No securities commission or similar authority in Canada or in any other jurisdiction has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. This offer is being made in the Provinces of Alberta, British Columbia, Manitoba and Ontario, Canada and in all of the United States of America other than Arizona, Arkansas, California, Georgia, North Dakota, Ohio and Oregon and in any other jurisdiction permitted by applicable law (the "Qualifying Jurisdictions"). This offer is not, and under no circumstances is it to be construed as, an offering of any securities for sale in, or to any resident of, any jurisdiction other than the Qualifying Jurisdictions or a solicitation therein of any offer to buy any securities of Micromem Technologies Inc. In the case of holders in any jurisdictions other than the Qualifying Jurisdictions, reference is made to the heading "Ineligible Shareholders".

October 5, 2000

RIGHTS OFFERING

MICROMEM TECHNOLOGIES INC.

OFFER OF RIGHTS TO SUBSCRIBE FOR UP TO 7,228,915 COMMON SHARES OF MICROMEM TECHNOLOGIES INC.

Maximum Proceeds:	**(U.S.) $30,000,000**
Record Date:	**October 19, 2000**
Commencement Date	**10:00 a.m. (Toronto time) on October 25, 2000**
Subscription Deadline:	**5:00 p.m. (Toronto time) on November 20, 2000**
Subscription Price:	**(U.S.) $4.15 per common share or (Cdn) $6.21 per common share**
Subscription Basis:	**5.497 Rights entitle the holder to subscribe for one common share at the Subscription Price.**
Additional Subscription Privilege:	**Holders who exercise their Rights in full are entitled to subscribe for additional common shares, if available, at the Subscription Price.**
Qualifying Jurisdictions:	**No certificates representing Rights will be issued or delivered to shareholders whose registered address is outside the Qualifying Jurisdictions as the common shares issuable upon exercise of the Rights will not be registered or qualified under the securities laws of any jurisdiction other than a Qualifying Jurisdiction. Instead, the Rights which these shareholders would otherwise be entitled to receive will be delivered to TD Trust Company for sale in the Qualifying Jurisdictions and the net proceeds thereof will be distributed pro rata among such shareholders.**

Unless otherwise indicated, all references herein are to United States dollars.

Please read this material carefully as you are required to make a decision prior to 5:00 p.m. (Toronto time) on November 20, 2000. Rights not exercised prior to the Expiration Time will be void and of no value.

Notice to U.S. Shareholders

The Rights offered hereby are being offered by Micromem Technologies Inc. ("Micromem"), an issuer formed under the laws of Ontario, Canada. The Rights offering is subject to, and Micromem is permitted under a multi-jurisdictional disclosure system adopted by the United States Securities and Exchange Commission to offer securities pursuant to this Rights offering in accordance with, the disclosure requirements of Canada. Prospective investors should be aware that such requirements are different from those of the United States. The financial statements included or incorporated herein have been prepared in accordance with Canadian generally accepted accounting principles and are subject to Canadian auditing and auditor independence standards and thus may not be comparable to financial statements of United States companies. The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that Micromem is incorporated under the laws of Ontario, Canada, that some of its officers and directors are residents of Canada, that some or all of the experts named in the registration statement may be residents of Canada, and that a substantial portion of the assets of Micromem and of said persons may be located outside the United States. Holders of common shares should be aware that tax consequences may result in both the United States and Canada. Such consequences for holders of common shares who are resident in or citizens of the United States may not be fully described herein. Such holders of common shares are urged to consult their tax advisors.

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THE OFFER

TO: THE HOLDERS OF COMMON SHARES OF MICROMEM TECHNOLOGIES INC.

MICROMEM TECHNOLOGIES INC. (“Micromem”) is issuing to holders of its outstanding common shares (“Shares” or “Common Shares”) of record at the close of business on October 19, 2000 (the “Record Date”) rights (“Rights”), evidenced by fully transferable certificates in registered form (“Rights Certificates”), to subscribe for Shares. Each registered holder of Shares whose mailing address in the records of Micromem as of the Record Date is located in the Provinces of Alberta, British Columbia, Manitoba and Ontario (Canada) and in all of the United States of America other than Arizona, Arkansas, California, Georgia, North Dakota, Ohio and Oregon and in any other jurisdiction permitted by applicable law (the “Qualifying Jurisdictions”) will receive one Right for each Share held by such holder on the Record Date. 5.497 Rights entitle the holder thereof to purchase one Share at a price of $4.15 (or Cdn$6.21) per Share at or before 5:00 p.m. (Toronto time) on November 20, 2000 (the “Subscription Deadline”). A total of 39,734,516 Rights are being issued under this offering. Assuming that all Rights issued are exercised a total of 7,228,915 Shares will be issued, resulting in an increase of 18.2% in the number of Shares issued and outstanding on the Record Date. Fractional shares will not be issued. (See “Details of Rights Offering – Rights Generally”). Assuming that all Rights issued are exercised, the gross proceeds to Micromem from this Rights offering will be approximately $30,000,000 before costs. Costs associated with this Rights offering are estimated at $400,000. See “Use of Proceeds”. **All dollar values in this circular are expressed in United States dollars unless stated otherwise.**

The number of Rights to be issued under this offering may increase if any outstanding options or warrants (see “Stock Options” and “Share Capital – Warrants”) are exercised prior to the Record Date. In such case the maximum number of Shares issuable upon exercise of the Rights and the maximum gross proceeds to Micromem from the Offering would also increase accordingly.

Holders of Rights Certificates who exercise all of their Rights in full will also be entitled to subscribe at the same time for additional Shares (the “Additional Shares”) from the pool of Shares, if any, that remain unsubscribed for after the Subscription Deadline pursuant to the additional subscription privilege. (See “Rights Generally” and “Details of Rights Offering - Additional Subscription Privilege.”)

A Rights Certificate evidencing the Rights to which a shareholder is entitled has been sent with this circular to each shareholder resident in a Qualifying Jurisdiction. Rights Certificates will not be sent to shareholders who are residents of any jurisdictions other than the Qualifying Jurisdictions but Rights will be issued to all such shareholders. The Rights which these shareholders would otherwise be entitled to receive will be delivered to TD Trust Company (the “Depository”) for sale in the Qualifying Jurisdictions and the net proceeds thereof will be distributed *pro rata* among such shareholders.

For details of how to subscribe for Shares, transfer or sell Rights or divide a Rights Certificate, see “Details of Rights Offering” and “How to Complete the Rights Certificate”.

DETAILS OF RIGHTS OFFERING

Rights Generally

Each registered holder of Shares whose mailing address in the records of Micromem as of the Record Date is located in a Qualifying Jurisdiction will receive a Rights Certificate evidencing the total number of Rights to which such shareholder is entitled. 5.497 Rights and $4.15 (or Cdn$6.21) (the “Subscription Price”) are required to purchase one Share from the treasury of Micromem. Rights Certificates will not be issued to, and subscriptions for Shares will not be accepted from, any shareholder whose mailing address in the records of Micromem as of the Record Date is not located in one of the Qualifying Jurisdictions.

