Third Quarter Report

September 30, 2013

Oncolytics Biotech Inc.
TSX: ONC
NASDAQ: ONCY

Oncolytics Biotechnology Inc.

Third Quarter Report

2013

In the third quarter of 2013, we made further progress with our clinical program for REOLYSIN® as we continued to enroll patients in our six third party sponsored randomized Phase 2 clinical studies. Since the beginning of the third quarter of 2013, we announced positive clinical trial results from two single arm lung cancer studies. We exited the third quarter with $31.5 million of cash, cash equivalents and short-term investments maintaining a strong balance sheet.

Final U.S. Phase 2 Squamous Cell Carcinoma Clinical Trial Data

In September, we announced positive final tumour response data in our U.S. Phase 2 single arm clinical trial in patients with squamous cell carcinoma of the lung (SCCLC) using intravenous administration of REOLYSIN in combination with carboplatin and paclitaxel (REO 021). The analysis examined percent best overall tumour responses between pre-treatment and up to six treatment cycles. Of 25 evaluable patients who had more than one cycle of therapy, 23 (92%) exhibited overall tumour shrinkage (mean shrinkage was 32.7%). Of the 25 evaluable patients, 10 (40%) had partial responses (PRs), while a further 13 (52%) showed stable disease (SD) and two (8%), had progressive disease (PD), for a disease control rate (complete response (CR) + PR + SD) of 92%. We followed this with progression free survival (PFS) data that showed 31.8% of patients with sufficient follow up had a PFS greater than six months. This data was presented at both the AACR-NCI-EORTC International Conference on Molecular Targets and Cancer Therapeutics held in Boston, MA and the at the International Association for the Study of Lung Cancer (IASLC) bi-annual World Congress on Lung Cancer in Sydney, Australia.

U.S. Phase 2 Non-Small Cell Lung Cancer Clinical Data

Subsequent to quarter end, our clinical collaborators reported data at the Sydney, Australia conference from our U.S. Phase 2 study examining the use of REOLYSIN in combination with carboplatin and paclitaxel in patients with non-small cell lung cancer (NSCLC) with *Kras* or EGFR-activated tumors (REO 016). Response evaluation for 36 evaluable patients showed 11 partial responses (PR) (30%) (EGFR amplified, five; BRAF two; *Kras*, three; EGFR mutated, one), 21 stable disease (SD), and four progressive disease (PD). The poster presentation included new efficacy data that correlated a number of molecular abnormalities (biomarkers) with best response, PFS and one-year survival. More current data in these patients demonstrated that 20 of 36 evaluable patients (56%) survived a year or more. There were 13 patients with only EGFR mutations or amplifications, of whom nine (69.2%) survived a year or longer. Four of four (100%) patients with BRAF and EGFR amplification survived a year or longer.

Lung cancer is the leading cause of cancer death in the United States among both men and women. The American Cancer Society estimates that the disease will be responsible for 228,000 new diagnoses and nearly 160,000 deaths in 2013 alone. Against that backdrop, and based on these results, we believe lung cancer remains an important indication for our ongoing clinical program.

Biomarker Analysis

Last quarter we referenced the emergence of genotyping and increasingly targeted therapies for the treatment of cancer. The NSCLC data presented in Australia is the first that correlates specific biomarkers with patient performance.

We continue to work closely with one of our collaborators on pre-clinical research into biomarkers for REOLYSIN in head and neck cancers. We are also adding additional biomarker studies to our clinical program, including a retrospective examination of our NCI sponsored randomized phase 2 pancreatic cancer clinical study. Our objective with these biomarker studies is to determine if there are predictive biomarkers that will allow us to better target REOLYSIN as a cancer therapy in a range of indications.

Looking Ahead

For the balance of the year, we remain focused on performing the analysis from our REO 018 trial in head and neck cancers and determining the next steps for this portion of our clinical program. As well, based on the clinical data from our two lung cancer studies and the ongoing randomized Phase II lung study with the National Cancer Institute of Canada, we intend to investigate the regulatory path for lung cancer and determine the next steps for our lung program.

In the interim, I would like to thank all our stakeholders for their continued support and we look forward to updating you on our progress in the quarters ahead.

Brad Thompson
President and CEO

MANAGEMENT DISCUSSION & ANALYSIS

September 30, 2013

November 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis should be read in conjunction with the unaudited consolidated interim financial statements of Oncolytics Biotech Inc. as at and for the three and nine months ended September 30, 2013 and 2012, and should also be read in conjunction with the audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") contained in our annual report for the year ended December 31, 2012. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

FORWARD-LOOKING STATEMENTS

The following discussion contains forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended and under applicable Canadian provincial securities legislation. Forward-looking statements, including our belief as to the potential of REOLYSIN®, a therapeutic reovirus, as a cancer therapeutic and our expectations as to the success of our research and development and manufacturing programs in 2013 and beyond, future financial position, business strategy and plans for future operations, and statements that are not historical facts, involve known and unknown risks and uncertainties, which could cause our actual results to differ materially from those in the forward-looking statements.

Such risks and uncertainties include, among others, the need for and availability of funds and resources to pursue research and development projects, the efficacy of REOLYSIN as a cancer treatment, the success and timely completion of clinical studies and trials, our ability to successfully commercialize REOLYSIN, uncertainties related to the research, development and manufacturing of REOLYSIN, uncertainties related to competition, changes in technology, the regulatory process and general changes to the economic environment.

With respect to the forward-looking statements made within this MD&A, we have made numerous assumptions regarding among other things: our ability to obtain financing to fund our development program, our ability to receive regulatory approval to commence enrollment in our clinical trial program, the final results of our co-therapy clinical trials, our ability to maintain our supply of REOLYSIN and future expense levels being within our current expectations.

Investors should consult our quarterly and annual filings with the Canadian and U.S. securities commissions for additional information on risks and uncertainties relating to the forward-looking statements. Forward-looking statements are based on assumptions, projections, estimates and expectations of management at the time such forward-looking statements are made, and such assumptions, projections, estimates and/or expectations could change or prove to be incorrect or inaccurate. Investors are cautioned against placing undue reliance on forward-looking statements. We do not undertake to update these forward-looking statements except as required by applicable law.

REOLYSIN Development Update For 2013

Oncolytics Biotech Inc. is a Development Stage Company

Since our inception in April of 1998, Oncolytics Biotech® Inc. has been a development stage company and we have focused our research and development efforts on the development of REOLYSIN, our potential cancer therapeutic. We have not been profitable since our inception and expect to continue to incur substantial losses as we continue research and development efforts. We do not expect to generate significant revenues until, if and when, our cancer product becomes commercially viable.

Our goal each year is to advance REOLYSIN through the various steps and stages of development required for potential pharmaceutical products. In order to achieve this goal, we believe that we have to actively manage the development of our clinical trial program, our pre-clinical and collaborative programs, our manufacturing process and REOLYSIN supply, and our intellectual property.

Clinical Trial Program

Our clinical trial program is made up of randomized and non-randomized clinical trials that are sponsored by Oncolytics and by third parties. We began the third quarter of 2013 with a clinical program consisting of 15 clinical trials which includes seven randomized clinical trials. Of these 15 clinical trials, we fund three clinical trials and third parties sponsor the other 12. During

the third quarter of 2013, we announced final clinical trial results from our U.S. Phase II squamous cell lung cancer study. We exited the third quarter of 2013 with 15 clinical trials of which three are funded by Oncolytics.

