First Quarter Report

March 31, 2017

Oncolytics Biotech Inc.
TSX: ONC
OTCQX: ONCYF

Oncolytics Message to Shareholders – Q1 2017

In the first quarter we continued to make solid progress revamping and articulating our clinical development plan for REOLYSIN®. At quarter end, we announced our most compelling clinical data to date, which subsequently enabled us to clarify a registration path for REOLYSIN.

Compelling Overall Survival Data in Metastatic Breast Cancer

In late March, we announced details of an abstract submitted for the American Association of Cancer Research (AACR) Annual Meeting that outlined positive overall survival (OS) data from an open-label, randomized, Phase 2 study (IND 213) designed by the Canadian Cancer Trials Group (CCTG, formerly known as the National Cancer Institute of Canada - NCIC). The 74-patient study, powered to 90 percent, assessed the therapeutic combination of intravenously-administered REOLYSIN given in combination with paclitaxel versus paclitaxel alone in patients with advanced or metastatic breast cancer. In the intention-to-treat (ITT) patient population there was an improvement in median OS (a secondary endpoint) from 10.4 months on the control arm to 17.4 months on the test arm, meeting the pre-specified significance level for the 90 percent powered study.

These data were important for several reasons:

- This was the first time that an immuno-oncology viral-agent had demonstrated a statistically significant improvement in median OS in a randomized clinical study;
- REOLYSIN continues to generate significant benefit in OS for cancer patients, despite limited impact on response rates and/or PFS, suggesting our proprietary isolate of the unmodified reovirus is not solely an oncolytic agent, but has key attributes of an immuno-oncology agent as well;
- Demonstrated that patients with measurable biomarkers including wild type PIK3CA, KIT, APC, PTEN, ATM, AKT1, and mutated TP53 could have significantly better OS results . These biomarkers may allow us to create much more targeted treatment approach and improve clinical trial design.
- Oncolytics has now received its most meaningful confirmation to date of REOLYSIN's potential and, after consulting with key opinion leaders, that this is the right indication to advance down the registration pathway and would support a rapid route to market in an important therapeutic area.

Next Steps with Chemotherapy Combinations

Our emerging clinical development plan has two main objectives: 1) rapidly securing regulatory approval for REOLYSIN with an initial focus on metastatic breast cancer; and 2) expanding REOLYSIN into commercially valuable new treatment areas that include immunotherapy and immunomodulatory (IMiD) agents in collaboration with pharmaceutical partners.

Chemotherapy combinations have been the primary clinical focus of the Company over the last few years. With the OS data we have generated in combination with paclitaxel in metastatic breast cancer, in the near term, we intend to request an End-of-Phase 2 meeting with the FDA with the goal of obtaining some scientific advice with respect to next steps. The FDA also offers a number of programs aimed at expediting the development of drugs that treat life threatening conditions and that meet an unmet medical need. We intend to examine opportunities to access one of these programs with the goal of expediting the future development of REOLYSIN as a treatment for metastatic breast cancer. Based on the data we have,

we'll look at conducting a registration study in patients with metastatic disease and use OS as a primary or co-primary endpoint. We'll also look at study designs that will allow us to enroll a sufficient number of patients to reach the primary endpoint while also carefully managing the overall cost of the study.

While we intend to focus our internal resources on metastatic breast cancer, we will continue to be mindful of other opportunities in cancer indications that we have either compelling or maturing clinical data. Our pancreatic cancer clinical data has shown strong two and three-year survival data and our colorectal data is maturing, and the interim data presented in 2016 showed a possible survival benefit for the women patients. Our focus will be on metastatic breast cancer, but we will be prepared to grow our pipeline of registration opportunities once our metastatic breast cancer program is underway.

Broadening the Clinical Development Plan

In parallel with chemotherapy combinations and based on REOLYSIN's ability to be a potentiator for all agents affecting both innate and adaptive immunity by making cold tumors hot, we have identified two other paths consistent with our second objective of our clinical development plan. During the first quarter, we announced that as part of an ongoing collaboration, cancer charity Myeloma UK had launched MUK *eleven*, a first-of-its-kind immunotherapy trial that aims to modulate the immune system to target myeloma. The Phase 1b trial will study immuno-viral therapy, REOLYSIN in combination with Celgene Corporation's immunomodulatory drugs (IMiDs), Imnovid® (pomalidomide) or Revlimid® (lenalidomide), as a rescue treatment in relapsing myeloma patients. This clinical study expands on earlier pre-clinical work that demonstrates that REOLYSIN has dual modes of action against multiple myeloma; being both directly cytotoxic and also activating immune effector cells to target and destroy cancer cells. Further, this immune-mediated activity can be enhanced by immunomodulatory agents to eliminate disease.

In early 2016, we announced we had enrolled the first patients in REO 024, a Phase 1b study of pembrolizumab (KEYTRUDA®) in combination with REOLYSIN and chemotherapy in patients with advanced pancreatic adenocarcinoma. Our goal for this study was to assess REOLYSIN in combination with a checkpoint inhibitor, an emerging class of therapeutic that facilitates improved recognition of cancer cells by the immune system. We expect to see the preliminary data from this study later in 2017.

Driving Progress

We made significant progress during the first quarter and in the period immediately following quarter-end. We believe strongly that REOLYSIN's emerging potential in metastatic breast cancer must be the driving force of Oncolytics and could prove to be a very important development for women's health and the treatment of late stage cancers. We also continue to focus on research collaborations with our pharma colleagues as a source of commercial opportunity to advance REOLYSIN's development, possibly across an array of indications. In the near-term we anticipate meeting with regulators and further defining our registration pathway in metastatic breast cancer. I look forward to updating all stakeholders on our progress in the months ahead.

