First Quarter Report

March 31, 2013

Oncolytics Biotech Inc.
TSX: ONC
NASDAQ: ONCY

Oncolytics Biotech Inc.
First Quarter Report
2013

In the first quarter of 2013 we announced progress across multiple clinical initiatives, including two lung cancer studies. We also reported positive preliminary data from one of our studies in colorectal cancer. These indications are among the most prevalent forms of cancer diagnosed and treated in North America each year and demonstrates our commitment to seeing REOLYSIN make a meaningful contribution to the treatment of this disease. During the quarter, we also strengthened our balance sheet to ensure we had sufficient capital to advance these and other important programs forward in the quarters ahead.

Positive Clinical Developments

In January we announced a poster presentation covering positive preliminary results from a Phase I study examining the intravenous administration of REOLYSIN in combination with FOLFIRI in patients with metastatic colorectal cancer (REO 022). The poster presentation, titled: "A Multicenter Phase I Study of Intravenous Administration of REOLYSIN in combination with Irinotecan/Fluorouracil/Leucovorin (FOLFIRI) in Patients (pts) with Oxaliplatin-Refractory/Intolerant KRAS-Mutant Metastatic Colorectal Cancer," was presented at the ASCO Gastrointestinal Cancers Symposium. Twenty-one patients were enrolled in the study, including nine that were FOLFIRI-naïve. Of the 18 patients evaluable for response there was one partial response and nine had stable disease. The combined overall progression free survival (PFS) of FOLFIRI-naïve and FOLFIRI-failed patients was 7.4 months. The authors concluded that the combination of REOLYSIN and FOLFIRI was safe and well tolerated and resulted in disease control in the majority of evaluable patients, including patients that had previously progressed on Irinotecan.

During the quarter we announced two positive developments from 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 in patients with metastatic stage IIIB, or stage IV, or recurrent SCCLC who are chemotherapy naïve for their metastatic or recurrent cancer (REO 021). First, we announced results of an analysis examining best overall tumour changes between pre-treatment and up to six treatment cycles. Of 20 evaluable patients, 19 (95%) exhibited overall tumour shrinkage, with a mean (on 20 patients) of 33.7% shrinkage. Second, we announced that we had also met the primary overall statistical endpoint for this study. This was a two-stage design with a primary overall endpoint of objective tumor response rate and up to 36 patients were to be studied in the second stage. The primary endpoint was met if nine or more patients in both stages combined had a partial response (PR) or better, which yields a true response rate of 35% or more. This endpoint was met after 21 evaluable patients were treated on study, nine of which exhibited PRs, while a further nine showed stable disease (SD) and three, progressive disease (PD), for a response rate of 42.8% and a disease control rate (complete response (CR) + PR + SD) of 85.7%. Based on all the positive data seen to date in this study, we intend to conduct further studies in this indication.

In parallel with our SCCLC initiative, we also announced that we had completed patient enrollment in a Phase 2 clinical trial evaluating intravenous administration of REOLYSIN® in combination with paclitaxel and carboplatin in patients with non-small cell lung cancer (NSCLC) with *Kras* or EGFR-activated tumours (REO 016).

Maintaining a Strong Balance Sheet

In February, we announced the closing of a U.S. underwritten public offering of 8.0 million common shares, at a price of U.S.$4.00 per common share. The gross proceeds from the offering, before deducting underwriting commissions and offering expenses payable by Oncolytics, were approximately U.S.$32.0 million. With our burn rate moderating in the wake of completion of enrollment in the REO 018 study and an increasing number of our studies being conducted in partnership with leading cancer research organizations, we have sufficient capital to fund an array of planned initiatives into 2015.

Looking Ahead

A key focus for 2013 remains obtaining additional randomized data from multiple trials, including the REO 018 trial in head and neck cancers. We continue to follow the 167 patients enrolled in the study and we remain blinded. The analysis of this patient group is now event driven, and once we have had sufficient events on study, we will be in a position to unblind the data and report the results for the overall patient population and the individual patient groups and determine next steps.

Finally, I want to thank all our stakeholders for their continued support.