Clinical Trial - Stage 1 of our Randomized Phase III Head and Neck Trial

During the third quarter of 2013, we continued to wait for all of the required patient events to occur in order for us to perform the data analysis on stage 1 of our randomized Phase III head and neck cancer trial. Stage 1 of this trial is a non-adaptive stage that randomized 167 patients in order to determine the patient characteristics and enrollment requirements for stage 2.

Clinical Trial - Third Party Clinical Trials

We began the third quarter of 2013 with 12 third party sponsored clinical trials ("Third Party Trials"). Third Party Trials have allowed us to expand our clinical program to include additional cancer indications (pancreatic, ovarian, colorectal, prostate, breast, lung cancers in various stages and histologies and multiple myeloma) while allowing us to remain focused on stage 1 of our global randomized Phase III head and neck trial, our non-small cell lung cancer trial and complete our other clinical trials. Our Third Party Trials require that we supply enough REOLYSIN for the enrollment requirements of each trial, sufficient intellectual capital to support the principal investigators and in some cases cost sharing of patient enrollment activities. The institutions involved provide the rest of the required activities to operate the clinical trial. These activities include patient screening and enrollment, treatment, monitoring and overall clinical trial management and reporting. The result is a larger clinical program investigating more cancer indications at a significantly reduced financial cost to Oncolytics. Our Third Party Trials are sponsored by the U.S. National Cancer Institute (“NCI”), the National Cancer Institute of Canada Clinical Trials Group ("NCIC"), the Cancer Therapy & Research Center at The University of Texas Health Center in San Antonio (“CTRC”), and the University of Leeds (“Leeds”).

Clinical Trial - Results

U.S. Phase II Squamous Cell Carcinoma Clinical Trial
During the third quarter of 2013, we announced final tumour response data from our U.S. Phase II single arm clinical trial in patients with squamous cell carcinoma of the lung (SCCLC) using intravenous administration of REOLYSIN in combination with carboplatin and paclitaxel.

The analysis examined percent best overall tumour responses between pre-treatment and up to six treatment cycles. Of 25 evaluable patients who had more than one cycle of therapy, 23 (92%) exhibited overall tumour shrinkage (mean shrinkage was 32.7%). Of the 25 evaluable patients, 10 (40%) had partial responses (PRs), while a further 13 (52%) showed stable disease (SD) and two (8%), had progressive disease (PD), for a disease control rate (complete response (CR) + PR + SD) of 92%.

The study enrolled patients with metastatic stage IIIB or stage IV, or recurrent, squamous cell carcinoma of the lung, who were chemotherapy-naïve for their metastatic or recurrent cancer. The primary objective of the trial was to evaluate the patients' tumour response. The secondary objectives were to assess progression-free survival and overall survival for the treatment regimen in the study population.

Clinical Trial - Biomarker Studies

In the third quarter of 2013, we continued to advance our existing biomarker research program. Our four randomized Phase II clinical studies sponsored by the NCIC and our single arm Phase II clinical study in non-small cell lung cancer (adenocarcinoma) already include full biomarker examinations. We have been engaged with one of our collaborators in pre-clinical research into biomarkers for REOLYSIN in head and neck cancers. We are adding additional biomarker studies including a retrospective examination of our NCI sponsored randomized phase II pancreatic cancer clinical trial. Our objective with these biomarker studies is to determine if there are predictive biomarkers that will allow us to better target REOLYSIN as a cancer therapy in a number of indications.

Manufacturing and Process Development

During the third quarter of 2013, we completed one 100-litre cGMP production run and continued our validation activities designed to demonstrate that our manufacturing process for the commercial production of REOLYSIN is robust and reproducible as part of a process validation master plan. Process validation is required to ensure that the resulting product meets required specifications

and quality standards and will form part of the Company's submission to regulators, including the US Food and Drug Administration, for product approval.

Intellectual Property

At the end of the third quarter of 2013, we had been issued over 380 patents including 52 U.S. and 17 Canadian patents as well as issuances in other jurisdictions. We have an extensive patent portfolio covering the oncolytic reovirus that we use in our clinical trial program including a composition of matter patent that expires in 2028. Our patent portfolio also includes methods for treating proliferative disorders using modified adenovirus, HSV, parapoxvirus and vaccinia virus.

Financing Activity

U.S. Underwritten Public Offering

In February of 2013, we closed a U.S. underwritten public offering whereby we issued 8,000,000 common shares at an issue price of U.S.$4.00 per common share for gross proceeds of U.S.$32,000,000.

Options

Throughout 2013, we received cash proceeds of $0.1 million with respect to the exercise of 48,533 stock options.

Financial Impact

We estimated at the beginning of the third quarter of 2013 that our cash requirements to fund our operations for the year would be approximately between $23.0 million and $25.0 million. Our cash usage for the nine month period ending September 30, 2013 was $20,029,692 from operating activities and $250,814 for the acquisition of property and equipment. Our net loss for the nine month period ending September 30, 2013 was $17,740,167.

Cash Resources

We exited the third quarter of 2013 with cash and short-term investments totaling $31,473,845 (see *"Liquidity and Capital Resources").*

REOLYSIN Development For 2013

Our planned development activity for REOLYSIN in 2013 is made up of clinical, manufacturing, and intellectual property programs. Our 2013 clinical program includes the anticipated release of clinical data from stage 1 of our global randomized Phase III head and neck cancer trial, our randomized U.S. Phase II pancreatic cancer trial, and our randomized U.S. Phase II ovarian cancer trial. As well, we expect to release additional clinical data from our lung cancer trials. These results will assist in the determination of our regulatory path and the next steps for our clinical program. As well, we expect enrollment to continue in our Third Party Trials throughout 2013.

Our 2013 manufacturing program includes several 100-litre cGMP production runs along with the related fill, labeling, packaging and shipping of REOLYSIN to our various clinical sites. We also plan to continue progressing through our process validation master plan and related conformity testing in 2013. Finally, our intellectual property program includes filings for additional patents along with monitoring activities required to protect our patent portfolio.

We continue to estimate the cash requirements to fund our 2013 operations will be approximately between $23.0 million and $25.0 million. Our actual 2013 cash requirements will depend on our ultimate clinical and manufacturing programs (see *"Liquidity and Capital Resources"*).

Third Quarter Results of Operations

(for the three months ended September 30, 2013 and 2012)

Net loss for the three month period ending September 30, 2013 was $6,113,650 compared to $9,243,902 for the three month period ending September 30, 2012.

Research and Development Expenses ("R&D")

	2013 $	2012 $
Clinical trial expenses	**1,967,631**	5,613,977
Manufacturing and related process development expenses	**1,714,042**	1,150,322
Intellectual property expenditures	**295,710**	263,707
Research collaboration expenses	**104,601**	157,441
Other R&D expenses	**924,695**	1,096,626
Foreign exchange loss (gain)	**(7,092)**	35,796
Share based payments (recovery)	**2,385**	(125,100)
Scientific research and development repayment (refund)	**—**	(63,441)
Research and development expenses	**5,001,972**	8,129,328

Clinical Trial Program

	2013 $	2012 $
Direct patient expenses	1,967,631	5,613,977
Clinical trial expenses	1,967,631	5,613,977

During the third quarter of 2013, our clinical trial expenses were $1,967,631 compared to $5,613,977 for the third quarter of 2012. During the third quarter of 2013, our clinical trial program activities relating to stage 1 of our global randomized Phase III head and neck trial declined as enrollment in stage 1 had been completed in 2012. In addition, we incurred direct patient costs associated with our 12 Third Party Trials which include the four randomized clinical studies that are sponsored by the NCIC and the two randomized clinical trials that are sponsored by the NCI.