/s/ Dr. Matt Coffey
President and CEO

MANAGEMENT DISCUSSION & ANALYSIS

March 31, 2017

May 4, 2017

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 months ended March 31, 2017 and 2016, 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, 2016. 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 2017 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 the Company's 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 US 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 2017

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

We are directing our clinical development program with the objective of developing REOLYSIN as a human cancer therapeutic. Our clinical development plan has two main objectives. The primary objective is to obtain regulatory approval for REOLYSIN as quickly as possible and is based on the compelling metastatic breast cancer survival data recently presented at the 2017 American Academy of Cancer Research (AACR) Annual Meeting, in Washington, D.C. The second objective is to expand REOLYSIN into commercially valuable new treatment areas that include immuno-therapy and immuno-modulatory (IMiD) agents in collaboration with pharmaceutical partners. Our clinical development program focuses on the three components of REOLYSIN's mechanism of action (MOA) and includes the following three pathways:

Path #1 - Direct Tumour Lysis
To date, our focus has been on the investigation of chemotherapy combination clinical trials investigating the use of different chemotherapy agents in various cancer indications.

Path #2 - Innate Immune Response
Our second pathway focuses on the potential of REOLYSIN to stimulate a patient's innate immunity and the potential for an infection to cause a cascade of chemokines/cytokines activating natural killer (NK) cells to attack cancer cells.

Path #3 - Adaptive Immune Response
Our third pathway focuses on the potential for REOLYSIN to cause a specific adaptive immune response triggered by tumor- and viral-associated antigens displayed by antigen-presenting cells (APCs, infected tumor cells and/or dendritic cells) to T cells.

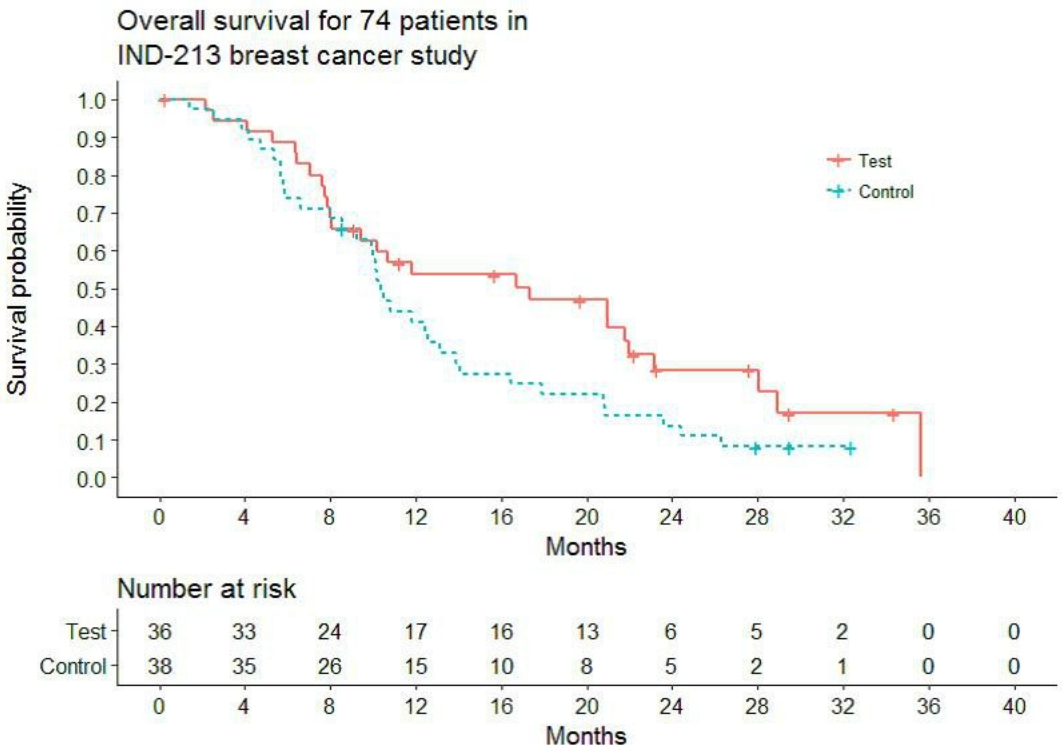
First Quarter 2017 Developments:

Path #1 - Direct Tumour Lysis - Clinical Trial Results

Metastatic Breast Cancer Clinical Trial Results
On April 4, 2017, the Canadian Cancer Trials Group (CCTG, formerly known as the National Cancer Institute of Canada - NCIC) presented overall survival data from an open-label, randomized, Phase 2 study designed by CCTG at the AACR Annual Meeting in Washington, DC. The 74-patient study, powered to 90 percent, assessed the therapeutic combination of intravenously-administered REOLYSIN given in combination with paclitaxel versus paclitaxel alone in patients with advanced or metastatic breast cancer. The poster reported survival data from the intention-to-treat (ITT) patient population and from a sub-population of patients with wild type APC metastatic breast cancer.