Subscription Basis

5.497 Rights entitle the holder upon exercise of the Rights and payment of $4.15 (or Cdn$6.21) on or before the Subscription Deadline to subscribe for one Share. Only subscriptions for whole Shares will be accepted. No fractional Shares will be issued. A holder of a Rights Certificate may subscribe for all or any lesser number of whole Shares for which the Rights Certificate entitles such holder to subscribe. The Subscription Price payable on the exercise of the Rights is payable in United States or Canadian funds by certified cheque, bank draft or money order payable to or to the order of the TD Trust Company.

Commencement and Expiration Date

The Rights will be exercisable from 10:00 a.m. (Toronto time) on October 25, 2000 and will expire at 5:00 p.m. (Toronto time) on November 20, 2000 (the "Subscription Deadline"). **Rights not exercised prior to the Subscription Deadline will be void and of no value.**

Additional Subscription Privilege

Any holder of a Rights Certificate who exercises the Rights evidenced by such Rights Certificate (the "Basic Subscription Right") to subscribe for all of the whole Shares that can be subscribed for with the Rights evidenced by such Rights Certificate has the privilege (the "Additional Subscription Privilege") of subscribing for Additional Shares at the Subscription Price on a *pro rata* basis with all other holders of Rights Certificates who exercised their Rights to subscribe for all of the whole Shares that can be subscribed for with their Rights Certificates. The Additional Shares available will be those Shares that have not been subscribed and paid for by the Subscription Deadline pursuant to the Basic Subscription Right.

Shareholders desiring to subscribe for Additional Shares pursuant to the Additional Subscription Privilege must do so at the time they indicate their intention to purchase Shares pursuant to the Basic Subscription Right in the manner hereinafter provided for.

If a sufficient number of Additional Shares is not available to satisfy all requests made pursuant to the Additional Subscription Privilege, each of the Rights holders exercising the Additional Subscription Privilege will receive, on a *pro rata* basis with all other Rights holders exercising the Additional Subscription Privilege, the number of Additional Shares calculated in accordance with the formula described under "How to Complete the Rights Certificate - To Apply for Additional Shares - Form 2." If all Rights offered are exercised under the Basic Subscription Right, no Additional Shares will be available for purposes of the Additional Subscription Privilege.

Ineligible Shareholders

None of the Rights or Shares are qualified or registered under the securities laws of any jurisdictions other than the Qualifying Jurisdictions and none of them are being offered by Micromem for sale in any jurisdiction other than the Qualifying Jurisdictions as Micromem does not have a sufficient number of shareholders or Shares held in such jurisdictions to make it cost-effective to qualify this offering in such other jurisdictions.

This offering of Rights and Shares is not being made in any jurisdiction outside the Qualifying Jurisdictions and is not, and under no circumstances is to be construed as, an offering of any Rights or Shares for sale in any jurisdiction outside the Qualifying Jurisdictions, or to a resident outside a Qualifying Jurisdiction, or a solicitation in any jurisdiction outside a Qualifying Jurisdiction of any offer to buy any securities of Micromem. Accordingly, no subscription for Shares offered hereunder will be accepted, directly of indirectly, from any person who appears to be, or who Micromem has reason to believe is, a national or resident of a jurisdiction other than a Qualifying Jurisdiction (an "Ineligible Shareholder"), unless not less than seven days prior to the Subscription Deadline such Ineligible Shareholder provides, at his, her or its own expense, evidence acceptable to Micromem that such Ineligible Shareholder may otherwise receive Rights and subscribe for Shares without imposing any requirement on Micromem to comply with any legal requirements in the jurisdiction in which such Ineligible Shareholder is resident other than those being complied with in connection with the offering of Rights in the Qualifying Jurisdictions.

Rights Certificates will not be delivered to Ineligible Shareholders. Instead Ineligible Shareholders will be sent a letter advising them that their Rights will be issued to and held by the Depository, who will hold such Rights as agent for the benefit of all Ineligible Shareholders. Ineligible Shareholders shall not be entitled to participate in the Additional Subscription Privilege unless, not less than seven days prior to the Subscription Deadline, such Ineligible

Shareholder provides, at his, her or its own expense, evidence acceptable to Micromem that such Ineligible Shareholder may otherwise receive Rights and subscribe for Shares without imposing any requirement on Micromem to comply with any legal requirements in the jurisdiction in which such Ineligible Shareholder is resident other than those being complied with in connection with the offering of Rights in the Qualifying Jurisdictions. The Depository agrees to attempt to sell the Rights of the Ineligible Shareholders on such date or dates and at such price or prices as the Manager (as defined under "Dealer Solicitation Group") directs the Depository in the Manager's sole discretion. The Depository's ability to sell such Rights, and the price obtained therefor, are dependent on market conditions. Neither the Depository nor the Manager shall be subject to any liability for failure to sell any Rights of Ineligible Shareholders at a particular price or at all. The net proceeds received by the Depository from the sale of such Rights will be divided pro rata among the Ineligible Shareholders. The Depository will cause cheques to be issued therefor, which are for amounts in excess of $15 only, less any withholding tax, to Ineligible Shareholders which cheques will be mailed by the Subscription Agent to the Ineligible Shareholders at their addresses appearing in the records of Micromem immediately after the Subscription Deadline. **There is a risk that the proceeds received from the sale of the Rights will not exceed the brokerage commission and costs incurred by the Depository in respect of the sale of such Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be delivered to Ineligible Shareholders.**

Subscription Agent, Subscription Office and Depository

Micromem has appointed Equity Transfer Services Inc. (the "Subscription Agent") to perform various services relating to the exercise of Rights, including receiving subscriptions for Shares and payment of the Subscription Price from Rights holders and issuing certificates for the Shares subscribed for. Micromem will pay the fees and expenses of the Subscription Agent, which are estimated to be $5,000.

The Subscription Agent will accept subscriptions for Shares and certified cheques, bank drafts and money orders representing payment of the Subscription Price from Rights Certificate holders only at its office at the following address (the "Subscription Office"):

Equity Transfer Services Inc.
120 Adelaide Street West, Suite 420
Toronto, Ontario M5H 4C3

Phone: (416) 361-0152
Fax: (416) 361-0470

Micromem has also appointed TD Trust Company (the "Depository"), a Canadian federally licensed trust company, to hold payment from all of the subscribers. **All certified cheques, bank drafts and money orders must be made payable to the order of the Depository and sent with the duly executed Rights Certificate to the Subscription Agent**. All certified cheques, bank drafts and money orders received by the Subscription Agent will be turned over to the Depository.

HOW TO COMPLETE THE RIGHTS CERTIFICATE

General

By completing the appropriate form on the Rights Certificate in accordance with the instructions outlined below and on the Rights Certificate, a Rights Certificate holder may:

(a) subscribe for Shares (Form 1);

(b) subscribe for Additional Shares (Form 2);

(c) sell or transfer Rights (Form 3); and/or

(d) divide or combine the Rights Certificate (Form 4).

Unexercised Rights

Subject to the ability of a Rights Certificate holder to divide a Rights Certificate by completing, at the same time, Form 4 with the intention of obtaining a new certificate for the Rights such holder has chosen not to exercise, a Rights Certificate holder who, in Form 1 on the Rights Certificate, exercises some but not all of the Rights evidenced by a Rights Certificate, will be deemed to have elected to waive the unexercised balance of such Rights and such unexercised balance of Rights will be void and of no value after the Subscription Deadline. Similarly, if a Rights Certificate holder has failed to surrender such holder's Rights Certificate to the Subscription Agent, as of the Subscription Deadline, has surrendered such holder's Rights Certificate but failed to complete Form 1 or Form 3 on the Rights Certificate, or has failed to make payment of the Subscription Price in respect of any Shares which such holder elects to subscribe for, such holder will be deemed to have elected to waive the Rights represented by such Rights Certificate (or such portion thereof in respect of which such holder has failed to make payment) and such Rights will be void and of no value after Subscription Deadline.