In the third quarter of 2012, we incurred direct patient costs primarily associated with the re-treatment of patients enrolled in stage 1 of our global randomized Phase III head and neck trial along with the other clinical trials that we were sponsoring.

Manufacturing & Related Process Development ("M&P")

	2013 $	2012 $
Product manufacturing expenses	1,510,090	911,531
Process development expenses	203,952	238,791
Manufacturing and related process development expenses	1,714,042	1,150,322

Our M&P expenses for the third quarter of 2013 were $1,714,042 compared to $1,150,322 for the third quarter of 2012. During the third quarter of 2013, our product manufacturing costs included the completion of one 100-litre cGMP production run along with related shipping, storage and stability activities. During the second quarter of 2012, we completed a 100-litre cGMP production run along with related testing, fill and packaging activities.

Our process development expenses for the third quarter of 2013 were $203,952 compared to $238,791 for the third quarter of 2012. During the third quarter of 2013 our process development activities included a number of stability studies in addition to optimization and validation studies that are part of our validation master plan. During the third quarter of 2012, our process development activities only focused on optimization and validation studies.

Intellectual Property Expenses

	2013 $	2012 $
Intellectual property expenses	295,710	263,707

Our intellectual property expenses for the third quarter of 2013 were $295,710 compared to $263,707 for the third quarter of 2012. The change in intellectual property expenditures reflects the timing of filing costs associated with our expanded patent base. At the end of the third quarter of 2013, we had been issued over 380 patents including 52 U.S. and 17 Canadian patents, as well as issuances in other jurisdictions.

Research Collaborations

	2013 $	2012 $
Research collaborations	104,601	157,441

Our research collaboration expenses for the third quarter of 2013 were $104,601 compared to $157,441 for the third quarter of 2012. During the third quarter of 2013, our research collaboration activities have included biomarker studies along with studies investigating the interaction of the immune system and the reovirus and the use of the reovirus as a co-therapy with existing chemotherapeutics and radiation. During the third quarter of 2012, we were focused on the interaction of the immune system and the reovirus and the use of the reovirus as a co-therapy with existing chemotherapeutics and radiation.

Other Research and Development Expenses

	2013 $	2012 $
R&D consulting fees	126,548	48,343
R&D salaries and benefits	677,758	871,670
Other R&D expenses	120,389	176,613
Other research and development expenses	924,695	1,096,626

Our other research and development expenses for the third quarter of 2013 were $924,695 compared to $1,096,626 for the third quarter of 2012. During the third quarter of 2013, our Other Research and Development activities declined as a result of the completion of enrollment in stage 1 of our global randomized Phase III head and neck trial. As well, with the shift to Third Party Trials, our current clinical program requires less support. During the third quarter of 2012, we were supporting stage 1 of our global randomized Phase III head and neck trial that was actively enrolling in over 80 clinical sites in 14 countries. As well, in the third quarter of 2012, we incurred costs associated with the change in our Chief Medical Officer that did not occur in the third quarter of 2013.

Share Based Payments

	2013 $	2012 $
Share based payments (recovery)	2,385	(125,100)

Share based payments are non-cash amounts that are a result of activity related to our stock option plan. During the third quarter of 2013, the share based payment expense of $2,385 related to the vesting of previously granted stock options. During the third quarter of 2012, the share based payment recovery of ($125,100) related to the reversal of previously recorded share based payments as a result of options forfeited during the quarter.

Operating Expenses

	2013 $	2012 $
Public company related expenses	585,324	698,317
Office expenses	657,510	447,073
Amortization of property and equipment	41,205	26,422
Share based payments (recovery)	(61,882)	3,415
Operating expenses	1,222,157	1,175,227

Public company related expenses include costs associated with investor relations, business development and financial advisory activities, legal and accounting fees, corporate insurance, director fees and transfer agent and other fees relating to our U.S. and Canadian stock listings. In the third quarter of 2012, we incurred professional fees and transfer agent listing expenses related to the renewal of our base shelf prospectus that were not incurred in the third quarter of 2013.

Office expenses include compensation costs (excluding share based payments), office rent, and other office related costs. During the third quarter of 2013, we incurred additional compensation costs related to the change in our general legal counsel that were not incurred in 2012.

During the third quarter of 2013, our non-cash share based payment (recovery) expense was ($61,882) compared to $3,415 for the third quarter of 2012. In the third quarter of 2013, share based payment recovery of ($81,725), relating to the reversal of previously recorded share based payments as a result of options forfeited during the quarter, was offset by share based payment expense of $19,843. During the third quarter of 2012, share based payment expense related to the vesting of previously granted stock options.

Results of Operations

(for the nine month period ending September 30, 2013 and 2012)

Net loss for the nine month period ending September 30, 2013 was $17,740,167 compared to $27,881,232 for the nine month period ending September 30, 2012.

Research and Development Expenses ("R&D")

	2013 $	2012 $
Clinical trial expenses	**7,268,826**	15,264,978
Manufacturing and related process development expenses	**2,825,457**	5,071,940
Intellectual property expenditures	**875,497**	745,954
Research collaboration expenses	**269,893**	212,766
Other R&D expenses	**2,675,107**	3,556,899
Foreign exchange loss (gain)	**868**	(56,161)
Share based payments (recovery)	**7,675**	(59,734)
Scientific research and development repayment (refund)	**—**	(63,441)
Research and development expenses	**13,923,323**	24,673,201

Clinical Trial Program

	2013 $	2012 $
Direct patient expenses	7,268,826	14,881,880
Phase III start up expenses	—	383,098
Clinical trial expenses	7,268,826	15,264,978

During the nine month period ending September 30, 2013, our clinical trial expenses were $7,268,826 compared to $15,264,978 for the nine month period ending September 30, 2012. During the nine month period ending September 30, 2013, our clinical trial program activities relating to stage 1 of our global randomized Phase III head and neck trial declined as a result of the completion of stage 1 enrollment in 2012 and a pause in enrollment. In the nine month period ending September 30, 2013, we were incurring direct patient costs associated with the re-treatment of patients enrolled in our global randomized Phase III head and neck clinical trial. In addition, we incurred direct patient costs associated with our 12 Third Party Trials which include the six randomized clinical studies that are sponsored by the NCIC and the NCI.

In the nine month period ending September 30, 2012, we incurred direct patient costs primarily associated with the enrollment in our global randomized Phase III head and neck trial along with the other clinical trials that we are sponsoring. In addition, we incurred Phase III start up costs as we increased the number of enrolling clinical centres throughout the first half of 2012.

We expect our clinical trial expenses will be lower in 2013 compared to 2012. Our clinical program includes 12 Third Party Trials and only three Company sponsored trials. We expect to incur support costs associated with our Third Party Trials, but these costs are expected to be less than the typical costs associated with directly funding similar clinical trials. In addition, we expect to complete enrollment in the three remaining clinical trials that we are currently sponsoring.

Manufacturing & Related Process Development ("M&P")

	2013 $	2012 $
Product manufacturing expenses	**1,933,552**	4,127,269
Process development expenses	**891,905**	944,671
Manufacturing and related process development expenses	**2,825,457**	5,071,940

Our M&P expenses for the nine month period ending September 30, 2013 were $2,825,457 compared to $5,071,940 for the nine month period ending September 30, 2012. During the nine month period ending September 30, 2013, our product manufacturing costs related to the completion of one 100-litre cGMP production run along with related shipping, storage and stability activities. During the nine month period ending September 30, 2012, we completed two 100-litre cGMP production runs along with related testing and vial, fill, packaging and shipping activities required to supply our clinical trial program.