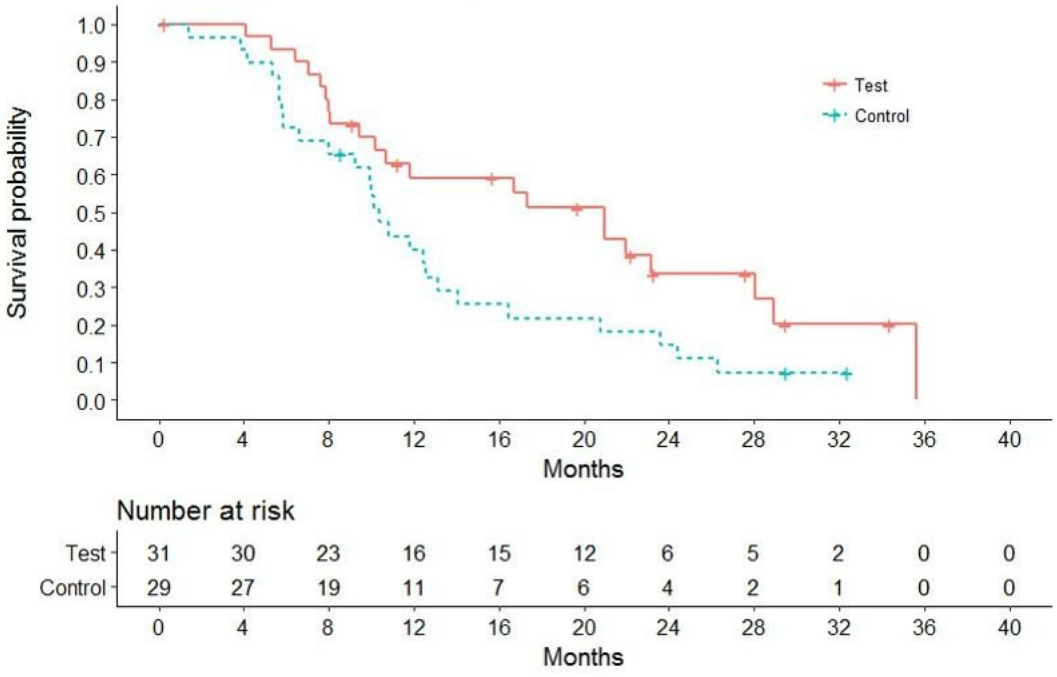
In the ITT patient population there was an improvement in median OS from 10.4 months on the control arm (n=38) to 17.4 months on the test arm (n=36) (Hazard ratio 0.65, 80% CI 0.46-0.91, p=0.1), meeting the pre-specified significance level for the 90 percent powered study (figure A). Consistent with REOLYSIN acting as an immune therapy agent, there was no meaningful improvement in either progression free survival or response rate.

Figure A - Intention-to-Treat Overall Survival



The abstract also reported data that demonstrated a statistically significant (p=0.03) OS benefit for patients with wild type APC metastatic breast cancer, when treated with REOLYSIN in combination with paclitaxel. Of the 74 patients enrolled with metastatic breast cancer, 81 percent (60 patients) presented with wild type APC tumors. The results showed patients with wild type APC metastatic breast cancer that were treated with REOLYSIN in combination with paclitaxel (n=31) had a median OS of 20.9 months versus 10.4 months (n=29) in patients treated only with paclitaxel (Hazard Ratio 0.53, 80% CI 0.36-0.78, p = 0.03). See Figure B.

Figure B. Wild Type APC Overall Survival



The abstract, authored by Bernstein et al, is titled "A randomized (RCT) phase II study of oncolytic reovirus (pelareorep) plus standard weekly paclitaxel (P) as therapy for metastatic breast cancer (mBC)".

Path #2 - Innate Immune Response

The initial activity supporting the innate immunity component of REOLYSIN's MOA, is in collaboration with Myeloma UK, a cancer charity, and Celgene. MUK *eleven* was launched in March of 2017: a first of its kind immuno-therapy trial that aims to modulate the immune system to target myeloma. The Phase 1b trial will study REOLYSIN in combination with Celgene's Imnovid® (pomalidomide) or Revlimid® (lenalidomide) as a rescue treatment in relapsing myeloma patients. The dose escalation trial will look at the safety and tolerability of these combinations, and will investigate whether the addition of REOLYSIN extends disease control in this patient group.

The trial will recruit approximately 44 patients across up to six Myeloma UK Clinical Trial Network centres in the UK. MUK *eleven* is part of the Myeloma UK Clinical Trial Network, a portfolio of early-stage trials coordinated by the Clinical Trials Research Unit at the University of Leeds, which aims to test and speed up access to promising new treatments for patients. Oncolytics and Celgene UK & Ireland are providing their respective products for MUK *eleven*: Oncolytics is providing REOLYSIN and Celgene UK & Ireland is providing Imnovid® and Revlimid®.

Path #3 - Adaptive Immune Response

In support of the adaptive immunity component of the MOA, we are currently running our first study in combination with an emerging class of immuno-oncology agents known as checkpoint inhibitors. REO 024 is an open-label phase 1b trial to determine the safety and dose-limiting toxicity of REOLYSIN in combination with pembrolizumab (KEYTRUDA®) and chemotherapy in patients with histologically confirmed, advanced or metastatic pancreatic adenocarcinoma who have failed, or did not tolerate, first-line treatment. The goal of this study is to establish the safety profile of the REOLYSIN/KEYTRUDA combination and to determine how a checkpoint inhibitor could improve the immune system's ability to recognize cancer cells through the stimulation of the adaptive immune response in patients caused by REOLYSIN.

Manufacturing and Process Development

During the first quarter of 2017, we supplied our clinical trial program with previously filled and labeled product from our existing supply of REOLYSIN. As well, we 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 FDA, for product approval.

Intellectual Property

At the end of the first quarter of 2017, we had been issued over 420 patents including 63 U.S. and 20 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

During the first quarter of 2017, we incurred share issue costs of $10,500 in order to maintain access to our Canadian "at-the-market" equity distribution agreement with Canaccord Genuity Inc. (our "Canadian ATM"). For the period ending March 31, 2017, we did not utilize our Canadian ATM and did not sell any common shares. Under the terms of our Canadian ATM, we may, from time to time, sell shares of our common stock having an aggregate offering value of up to $4.6 million through Canaccord Genuity Inc. Sales of common shares, if any, pursuant to the Canadian ATM, will be made in transactions that are deemed to be "at-the-market distributions", through the facilities of the Toronto Stock Exchange or other "marketplace" (as defined in National Instrument 21-101 Marketplace Operation) in Canada. We will determine, at our sole discretion, the timing and number of shares to be sold under this ATM facility.