Signatures

The signature on any form on the Rights Certificate must correspond exactly with the name of the Rights Certificate holder shown on the face of the Rights Certificate. If a form is signed by a trustee, executor, administrator, officer of a corporation or any person acting in a fiduciary or representative capacity, the Rights Certificate must be accompanied by evidence satisfactory to the Subscription Agent of authority to so sign.

To Subscribe for Shares - Form 1

5.497 Rights and $4.15 (or Cdn$6.21) are required to subscribe for one Share. A Rights Certificate holder may subscribe for all or any lesser number of whole Shares for which the Rights Certificate entitles such holder to subscribe by completing Form 1 and delivering the Rights Certificate and the Subscription Price, payable to the Depository, for such Shares to the Subscription Agent at the Subscription Office on or before the Subscription Deadline. The Subscription Price is payable in U.S. or Canadian funds by certified cheque, bank draft or money order payable to or to the order of the Depository or by other form of payment acceptable to Micromem and the Depository. The duly completed Rights Certificate, together with the Subscription Price must be received by the Subscription Agent at the Subscription Office on or before the Subscription Deadline.

If delivery of the Rights Certificate and accompanying Subscription Price is to be effected by mail, for the protection of the holder it is recommended that registered mail be used and that sufficient time be allowed to ensure the receipt thereof by the Subscription Agent at the Subscription Office on or before the Subscription Deadline. Deposit in the mails does not constitute delivery to the Subscription Agent at the Subscription Office.

Execution and delivery of a Form 1 constitutes a representation and warranty to Micromem and the Subscription Agent by the Rights Certificate holder that such holder is not a national or resident of a jurisdiction other than a Qualifying Jurisdiction or the agent of any such person.

To Apply for Additional Shares - Form 2

To exercise the Additional Subscription Privilege and subscribe for Additional Shares, any holder of a Rights Certificate who completes Form 1 for the maximum number of whole Shares that can be subscribed for with the number of Rights evidenced by such Rights Certificate must also complete Form 2 on the back of the Rights Certificate and specify the number of Additional Shares desired to be subscribed for. The total Subscription Price of such Additional Shares must be paid by certified cheque, bank draft or money order payable to or to the order of the Depository, or by other form of payment acceptable to Micromem and the Depository, and must accompany the Rights Certificate when delivered to the Subscription Agent.

If there should be insufficient Additional Shares to satisfy all subscriptions for Additional Shares, the Additional Shares will be allotted to each participant in the Additional Subscription Privilege on a proportionate basis in accordance with the following formula: the number of the Additional Shares allotted to each participant in the Additional Subscription Privilege will be the lesser of:

(a) the number of Shares which that participant has subscribed for under the Additional Subscription Privilege; and

(b) the product (disregarding fractions) obtained by multiplying the aggregate number of Additional Shares by a fraction the numerator of which is the number of Shares subscribed for by that participant under the Additional Subscription Privilege and the denominator of which is the aggregate number of Shares subscribed for under the Basic Subscription Privilege by all participants in the Additional Subscription Privilege.

If any participant has subscribed for fewer Additional Shares than his, her or its pro rata allotment under (b) above, the excess Additional Shares will be allotted in a similar manner among the participants who were allotted fewer Additional Shares than they subscribed for.

If, as a result of the application of the foregoing formula, a participant in the Additional Subscription Privilege is allotted a number of Additional Shares which falls short of the number of Additional Shares specified in Form 2 on the participant's Rights Certificate, the Subscription Agent will, when mailing the share certificate for the Additional Shares issued to the participant, refund, without interest, the excess portion of the total Subscription Price paid to the Subscription Agent by the participant. Any interest earned with respect to the Additional Subscription Privilege will be paid to Micromem.

To Transfer Rights - Form 3

A Rights Certificate holder, instead of exercising such holder's Rights to subscribe for Shares, may sell or transfer those Rights by completing Form 3 on the Rights Certificate and delivering the Rights Certificate to the transferee. The transferee may exercise all of the Rights of a Rights Certificate holder without obtaining a new Rights Certificate. If a Rights Certificate is transferred in blank, Micromem and the Subscription Agent may thereafter treat the bearer as the absolute owner of the Rights Certificate for all purposes and neither Micromem nor the Subscription Agent shall be affected by any notice to the contrary.

The signature of the transferring Rights Certificate holder on Form 3 must be guaranteed by a Canadian chartered bank, by a major Canadian trust company, or by a member of the Securities Transfer Agents Medallion Program (STAMP). The signature of the transferee on any of the forms on the Rights Certificate must correspond exactly with the name of the transferee shown on Form 3. If a form is signed by a trustee, executor, administrator, officer of a corporation or any person acting in a representative capacity, the Rights Certificate must be accompanied by evidence satisfactory to the Subscription Agent of authority to so sign.

To Divide the Rights Certificate – Form 4

A Rights Certificate may be divided or combined with other Rights Certificates by completing Form 4 and delivering the Rights Certificate to the Subscription Agent at the Subscription Office (no endorsement is necessary if not changing ownership). The Subscription Agent will then issue new Rights Certificates in such denominations (totalling the same number of Rights as evidenced by the Rights Certificate being divided or combined, less any Rights which are being exercised by the holder as evidenced by a completed Form 1) as are requested by the Rights Certificate holder. Rights Certificates must be surrendered for division or combination at least three business days before the Subscription Deadline to permit the new Rights Certificates to be issued to and used by the Rights Certificate holder.

SHARES PURCHASED THROUGH THE EXERCISE OF RIGHTS

Registration and Delivery of Share Certificates

Shares purchased through the exercise of Rights will be registered in the name of the person to whom the Rights Certificate was issued or any transferee indicated on the Rights Certificate. Share certificates will be delivered as soon as practicable by first class mail to the address shown in the records of Micromem of the person to whom the Rights Certificate was issued or to the address of any transferee indicated on the Rights Certificate or arrangements can be made to pick up share certificates from the Subscription Agent.

Market for the Shares

The Shares are traded through the National Association of Securities Dealers ("NASD") Over the Counter Bulletin Board (the "OTC Bulletin Board") and the Winnipeg Stock Exchange (the "WSE"). The Rights will not be traded on any stock exchange or through any trading facility.

Resale Restrictions

The Rights and any Shares purchased through the exercise of Rights by residents of British Columbia may be subject to certain resale restrictions under applicable securities laws in that jurisdiction. Each holder of Rights resident in British Columbia is advised to consult his or her own legal advisor in this regard, as he or she will be responsible for compliance with all applicable resale restrictions.

DEALER SOLICITATION GROUP

Pursuant to a dealer solicitation agreement between Micromem and Canaccord Capital Corporation (the "Manager") dated as of September 28, 2000 (the "Dealer Solicitation Agreement"), the Manager will form and manage a soliciting dealer group for the purpose of soliciting subscriptions for Common Shares issuable upon the exercise of the Rights from persons resident in Alberta, British Columbia, Manitoba and Ontario. All members of the Investment Dealers Association of Canada, The Toronto Stock Exchange and The Canadian Venture Exchange will be invited to join the soliciting dealer group for the purposes of soliciting subscriptions.