Our process development expenses for the nine month period ending September 30, 2013 were $891,905 compared to $944,671 for the nine month period ending September 30, 2012. During the nine month periods ending September 30, 2013 and 2012, our process development activities focused on our validation master plan. These activities included optimization, validation and stability studies.

We now expect our M&P expenses to be lower in 2013 compared to 2012. For the remainder of 2013, we expect to complete one more 100-litre cGMP production runs and we also expect to continue to perform conformity testing related to our process validation master plan.

Intellectual Property Expenses

	2013 $	2012 $
Intellectual property expenses	875,497	745,954

Our intellectual property expenses for the nine month period ending September 30, 2013 were $875,497 compared to $745,954 for the nine month period ending September 30, 2012. The change in intellectual property expenditures reflects the timing of filing costs associated with our expanded patent base. For the nine month period ending September 30, 2013, we had been issued over 380 patents including 52 U.S. and 17 Canadian patents, as well as issuances in other jurisdictions. We expect that our intellectual property expenses will remain consistent in 2013 compared to 2012.

Research Collaborations

	2013 $	2012 $
Research collaborations	269,893	212,766

Our research collaboration expenses for the nine month period ending September 30, 2013 were $269,893 compared to $212,766 for the nine month period ending September 30, 2012. During the nine month period ending September 30, 2013, our research collaboration activities in 2013 included biomarker studies along with studies investigating the interaction of the immune system and the reovirus and the use of the reovirus as a co-therapy with existing chemotherapeutics and radiation. During the nine month period ending September 30, 2012, we were focused on the interaction of the immune system and the reovirus and the use of the reovirus as a co-therapy with existing chemotherapeutics and radiation.

We continue to expect that our research collaborations in 2013 will remain consistent with 2012. We expect to complete our ongoing collaborative program carried over from 2012 and will continue to be selective in the types of new collaborations we enter into in 2013.

Other Research and Development Expenses

	2013 $	2012 $
R&D consulting fees	302,298	230,303
R&D salaries and benefits	2,091,915	2,733,728
Other R&D expenses	280,894	592,868
Other research and development expenses	2,675,107	3,556,899

Our other research and development expenses for the nine month period ending September 30, 2013 were $2,675,107 compared to $3,556,899 for the nine month period ending September 30, 2012. During the nine month period ending September 30 2013, our Other Research and Development activities declined as a result of the completion of enrollment in stage 1 of our global randomized Phase III head and neck trial and related pause in enrollment. As well, with the shift to Third Party Trials, our current clinical program requires less support. During the nine month period ending September 30, 2012, we were supporting stage 1 of our global randomized Phase III head and neck trial that was actively enrolling in over 80 clinical sites in 14 countries.

We continue to expect that our Other Research and Development expenses in 2013 will remain consistent compared to 2012.

Share Based Payments

	2013 $	2012 $
Share based payments (recovery)	7,675	(59,734)

Share based payments are non-cash amounts that are a result of activity related to our stock option plan. During the nine month period ending September 30, 2013, the share based payment expense of $7,675 related to the vesting of options previously granted to employees. During the nine month period ending September 30, 2012, the share based payment recovery of ($59,734) related to the reversal of previously recorded share based payments of ($249,458) which was offset by share based payment expense of $189,724.

Operating Expenses

	2013 $	2012 $
Public company related expenses	2,100,780	2,075,283
Office expenses	1,731,838	1,315,847
Amortization of property and equipment	91,351	83,993
Share based payments	183,681	10,245
Operating expenses	4,107,650	3,485,368

Public company related expenses include costs associated with investor relations, business development and financial advisory activities, legal and accounting fees, corporate insurance, director fees and transfer agent and other fees relating to our U.S. and Canadian stock listings. For the nine month period ending September 30, 2013, our public company related expenses have remained relatively consistent compared to the nine month period ending September 30, 2012.

Office expenses include compensation costs (excluding share based payments), office rent, and other office related costs. During the nine month period ending September 30, 2013, we incurred office expenses of $1,731,838 compared to $1,315,847 during the nine month period ending September 30, 2012. In 2013, our office expenses increased compared to 2012 in an effort to support our investor relations activity along with an increase in salaries associated with the change in our general counsel.

During the nine month period ending September 30, 2013, our non-cash share based payment expenses were $183,681 compared to $10,245 for the nine month period ending September 30, 2012. We incurred stock based compensation associated with the grant of stock options to our new director elected at the 2013 Annual General Meeting along with the vesting of options previously granted.

We continue to expect our operating expenses to increase in 2013 compared to 2012.

Commitments

As at September 30, 2013, we are committed to payments totaling $6,506,334 which are expected to occur over the next twelve months for activities related to clinical trial activity, manufacturing and collaborations. All of these committed payments are considered to be part of our normal course of business.

Summary of Quarterly Results

(unaudited)	2013			2012				2011
(amounts in thousands, except per share data)	**Sept.**	**June**	**March**	**Dec.**	**Sept.**	**June**	**March**	**Dec.**
Revenue	—	—	—	—	—	—	—	—
Net loss [(1), (3)]	6,114	5,020	6,607	8,492	9,244	10,179	8,459	11,677
Basic and diluted loss per common share[(1), (3)]	$0.07	$0.06	$0.08	$0.11	$0.12	$0.13	$0.11	$0.16
Total assets[(4)]	32,549	39,267	44,272	22,078	29,086	36,561	47,372	36,025
Total cash[(2), (4)]	31,474	38,155	43,521	21,293	27,977	35,772	46,591	34,856
Total long-term debt	—	—	—	—	—	—	—	—
Cash dividends declared[(5)]	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) Included in total cash are cash and cash equivalents plus short-term investments.

(2) Included in net loss and loss per common share between September 2013 and October 2011 are quarterly stock based compensation expenses (recovery) of (59,497), $129,997, $120,856, $780,240, ($121,685), $58,343, $13,853, and $1,580,978, respectively.

(3) We issued 8,048,533 common shares for net cash proceeds of $30.3 million in 2013 (2012 - 5,458,950 common shares for net cash proceeds of $20.8 million; 2011 - 3,293,033 common shares for net cash proceeds of $14.8 million).

(4) We have not declared or paid any dividends since incorporation.

Liquidity and Capital Resources

2013 Financing Activities

U.S. Underwritten Public Offering

During the nine month period ending September 30, 2013, we closed a U.S. underwritten public offering whereby we issued 8,000,000 common shares at an issue price of U.S.$4.00 per common share for gross proceeds of U.S.$32,000,000.

Options

Throughout the nine month period ending September 30, 2013, we received cash proceeds of $0.1 million with respect to the exercise of 48,533 stock options.

2012 Financing Activities

Public Offering - Bought Deal

On February 8, 2012, we closed a bought deal financing whereby we issued 5,065,750 common shares at an issue price of $4.20 per common share for gross proceeds of $21,276,150. In connection with this bought deal financing, we issued 303,945 compensation options to the underwriters with an exercise price of $4.20 per option expiring on February 8, 2014.

Options

Throughout the nine month period ending September 30, 2012, we received cash proceeds of $1.0 million with respect to the exercise of 344,000 stock options.

Liquidity

As at September 30, 2013, we had cash and cash equivalents, short-term investments and working capital positions as follows:

	September 30, 2013 $	December 31, 2012 $
Cash and cash equivalents	**29,472,201**	19,323,541
Short-term investments	**2,001,644**	1,969,228
Shareholders' equity	**27,635,881**	14,786,780

We do not have any debt other than trade accounts payable and we have potential contingent obligations relating to the completion of our research and development of REOLYSIN.

