shares representing 2.2% of the issued and

outstanding common shares of the Corporation. The number of securities remaining available for future issuance under the Stock Option Plan is 3,067,634.

Under the Stock Option Plan, options are granted at not less than the closing price of the common shares on the day before the date of grant. Options may be issued with vesting provisions as determined at the time of grant. The expiry date for options granted under the Stock Option Plan can be any time up to ten years from the date of grant. Options cannot be transferred or assigned by a participant. Options that expire unexercised are available for subsequent option grants.

Options expire under the Stock Option Plan on the earliest of: (i) subject to any provision in the Stock Option Plan to the contrary, on the day the option holder is no longer an Eligible Person, (ii) in the case of termination that is not for cause, the day that is forty-five (45) days following the date of termination (other than for just cause or by reason of death or disability), subject to the discretion of the Board of Directors to extend the expiry period (and any vesting within such period) to no more than ninety (90) days after termination, (iii) immediately upon termination by the Corporation or a subsidiary of employment for just cause, (iv) one year following the death of a participant for options vested as of the date of such participant's death, subject to the discretion of the Board of Directors to the vesting of the option during such period, or (v) the option termination date.

The Board of Directors of the Corporation, subject to any regulatory or required shareholder approval, has the power under the Stock Option Plan to amend or terminate the Stock Option Plan at any time, provided, however, that any such amendment or termination shall not materially adversely affect the rights of a participant.

The Corporation does not provide any financial assistance to participants under the Stock Option Plan to facilitate the purchase of securities.

Employment, Consulting and Management Agreements

Joseph Fuda

Joseph Fuda was appointed as the Corporation's Chief Executive Officer on February 13, 2002. He has had a month-to-month contract since 2010, which stipulated an annual base amount of remuneration of (CDN) \$160,000 for his services. This base amount was increased to \$256,000 (CDN) in 2013. He is also entitled to an annual performance based bonus determined at the discretion of the Compensation Committee. There are no provisions for any additional payments upon change of control, severance, termination or constructive dismissal.

Dan Amadori

Dan Amadori was appointed Chief Financial Officer of the Corporation on June 29, 2004. He is engaged by the Corporation through his company, Lamerac Financial Corp., to provide management services on a month-to-month contract which stipulates an annual base amount of remuneration of (CDN) \$150,000 for his services. He is also entitled to an annual performance based bonus determined at the discretion of the Compensation Committee. There are no provisions for any additional payments upon change of control, severance, termination or constructive dismissal.

Steven Van Fleet

Steven Van Fleet was engaged to provide management services as President of Micromem Applied Sensor Technologies Inc. under a three-year contract from May 2008 – 2011. The contract has since been extended on the same terms on a month-to-month basis and currently stipulates an annual base amount of remuneration of US \$231,280 for his services. He is also entitled to an annual performance based bonus determined at the discretion of the Compensation Committee. There are no provisions for any additional payments upon change of control, severance, termination or constructive dismissal.

Salvatore Fuda

Salvatore Fuda served as Chair of the Board of Directors from 1998 until April, 26, 2016 where he stepped down as Chair. Since 2010, Salvatore Fuda's remuneration has been determined on a month-to-month basis at an annual rate of \$150,000 (CDN). His compensation ceased as of October 31, 2016.

Oversight and Description of Director and Named Executive Officer Compensation

The objective of the Corporation's executive compensation program is to attract qualified executives who can provide the leadership and management skills necessary to achieve the Corporation's business plan goals and build long-term shareholder value. The program is designed to reward its executives financially for achieving and surpassing annual

operating performance targets through revenue growth and productivity improvement.

The Corporation's executive compensation program has two key elements:

1. *Base Compensation and Bonus* - The Corporation establishes a base compensation level unique to each executive that reflects the executive's business credentials, level and length of experience, past compensation history and existing levels of executive compensation. This ensures that the Corporation can attract experienced and qualified executives. The Corporation also pays bonuses to its executives that are tied to performance criteria and goals established from time to time. Specific performance criteria and goals, as well as the approximate weight assigned to each performance criterion or goal, are disclosed in this document as footnotes to the table of "Compensation Excluding Compensation Securities". Base compensation and bonuses are recommended by the Compensation Committee and approved by the Board of Directors.
2. *Corporate Share Ownership* - The stock option plan provides an opportunity for each executive to acquire equity in the Corporation. Ownership of common shares aligns the interests of executives with that of the shareholders, and encourages them to focus on increasing shareholder value. Option grants are recommended by the Compensation Committee and approved by the Board of Directors.

The Corporation's Compensation Committee is composed of two members, Oliver Nepomuceno and Alex Dey. Mr. Dey and Mr. Nepomuceno are independent as neither of them hold any position with the Corporation other than that of director. Mr. Dey is a Chartered Accountant and was previously the sole proprietor of Alex Dey, Chartered Accountant. He is currently President of a private company that provides accounting and tax services. Mr. Nepomuceno manages a private investment banking operation in Switzerland.

The Compensation Committee is responsible for implementing and overseeing compensation, benefits and human resource policies to be approved by the Board of Directors. The Compensation Committee does not use peer groups to determine compensation. It reviews compensation from time to time and modifies each compensation element as required based on financial and operational performance, taking into consideration the Corporation's financial strength and the general economic climate.

Significant Events Affecting Compensation In the Most Recently Completed Financial Year

No such events occurred in 2016.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets out information as at October 31, 2016 concerning securities authorized for issuance under the Corporation's Stock Option Plan:

Stock Option Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)⁽¹⁾
Equity compensation plans approved by securityholders	4,395,000	\$0.45	3,067,634
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	4,395,000	\$0.45	3,067,634

(1) Under the Stock Option Plan, a maximum of 18,840,000 common shares are reserved to be issued upon the exercise of options, as set forth in the Management Information Circular prepared for the annual and special meeting of the shareholders held on January 30, 2016. At October 31, 2016, the Corporation had 204,388,569 common shares issued and outstanding.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

The following table sets out the aggregate indebtedness of all Executive Officers, Directors, employees and former Executive Officers, Directors and employees of the Company or any of its subsidiaries (i) to the Company or to any of its subsidiaries, or (ii) to another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar understanding provided by the Company or any of its subsidiaries. The table includes aggregate indebtedness that relates to either a purchase of securities or other indebtedness as specified in the table, and that is outstanding as at a date within thirty (30) days prior to the date of this Circular.

AGGREGATE INDEBTEDNESS (\$)		
Purpose	To the Company or its Subsidiaries	To Another Entity
Share purchases	-	-
Other (Employees)	\$7,586	-

COMPENSATION OF DIRECTORS

The amount and form of Director compensation is reviewed periodically by the Board of Directors. The Directors do not currently receive cash compensation from the Company for their participation on the Board of Directors or as a member of a committee. The Company does, from time to time, grant options to its Directors to purchase common shares of the Company which options are granted pursuant to the Company's Stock Option Plan. Such options are offered to Directors at prices that are equal to or above the market price for the common shares at the date that the options are granted. The Company granted 520,000 stock options to Directors in 2014 and 1,185,000 stock options to Directors in 2015.

The Company awarded a total of 450,000 common shares to the three members of the Audit Committee in 2015 as compensation in recognition of services provided to the Company between 2007-2015 as follows:

David Sharpless (225,000 shares), Alex Dey (100,000 shares), Oliver Nepomuceno (125,000 shares). The total value of the share consideration provided was \$220,500.