Micromem will pay the Manager a management fee of $50,000.00 (plus GST) and will pay to the Manager or another registered dealer a solicitation fee equal to $0.15 per Share for which a subscription is procured pursuant to the Rights offered hereunder. No solicitation fee is payable in the case of subscriptions from officers, directors or employees of Micromem. In addition, Micromem will pay to the Manager a success fee of $25,000 (plus GST) in the event that the number of Shares issued in connection with the exercise of Rights originally issued to residents in Alberta, British Columbia, Manitoba and Ontario (the "Canadian Rights") is at least 70% of that number of Shares determined by dividing the total of number of Canadian Rights by 5.497.

THE COMPANY

General

Micromem Technologies Inc. ("Micromem") was incorporated under the laws of the Province of Ontario, Canada, on October 21, 1985 as Mine Lake Minerals Inc. It subsequently changed its name to Avanti Capital Corp. on June 23, 1988 and to AvantiCorp International Inc. on April 30, 1992 before becoming Micromem Technologies Inc. on January 14, 1999 in connection with its acquisition of Pageant Technologies Incorporated ("Pageant International"). Micromem's principal executive offices are located at 150 York Street, Suite 302, Toronto, Ontario M5H 2S5.

Micromem was formed to engage in the business of both mineral and oil and gas exploration and development in Canada and the United States. The last of Micromem's mineral interests, which had an aggregate carrying value of US $153,564 at the end of fiscal year 1992, were written down to nominal value by Micromem in fiscal year 1995 and written off entirely in fiscal year 1998. On January 11, 1999, Micromem completed the acquisition of 100% of the capital stock of Pageant International in exchange for 32,000,000 Common Shares and warrants for the purchase of an additional 1,000,000 Shares (the "Warrants"), representing 88.94% of the outstanding Common Shares of Micromem (89.24% assuming exercise of all the Warrants). The Warrants were exercisable at CDN $2.00 per share through January 11, 2000 and are exercisable thereafter at CDN $2.30 per share through January 12, 2001. Prior to the acquisition of Pageant International, Micromem's issued and outstanding capital consisted of 3,490,646 Common Shares.

Micromem's wholly-owned subsidiary, Pageant International and Pageant International's wholly-owned subsidiary, Pageant Technologies (USA) Inc. ("Pageant USA") will sometimes be jointly referred to in this circular as "Pageant". Micromem, Pageant International and Pageant USA will sometimes be collectively referred to in this circular as the "Company."

The Company is engaged in the development and exploitation of patented technology known as MAGRAM™ which relates to high performance memory and memory intensive logic products having the characteristics of nonvolatility, which is the ability to retain information after power has been shut off, and random read/write capability, which is the ability to read or write information by going directly to the appropriate location rather than by starting at the first location and proceeding sequentially until the appropriate location is reached. The Company currently has no revenues from either the sale of products or the licensing of technology. The Company's objective is to focus on particular market segments for which its MAGRAM™ technology would be suited and then either manufacture products adapted for use by those market segments or license the MAGRAM™ technology and work with each licensee to adapt the technology to meet that licensee's particular needs. Decisions as to which market segments the Company will concentrate on first and as to the approach the Company will take with those market segments have yet to be made.

Recent Developments

Research and Development

Pageant USA entered into a Research Agreement dated as of November 24, 1997 with the University of Utah (the "Research Agreement") providing for work to be performed by the University faculty, staff and students within the University's Department of Electrical Engineering for the purpose of producing a working prototype of a micron scale, integrated circuit ferromagnetic nonvolatile random access memory. The Research Agreement also provided that the University would own all rights, title and interest in all inventions and improvements conceived or reduced to practice by the University or University personnel, and could at its election file all related patent applications, but that the University must grant to Pageant USA, on such terms and conditions as the University may specify, an option for an exclusive license on any such inventions, improvements, applications or patents. As of the date of this circular, the University has not filed any such applications. The Research Agreement terminated December 31, 1999. The total cost to the Company for the work done by the University of Utah was $515,000.

On December 9, 1999, Pageant USA entered into an Agreement (the "DOE Agreement") with AlliedSignal Federal Manufacturing & Technologies ("AlliedSignal") operating under contract with the US Department of Energy ("DOE") to conduct an engineering evaluation of the MAGRAM™ technology. The evaluation was to be conducted at the DOE's Kansas City, Missouri facility managed for DOE by AlliedSignal. AlliedSignal was subsequently acquired by Honeywell, Inc. ("Honeywell"), which assumed responsibility for both performance of the DOE Agreement and management of the DOE Facility. The DOE Agreement was subsequently amended on July 10, 2000 to expand the scope of work to be completed by Honeywell. Pursuant to the amended DOE Agreement, Honeywell has agreed in addition to providing an evaluation of the MAGRAM™ technology to provide engineering and manufacturing services to assist Pageant USA with product enhancement, manufacturing studies, microelectronic packaging, testing, and supplier integration of the MAGRAM™ technology. This will include providing technical consultation, engineering design and prototyping services, and manufacturing studies. The estimated fee payable to Honeywell for the services to be provided is $553,000.

Preparation of samples for Honeywell is being done by Pageant USA at the University of New Mexico's Center for High Technology Materials (the "CHTM") in Albuquerque. Pageant had been planning to undertake its own research and development work, as well as the limited production of memory modules employing the MAGRAM™ technology, upon termination of the Research Agreement with the University of Utah at the end of 1999. On December 31, 1999, Pageant USA entered into a Use Agreement with the Regents of the University of New Mexico (the "Use Agreement") for the use by Pageant USA of laboratory space and specialized equipment at the CHTM to December 9, 2000, at a rate of $500 for each day Pageant USA actually used the space and equipment, but in no case more than $3,000 per month. The laboratory space subject to the Use Agreement consists of the University of New Mexico's class 100/1000 clean room and test equipment laboratories. Before the expiration of the Use Agreement the Company intends to use some of the proceeds from this offering to secure new facilities.

The Company is currently in the process of fabricating samples of arrayed micron scale configurations for testing by Honeywell. Honeywell's evaluation of the arrays will consist of a series of tests, such as stress tests to measure the effect of temperature extremes, shock, vibration, static discharge and high electrical currents, and tests to measure speed and power consumption under both read and write conditions.

While one of the options under consideration is for the Company to undertake its own manufacturing, it is more likely that the Company will be dependent to a significant extent on licensees, contract manufacturers or commercial partners to manufacture its proposed products. It is intended that some of the proceeds of this offering will be used to acquire research and development facilities that may also be used to meet some of the Company's manufacturing needs, although the need for additional manufacturing capacity is expected to continue. Although such reliance on third parties for manufacturing may adversely affect operating results as well as the Company's ability to develop and deliver products on a timely and competitive basis, Management believes that there is ample capacity within the memory cell manufacturing industry to accommodate the Company's needs for the foreseeable future. Management further believes that the competitiveness among contract manufacturers will ensure that adequate and reliable supplies of materials can be sourced in a cost effective manner for the foreseeable future. The Company has not yet entered into agreements or negotiations with licencees, contract manufacturers or commercial partners to manufacture its proposed products.