In managing our capital, we estimate our future cash requirements by preparing a budget and a multi-year plan annually for review and approval by our Board of Directors ("Board"). The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities. The multi-year plan estimates future activity along with the potential cash requirements and is based on our assessment of our current clinical trial progress along with the expected results from the coming year's activity. Budget to actual variances are prepared and reviewed by management and are presented quarterly to the Board.

Historically, funding for our plan is primarily managed through the issuance of additional common shares and common share purchase warrants that upon exercise are converted to common shares. Management regularly monitors the capital markets attempting to balance the timing of issuing additional equity with our progress through our clinical trial program, general market conditions, and the availability of capital. There are no assurances that funds will be made available to us when required.

On July 3, 2012, we renewed our short form base shelf prospectus (the "Base Shelf") that qualifies for distribution up to $150,000,000 of common shares, subscription receipts, warrants, or units (the "Securities"). Under our Base Shelf, we may sell Securities to or through underwriters, dealers, placement agents or other intermediaries and also may sell Securities directly to purchasers or through agents, subject to obtaining any applicable exemption from registration requirements. The distribution of Securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, or at prices related to such prevailing market prices to be negotiated with purchasers and as set forth in an accompanying Prospectus Supplement.

Renewing our Base Shelf provides us with additional flexibility when managing our cash resources as, under certain circumstances, it shortens the time period required to close a financing and is expected to increase the number of potential investors that may be prepared to invest in our company. Funds received from a Prospectus Supplement will be used in line with our Board approved budget and multi-year plan. Our renewed Base Shelf expires on August 3, 2014.

We are not subject to externally imposed capital requirements and there have been no changes in how we define or manage our capital in 2013.

Investing Activities

Under our Investment Policy, we are permitted to invest in short-term instruments with a rating no less than R-1 (DBRS) with terms less than two years. Our portfolio consists of guaranteed investment certificates. As of September 30, 2013, we had $2.0 million invested under this policy, currently earning interest at an effective rate of 1.50%.

Financial Instruments and Other Instruments

Our financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable and accounts payable. As at September 30, 2013, there are no significant differences between the carrying values of these amounts and their estimated market values. These financial instruments expose us to the following risks:

Credit risk

Credit risk is the risk of financial loss if a counter-party to a financial instrument fails to meet its contractual obligations. We are exposed to credit risk on our cash and cash equivalents and short-term investments in the event of non-performance by counterparties, but we do not anticipate such non-performance. Our maximum exposure to credit risk at the end of the period is the carrying value of our cash and cash equivalents and short-term investments.

We mitigate our exposure to credit risk by maintaining our primary operating and investment bank accounts with Schedule I banks in Canada. For our foreign domiciled bank accounts, we use referrals or recommendations from our Canadian banks to open foreign bank accounts and these accounts are used solely for the purpose of settling accounts payable or payroll.

We also mitigate our exposure to credit risk by restricting our portfolio to investment grade securities with short-term maturities and by monitoring the credit risk and credit standing of counterparties. Currently, 100% of our short-term investments are in guaranteed investment certificates.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are exposed to interest rate risk through our cash and cash equivalents and our portfolio of short-term investments. We mitigate this risk through our investment policy that only allows investment of excess cash resources in investment grade vehicles while matching maturities with our operational requirements.

Fluctuations in market rates of interest do not have a significant impact on our results of operations due to the short term to maturity of the investments held.

Currency risk

Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. We are exposed to currency risk from the purchase of goods and services primarily in the U.S., the U.K. and the European Union and to the extent cash is held in foreign currencies. The impact of a $0.01 increase in the value of the U.S. dollar against the Canadian dollar would have increased our net loss in 2013 by approximately $32,102. The impact of a $0.10 increase in the value of the British pound against the Canadian dollar would have increased our net loss in 2013 by approximately $53,536. The impact of a $0.10 increase in the value of the Euro against the Canadian dollar would have increased our net loss in 2013 by approximately $181,386.

We mitigate our foreign exchange risk through the purchase of foreign currencies in sufficient amounts to settle our foreign accounts payable.

Balances in foreign currencies at September 30, 2013 are as follows:

	U.S. dollars $	**British pounds** £	**Euro** €
Cash and cash equivalents	7,114,053	84,723	23,891
Accounts payable	(2,995,662)	(17,339)	(9,625)
	4,118,391	67,384	14,266

Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities. We manage liquidity risk through the management of our capital structure as outlined in the notes to our audited financial statements. Accounts payable are all due within the current operating period.

Other MD&A Requirements

We have 84,758,818 common shares outstanding at November 6, 2013. If all of our warrants (303,945) and options (5,913,344) were exercised we would have 90,976,107 common shares outstanding.

Our 2012 Annual Information Form on Form 20-F is available on www.sedar.com.

Disclosure Controls and Procedures

There were no changes in our internal controls over financial reporting during the quarter ended September 30, 2013 that materially affected or are reasonably likely to materially affect, internal controls over financial reporting.

Interim Consolidated Financial Statements
(unaudited)

Oncolytics Biotech® Inc.
September 30, 2013 and 2012

ONCOLYTICS BIOTECH INC.
INTERM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

	Notes	September 30, 2013 $	December 31, 2012 $
Assets			
Current assets			
Cash and cash equivalents	*3*	**29,472,201**	19,323,541
Short-term investments	*3*	**2,001,644**	1,969,228
Accounts receivable		**35,402**	44,979
Prepaid expenses		**471,318**	331,094
Total current assets		**31,980,565**	21,668,842
Non-current assets			
Property and equipment		**568,711**	409,248
Total non-current assets		**568,711**	409,248
Total assets		**32,549,276**	22,078,090
Liabilities And Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**4,913,395**	7,291,310
Total current liabilities		**4,913,395**	7,291,310
Commitments	*7*		
Shareholders' equity			
Share capital Authorized: unlimited Issued:			
September 30, 2013 – 84,758,818			
December 31, 2012 – 76,710,285	*4*	**228,513,564**	198,155,091
Warrants	*4*	**376,892**	376,892
Contributed surplus	*4, 5*	**24,282,934**	24,126,265
Accumulated other comprehensive loss		**17,011**	(57,115)
Accumulated deficit		**(225,554,520)**	(207,814,353)
Total shareholders' equity		**27,635,881**	14,786,780
Total liabilities and equity		**32,549,276**	22,078,090

See accompanying notes

ONCOLYTICS BIOTECH INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(unaudited)

	Notes	Three Month Period Ending September 30, 2013 $	Three Month Period Ending September 30, 2012 $	Nine Month Period Ending September 30, 2013 $	Nine Month Period Ending September 30, 2012 $
Expenses					
Research and development	*5, 11, 12*	**5,001,972**	8,129,328	**13,923,323**	24,673,201
Operating	*5, 11, 12*	**1,222,157**	1,175,227	**4,107,650**	3,485,368
Operating loss		**(6,224,129)**	(9,304,555)	**(18,030,973)**	(28,158,569)
Interest		**110,479**	74,053	**290,806**	287,509
Loss before income taxes		**(6,113,650)**	(9,230,502)	**(17,740,167)**	(27,871,060)
Income tax expense		**—**	(13,400)	**—**	(10,172)
Net loss		**(6,113,650)**	(9,243,902)	**(17,740,167)**	(27,881,232)
Other comprehensive income items that may be reclassified to net loss					
Translation adjustment		**(33,513)**	(47,462)	**74,126**	34,479
Net comprehensive loss		**(6,147,163)**	(9,291,364)	**(17,666,041)**	(27,846,753)
Basic and diluted loss per common share	*6*	**(0.07)**	(0.12)	**(0.21)**	(0.37)
Weighted average number of shares (basic and diluted)		**84,758,818**	76,607,281	**83,112,919**	75,903,566