Financial Impact

We estimated at the beginning of 2017 that our cash requirements to fund our operations would be approximately $12 million. Our cash usage for the first quarter of 2017 was $3,945,408 from operating activities and $5,836 for the acquisition of property and equipment. Our net loss for the period was $3,517,719.

Cash Resources

We exited the first quarter of 2017 with cash and cash equivalents totaling $10,102,393 (see *"Liquidity and Capital Resources")*.

REOLYSIN Development for the Remainder of 2017

Initial Registration Path in Metastatic Breast Cancer
On April 12, 2017, we announced our initial registration pathway which was based on CCTG's compelling clinical results in metastatic breast cancer, where the combined treatment demonstrated a statistically significant increase in median OS. We have consulted with key opinion leaders to develop our registration strategy and we intend to present our breast data and outcome of our discussions with key opinion leaders to regulators as part of an End-of-Phase 2 Meeting expected to occur later in 2017. Our objective for an End-of-Phase 2 meeting is to obtain scientific advice to support our registration pathway. Specific features of any future clinical studies are expected to include: overall survival as a primary endpoint; other exploratory endpoints to identify potential markers of response; and a trial design to ensure a sufficient number of patients are run to reach a statistically significant outcome while balancing the financial resources required.

Additional Clinical Development
We also expect during the remainder of 2017, that we will expand our research collaborations with large pharma in an effort to support further development around the innate and adaptive immunity components of REOLYSIN's MOA. We expect these potential collaborations to include combinations with immunotherapies and IMiDs.

Manufacturing and Intellectual Property
Our 2017 manufacturing program includes continued production of 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 2017. Finally, our intellectual property program includes filings for additional patents along with monitoring activities required to protect our patent portfolio.

We currently estimate the cash requirements to fund our operations for 2017 will be approximately $12 million, but will depend on our ultimate clinical program. (see *"Liquidity and Capital Resources"*).

Results of Operations

Net loss for the three month period ending March 31, 2017 was $3,517,719 compared to $4,016,775 for the three month period ending March 31, 2016.

Research and Development Expenses ("R&D")

	2017 $	2016 $
Clinical trial expenses	**686,173**	557,224
Manufacturing and related process development expenses	**453,564**	533,519
Intellectual property expenditures	**251,590**	396,364
Research collaboration expenses	**87,379**	54,119
Other R&D expenses	**694,135**	743,983
Foreign exchange loss	**27,397**	381,317
Share based payments	**67,833**	59,603
Research and development expenses	**2,268,071**	2,726,129

Clinical Trial Program

	2017 $	2016 $
Clinical trial expenses	**686,173**	557,224

Our clinical trial expenses for the first quarter of 2017 were $686,173 compared to $557,224 for the first quarter of 2016. In the first quarter of 2017, our clinical trial program focused mainly on the preparation and development of a breast cancer registration study (Path #1 of our Clinical Development Plan). These activities included costs to complete our supporting regulatory documents, regulatory filing fees and key opinion leader activities. During the first quarters of 2017 and 2016, our clinical activities included patient enrollment in our checkpoint inhibitor pancreatic cancer study investigating pembrolizumab (KEYTRUDA®) in combination with REOLYSIN.

We still expect our clinical trial expenses to increase in 2017 compared to 2016. In 2017, we expect to finalize our registration path and complete the regulatory filings necessary to support and commence enrollment in a registration study as part of Path #1 of our Clinical Development Plan. As well, we expect to expand Path #2 and Path #3 of our Clinical Development Plan to include both checkpoint inhibitors and IMiDs.

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

	2017 $	2016 $
Product manufacturing expenses	**304,501**	355,035
Process development expenses	**149,063**	178,484
Manufacturing and related process development expenses	**453,564**	533,519

Our M&P expenses for the first quarter of 2017 were $453,564 compared to $533,519 for the first quarter of 2016. During the first quarters of 2017 and 2016, our product manufacturing costs mainly related to shipping and storage costs of our bulk and vialed product.

Our process development expenses for the first quarter of 2017 were $149,063 compared to $178,484 for the first quarter of 2016. In the first quarter of 2017, our process development activities focused on stability studies. In the first quarter of 2016, our process development activities focused on our validation master plan, which included optimization, validation and stability studies.

We still expect our M&P expenses for 2017 to increase compared to 2016. In 2017, we expect to fill, label and store sufficient product in preparation for a registration study. We also expect to continue to perform conformity testing related to our process validation master plan.

Intellectual Property Expenses

	2017 $	2016 $
Intellectual property expenses	**251,590**	396,364

Our intellectual property expenses for the first quarter of 2017 were $251,590 compared to $396,364 for the first quarter of 2016. The change in intellectual property expenditures reflects the timing of filing costs associated with our expanded patent base. At the end of the first quarter of 2017, we had been issued over 420 patents including 63 U.S. and 20 Canadian patents, as well as issuances in other jurisdictions. We still expect that our intellectual property expenses will remain consistent in 2017 compared to 2016.

Research Collaborations

	2017 $	2016 $
Research collaborations	**87,379**	54,119

Our research collaboration expenses for the first quarter of 2017 were $87,379 compared to $54,119 for the first quarter of 2016. Our research collaborations during the first quarters of 2017 and 2016 included biomarker studies along with studies investigating the interaction of the immune system and REOLYSIN.