Personnel

The Company has established a research team consisting of engineers who work principally at the facilities leased by Pageant USA at CHTM. The research team principally consists of the Director of Research, a Senior Research Engineer and three Technical Consultants. Richard Lienau, the inventor of the MAGRAM™ technology, serves as one of the Technical Consultants. In addition to the research team, the Company has expanded its management team by hiring an Executive Vice-President and General Counsel, Chief Financial Officer and a Manager, Investor Relations who work from Micromem's executive offices in Toronto, Canada. Micromem's Chairman also serves as Micromem's Chief Executive Officer. At the date of this circular, the Company had nine employees and five paid consultants.

Patents

A U.S. patent for the MAGRAM™ technology (U.S. Patent 5,295,097 entitled Nonvolatile Random Access Memory, the "Patent") was issued to Richard M. Lienau on March 15, 1994. Mr. Lienau also filed corresponding patent applications with the European Patent Office (Serial Number 93918644.1) and the Japanese Patent Office (Serial Number 505547/199) (the "Related Foreign Applications"). On November 18, 1997, Mr. Lienau assigned his entire right, title and interest in the Patent and Related Foreign Applications to Estancia Limited and on November 19, 1997, Estancia Limited assigned a nontransferable undivided 50% interest in the Patent and Related Foreign Applications to Pageant International through Pageant International's former parent company Ataraxia Corp. The European Patent Office application was subsequently allowed and patents have been issued in all countries contracting with the European Patent Office. The Japanese Patent Application is still pending.

On June 5, 2000, a Notice of Allowance was issued with respect to US patent application (Serial Number 09/218,344) entitled Hall Effect Ferromagnetic Random Access Memory Device and its Method of Manufacture. The inventors on the patent application are Richard Lienau and Laurence Sadwick, both of whom have assigned 50% of all rights to each of Pageant Technologies and Estancia Limited. Foreign patent applications were filed in Canada on December 22, 1999 (Serial Number 2292937) and in the European Patent Office on December 22, 1999 (Serial Number 99310406.6). The Company continues to apply for patents covering discoveries made during its ongoing development program.

In addition to the interests in the patents and patent applications described above, Pageant International has been granted an exclusive worldwide license to develop the MAGRAM™ technology and manufacture and sell the related products. The license was granted by Estancia Limited to Pageant International's then parent company Ataraxia Corp. pursuant to an agreement dated September 17, 1997 among Ataraxia Corp., Estancia Limited and Richard M. Lienau (the "License Agreement"), which Ataraxia Corp. assigned to Pageant International on October 22, 1997. The License Agreement also provides that Estancia Limited and Richard Lienau will grant to Pageant International a right of first refusal to acquire rights in respect of any patent improvements or new technology or application developed by or under the control of Estancia Limited or Richard Lienau relating to any invention, technology, application or product which may reasonably be regarded as similar to or competitive with the MAGRAM™ technology. The License Agreement requires Pageant International to pay Estancia Limited or its nominee a royalty of 40% of the gross profits less expenses agreed by the parties for each technology license sold. Additionally, Pageant International will pay Estancia Limited 40% of any per unit royalty received by Pageant less properly documented reasonable expenses directly related to the obtaining of said royalties and as agreed by the parties in writing.

The License Agreement requires Pageant International to provide the funding necessary to support the work then being done by the University of Utah (see "Research and Development") to develop a prototype and to test, manufacture, document or otherwise take the technology to the marketplace. The License Agreement also makes Pageant International responsible for all marketing, sales and licensing of the technology. In the event of default by Pageant International, all right, title and interest in the technology and related intellectual property rights transferred to Pageant International under the License Agreement shall revert back to Estancia Limited.

Description of Property

Micromem maintains corporate headquarters in Toronto, Ontario, Canada. The space, consisting of approximately 2,500 square feet, is part of a larger office space leased by Ontex Resources Limited ("Ontex") pursuant to a lease that expires January 30, 2002. Micromem reimburses Ontex at cost for its space. There is no written sublease between Ontex and Micromem. Sam Fuda, Chairman of the Board of Directors of Micromem, is Chairman of the Board of Directors of Ontex. An administrative office for the use of Pageant is located in Santa Fe, New Mexico. The space consists of 1,852 square feet and is leased. The lease expires December 31, 2000. Pageant USA has an agreement with the University of New Mexico for the use of specialized laboratory space and equipment at the University's Center for High Technology Materials in Albuquerque, New Mexico, to December 9, 2000.

USE OF PROCEEDS

Assuming all of the Rights are exercised, the gross proceeds to Micromem from this offering will be approximately $30 million. Micromem estimates that its expenses of this offering will be approximately $400,000. Accordingly, the maximum net proceeds to Micromem after allowing for expenses will be approximately $29,600,000. Micromem intends to use the net proceeds of the offering as follows: (i) approximately 75% of the net proceeds for continued research and development with respect to the MAGRAM™ technology and other technologies which may be developed or licensed by the Company in the future and specific applications of such technologies; (ii) approximately 20% of the net proceeds for general corporate purposes; and (iii) if deemed necessary, the remaining 5% for the initial costs associated with developing manufacturing capabilities and otherwise for general corporate purposes. Pending any specific application of the net proceeds, such proceeds will be invested in marketable securities and short-term investments.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated debt and capitalization of Micromem as at April 30, 2000 and April 30, 2000 after giving effect to this offering.

Designation of Security	As at October 31, 1999 (audited)	As at April 30, 2000 (unaudited)	As at April 30, 2000 after giving eff to this Offering (unaudited) (1)(2)
Debt	-	-	
Long-term debt	-	-	-
Obligations under capital leases	-	-	-
Total Debt	-	-	-
Shareholders' Equity			
Share Capital	$2,068,193	$11,691,565	$41,291,565
Common Shares (authorized- unlimited)	(36,551,319 shares)	(39,683,679 shares)	(46,912,594shares)
Deficit	$(5,163,888)	$(7,447,729)	$(7,447,729)
Total Shareholders' Equity	$(3,095,695)	$4,243,836	$33,843,836
TOTAL CAPITALIZATION	$(3,095,695)	$4,243,836	$33,843,836

Notes:

(1) Assumes the exercise of all Rights.

(2) Does not give effect to the issue of any warrants or options issued under Micromem's stock option plan. There are currently 697,237 warrants, each warrant entitling the holder to purchase one common share at a price of CDN$2.30 per share outstanding. Under the stock option plan, 3,750,000 options have been granted (200,000 of which have been exercised) and 1,750,000 remain ungranted.