See accompanying notes

ONCOLYTICS BIOTECH INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)

	Share Capital $	Contributed Surplus $	Warrants $	Accumulated Other Comprehensive Loss $	Accumulated Deficit $	Total $
As at December 31, 2011	177,282,566	21,142,519	2,653,627	(117,501)	(171,440,832)	29,520,379
Net loss and comprehensive loss	—	—	—	34,479	(27,881,232)	(27,846,753)
Issued, pursuant to a bought deal financing	19,386,903	—	376,892	—	—	19,763,795
Exercise of stock options	1,380,139	(392,920)	—	—	—	987,219
Share based compensation	—	(49,489)	—	—	—	(49,489)
As at September 30, 2012	198,049,608	20,700,110	3,030,519	(83,022)	(199,322,064)	22,375,151

	Share Capital $	Contributed Surplus $	Warrants $	Accumulated Other Comprehensive Loss $	Accumulated Deficit $	Total $
As at December 31, 2012	198,155,091	24,126,265	376,892	(57,115)	(207,814,353)	14,786,780
Net loss and comprehensive loss	—	—	—	74,126	(17,740,167)	(17,666,041)
Issued, pursuant to a bought deal financing	30,218,797	—	—	—	—	30,218,797
Exercise of stock options	139,676	(34,687)	—	—	—	104,989
Share based compensation	—	191,356	—	—	—	191,356
As at September 30, 2013	**228,513,564**	**24,282,934**	**376,892**	**17,011**	**(225,554,520)**	**27,635,881**

See accompanying notes

ONCOLYTICS BIOTECH INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Notes	Three Month Period Ending September 30, 2013 $	Three Month Period Ending September 30, 2012 $	Nine Month Period Ending September 30, 2013 $	Nine Month Period Ending September 30, 2012 $
Operating Activities					
Net loss for the period		**(6,113,650)**	(9,243,902)	**(17,740,167)**	(27,881,232)
Amortization - property and equipment		**41,205**	26,422	**91,351**	83,993
Share based compensation	*5, 11*	**(59,497)**	(121,685)	**191,356**	(49,489)
Unrealized foreign exchange loss (gain)		**34,179**	983	**(63,670)**	17,145
Net change in non-cash working capital	*10*	**(412,109)**	1,514,620	**(2,508,562)**	301,108
Cash used in operating activities		**(6,509,872)**	(7,823,562)	**(20,029,692)**	(27,528,475)
Investing Activities					
Acquisition of property and equipment		**(103,512)**	(25,238)	**(250,814)**	(118,865)
Purchase of short-term investments		**—**	—	**(32,416)**	(32,441)
Cash used in investing activities		**(103,512)**	(25,238)	**(283,230)**	(151,306)
Financing Activities					
Proceeds from exercise of stock options and warrants		**—**	101,750	**104,989**	987,219
Proceeds from public offering	4	**—**	—	**30,218,797**	19,763,795
Cash provided by financing activities		**—**	101,750	**30,323,786**	20,751,014
Increase in cash		**(6,613,384)**	(7,747,050)	**10,010,864**	(6,928,767)
Cash and cash equivalents, beginning of period		**36,153,277**	33,802,813	**19,323,541**	32,918,751
Impact of foreign exchange on cash and cash equivalents		**(67,692)**	(48,445)	**137,796**	17,334
Cash and cash equivalents, end of period		**29,472,201**	26,007,318	**29,472,201**	26,007,318

See accompanying notes

Note 1: Incorporation and Nature of Operations

Oncolytics Biotech Inc. was incorporated on April 2, 1998 under the Business Corporations Act (Alberta) as 779738 Alberta Ltd. On April 8, 1998, we changed our name to Oncolytics Biotech Inc.

Our interim consolidated financial statements for the period ended September 30, 2013, were authorized for issue in accordance with a resolution of the Board of Directors (the "Board") on November 6, 2013. We are a limited company incorporated and domiciled in Canada. Our shares are publicly traded and our registered office is located at 210, 1167 Kensington Crescent NW, Calgary, Alberta, Canada.

We are a development stage biopharmaceutical company that focuses on the discovery and development of pharmaceutical products for the treatment of cancers that have not been successfully treated with conventional therapeutics. Our product being developed may represent a novel treatment for Ras mediated cancers which can be used as an alternative to existing cytotoxic or cytostatic therapies, as an adjuvant therapy to conventional chemotherapy, radiation therapy, or surgical resections, or to treat certain cellular proliferative disorders for which no current therapy exists.

Note 2: Basis of Financial Statement Presentation

Our interim consolidated financial statements include our financial statements and the financial statements of our subsidiaries as at September 30, 2013 and are presented in Canadian dollars, our functional currency.

Our accounts are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB"). The accounts are prepared on the historical cost basis, except for certain assets and liabilities which are measured at fair value as explained in the notes to these financial statements.

These interim consolidated financial statements have been prepared in compliance with International Accounting Standard 34 *Interim Financial Reporting.* The notes presented in these interim consolidated financial statements include only significant events and transactions occurring since our last fiscal year end and are not fully inclusive of all matters required to be disclosed in our annual audited consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with our most recent annual audited consolidated financial statements, for the year ended December 31, 2012. We have consistently applied the same accounting policies for all periods presented in these interim consolidated financial statements as those used in our audited consolidated financial statements for the year ended December 31, 2012.

Standards and Interpretations Adopted in 2013

On January 1, 2013, we adopted the following standards and amendments to existing standards:

IFRS 10, *Consolidated Financial Statements*, ("IFRS 10") replaces consolidation requirements in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*, and establishes principles for identifying when an entity controls other entities.

IFRS 11, *Joint Arrangements*, ("IFRS 11") replaces IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*, and requires a single method to account for interests in jointly controlled entities.

IFRS 12, *Disclosure of Interests in Other Entities*, ("IFRS 12") establishes comprehensive disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, and special purpose vehicles.

IFRS 13, *Fair Value Measurement*, provides a single source of fair value measurement and disclosure requirements in IFRS.

Amendments to IAS 1, *Presentation of Financial Statements*, to require entities to group items within other comprehensive income that may be reclassified to net income.

The standards and amendments listed above did not have a significant impact on the Company's financial statements.

Note 3: Cash Equivalents and Short Term Investments

Cash Equivalents
Cash equivalents consist of interest bearing deposits with our bank totaling $26,112,808 (December 31, 2012 - $15,058,729). The current annual interest rate earned on these deposits is 1.16% (December 31, 2012 – 1.28%).

Short-Term Investments
Short-term investments which consist of guaranteed investment certificates are liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The objectives for holding short-term investments are to invest our excess cash resources in investment vehicles that provide a better rate of return compared to our interest bearing bank account with limited risk to the principal invested. We intend to match the maturities of these short-term investments with the cash requirements of the Company's activities and treat these as held-to-maturity short-term investments.

	Face Value $	Original Cost $	Accrued Interest $	Carrying Value $	Fair Value $	Effective Interest Rate %
September 30, 2013						
Short-term investments	**2,001,644**	**2,001,644**	**—**	**2,001,644**	**2,001,644**	**1.50%**
December 31, 2012						
Short-term investments	1,969,228	1,969,228	—	1,969,228	1,969,228	1.64%

Fair value is determined by using published market prices provided by our investment advisor.