We still expect that our research collaborations in 2017 will remain consistent with 2016. We expect to complete our ongoing collaborative program carried over from 2016 and will continue to be selective in the types of new collaborations we enter into in 2017.

Other Research and Development Expenses

	2017 $	2016 $
R&D salaries and benefits	**665,818**	699,089
Other R&D expenses	**28,317**	44,894
Other research and development expenses	**694,135**	743,983

Our Other Research and Development expenses for the first quarter of 2017 were $694,135 compared to $743,983 for the first quarter of 2016. The change in our R&D salaries and benefits was mainly due to the change in chief executive officers which was partially offset by the addition of our new chief medical officer in November 2016.

We still expect that our Other R&D expenses in 2017 will remain consistent compared to 2016.

Share Based Payments

	2017 $	2016 $
Share based payments	**67,833**	59,603

Non-cash share based payment expenses for the first quarter of 2017 were $67,833 compared to $59,603 for the first quarter of 2016. We incurred share based payment expenses associated with performance share awards granted to officers and stock options granted to officers and employees.

Operating Expenses

	2017 $	2016 $
Public company related expenses	**694,375**	827,507
Office expenses	**515,833**	464,926
Amortization of property and equipment	**24,036**	45,942
Share based payments	**66,056**	22,037
Operating expenses	**1,300,300**	1,360,412

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. During the first quarter of 2017, our public company related expenses were $694,375 compared to $827,507 for the first quarter of 2016. The decline in these costs has been a direct result from a change in our philosophy regarding investor relations (IR) activities. During the first quarter of 2017, we were able to eliminate certain IR services and brought elements of our IR program in house in an effort to maximize the impact of our IR activities while maintaining control over costs.

Office expenses include compensation costs (excluding share based payments), office rent and other office related costs. During the first quarter of 2017, we incurred office expenses of $515,833 compared to $464,926 during the first quarter of 2016. The change was primarily due to a change in salary levels and increase in headcount.

Non-cash share based payment expenses for the first quarter of 2017 were $66,056 compared to $22,037 for the first quarter of 2016. In the first quarters of 2017 and 2016, we incurred share based payment expenses associated with restricted share awards granted to independent board members and stock options granted to officers and employees. We also incurred share based payment expenses associated with performance share awards granted to certain officers and management in the first quarter of 2017.

We still expect our operating expenses in 2017 to decrease compared to 2016.

Commitments

As at March 31, 2017, we are committed to payments totaling approximately $1,623,000 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 our office leases totaling $461,289 for 2017 to 2021. All of these committed payments are considered to be part of our normal course of business.

Summary of Quarterly Results

	2017	2016			2015			
	March	**Dec.**	**Sept**	**June**	**March**	**Dec.**	**Sept**	**June**
Revenue	—	—	—	—	—	—	—	—
Net loss[(2)]	3,518	5,210	3,332	2,581	4,017	3,497	2,824	3,850
Basic and diluted loss per common share[(2)]	$0.03	$0.04	$0.03	$0.02	$0.03	$0.03	$0.02	$0.03
Total assets[(3)]	10,623	14,758	18,437	21,368	23,023	27,384	31,001	33,190
Total cash[(1), (3)]	10,102	14,123	17,702	20,410	22,322	26,077	30,023	32,079
Total long-term debt	—	—	—	—	—	—	—	—
Cash dividends declared[(4)]	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 March 2017 and April 2015 are quarterly share based payment expenses of $133,889, $106,443, $98,369, $119,626, $81,640, $248,101, $10,791, and $55,675, respectively.

(3) We issued nil common shares from our Canadian ATM for cash proceeds of nil and incurred share issue costs of $10,500 in 2017 (2016 - 3,106,600 common shares for net cash proceeds of $1.0 million; 2015 - 24,639,128 common shares for net cash proceeds of $23.7 million).

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

Liquidity and Capital Resources

2017 Financing Activities

We maintained our Canadian ATM facility during the period ending March 31, 2017, however, no shares were sold under this facility during the period. We incurred share issue costs of $10,500.

2016 Financing Activities

During the period between February 26 and March 31, 2016, we sold 545,500 common shares for gross proceeds of $274,805. We incurred share issue costs which included costs to establish our Canadian ATM facility of $375,349.

Liquidity

As at March 31, 2017, we had cash and cash equivalents, short-term investments and working capital positions as follows:

	March 31, 2017 $	**December 31, 2016 $**
Cash and cash equivalents	**10,102,393**	12,034,282
Short-term investments	**—**	2,088,800
Shareholders' equity	**7,274,542**	10,689,620

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.

We desire to maintain adequate cash and short-term investment reserves to support our planned activities which include our clinical trial program, product manufacturing, administrative costs, and our intellectual property expansion and protection. To date, we have funded our operations mainly through the issue of additional capital via public and private offerings and through the exercise of warrants and stock options. In February 2016, we were able to raise funds through our Canadian ATM (our "Financing Arrangement").

We have no assurances that we will be able to raise additional funds through the sale of our common shares, consequently, we will continue to evaluate all types of financing arrangements. In an effort to be able to evaluate all types of financing arrangements, we maintain a current short form base shelf prospectus (the "Base Shelf") that qualifies for distribution of up to $150,000,000 of common shares, subscription receipts, warrants, or units (the "Securities"). We renewed our Base Shelf on February 16, 2016 which allows to 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. Our Base Shelf expires on March 16, 2018.

Maintaining 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. By utilizing our Base Shelf, we were able to enter into our Financing Arrangement.