SHARE CAPITAL

The authorized share capital of Micromem consists of an unlimited number of common shares without par value ("Common Shares"), and 2,000,000 special preference shares without par value which may be issued in series ("Special Shares"). As at the date hereof, 39,734,516 Common Shares and no Special Shares are issued and outstanding as fully paid and non-assessable. In addition, as of the date hereof, 697,237 warrants ("Warrants") to purchase Common Shares are outstanding. Assuming all Rights issued under this offering are exercised, an aggregate of 7,228,915 Shares will be issued pursuant to this offering, representing 18.2% of the total number of outstanding Common Shares as at the date hereof. In the event that all of the Shares offered hereunder are taken up, the aggregate number of the outstanding Shares will be approximately 46,963,431. A summary of the rights, privileges and restrictions attaching to the Common Shares, Special Shares and Warrants is as follows:

Common Shares

Holders of Common Shares are entitled to receive notice of, attend and vote at all meetings of shareholders of Micromem. Each Common Share carries one vote at such meetings. In the event of the voluntary or involuntary liquidation, dissolution or winding-up of Micromem, after payment of all outstanding debts and subject to the rights of holders of Special Shares, the remaining assets of Micromem available for distribution will be distributed to the holders of Common Shares. Dividends may be declared and paid on the Common Shares in such amounts and at such times as the directors shall determine in their discretion in accordance with the *Business Corporations Act* (Ontario) (the "Business Corporations Act"). There are no pre-emptive rights, conversion rights, redemption provisions or sinking fund provisions attaching to the Common Shares. Common Shares are not liable to further calls or to assessment by Micromem; provided, however, that pursuant to the provisions of the Business Corporations Act, Micromem has a lien on any Common Share registered in the name of a shareholder or the shareholder's legal representative for a debt owed by the shareholder to Micromem.

Special Shares

Holders of Special Shares are entitled to receive notice of, attend and vote at all meetings of the shareholders of Micromem. Each Special Share carries one vote at such meetings. In the event of the voluntary or involuntary liquidation, dissolution or winding-up of Micromem, after payment of all outstanding debts, the holders of the Special Shares shall be entitled to receive, before any distribution of any part of the assets of Micromem among the holders of any other shares, the amount paid up on the Special Shares. The Special Shares are redeemable at the option of Micromem for the amount paid up on such shares. Dividends may not be declared or paid on the Special Shares and the transfer of Special Shares is restricted without the approval of the directors of Micromem and the prior written consent of the Ontario Securities Commission. The number of Special Shares that may be issued and outstanding at any time is limited to 500,000. There are no pre-emptive rights, conversion rights or sinking fund provisions attaching to the Special Shares. Special Shares are not liable to further calls or to assessment by Micromem; provided, however, that pursuant to the provisions of the Business Corporations Act, Micromem has a lien on any Special Share registered in the name of a shareholder or the shareholder's legal representative for a debt owed by the shareholder to Micromem.

Warrants

Each Warrant entitles the holder thereof to acquire one common share at CDN$2.00 per share up to 4:00 p.m. (Toronto time) on January 11, 2000 or, if not exercised by that time, at CDN$2.30 per share up to 4:00 p.m. (Toronto time) on January 12, 2001. The Warrants do not entitle the holders thereof to rights as shareholders. The Warrants contain anti-dilution provisions providing that upon, among other things, any subdivision, consolidation or share exchange, the exercise price and number of shares available upon exercise will be adjusted accordingly. All Warrants were issued on January 11, 1999.

STOCK OPTIONS

Micromem has established an incentive stock option plan (the "Option Plan"). The board of directors approves the granting of stock options to officers, directors or employees as incentives from time to time. The Option Plan was approved by shareholders of Micromem at the annual and special meeting held on June 29, 2000. The purpose of the Option Plan is to attract, retain and motivate management and staff by providing them with the opportunity, through share options, to acquire a proprietary interest in Micromem and benefit from its growth.

Eligibility for participation in the Option Plan is restricted to directors, officers, executives and other key employees (or their holding companies) of Micromem and its subsidiaries. The number of Common Shares subject to options granted under the Option Plan (and under all other management options and employee stock purchase plans) is limited to 5,500,000 in the aggregate with no single individual holding options on more than five percent of the number of Common Shares of Micromem issued and outstanding at the date of the grant of the option. The exercise price of any option granted under the Option Plan may not be less than fair market value (i.e., the prevailing market price) of the Common Shares at the time the option is granted. Options issued under the Option Plan may be exercised during a period determined by the board of directors which cannot exceed ten years and are subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be a director and/or officer of Micromem or one of its subsidiaries, or upon the retirement, permanent disability or death of an optionee. The options are non-transferable.

As at the date hereof, options to purchase 3,550,000 Common Shares are outstanding as set forth in the following table:

Group (Number of Persons)	Number of Common Shares under Option	Exercise Price Per Share	Expiry Date
Directors (1)	800,000	$3.00	January 25, 2009
Directors (5)	1,250,000	$7.06	June 30, 2002
Directors (1)	500,000	$6.00	February 25, 2001
Officers (2)	600,000	$7.06	June 30, 2005
Employees (6)	400,000	$7.06	June 30, 2005

As at October 4, 2000, the closing price of the Common Shares on the OTC Bulletin Board was $4.50 per share.

PRICE RANGE OF COMMON SHARES OF MICROMEM

The Common Shares are traded on the OTC Bulletin Board under the symbol "MMTI" and the WSE under the summarizes the price range of the Common Shares and their trading volume for the periods indicated.

Month	High ($)	Low ($)	Close ($)	Volume ($)
October 1-4	5.06	4.38	4.50	293,300
September 2000	6.60	4.44	4.563	1,626,100
August 2000	8.11	5.00	6.09	3,466,800
July 2000	8.19	5.07	6.13	4,105,300
June 2000	9.50	7.06	7.06	2,951,800
May 2000	12.30	5.15	8. 50	3,546,800
April 2000	17.00	9.00	11.40	5,631,500
March 2000	25.40	5.90	14.20	20,004,600
February 2000	6.65	5.07	5.15	10,880,700
January 2000	7.00	3.00	5.65	5,005,900
December 1999	3.40	2.40	3.10	1,083,400
November 1999	4.20	2.09	2.70	603,200
October 1999	4.70	3.40	4.00	1,115,100
September 1999	5.40	3.00	4.50	1,061,300
August 1999	6.07	2.00	3.70	3,974,000
July 1999	6.30	4.70	5.09	2,358,800
June 1999	7.01	4.60	5.20	997,100

The closing price for the Common Shares on October 4, 2000 was $4.50 per share. The simple average closing price for the Common Shares for the 10 days prior to the date of this circular was $4.856.

PRINCIPAL SHAREHOLDERS

No shareholder of record or known to Micromem owns beneficially, either directly or indirectly, more than 10% of the outstanding Common Shares of Micromem as of the date hereof.