Note 4: Share Capital

Authorized:

Unlimited number of no par value common shares

Issued:	Shares		Warrants	
	Number	Amount $	Number	Equity Amount $
Balance, December 31, 2011	71,251,335	177,282,566	2,170,110	2,653,627
Issued for cash pursuant to February 8, 2012 bought deal financing(a)	5,065,750	21,276,150	303,945	376,892
Expiry of warrants	—	—	(2,170,110)	(2,653,627)
Exercise of stock options	393,200	1,485,622	—	—
Share issue costs	—	(1,889,247)	—	—
Balance, December 31, 2012	76,710,285	198,155,091	303,945	376,892
Issued for cash pursuant to February 25, 2013 public offering[(b)]	8,000,000	32,848,000	—	—
Exercise of stock options	48,533	139,676	—	—
Share issue costs	—	(2,629,203)	—	—
Balance, September 30, 2013	**84,758,818**	**228,513,564**	**303,945**	**376,892**

(a) Pursuant to a bought deal financing, we issued 5,065,750 common shares at an issue price of $4.20 per common share for gross proceeds of $21,276,150. In connection with this bought deal financing, we issued 303,945 compensation options to the underwriters with an exercise price of $4.20 expiring on February 8, 2014 ("Broker Warrants"). The fair value of the Broker

Warrants was $376,892 ($1.24 per Broker Warrant) and has been included in the share issue costs of the financing. The fair value was determined using the Black Scholes Option Pricing Model.

(b) Pursuant to a public offering, we issued 8,000,000 commons shares at an issue price of US$4.00 per common share for gross proceeds of US$32,000,000.

Warrants

The following table summarizes the weighted average assumptions used in the Black Scholes Option Pricing Model with respect to the valuation of Broker Warrants issued:

	2012
Risk-free interest rate	1.09%
Expected hold period to exercise (years)	2.00
Volatility in the price of the Company's shares	52.28%
Dividend yield	Zero

The following table summarizes our outstanding warrants as at September 30, 2013:

Exercise Price	Outstanding, Beginning of the Period	Granted During the Period	Exercised During the Period	Expired During the Period	Outstanding, End of Period	Weighted Average Remaining Contractual Life (years)
$4.20	303,945	—	—	—	303,945	0.36
	303,945	—	—	—	303,945	0.36

Note 5: Share Based Payments

Stock Option Plan

We have issued stock options to acquire common stock through our stock option plan of which the following are outstanding at September 30:

	2013		2012	
	Stock Options	Weighted Average Exercise Price $	Stock Options	Weighted Average Exercise Price $
Outstanding, beginning of the period	**5,925,377**	**4.31**	5,677,577	4.37
Granted during the period	**250,000**	**4.26**	30,000	4.27
Forfeited during the period	**(150,000)**	**4.6**	(253,000)	5.17
Expired during the period	**(63,500)**	**3.33**	(170,000)	3.92
Exercised during the period	**(48,533)**	**2.16**	(344,000)	2.87
Outstanding, end of the period	**5,913,344**	**4.33**	4,940,577	4.45
Options exercisable, end of the period	**5,744,509**	**4.39**	4,897,911	4.46

The following table summarizes information about the stock options outstanding and exercisable at September 30, 2013:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price $	Number Exercisable	Weighted Average Exercise Price $
$1.45 - $2.37	840,094	5.9	2.13	676,759	2.16
$2.70 - $3.89	1,903,500	6.5	3.51	1,903,500	3.51
$4.00 - $5.92	2,140,750	4.6	4.60	2,135,250	4.60
$6.72 - $9.76	1,029,000	5.7	7.04	1,029,000	7.04
	5,913,344	5.6	4.33	5,744,509	4.39

Non-vested options vest annually over periods ranging from one to three years or after the completion of certain milestones. We have reserved 7,427,208 common shares for issuance relating to outstanding stock options.

Net share based payment expense (recovery) of ($59,497) and $191,356 for the three and nine month periods ending September 30, 2013, respectively, is due to a reversal of share based payment expense of ($81,725) and ($81,725) for the three and nine month periods ending September 30, 2013, respectively offset by share based payment expense of $22,228 and $273,081 for the three and nine month periods ending September 30, 2013, respectively. Share based payment recovery relates to the forfeiture of options that occurred during the three month period ending September 30, 2013. Share based payment expense relates to the vesting of options previously granted to employees and directors.

Net share based payment recovery of ($121,685) and ($49,489) for the three and nine month periods ending September 30, 2012, respectively, is due to a reversal of share based payment expense of ($181,669) and ($249,458) for the three and nine month periods ending September 30, 2012, respectively offset by share based payment expense of $59,984 and $199,969 for the three and nine month periods ending September 30, 2012, respectively. Share based payment recovery relates to the forfeiture of options that occurred throughout 2012. Share based payment expense relates to the vesting of options previously granted to employees and directors.

The estimated fair value of stock options issued during the period was determined using the Black Scholes Option Pricing Model using the following weighted average assumptions and fair value of options:

	2013	2012
Risk-free interest rate	**1.12%**	1.31%
Expected hold period to exercise	**2.3 years**	1.3 years
Volatility in the price of the Company's shares	**59.6%**	53.7%
Rate of forfeiture	**—%**	—%
Dividend yield	**Nil**	Nil
Weighted average fair value of options	**$1.51**	$1.02

We use historical data to estimate the expected dividend yield and expected volatility of our stock in determining the fair value of the stock options. The risk-free interest rate is based on the Government of Canada marketable bond rate in effect at the time of grant and the expected life of the options represents the estimated length of time the options are expected to remain outstanding.

Note 6: Loss Per Common Share

Loss per common share is calculated using the net loss for the three and nine month periods and the weighted average number of common shares outstanding for the three and nine month periods ending September 30, 2013 of 84,758,818 and 83,112,919, respectively (September 30, 2012 of 76,607,281 and 75,903,566, respectively). The effect of any potential exercise of our stock

options and warrants outstanding during the period has been excluded from the calculation of diluted loss per common share, as it would be anti-dilutive.

Note 7: Commitments

We are committed to payments totaling $6,506,334 for activities related to our clinical trial, manufacturing and collaboration programs which are expected to occur over the next twelve months.

We are committed to rental payments (excluding our portion of operating costs and rental taxes) under the terms of a lease for office premises which expires on May 31, 2016. Annual payments under the terms of this lease are as follows:

	Amount $
Remainder of 2013	22,833
2014	94,888
2015	97,428
2016	40,595
	255,744

Under a clinical trial agreement entered into with the Alberta Cancer Board ("ACB"), we have agreed to repay the amount funded under the agreement together with a royalty, to a combined maximum amount of $400,000 plus an overhead repayment of $100,000, upon sales of a specified product. We agreed to repay the ACB in annual installments in an amount equal to the lesser of: (a) 5% of gross sales of a specified product; or (b) $100,000 per annum.

Note 8: Capital Disclosures

Our objective when managing capital is to maintain adequate cash resources to support planned activities which include the clinical trial program, product manufacturing, administrative costs and intellectual property expansion and protection. We include shareholders' equity, cash and cash equivalents and short-term investments in the definition of capital.

	September 30, 2013 $	**December 31, 2012 $**
Cash and cash equivalents	**29,472,201**	19,323,541
Short-term investments	**2,001,644**	1,969,228
Shareholders' equity	**27,635,881**	14,786,780

We do not have any debt other than trade accounts payable and we have potential contingent obligations relating to the completion of our research and development of REOLYSIN®.