Brad Thompson
President and CEO

MANAGEMENT DISCUSSION & ANALYSIS

March 31, 2013

May 8, 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 months ended March 31, 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 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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 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 tolerability of REOLYSIN outside a controlled test, the success and timely completion of clinical studies and trials, the Company's ability to successfully commercialize REOLYSIN, uncertainties related to the research, development and manufacturing of pharmaceuticals, changes in technology, general changes to the economic environment and uncertainties related to the regulatory process.

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 the Company's 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. Investors should consider statements that include the words "believes", "expects", "anticipates", "intends", "estimates", "plans", "projects", "should", or other expressions that are based on assumptions, projections, estimates or expectations of management at the time to be uncertain and forward-looking. Investors are cautioned against placing undue reliance on forward-looking statements. The Company does not undertake to update these forward-looking statements, except as required by applicable laws.

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 2013 with a clinical program consisting of 16 clinical trials which includes seven randomized clinical trials. Of these 16 clinical trials, we fund four clinical trials and third parties sponsor the other 12. During the first quarter of

2013, we completed enrollment in our U.S. phase II non-small cell lung cancer clinical trial and announced clinical trial results from our phase II squamous cell lung cancer trial. We exited the first quarter of 2013 with 16 clinical trials.

Clinical Trial - Randomized Phase III Head and Neck Pivotal Trial

During the first quarter of 2013, we continued to re-treat patients that had been previously enrolled in stage one of our global randomized Phase III head and neck pivotal trial but had not yet progressed.

Clinical Trial - Third Party Clinical Trials

We began 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, squamous cell carcinoma, lung cancer and multiple myeloma) while allowing us to remain focused on 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 first quarter of 2013, we met the primary overall statistical endpoint in 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 in patients with metastatic stage IIIB, or stage IV, or recurrent SCCLC who are chemotherapy naïve for their metastatic or recurrent cancer.

The study is a two-stage design with a primary overall endpoint of objective tumor response rate. During the first stage, we saw a sufficient number of responses to proceed with enrollment in the second stage. A total of up to 36 patients were to be studied in the second stage with the primary endpoint being met if nine or more patients in both stages combined had a partial response ("PR") or better, effectively yielding a true response rate of 35% or more. This endpoint was met after 21 evaluable patients were treated on study, nine of which exhibited PRs, while a further nine showed stable disease ("SD") and three, progressive disease ("PD"), for a response rate of 42.8% and a disease control rate (complete response (CR) + PR + SD) of 85.7%.

In addition, in the first quarter of 2013, we also announced clinical results examining percent overall tumour shrinkage data from this trial. The analysis examined percent best overall tumour changes between pre-treatment and up to six treatment cycles. Of 20 evaluable patients examined, 19 (95%) exhibited overall tumour shrinkage (mean for the 20 patients: 33.7% shrinkage).

U.S. Phase I Metastatic Colorectal Cancer Clinical Study
During the first quarter of 2013, we presented a poster covering positive preliminary results from a Phase I study examining the intravenous administration of REOLYSIN in combination with FOLFIRI in patients with metastatic colorectal cancer (REO 022) at the ASCO Gastrointestinal Cancers Symposium in San Francisco, CA, which took place from January 2013.

The poster presentation, titled: "A Multicenter Phase I Study of Intravenous Administration of REOLYSIN in combination with Irinotecan/Fluorouracil/Leucovorin (FOLFIRI) in Patients (pts) with Oxaliplatin-Refractory/Intolerant KRAS-Mutant Metastatic Colorectal Cancer (mCRC)," was authored by Ocean et al. Twenty-one patients were enrolled in the study, including nine that were FOLFIRI-naïve. Of the 18 patients evaluable for response there was one partial response and nine had stable disease. The combined overall progression free survival (PFS) of FOLFIRI-naïve and FOLFIRI-failed patients was 7.4 months. The authors concluded that the combination of REOLYSIN and FOLFIRI was safe and well tolerated and resulted in disease control in the majority of evaluable patients, including patients that had previously progressed on Irinotecan.

The trial was a 21-patient, single arm dose escalation study designed to determine a maximum tolerated dose and dose-limiting toxicities for the combination of REOLYSIN and FOLFIRI. Eligible patients included those with histologically confirmed cancer of the colon or rectum with Kras mutation and measurable disease. They must have progressed on or within 190 after the last dose of an oxaliplatin regimen in the metastatic setting, or be intolerant to oxaliplatin.