DIRECTORS AND OFFICERS OF MICROMEM

Micromem's directors are elected annually at each annual meeting of shareholders, and the officers are appointed at the directors' meeting following each annual meeting. The last annual meeting was held on June 29, 2000. The current directors and officers of Micromem are as follows:

Name and Municipality of Residence	**Since**	**Principal office with Micromem, its significant affiliates and/or principal occupation**	**Shares beneficially owned or controlled**
Salvatore Fuda Toronto, Ontario	January 1992	Chairman and Director, Micromem Technologies Inc.; and Chairman and Director, Ontex Resources Limited (TSE).	704,292 [1]
Stephen Fleming[8] Turks & Caicos	January 1999	Director, Micromem Technologies Inc.; and managing director of Barefoot Enterprises Ltd.	None [2]
Charles Harnick, Q.C. Toronto, Ontario	June 2000	Director, Micromem Technologies Inc.; Counsel to MacMillan Rooke Boekle, and Counsel to Ferguson & Boekle; and interim President of Ontex Resources Limited (TSE).	None [3]
Andrew Brandt Sarnia, Ontario	June 2000	Director, Micromem Technologies Inc.; and Chairman and C.E.O., Liquor Control Board of Ontario.	5,000 [4]
George Kennedy Clinton, Maryland, USA	June 2000	Director, Micromem Technologies Inc.; and Managing Partner, Source International, Inc., an international consulting firm.	None [5]
Raj Viswanathan Oakville, Ontario	June 2000	Chief Financial Officer, Micromem Technologies Inc.	None [6]
Manoj Pundit Toronto, Ontario	July 2000	Executive Vice-President and General Counsel, Micromem Technologies Inc.; and Partner, Chitiz Pundit Pathak & Sokoloff	278 [7]

Notes:

1. Mr. Fuda also holds 1,050,000 options, 800,000 of which entitle him to purchase one Common Share of Micromem at $3.00 prior to January 25, 2009 and 250,000 of which entitle him to purchase one Common Share of Micromem at $7.06 prior to June 30, 2002.
2. Mr. Fleming holds 750,000 options, 500,000 of which entitle him to purchase one Common Share of Micromem at $6.00 prior to February 25, 2001 and 250,000 of which entitle him to purchase one Common Share of Micromem at $7.06 prior to June 30, 2002.
3. Mr. Harnick holds 250,000 options each entitling him to purchase one Common Share of Micromem at $7.06 prior to June 30, 2002.
4. Mr. Brandt also holds 250,000 options each entitling him to purchase one Common Share of Micromem at $7.06 prior to June 30, 2002.
5. Mr. Kennedy holds 250,000 options each entitling him to purchase one Common Share of Micromem at $7.06 prior to June 30, 2002.
6. Mr. Viswanathan holds 100,000 options each entitling him to purchase one Common Share of Micromem at $7.06 prior to June 30, 2005.
7. Mr. Pundit holds 500,000 options each entitling him to purchase one Common Share of Micromem at $7.06 prior to June 30, 2005.
8. Mr. Fleming filed for personal bankruptcy on September 5, 1996 and was discharged by the United States Bankruptcy Court on March 1, 1998.

The information as to Common Shares beneficially owned or over which directors exercise control or direction, not being within the knowledge of Micromem, has been furnished by the respective directors and officers individually.

The directors and officers of Micromem, as a group, beneficially owned directly or indirectly approximately 1.8% of the issued and outstanding Common Shares as of the date hereof.

MATERIAL TRANSACTIONS

There have been no material changes in the business, operations or capital of Micromem which have not been previously disclosed or that are not disclosed in this circular. See "The Company – Recent Developments".

RISK FACTORS

The entire business of the Company at this time involves the development and exploitation of a patented ferromagnetic based memory technology called MAGRAM™, the attributes of which include nonvolatility and the ability to be both read and written randomly. While the basic development work on the technology is close to completion, no revenues from the technology have yet been received and no revenue producing agreements have been signed. The Company and the Company's investors, therefore, face a number of significant risks, which are described below.

The Company Currently Has No Source of Revenue

The Company's objective is to license its MAGRAM™ technology for use in various industries and then work with each licensee to adapt the technology to meet that licensee's particular needs. The Company is negotiating with potential licensees but has not yet entered into any license agreements. If the Company fails to enter into any license agreements it will have no revenues and even if it enters into such agreements the amount of the revenues it receives will depend on the terms it is able to get from each licensee and the ability of each licensee to compete in its particular market.

Products Using the Technology Have Not Yet Been Manufactured in Large Quantities

The Company's success depends on whether the MAGRAM™ technology can be manufactured in large quantities at competitive prices. Working prototypes and samples of the technology have been produced but large scale manufacturing has not yet been undertaken. Failure to be able to manufacture large quantities at competitive prices could seriously hurt the Company's ability to generate revenues.

Competition From Existing or Future Technology Could Seriously Affect the Company

The Company is seeking to compete in a market currently dominated by other strong and well-established technologies, particularly Dynamic Random Access Memory or DRAM. Even if MAGRAM™ has technological advantages over those other technologies, the inability of MAGRAM™ to compete on other grounds such as price or manufacturing volume, or the saturation of the market due to large existing inventories of the other technologies or existing long-term contracts for such technologies, could seriously impair the Company's ability to generate revenues. In addition, the competitive pressures faced by the Company could be enhanced if, as is likely, the Company's competitors include established companies with greater financial or other resources and more diversified product lines than the Company.

Failure To Receive Continued Financing Could Cause the Business to Suffer

Since the Company expects no material revenues from operations for the near future, in order to successfully market the MAGRAM™ technology to potential licensees and in order to continue the research and development that would be needed for further improvements, the Company will need additional financing. The Company will need to obtain this financing from investors and from persons who hold outstanding options and warrants. While the Company has had sufficient funds thus far to meet its requirements, there is no assurance it will be able to continue to do so, and failure to receive sufficient funds in the future could affect its ability to market and exploit the technology.

Because Much of the Company's Success and Value Depends On Its Ownership and Use of Intellectual Property, the Company's Failure to Protect That Property Could Adversely Affect Its Future Growth and Success

The Company's success will depend, in part, on its ability to protect its intellectual property. The Company relies primarily on patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods to protect its proprietary technologies and processes. Despite its efforts to protect its proprietary technologies and processes, unauthorized parties may attempt to copy or otherwise obtain and use its products or technology without authorization, develop similar technology independently or design around its patents. Policing unauthorized use of the Company's products is expensive and difficult, and the Company cannot be certain that the steps it has taken will prevent misappropriation or infringement of its intellectual property.

Intellectual Property Claims Against the Company, No Matter How Groundless, Could Cause Its Business To Suffer

The Company's future success and competitive position depend in part on its ability to retain exclusive rights to the MAGRAM™ technology, including any improvements that may be made on that technology from time to time by the Company or on its behalf. While the MAGRAM™ technology is patented and the Company knows of no challenge that has been made either against the technology or against the Company's exclusive rights to it, and has no reason to believe that any such challenge might be made or that the grounds for any such challenge exist, if any intellectual property litigation were to be commenced against the Company, no matter how groundless, the result would be significant expense, adversely affecting licensing and sales, and diverting the efforts of its technical and management personnel and, in the event of an adverse outcome, substantial damages and possible restrictions on the licensing and use of the technology.

There is no assurance that any of the pending applications that any of the pending applications will be issued as patents or that any issued patent will not be later determined invalid.

No Foreseeable Dividends

Micromem has never paid a dividend on its securities. The payment of any future dividends by Micromem is at the sole discretion of its board of directors. Micromem does not anticipate paying dividends on the Shares in the foreseeable future.

Issuance of Additional Securities and Dilution

The board of directors of Micromem has the authority to issue further Shares or other securities of Micromem without the prior consent or vote of Micromem's shareholders. The issuance of additional Shares may have the effect of further diluting the proportionate equity interest and voting power of holders of Shares.

Dependence on Key Personnel

The Company's success will depend on its ability to retain certain of its senior management and key personnel. It will also depend, to a large extent, on its ability to attract and retain highly skilled replacements for additions to such personnel in the future.