Our Financing Arrangement provides us with access, subject to the respective terms and conditions, $4.6 million of which we have raised gross proceeds of approximately $1.5 million. We expect to continue to access our Financing Arrangement to help support our current clinical trial, manufacturing, intellectual property and collaboration programs.

We anticipate that the expected cash usage from our operations in 2017 will be approximately $12 million. We continue to manage our research and development plan with the objective of ensuring optimal use of our existing resources. Additional activities continue to be subject to adequate resources and we believe we will have sufficient cash resources and access to additional cash resources through our Financing Arrangement to fund our presently planned operations into 2018. Factors that will affect our anticipated cash usage in 2017, and for which additional funding might be required include, but are not limited to, expansion of our clinical trial program, the timing of patient enrollment in our approved clinical trials, the actual costs incurred to support each

clinical trial, the number of treatments each patient will receive, the timing of R&D activity with our clinical trial research collaborations, the number, timing and costs of manufacturing runs required to conclude the validation process and supply product to our clinical trial program, and the level of collaborative activity undertaken.

We are not subject to externally imposed capital requirements and there have been no changes in how we define or manage our capital in 2017.

Financial Instruments and Other Instruments

Our financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable and accounts payable. As at March 31, 2017, 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 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. As at December 31, 2016, 100% of our short-term investments were 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. In the normal course of our operations, 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. In addition, we are exposed to currency risk to the extent cash is held in foreign currencies from either the purchase of foreign currencies or when we receive foreign currency proceeds from financing activities. The impact of a $0.01 increase in the value of the U.S. dollar against the Canadian dollar would have decreased our net loss in 2017 by approximately $17,516. The impact of a $0.10 increase in the value of the British pound against the Canadian dollar would have decreased our net loss in 2017 by approximately $34. The impact of a $0.10 increase in the value of the Euro against the Canadian dollar would have decreased our net loss in 2017 by approximately $3,247.

We mitigate our foreign exchange risk by maintaining sufficient foreign currencies, through the purchase of foreign currencies or receiving foreign currencies from financing activities, to settle our foreign accounts payable.

Balances in foreign currencies at March 31, 2017 are as follows:

	U.S. dollars $	British pounds £	Euro €
Cash and cash equivalents	3,359,799	42,078	32,524
Accounts payable	(285,884)	(9,214)	—
	3,073,915	32,864	32,524

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 of our interim financial statements. Accounts payable are all due within the current operating period.

Other MD&A Requirements

We have 121,836,722 common shares outstanding at May 4, 2017. If all of our options, restricted share units and performance share units (10,293,996) were exercised or were to vest we would have 132,130,718 common shares outstanding.

Our 2016 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 March 31, 2017 that materially affected or are reasonably likely to materially affect, internal controls over financial reporting.

Interim Consolidated Financial Statements
(unaudited)

Oncolytics Biotech® Inc.
March 31, 2017 and 2016

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

As at	Notes	March 31, 2017 $	December 31, 2016 $
Assets			
Current assets			
Cash and cash equivalents	*3*	**10,102,393**	12,034,282
Short-term investments	*3*	**—**	2,088,800
Accounts receivable		**36,484**	54,406
Prepaid expenses		**182,897**	260,841
Total current assets		**10,321,774**	14,438,329
Non-current assets			
Property and equipment		**301,534**	319,955
Total non-current assets		**301,534**	319,955
Total assets		**10,623,308**	14,758,284
Liabilities And Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**3,348,766**	4,068,664
Total current liabilities		**3,348,766**	4,068,664
Commitments and contingencies	*7*		
Shareholders' equity			
Share capital Authorized: unlimited Issued: March 31, 2017 – 121,258,222 December 31, 2016 – 121,258,222	*4*	**262,311,325**	262,321,825
Contributed surplus	*5*	**26,776,933**	26,643,044
Accumulated other comprehensive income		**533,312**	554,060
Accumulated deficit		**(282,347,028)**	(278,829,309)
Total shareholders' equity		**7,274,542**	10,689,620
Total liabilities and equity		**10,623,308**	14,758,284

See accompanying notes

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

For the three month period ending March 31	Notes	2017 $	2016 $
Expenses			
Research and development	*5, 11, 12*	**2,268,071**	2,726,129
Operating	*5, 11, 12*	**1,300,300**	1,360,412
Operating loss		**(3,568,371)**	(4,086,541)
Interest		**50,715**	69,621
Loss before income taxes		**(3,517,656)**	(4,016,920)
Income tax (expense) recovery		**(63)**	145
Net loss		**(3,517,719)**	(4,016,775)
Other comprehensive income items that may be reclassified to net loss			
Translation adjustment		**(20,748)**	(170,059)
Net comprehensive loss		**(3,538,467)**	(4,186,834)
Basic and diluted loss per common share	*6*	**(0.03)**	(0.03)
Weighted average number of shares (basic and diluted)	*6*	**121,258,222**	118,119,985

See accompanying notes

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

	Share Capital $	Contributed Surplus $	Accumulated Other Comprehensive Income $	Accumulated Deficit $	Total $
As at December 31, 2015	261,324,692	26,277,966	760,978	(263,689,330)	24,674,306
Net loss and other comprehensive loss	—	—	(170,059)	(4,016,775)	(4,186,834)
Issued, pursuant to "At the Market" Agreement	274,805	—	—	—	274,805
Share issue costs	(375,349)	—	—	—	(375,349)
Share based compensation	—	81,640	—	—	81,640
As at March 31, 2016	261,224,148	26,359,606	590,919	(267,706,105)	20,468,568