Clinical Trial - Completed Enrollment

U.S. Phase II Non-Small Cell Lung Cancer Clinical Study
During the first quarter of 2013, we completed patient enrollment in our Phase II clinical trial evaluating intravenous administration of REOLYSIN in combination with paclitaxel and carboplatin in patients with non-small cell lung cancer ("NSCLC") with Kras or EGFR-activated tumours. This trial is a single arm, single-stage, open-label, Phase II study of REOLYSIN given intravenously with paclitaxel and carboplatin every three weeks. Patients received four to six cycles of paclitaxel and carboplatin in conjunction with REOLYSIN, following which REOLYSIN could be continued as a monotherapy.

Eligible patients included those with metastatic or recurrent NSCLC with Kras or EGFR-activated tumours, who had not received chemotherapy treatment for their metastatic or recurrent disease. Patients must have demonstrated mutations in Kras or EGFR, or EGFR gene amplification in their tumours (metastatic or primary) in order to qualify for the trial.

Manufacturing and Process Development

During the first quarter of 2013, 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 US Food and Drug Administration, for product approval.

Intellectual Property

At the end of the first quarter of 2013, we had been issued over 360 patents including 49 U.S. and 16 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

On February 25, 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 first quarter of 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 2013 that our cash requirements to fund our operations would be approximately $20.0 million. Our cash usage for the first quarter of 2013 was $8,410,222 from operating activities and $15,138 for the acquisition of property and equipment. Our net loss for the period was $6,606,836.

Cash Resources

We exited the first quarter of 2013 with cash and short-term investments totaling $43,521,301 (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 our randomized U.S. 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 still estimate the cash requirements to fund our operations for 2013 will be approximately $20,000,000, 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, 2013 was$6,606,836 compared to $8,458,528 compared to for the three month period ending March 31, 2012.

Research and Development Expenses ("R&D")

	2013 $	2012 $
Clinical trial expenses	**3,090,446**	4,229,666
Manufacturing and related process development expenses	**552,965**	1,859,801
Intellectual property expenditures	**216,370**	160,585
Research collaboration expenses	**68,618**	30,565
Other R&D expenses	**824,999**	1,245,378
Foreign exchange loss	**360,734**	(45,889)
Share based payments	**2,912**	10,438
Research and development expenses	**5,117,044**	7,490,544

Clinical Trial Program

	2013 $	2012 $
Direct patient expenses	3,090,446	3,846,568
Phase III start up expenses	—	383,098
Clinical trial expenses	3,090,446	4,229,666

Our clinical trial expenses for the first quarter of 2013 were $3,090,446 compared to $4,229,666 for the first quarter of 2012. During the first quarter of 2013, our clinical trial program activities relating to our global randomized Phase III head and neck trial declined as a result of the pause in enrollment. In the first quarter of 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 four randomized clinical studies that are part of the clinical research agreement with the NCIC. In the first quarter of 2012, we incurred direct patient costs associated with the completion of stage 1 enrollment of our global randomized Phase III head and neck trial along with the other clinical trials that we were sponsoring. By the end of the first quarter of 2012, we were actively enrolling patients at over 80 clinical sites in over 13 jurisdictions.

We still expect our clinical trial expenses to decrease in 2013 compared to 2012. Our clinical program includes 12 Third Party Trials and only four 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 four clinical trials that we are currently sponsoring.

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

	2013 $	2012 $
Product manufacturing expenses	223,375	1,241,068
Process development expenses	329,590	618,733
Manufacturing and related process development expenses	552,965	1,859,801

Our M&P expenses for the first quarter of 2013 were $552,965 compared to $1,859,801 for the first quarter of 2012. During the first quarter of 2013, our product manufacturing costs mainly related to shipping and storage activities. During the first quarter of 2012, we completed our first 100-litre cGMP production run of 2012.

Our process development expenses for the first quarter of 2013 were $329,590 compared to $618,733 for the first quarter of 2012. During the first quarters of 2013 and 2012, our process development activities focused on our validation master plan. These activities included optimization, validation and stability studies.