In managing our capital, we estimate our future cash requirements by preparing a budget and a multi-year plan annually for review and approval by our Board . The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities. The multi-year plan estimates future activity along with the potential cash requirements and is based on our assessment of our current clinical trial progress along with the expected results from the coming year's activity. Budget to actual variances are prepared and reviewed by management and are presented quarterly to the Board.

Historically, funding for our plan is primarily managed through the issuance of additional common shares and common share purchase warrants that upon exercise are converted to common shares. Management regularly monitors the capital markets attempting to balance the timing of issuing additional equity with our progress through our clinical trial program, general market conditions, and the availability of capital. There are no assurances that funds will be made available to us when required.

On July 3, 2012, we renewed our short form base shelf prospectus (the "Base Shelf") that qualifies for distribution up to $150,000,000 of common shares, subscription receipts, warrants, or units (the "Securities"). Under our Base Shelf, we may sell Securities to or through underwriters, dealers, placement agents or other intermediaries and also may sell Securities directly to purchasers or through agents, subject to obtaining any applicable exemption from registration requirements. The distribution of Securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, or at prices related to such prevailing market prices to be negotiated with purchasers and as set forth in an accompanying Prospectus Supplement.

Renewing our Base Shelf provides us with additional flexibility when managing our cash resources as, under certain circumstances, it shortens the time period required to close a financing and is expected to increase the number of potential investors that may be prepared to invest in our company. Funds received from a Prospectus Supplement will be used in line with our Board approved budget and multi-year plan. Our renewed Base Shelf expires on August 3, 2014.

We are not subject to externally imposed capital requirements and there have been no changes in how we define or manage our capital in 2013.

Note 9: Financial Instruments

Our financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable. As at September 30, 2013, there are no significant differences between the carrying values of these amounts and their estimated market values.

Credit risk
Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. We are exposed to credit risk on our cash and cash equivalents and short-term investments in the event of non-performance by counterparties, but we do not anticipate such non-performance. Our maximum exposure to credit risk at the end of the period is the carrying value of our cash and cash equivalents and short-term investments.

We mitigate our exposure to credit risk by maintaining our primary operating and investment bank accounts with Schedule I banks in Canada. For our foreign domiciled bank accounts, we use referrals or recommendations from our Canadian banks to open foreign bank accounts and these accounts are used solely for the purpose of settling accounts payable or payroll.

We also mitigate our exposure to credit risk by restricting our portfolio to investment grade securities with short-term maturities and by monitoring the credit risk and credit standing of counterparties. Currently, 100% of our short-term investments are in guaranteed investment certificates.

Interest rate risk
Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are exposed to interest rate risk through our cash and cash equivalents and our portfolio of short-term investments. We mitigate this risk through our investment policy that only allows investment of excess cash resources in investment grade vehicles while matching maturities with our operational requirements.

Fluctuations in market rates of interest do not have a significant impact on our results of operations due to the short term to maturity of the investments held.

Currency risk
Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. We are exposed to currency risk from the purchase of goods and services primarily in the U.S., the U.K. and the European Union and to the extent cash is held in foreign currencies. The impact of a $0.01 increase in the value of the U.S. dollar against the Canadian dollar would have increased our net loss in 2013 by approximately $32,102. The impact of a $0.10 increase in the value of the British pound against the Canadian dollar would have increased our net loss in 2013 by approximately $53,536. The impact of a $0.10 increase in the value of the Euro against the Canadian dollar would have increased our net loss in 2013 by approximately $181,386 .

We mitigate our foreign exchange risk through the purchase of foreign currencies in sufficient amounts to settle our foreign accounts payable.

Balances in foreign currencies at September 30, 2013 are as follows:

	U.S. dollars $	British pounds £	Euro €
Cash and cash equivalents	7,114,053	84,723	23,891
Accounts payable	(2,995,662)	(17,339)	(9,625)
	4,118,391	67,384	14,266

Liquidity risk
Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities. We manage liquidity risk through the management of our capital structure as outlined in Note 8. Accounts payable are all due within the current operating period.

Note 10: Additional Cash Flow Disclosures

Net Change In Non-Cash Working Capital

	Three Month Period Ending September 30, 2013 $	Three Month Period Ending September 30, 2012 $	Nine Month Period Ending September 30, 2013 $	Nine Month Period Ending September 30, 2012 $
Change in:				
Accounts receivable	**11,338**	(268)	**9,577**	(34,450)
Prepaid expenses	**87,600**	106,421	**(140,224)**	128,649
Accounts payable and accrued liabilities	**(511,047)**	1,408,467	**(2,377,915)**	206,909
Change in non-cash working capital related to operating activities	**(412,109)**	1,514,620	**(2,508,562)**	301,108

Other Cash Flow Disclosures

	Three Month Period Ending September 30, 2013 $	Three Month Period Ending September 30, 2012 $	Nine Month Period Ending September 30, 2013 $	Nine Month Period Ending September 30, 2012 $
Cash interest received	**110,479**	74,053	**290,806**	287,509
Cash taxes paid	**2,890**	9,942	**2,890**	14,942

Note 11: Other Expenses and Adjustments

We present our expenses based on the function of each expense and therefore include realized foreign exchange gains and losses, unrealized non-cash foreign exchange gains and losses, and non-cash stock based compensation associated with research and development activity as a component of research and development expenses and amortization of property and equipment and stock based compensation associated with operating activities as a component of operating expenses.

	Three Month Period Ending September 30, 2013 $	Three Month Period Ending September 30, 2012 $	Nine Month Period Ending September 30, 2013 $	Nine Month Period Ending September 30, 2012 $
Included in research and development expenses:				
Realized foreign exchange loss (gain)	**84,064**	(47,128)	**138,662**	(73,306)
Unrealized non-cash foreign exchange loss (gain)	**(91,156)**	82,924	**(137,794)**	17,145
Non-cash share based payments (recovery), net	**2,385**	(125,100)	**7,675**	(59,734)
Included in operating expenses				
Amortization of property and equipment	**41,205**	26,422	**91,351**	83,993
Non-cash share based payments (recovery), net	**(61,882)**	3,415	**183,681**	10,245
Office minimum lease payments	**22,833**	22,833	**68,499**	65,959

Note 12: Related Party Transactions

Compensation of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling our activities as a whole. We have determined that key management personnel consists of the members of the Board of Directors along with certain officers of the Company.

	Three Month Period Ending September 30, 2013 $	Three Month Period Ending September 30, 2012 $	Nine Month Period Ending September 30, 2013 $	Nine Month Period Ending September 30, 2012 $
Short-term employee benefits	**574,998**	564,303	**1,705,390**	1,649,886
Share-based payments	**15,993**	—	**256,683**	—
	590,991	564,303	**1,962,073**	1,649,886

Shareholder Information

For public company filings please go to www.sedar.com or contact us at:

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Matt Coffey, PhD
Chief Operating Officer
Kirk Look, CA
Chief Financial Officer
George M. Gill, MD
Senior Vice President, Regulatory Affairs and
Chief Safety Officer
Alan Tuchman, MD, MBA (FAAN)
Senior Vice President, Medical and Clinical Affairs
Chief Medical Officer
Mary Ann Dillahunty, JD, MBA
Vice President, Intellectual Property

Directors

Brad Thompson, PhD
Chairman, President and CEO, Oncolytics Biotech Inc.
Matt Coffey, PhD
Chief Operating Officer, Oncolytics Biotech Inc.
Ger van Amersfoort
Biotech Consultant
Jim Dinning
Chairman, Western Financial Group
Ed Levy, PhD
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