	Share Capital $	Contributed Surplus $	Accumulated Other Comprehensive Income $	Accumulated Deficit $	Total $
As at December 31, 2016	262,321,825	26,643,044	554,060	(278,829,309)	10,689,620
Net loss and other comprehensive loss	—	—	(20,748)	(3,517,719)	(3,538,467)
Share issue costs *(Note 4)*	(10,500)	—	—	—	(10,500)
Share based compensation	—	133,889	—	—	133,889
As at March 31, 2017	**262,311,325**	**26,776,933**	**533,312**	**(282,347,028)**	**7,274,542**

See accompanying notes

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

For the three month period ending March 31	Notes	2017 $	2016 $
Operating Activities			
Net loss for the period		**(3,517,719)**	(4,016,775)
Amortization - property and equipment	*11*	**24,036**	45,942
Share based compensation	*5, 11*	**133,889**	81,640
Unrealized foreign exchange loss		**52,032**	141,295
Net change in non-cash working capital	*10*	**(637,646)**	724,655
Cash used in operating activities		**(3,945,408)**	(3,023,243)
Investing Activities			
Acquisition of property and equipment		**(5,836)**	—
Redemption (purchase) of short-term investments		**2,088,800**	(27,823)
Cash provided by (used in) investing activities		**2,082,964**	(27,823)
Financing Activities			
"At the Market" equity distribution agreement	*4*	**(10,500)**	(100,544)
Cash used in financing activities		**(10,500)**	(100,544)
Decrease in cash		**(1,872,944)**	(3,151,610)
Cash and cash equivalents, beginning of period		**12,034,282**	24,016,275
Impact of foreign exchange on cash and cash equivalents		**(58,945)**	(631,257)
Cash and cash equivalents, end of period		**10,102,393**	20,233,408

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 March 31, 2017, were authorized for issue in accordance with a resolution of the Board of Directors (the "Board") on May 4, 2017. 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 lead product, REOLYSIN®, is a potential immuno-oncology viral-agent that may be a novel treatment for certain types of cancer and may be an alternative to existing cytotoxic or cytostatic therapies. Our clinical development program for REOLYSIN emphasizes three pillars: chemotherapy combinations to trigger selective tumor lysis; immuno-therapy combinations to produce adaptive immune responses; and immune modulator (IMiD) combinations to facilitate innate immune responses.

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 March 31, 2017 and are presented in Canadian dollars, our functional currency.

Our accounts are prepared in accordance with International Financial Reporting Standards ("IFRS") 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, 2016. 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, 2016.

Note 3: Cash Equivalents and Short Term Investments

Cash Equivalents

Cash equivalents consist of interest bearing deposits with our bank totaling $7,753,698 (December 31, 2016 – $10,679,992). The current annual interest rate earned on these deposits is 0.90% (December 31, 2016 – 0.96%).

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 %
March 31, 2017						
Short-term investments	—	—	—	—	—	—%
December 31, 2016						
Short-term investments	2,088,800	2,088,800	—	2,088,800	2,088,800	1.41%

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	
	Number	Amount $
Balance, December 31, 2015	118,151,622	261,324,692
Issued pursuant to incentive share award plan	100,000	41,000
Issued pursuant to "At the Market" equity distribution agreement[(a)]	3,006,600	1,456,296
Share issue costs	—	(500,163)
Balance, December 31, 2016	121,258,222	262,321,825
Issued pursuant to "At the Market" equity distribution agreement[(a)]	—	—
Share issue costs	—	(10,500)
Balance, March 31, 2017	**121,258,222**	**262,311,325**

(a) On February 25, 2016, we entered into an "at-the-market" equity distribution agreement with Canaccord Genuity Inc. acting as our sole agent with an aggregate offering value of $4.6 million and allows us to sell our common shares through the facilities of the Toronto Stock Exchange or other "marketplace" (as defined in National Instrument 21-101 Marketplace Operation) in Canada (our "Canadian ATM"). Subject to the terms of our Canadian ATM, we are able to determine, at our sole discretion, the timing and number of shares to be sold under this ATM facility. No common shares were sold during the period ending March 31, 2017. We incurred share issue costs of $10,500.

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 March 31:

	2017		2016	
	Stock Options	Weighted Average Exercise Price $	Stock Options	Weighted Average Exercise Price $
Outstanding, beginning of the period	**8,674,227**	**1.83**	8,561,394	2.17
Granted during the period	**125,000**	**0.35**	—	—
Forfeited during the period	**(170,000)**	**3.76**	—	—
Expired during the period	**(17,900)**	**2.25**	(100,000)	1.69
Outstanding, end of the period	**8,611,327**	**1.77**	8,461,394	2.17
Options exercisable, end of the period	**6,579,243**	**2.22**	6,376,394	2.74

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2017:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price $	Number Exercisable	Weighted Average Exercise Price $
$0.26 - $0.41	2,097,000	9.40	0.31	846,916	0.35
$0.42 - $0.57	2,172,000	8.67	0.42	1,390,000	0.42
$0.58- $1.87	1,587,667	6.76	1.55	1,587,667	1.55
$1.88 - $3.95	1,504,660	3.93	3.04	1,504,660	3.04
$3.96- $6.72	1,250,000	4.73	5.33	1,250,000	5.33
	8,611,327	7.10	1.77	6,579,243	2.22

Non-exercisable options vest annually over periods ranging from one to three years or after the completion of certain performance criteria.

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:

	2017	2016
Risk-free interest rate	**0.92%**	N/A
Expected hold period to exercise	**3.0 years**	N/A
Volatility in the price of the Company's shares	**86.7%**	N/A
Rate of forfeiture	**3.67%**	N/A
Dividend yield	**Nil**	N/A
Weighted average fair value of options	**$0.19**	N/A

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.