We still expect our M&P expenses for 2013 to remain consistent with 2012. We expect to complete several 100-litre cGMP production runs including fill and finish activities in 2013. We also expect to continue to perform conformity testing related to our process validation master plan.

Intellectual Property Expenses

	2013 $	2012 $
Intellectual property expenses	216,370	160,585

Our intellectual property expenses for the first quarter of 2013 were $216,370 compared to $160,585 for the first 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 first quarter of 2013, we had been issued over 360 patents including 49 U.S. and 16 Canadian patents, as well as issuances in other jurisdictions. We still expect that our intellectual property expenses will remain consistent in 2013 compared to 2012.

Research Collaborations

	2013 $	2012 $
Research collaborations	68,618	30,565

Our research collaboration expenses for the first quarter of 2013 were $68,618 compared to $30,565 for the first quarter of 2012. Our research collaboration activities in 2013 and 2012 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 still 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	40,848	93,892
R&D salaries and benefits	736,849	962,738
Other R&D expenses	47,302	188,748
Other research and development expenses	824,999	1,245,378

Our Other Research and Development expenses for the first quarter of 2013 were $824,999 compared to $1,245,378 for the first quarter of 2012. During the first quarter of 2013, our Other Research and Development activities declined as a result of the pause in enrollment in 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 first quarter of 2012, we were supporting our global randomized Phase III head and neck trial that was actively enrolling in over 80 clinical sites in 14 countries.

We still expect that our Other R&D expenses in 2013 will remain consistent compared to 2012.

Operating Expenses

	2013 $	2012 $
Public company related expenses	890,444	690,925
Office expenses	531,782	365,650
Amortization of property and equipment	24,581	28,061
Share based payments	117,944	3,415
Operating expenses	1,564,751	1,088,051

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 first quarter of 2013, our investor relations activities, in anticipation of our financing, along with our financial advisory service activities increased compared to the first quarter of 2012.

Office expenses include compensation costs (excluding share based payments), office rent, travel, and other office related costs. During the first quarter of 2013, we incurred office expenses of $531,782 compared to $365,650 during the first quarter of 2012. In 2013, our office expenses increased compared to 2012 in an effort to support our increased investor relations activity along with an increase in salaries associated with the addition of our general council.

During the first quarter of 2013, our non-cash share based payment expenses were $117,944 compared to $3,415 for the first quarter of 2012. We incurred stock based compensation associated with the grant of stock options in the first quarter of 2013 as a result of hiring our general council.

We still expect our operating expenses in 2013 to remain consistent with 2012.

Commitments

As at March 31, 2013, we are committed to payments totaling approximately $8,107,000 during the remainder of 2013 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

	2013	2012			2011			
(unaudited)	**March**	**Dec.**	**Sept**	**June**	**March**	**Dec.**	**Sept**	**June**
Revenue	—	—	—	—	—	—	—	—
Net loss[(2)]	6,607	8,492	9,244	10,179	8,459	11,677	6,232	7,164
Basic and diluted loss per common share[(2)]	$0.08	$0.11	$0.12	$0.13	$0.11	$0.16	$0.09	$0.10
Total assets[(3)]	44,272	22,078	29,086	36,561	47,372	36,025	43,053	49,690
Total cash[(1), (3)]	43,521	21,293	27,977	35,772	46,591	34,856	42,173	48,570
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 2013 and April 2011 are quarterly stock based compensation expenses (recovery) of $120,856, $780,240, ($121,685), $58,343, $13,853, $1,580,978, $181,183, and $40,469, 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

On February 25, 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 first quarter of 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 connected 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 first quarter of 2012, we received cash proceeds of $0.5 million with respect to the exercise of 147,166 stock options.

Liquidity

As at March 31, 2013, we had cash and cash equivalents, short-term investments and working capital positions as follows:

	March 31, 2013 $	December 31, 2012 $
Cash and cash equivalents	**41,519,657**	19,323,541
Short-term investments	**2,001,644**	1,969,228
Shareholders' equity	**38,647,039**	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.

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 March 31, 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 March 31, 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 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. and the U.K. 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 decreased our net loss in 2013 by approximately $237,901. 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 $26,432. 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 $87,371 .

