

January 15, 2018

To all of our Shareholders,

2017 was a remarkable year for Oncolytics filled with major accomplishments, exciting clinical data and a strong path forward towards regulatory approval and ultimately commercialization. We reported a statistically significant increase of 7 months (10.4 months to 17.4 months) in median overall survival from our phase 2 metastatic breast cancer study. With this clinical data in hand, we obtained a fast track designation from the U.S. Food and Drug Administration (FDA) and received favourable end of phase 2 advice from both the FDA and the European Medicines Agency (EMA). We capped the year off with our first ever regional partnering transaction signing a USD\$86.6 million deal with Adlai Nortye for rights in China, Hong Kong, Korea, Singapore, Taiwan, and Macau. All of this has resulted in a \$65 million increase in our market capitalization to \$100.6 million at the end of 2017.

As we enter the new year and look forward to an exciting 2018, Oncolytics has planned and is working on a number of important strategic initiatives. With our continued effort to move towards registrational approval, our primary objective in the coming year will be to advance REOLYSIN<sup>®</sup>, also known as pelareorep, in combination with paclitaxel, into a phase 3 registration study for the treatment of hormone receptor positive, HER2 receptor negative (HR+/HER2-) metastatic breast cancer (mBC). Guidance from both the FDA and the EMA supports a single, 400 patient registration study for approval in the United States and Europe. Our current intention is to initiate this trial in the third quarter of 2018.

At the same time, in order to help us to better unlock the value of our strategic plan and pending catalysts, including, but not limited to, the potential for Breakthrough Designation, Special Protocol Assessment, a strategic partnership and the initiation of our phase 3 mBC study, your Board and Management team has been studying the benefits of listing in the U.S. on the NASDAQ Capital Market. We believe that obtaining a NASDAQ listing, done from a position of strength, will create and unlock value and will help to narrow the valuation gap between Oncolytics and our U.S. listed peers. Therefore, at this time and in the best interests of the Company and our shareholders, we are proposing to move forward with a U.S. based NASDAQ listing. A number of our biotechnology peers are either dual-listed on U.S. and Canadian stock exchanges, or solely-listed in the U.S. In general, these companies have been shown to have a greater average daily trading volume, a greater number of U.S. retail and institutional investors, a significantly deeper pool of capital, and on average higher valuations. We expect that having our shares listed on NASDAQ could bring many of these benefits to Oncolytics.

In addition, a listing on the NASDAQ Capital Market positions us for potential inclusion in a number of stock indices that are tracked by buy side institutions. These include various NASDAQ and S&P indices as well as the Russell 2000 & 3000. While there can be no assurance that Oncolytics will be included in any of these indices, becoming a NASDAQ-listed company accomplishes the very important first step. Furthermore, a NASDAQ listing brings an increased likelihood of additional U.S. analyst coverage, since many U.S. financial institutions are restricted from dealing with non-U.S. listed companies. This increased potential exposure with U.S. financial institutions could lead to greater awareness of our news flow resulting in more opportunities to present at biotech conferences and more interest from potential partners. In short, by listing on NASDAQ, we would join the ranks of the world's most respected biotech companies.

Companies with a TSX listing wishing to trade on NASDAQ must meet a variety of requirements. The management team at Oncolytics believed very strongly in maintaining our listing requirements since delisting in November 2015 and to this end the only requirement Oncolytics needs to meet at this time is a minimum closing price requirement. With our recent increase in market capitalization the closing price requirement for Oncolytics has dropped to USD\$2.00 per share from USD\$3.00 per share. Thus, in order to be in compliance with this requirement, we are proposing a well-reasoned share consolidation which affects only the number of shares an investor will own, not the value of the investment held.

As an example of how this consolidation process would work: in a company with a market capitalization (value) of \$100,000,000 with 100,000,000 shares outstanding, the shares are worth \$1.00 each. If that company consolidated 5 to 1, the number of shares would be divided by 5 resulting in 20,000,000 shares outstanding, a share price of \$5.00 and the market capitalization would remain \$100,000,000. An investor in this scenario with 1,000 shares prior to the consolidation would now have 200 shares and the value of that investment would remain \$1,000. That is to say, from a shareholder's perspective there will be no impact on the overall value of holdings pre- and post-consolidation unless the share price otherwise changes post-consolidation. However, we expect that the higher consolidated share price and NASDAQ listing could attract greater interest in Oncolytics from institutional investors, many of whom are not able to invest on the TSX and/or below a certain share price.

The effective date of the share consolidation is targeted for late February 2018, pending a favorable vote to be conducted at the special meeting of shareholders scheduled for February 23, 2018, as more particularly described in the accompanying notice of meeting and management information and proxy circular.

On behalf of Oncolytics Biotech, Inc., we would like to thank each of our shareholders for their ongoing support as we prepare to take part in this very important milestone event for our company and what promises to potentially be one of the most valuable years in our history.

Yours very truly,

Wayne Pisano, MBA,  
Chair, Board of Directors

Matt Coffey, Ph.D., MBA,  
President and Chief Executive Officer