FEDERAL INCOME TAX CONSIDERATIONS

Canada

The following is a general summary of the principal Canadian federal income tax considerations generally applicable to holders of Rights who are, or are deemed to be, residents of Canada, who hold their Rights (and their Shares acquired pursuant to the exercise of such Rights) as capital property and who deal at arm's length with Micromem. The Rights and Shares will generally be considered capital property to the holder thereof unless either the holder holds the Rights or Shares in the course of carrying on a business or the holder has acquired the Rights or Shares in a transaction or transactions considered to be an adventure in the nature of trade.

This summary is based on the current provisions of the *Income Tax Act (Canada)* (the "Tax Act"), the regulations thereunder, all specific proposals to amend the Tax Act and the Regulations publicly announced by the Minister of Finance prior to the date hereof and an understanding of the current administrative practices of the Canada Customs and Revenue Agency. This summary does not otherwise take into account or anticipate any changes in federal law, whether by judicial, governmental or legislative decision or action, nor does it take into account the tax legislation or considerations of any province, territory or foreign jurisdiction.

The following summary is of a general nature only and is not intended to be, nor should it be construed to be, a complete analysis of all income tax consequences and should not be interpreted as legal or tax advice to any particular holder of Rights or Shares, and no representation with respect to the income tax consequences to any particular holder is made. Accordingly, such persons should consult their own tax advisors for advice with respect to the particular income tax consequences to them having regard to their particular circumstances.

A holder of Shares who receives Rights from Micromem pursuant to this offering will not be required to include the value of such Rights in computing such holder's income. Rights received by a holder of Shares pursuant to this offering will have a cost of zero and any Share acquired by such holder as a result of the exercise of such Rights will have a cost equal to the Subscription Price.

Rights acquired by a holder other than pursuant to this offering will be regarded as identical to all other Rights held by that holder. The cost of Rights so acquired will be averaged with the cost of the holder of all other Rights held by that holder immediately prior to such acquisition for the purposes of determining the adjusted cost base to that holder of each Right so held. The cost of a Share acquired upon the exercise of such Rights will be the aggregate of the adjusted cost base of such Rights and the Subscription Price.

Any Shares acquired upon the exercise of Rights will be regarded as identical to all other Common Shares acquired by that shareholder. In determining any capital gain or loss upon a subsequent disposition of any such identical Common Shares, the adjusted cost base of any such Common Shares will be computed by dividing the total cost of all such Common Shares by the total number of such identical Common Shares owned immediately before the disposition.

Upon the disposition of a Right by a holder, a capital gain (or capital loss) will be realized to the extent that such holder's proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base to such holder of the Right and any reasonable costs of disposition.

Upon the expiry of an unexercised Right, the holder will realize a capital loss equal to the adjusted cost base to him, her, or it of the Right. As an unexercised Right held by a holder who has not acquired Rights other than pursuant to this offering will have an adjusted cost base of zero, the expiry of such Right will not give rise to a capital loss.

United States

The following is a general summary of the principal United States federal income tax considerations applicable to the holders of Rights who are U.S. taxpayers. The summary is based upon current provisions of the Internal Revenue Code (the "Code"), the regulations thereunder, and current administrative rulings and court decisions. Future legislative, judicial or administrative actions or decisions, which may be retroactive in effect, may affect the accuracy of the statements in this circular with respect to transactions entered into or contemplated prior to the effective date of any changes.

The following summary is of a general nature only and is not intended to be, nor should it be construed to be, a complete analysis of all United States federal income tax consequences and should not be interpreted as legal or tax advice to any particular holder of Rights or Shares, and no representation with respect to the United States federal income tax consequences to any particular holder is made. Furthermore, this discussion may not apply to particular categories of U.S. taxpayers subject to special treatment under the Code, such as insurance companies, financial institutions, broker-dealers, tax-exempt organizations and holders whose shares were acquired pursuant to the exercise of employee stock options or otherwise as compensation. Accordingly, U.S. taxpayers should consult their own tax advisors for advice with respect to the particular income tax consequences to them having regard to their particular circumstances.

A holder of Shares will not recognize taxable income from the receipt of Rights from Micromem pursuant to this offering. Rights received by a holder of Shares will have a tax basis of zero, unless (1) such holder sells or exercises the Rights, and (2) either:

- the fair market value of the Rights on the date of distribution is 15% or more of the fair market value on that date of Shares of the Company owned by such holder, in which case such holder will be required to allocate a portion of such holder's basis in the Shares already owned by such holder to the Rights distributed to such holder pursuant to this offering, based upon the relative fair market value of the Rights and Shares on the date of distribution, or

- such holder elects under Section 307 of the Code to allocate a portion of such holder's basis in the Shares already owned by such holder to the Rights distributed to such holder pursuant to this offering, based upon the relative fair market value of the Rights and Shares on the date of distribution.

A holder's holding period with respect to Rights received by such holder pursuant to this offering will include such holder's holding period for the Shares with respect to which the Rights were distributed.

A holder of Shares will not recognize any gain or loss upon the exercise of Rights. A holder's basis in the Shares such holder acquires through the exercise of the Rights will be equal to the sum of the subscription price such holder pays for such Shares and such holder's basis in the Rights (if any). The holding period for Shares acquired through the exercise of the Rights will begin on the day following the day of acquisition. Upon a subsequent sale of those Shares, a holder will recognize capital gain or loss equal to the difference between the amount received upon that sale and such holder's basis in the Shares. The capital gain or loss recognized will be long-term or short-term, depending on whether the Shares were held for more than one year.

Upon the disposition of a Right by a holder, such holder will recognize capital gain or loss equal to the difference between the sale proceeds and such holder's basis (if any) in the Rights sold. The capital gain or loss recognized will be long-term or short-term, depending on whether the Rights were held for more than one year.

Upon the expiration of unexercised Rights distributed to holders of Shares, such holders will not recognize gain or loss, and no adjustment will be made to the basis of such holders' Shares.

If a holder acquires Rights by purchase, such holder's tax basis in the Rights will be equal to the purchase price paid for the Rights, and the holding period for the Rights will commence on the day following the date of their purchase. If such holder's Rights expire unexercised, such holder will recognize a loss equal to such holder's tax basis in the Rights. Any loss recognized by a holder on the expiration of Rights acquired by purchase will be a capital loss if the Shares would be a capital asset in the hands of such holder.

AUDITORS

The auditors of Micromem are KPMG LLP, Chartered Accountants, Toronto, Ontario.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Equity Transfer Services Inc. at its principal offices in Toronto, Ontario.

Equity Transfer Services Inc.
120 Adelaide Street West, Suite 420
Toronto, Ontario M5H 4C3

Phone: (416) 361-0152
Fax: (416) 361-0470

INQUIRIES

Inquiries relating to this offering should be directed either to David Hayes, Manager, Investor Relations, Micromem Technologies Inc.; 150 York Street, Suite 302, Toronto, Ontario M5H-3S5, telephone (416) 364-6513 or 1-877-388-8930 or fax (416) 360-4034, or to the Subscription Agent at the Subscription Office, Attention: Mr. Richard Barnowski, Vice-President, 120 Adelaide Street West, Suite 420, Toronto, Ontario, M5H 4C3, telephone (416) 361-0152 or fax (416) 361-0470.

CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

DATED: October 5, 2000

(signed) "Salvatore Fuda"	(signed) "Charles Harnick"
Chairman of the Board	Director