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 March 31, 2013 are as follows:

	U.S. dollars $	**British pounds** £	**Euro** €
Cash and cash equivalents	29,355,642	53,527	21,715
Accounts payable	(3,208,773)	(64,909)	(135,328)
	26,146,869	(11,382)	(113,613)

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 84,758,818 common shares outstanding at May 8, 2013. If all of our warrants (303,945) and options (6,076,844) were exercised we would have 91,139,607 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 March 31, 2013 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, 2013 and 2012

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

	Notes	March 31, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents	*3*	**41,519,657**	19,323,541
Short-term investments	*3*	**2,001,644**	1,969,228
Accounts receivable		**77,976**	44,979
Prepaid expenses		**273,184**	331,094
Total current assets		**43,872,461**	21,668,842
Non-current assets			
Property and equipment		**399,805**	409,248
Total non-current assets		**399,805**	409,248
Total assets		**44,272,266**	22,078,090
Liabilities And Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**5,625,227**	7,291,310
Total current liabilities		**5,625,227**	7,291,310
Commitments and contingencies	*7*		
Shareholders' equity			
Share capital Authorized: unlimited Issued: March 31, 2013 - 84,758,818 December 31, 2012 - 76,710,285	*4*	**228,501,829**	198,155,091
Warrants	*4*	**376,892**	376,892
Contributed surplus	*4, 5*	**24,212,434**	24,126,265
Accumulated other comprehensive loss		**(22,927)**	(57,115)
Accumulated deficit		**(214,421,189)**	(207,814,353)
Total shareholders' equity		**38,647,039**	14,786,780
Total liabilities and equity		**44,272,266**	22,078,090

See accompanying notes

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

For the three month period ending March 31,	Notes	2013 $	2012 $
Expenses			
Research and development	*5, 11, 12*	**5,117,044**	7,490,544
Operating	*5, 11, 12*	**1,564,751**	1,088,051
Operating loss		**(6,681,795)**	(8,578,595)
Interest		**74,959**	120,067
Loss before income taxes		**(6,606,836)**	(8,458,528)
Income tax expense		**—**	—
Net loss		**(6,606,836)**	(8,458,528)
Other comprehensive income items that may be reclassified to net loss			
Translation adjustment		**34,188**	(34,259)
Net comprehensive loss		**(6,572,648)**	(8,492,787)
Basic and diluted loss per common share	*6*	**(0.08)**	(0.11)
Weighted average number of shares (basic and diluted)	*6*	**79,766,258**	74,552,824

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	—	—	—	(34,259)	(8,458,528)	(8,492,787)
Issued, pursuant to a bought deal financing	19,418,551	—	376,892	—	—	19,795,443
Exercise of stock options	670,719	(208,136)	—	—	—	462,583
Share based compensation	—	13,853	—	—	—	13,853
As at March 31, 2012	197,371,836	20,948,236	3,030,519	(151,760)	(179,899,360)	41,299,471

	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	—	—	—	34,188	(6,606,836)	(6,572,648)
Issued, pursuant to a public offering	30,207,062	—	—	—	—	30,207,062
Exercise of stock options	139,676	(34,687)	—	—	—	104,989
Share based compensation	—	120,856	—	—	—	120,856
As at March 31, 2013	**228,501,829**	**24,212,434**	**376,892**	**(22,927)**	**(214,421,189)**	**38,647,039**

See accompanying notes

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

For the three month period ending March,	Notes	2013 $	2012 $
Operating Activities			
Net loss for the period		**(6,606,836)**	(8,458,528)
Amortization - property and equipment		**24,581**	28,061
Share based compensation	*5, 11*	**120,856**	13,853
Unrealized foreign exchange loss		**(307,653)**	(45,009)
Net change in non-cash working capital	*10*	**(1,641,170)**	(39,453)
Cash used in operating activities		**(8,410,222)**	(8,501,076)
Investing Activities			
Acquisition of property and equipment		**(15,138)**	(31,932)
Purchase of short-term investments		**(32,416)**	(32,441)
Cash used in investing activities		**(47,554)**	(64,373)
Financing Activities			
Proceeds from exercise of stock options and warrants		**104,989**	462,583
Proceeds from public offering	*4*	**30,207,062**	19,795,443
Cash provided by financing activities		**30,312,051**	20,258,026
Increase in cash		**21,854,275**	11,692,577
Cash and cash equivalents, beginning of period		**19,323,541**	32,918,751
Impact of foreign exchange on cash and cash equivalents		**341,841**	10,750
Cash and cash equivalents, end of period		**41,519,657**	44,622,078