Incentive Share Award Plan

We have issued restricted share units to non-employee directors through our incentive share award plan. Grants of restricted share units to non-employee directors vest either on the third anniversary date from the grant date or when the director ceases to be a member of the board. The following restricted share units are outstanding at March 31:

	2017	2016
Outstanding, beginning of the period	**1,322,829**	368,831
Granted during the period[1]	**38,340**	17,262
Outstanding, end of the period	**1,361,169**	386,093

(1) The weighted average fair value of the restricted share units granted was $0.69 in 2017 (2016 - $0.42).

We have also issued performance share units to certain officers and management of the Company. Grants of performance share units require completion of certain performance criteria and cliff vest after three years or vest over a three year period, depending on the grant. Grants to officers will vest immediately upon a change of control of the Company. If the officer ceases employment with the Company, vesting occurs on a pro rata basis prior to the third anniversary of the grant but after the first anniversary.

	2017	2016
Outstanding, beginning of the period	**840,000**	—
Granted during the period[1]	**60,000**	—
Outstanding, end of the period	**900,000**	—

(1) The weighted average fair value of the performance share units granted was $0.35 in 2017.

We have reserved 11,312,394 common shares for issuance relating to outstanding stock options. Compensation expense related to stock options granted to employees, directors and consultants, restricted share units to independent directors and performance share units to certain officers and management was $133,889 for the period ended March 31, 2017 (2016 - $81,640).

Note 6: Loss Per Common Share

Loss per common share is calculated using net loss for the period and the weighted average number of common shares outstanding for the period ended March 31, 2017 of 121,258,222 (March 31, 2016 -118,119,985). 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 $1,623,000 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 our office leases. Annual payments under the terms of this lease are as follows:

	Amount $
Remainder of 2017	107,623
2018	103,512
2019	103,512
2020	103,512
2021	43,130
	461,289

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 once sales of a specified product commence.

Note 8: Capital Disclosures

Our objective when managing capital is to maintain a strong statement of financial position. We achieve our objective by obtaining 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.

	March 31, 2017 $	December 31, 2016 $
Cash and cash equivalents	**10,102,393**	12,034,282
Short-term investments	—	2,088,800
Shareholders' equity	**7,274,542**	10,689,620

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 access to capital in different jurisdictions, 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 February 16, 2016, we renewed our short form base shelf prospectus (the "Base Shelf") that qualifies for distribution of up to $150,000,000 of common shares, subscription receipts, warrants, or units (the "Securities") in Canada. 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 March 16, 2018 and allowed us to enter into our Canadian ATM equity distribution agreement (see Note 4). We use this equity arrangement to assist us in achieving our capital objective.

We are not subject to externally imposed capital requirements and there have been no changes in how we define or manage our capital in 2017.

Note 9: Financial Instruments

Our financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable. As at March 31, 2017, 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. As at December 31, 2016, 100% of our short-term investments were 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. In the normal course of our operations, 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. In addition, we are exposed to currency risk to the extent cash is held in foreign currencies from either the purchase of foreign currencies or when we receive foreign currency proceeds from financing activities. The impact of a $0.01 increase in the value of the U.S. dollar against the Canadian dollar would have decreased our net loss in 2017 by approximately $17,516. The impact of a $0.10 increase in the value of the British pound against the Canadian dollar would have decreased our net loss in 2017 by approximately $34. The impact of a $0.10 increase in the value of the Euro against the Canadian dollar would have decreased our net loss in 2017 by approximately $3,247 .

We mitigate our foreign exchange risk by maintaining sufficient foreign currencies, through the purchase of foreign currencies or receiving foreign currencies from financing activities, to settle our foreign accounts payable.

Balances in foreign currencies at March 31, 2017 are as follows:

	U.S. dollars $	**British pounds** £	**Euro** €
Cash and cash equivalents	3,359,799	42,078	32,524
Accounts payable	(285,884)	(9,214)	—
	3,073,915	32,864	32,524

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

	2017 $	2016 $
Change in:		
Accounts receivable	**17,922**	280,411
Prepaid expenses	**77,944**	277,381
Accounts payable and accrued liabilities	**(719,898)**	(155,154)
Non-cash impact of foreign exchange	**(13,614)**	322,017
Change in non-cash working capital related to operating activities	**(637,646)**	724,655

Other Cash Flow Disclosures

	2017 $	2016 $
Cash interest received	**50,715**	69,621
Cash taxes paid	**—**	(145)

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 share based compensation associated with research and development activity as a component of research and development expenses and amortization of property and equipment and share based compensation associated with operating activities as a component of operating expenses.

	2017 $	2016 $
Included in research and development expenses:		
Realized foreign exchange (gain) loss	**(45,384)**	69,892
Unrealized non-cash foreign exchange loss	**72,781**	141,295
Non-cash share based compensation	**67,833**	59,603
Included in operating expenses:		
Amortization of property and equipment	**24,036**	45,942
Non-cash share based compensation	**66,056**	22,037
Office minimum lease payments	**49,069**	48,488

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.

	2017 $	**2016 $**
Short-term employee compensation and benefits	**582,395**	667,454
Share-based payments	**98,491**	81,640
	680,886	749,094

Shareholder Information

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

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Kirk Look, CA
Chief Financial Officer
Andres Gutierrez, MD, PhD
Chief Medical Officer
George M. Gill, MD
Senior Vice President, Regulatory Affairs and
Chief Safety Officer

Directors

Matt Coffey, PhD
President and CEO, Oncolytics Biotech Inc.
Angela Holtham, FCPA, FCMA, ICD.D
Corporate Director
J. Mark Lievonen, C.M., FCPA, FCA
Corporate Director
Wayne Pisano
Corporate Director
William G. Rice, PhD
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