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, 2013, were authorized for issue in accordance with a resolution of the Board of Directors (the "Board") on May 8, 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 March 31, 2013 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, 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 except the following:

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 Statement*s, 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 $10,315,766 (December 31, 2012 - $15,058,729). The current annual interest rate earned on these deposits is 1.15% (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 %
March 31, 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	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	—	(2,640,938)	—	—
Balance, March 31, 2013	**84,758,818**	**228,501,829**	**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 connected 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 March 31, 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	0.83
	303,945	—	—	—	303,945	0.83

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:

	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	**200,000**	**4.60**	30,000	4.27
Forfeited during the period	**—**	**—**	(100,000)	5.92
Exercised during the period	**(48,533)**	**2.16**	(147,166)	3.15
Outstanding, end of the period	**6,076,844**	**4.33**	5,460,411	4.38
Options exercisable, end of the period	**5,745,511**	**4.40**	5,264,745	4.38

The following table summarizes information about the stock options outstanding and exercisable at March 31, 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	6.40	2.13	670,094	2.16
$2.70 - $3.89	1,917,000	6.70	3.52	1,911,167	3.53
$4.00 - $5.92	2,290,750	5.40	4.60	2,135,250	4.60
$6.72 - $9.76	1,029,000	6.20	7.04	1,029,000	7.04
	6,076,844	6.10	4.33	5,745,511	4.40

Non-exercisable options vest annually over periods ranging from one to three periods. We have reserved 7,427,208 common shares for issuance relating to outstanding stock options.

Compensation expense related to options granted to employees and directors was $120,856 (2012 - $13,853) for the period ended March 31, 2013.

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	**1.14%**	1.31%
Expected hold period to exercise	**2.38**	1.3 years
Volatility in the price of the Company's shares	**57.68%**	53.7%
Rate of forfeiture	**—%**	—%
Dividend yield	**Nil**	Nil
Weighted average fair value of options	**$1.61**	$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 net loss for the period and the weighted average number of common shares outstanding for the period ended March 31, 2013 of 79,766,258 (March 31, 2012 of 74,552,824). 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 $8,107,440 for activities related to our clinical trial, manufacturing and collaboration programs.

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	68,499
2014	94,888
2015	97,428
2016	40,595
	301,410

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.

	March 31, 2013 $	December 31, 2012 $
Cash and cash equivalents	**41,519,657**	19,323,541
Short-term investments	**2,001,644**	1,969,228
Shareholders' equity	**38,647,039**	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 March 31, 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. and the U.K. 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 decreased our net loss in 2013 by approximately $237,901. 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 $26,432. 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 $87,371 .

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 March 31, 2013 are as follows:

	U.S. dollars $	British pounds £	Euro €
Cash and cash equivalents	29,355,642	53,527	21,715
Accounts payable	(3,208,773)	(64,909)	(135,328)
	26,146,869	(11,382)	(113,613)

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

	2013 $	2012 $
Change in:		
Accounts receivable	**(32,997)**	2,435
Prepaid expenses	**57,910**	390,053
Accounts payable and accrued liabilities	**(1,666,083)**	(431,941)
Change in non-cash working capital related to operating activities	**(1,641,170)**	(39,453)

Other Cash Flow Disclosures

	2013 $	2012 $
Cash interest received	**74,959**	120,067
Cash taxes paid	**—**	5,000

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.

	2013 $	2012 $
Included in research and development expenses:		
Realized foreign exchange loss (gain)	**28,886**	(35,139)
Unrealized non-cash foreign exchange loss (gain)	**331,848**	(10,750)
Non-cash share based compensation	**2,912**	10,438
Included in operating expenses		
Amortization of property and equipment	**24,581**	28,061
Non-cash share based compensation	**117,944**	3,415
Office minimum lease payments	**22,833**	21,309

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.

	2012 $	2011 $
Short-term employee benefits	**496,084**	538,540
Share-based payments	**115,783**	—
	611,867	538,540

Shareholder Information

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

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Chairman, President and CEO
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
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