Third Quarter Report

September 30, 2016

MANAGEMENT DISCUSSION & ANALYSIS

September 30, 2016

November 2, 2016

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

This discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements of Oncolytics Biotech Inc. as at and for the three and nine months ended September 30, 2016 and 2015, 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, 2015. 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 2016 and beyond, future financial position, business strategy and plans for future operations, and statements that are not historical facts, involve known and unknown risks and uncertainties, which could cause our actual results to differ materially from those in the forward-looking statements.

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

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

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

REOLYSIN Development Update For 2016

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 Program

Our overall clinical program is made up of a registration program that currently includes muscle-invasive bladder cancer and glioma cancer (our "Registration Program"), six randomized Phase II clinical trials (our "Randomized Program"), two checkpoint inhibitor studies (our "Checkpoint Inhibitor Program") and five other investigative clinical trials for a total of 13 clinical trials. During the third quarter of 2016, we announced additional clinical data from our randomized phase II non-small cell lung clinical study with the National Cancer Institute of Canada Clinical Trials Group.

Randomized Program

We continue to progress through our Randomized Program that includes six randomized Phase II clinical trials investigating lung, ovarian, colorectal, pancreatic, prostate, and breast cancers and is currently in varying stages of enrollment. The objective of our Randomized Program is to examine the potential efficacy of REOLYSIN® over multiple indications in a randomized setting to determine which indication may be most susceptible to REOLYSIN® therapy, which predictive biomarkers can possibly be used, and the registration path for product approval. The randomized clinical trials included in our Randomized Program do not pre-screen patient tumors for certain biomarkers, but are considered "all comer" trials with respect to the histology of the patients' tumors. The primary objective for each of the randomized clinical trials within our Randomized Program is an analysis of progression free survival along with an analysis of overall survival as a secondary endpoint comparing the control and test arms within each trial. As well, each randomized clinical trial includes other multiple secondary endpoints dependent on the particular cancer indication, but in all cases includes an analysis of molecular factors that may be predictive of response (biomarker analysis). The National Cancer Institute of Canada ("NCIC") Clinical Trials Group sponsors our randomized Phase II colorectal, lung, prostate, and breast cancer trials. The US National Cancer Institute ("NCI") sponsors our randomized Phase II ovarian and pancreatic cancer trials.

We believe that as we progress through our Randomized Program we will develop a scientific understanding of REOLYSIN® that will include which cancer indications should be pursued in a Phase III setting, if progression free survival is a reasonable proxy for overall survival and which predictive biomarkers should be used for screening patients.

Randomized Program - Clinical Trial Results

Randomized Non-Small Cell Lung Cancer

During the third quarter of 2016, we announced additional data from our randomized, Phase II clinical study of REOLYSIN® in patients with non-small cell lung cancer ("NSCLC"), IND 211. The study enrolled patients with both non-squamous (adenocarcinoma) and squamous cell histology. Those with adenocarcinoma (n=75) were treated with REOLYSIN® in combination with pemetrexed in the test arm versus pemetrexed alone in the control arm. Those with squamous cell histology (n=76) were treated with REOLYSIN® in combination with docetaxel in the test arm versus docetaxel alone in the control arm. The study's primary objective was progression free survival ("PFS"). Its secondary objectives included overall survival ("OS"), safety, and measurement of biomarkers that may be predictive of response.

Results in Patients with Adenocarcinoma by Patient Gender

An analysis was performed of survival outcomes for patients with adenocarcinoma by gender. The PFS was statistically significantly better for female patients in the test arm (n=20) than for those in the control arm (n=16); median PFS was 5.39 months compared with 3.02 months, respectively (p=0.0201). The evolving OS showed a strong trend towards survival benefit for female patients in the test arm (n=20, six of whom remained alive at the time of the analysis) over those in the control arm (n=16, three of whom remained alive at the time of the analysis); median OS was 10.68 months compared with 7.59 months, respectively (p=0.145). By contrast, no PFS or OS benefit was noted for the male patients with adenocarcinoma.

Results in Patients with Adenocarcinoma by Patient Genetic Status

All patients were tested for biomarkers including those that are associated with the replication of the reovirus (namely, EGFR, Hras, Kras, Nras, Braf and/or p53 mutations) (the "target biomarkers"). Patients treated with REOLYSIN® with one or more target biomarkers had a greater PFS (p=0.039) and OS (p=0.031) than patients treated with REOLYSIN® without any target biomarkers. The presence of these biomarkers may account, at least in part, for the difference between the survival outcomes for male and female patients; target biomarkers were present in a higher proportion of the female patients in the study than the male patients (66.7% versus 43.6%). As a result, pre-screening for target biomarkers in patients with adenocarcinoma of the lung is warranted.

Results in Patients with Squamous Cell Histology
The overall OS for patients with squamous cell histology continues to evolve. Target biomarkers were present in a smaller proportion of the overall patients with squamous cell histology (34.2% versus 54.7% of those with adenocarcinoma); therefore a larger patient population would be required to make statistical conclusions about the role of biomarkers in predicting response.

Impact of Data
Based on these findings from IND 211, we intend to incorporate pre-selection of patients using genetic screening in our Clinical Program.

Manufacturing and Process Development

During the third quarter of 2016, we continued to supply 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 third quarter of 2016, we had been issued over 440 patents including 61 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

On February 26, 2016, we entered into an "at-the-market" equity distribution agreement with Canaccord Genuity Inc. acting as sole agent in Canada (our "Canadian ATM"). Under the terms of the distribution agreement, 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. During the nine month period ending September 30, 2016, we sold 2,621,600 commons shares for gross proceeds of $1,339,378. We incurred share issue costs which included costs to establish our Canadian ATM facility of $486,842.

Financial Impact

We estimated at the beginning of the third quarter of 2016 that our cash requirements to fund our operations for the year will be between $14 - $15 million depending on our ultimate clinical program (see *"Liquidity and Capital Resources"*). Our cash usage for the nine month period ending September 30, 2016 was $8,668,863 from operating activities and $10,553 for the acquisition of property and equipment. Our net loss for the nine month period ending September 30, 2016 was $9,929,957.

Cash Resources

We exited the third quarter of 2016 with cash and short-term investments totaling $17,701,529 (see *"Liquidity and Capital Resources")*.

REOLYSIN® Development For 2016

Our planned development activity for REOLYSIN® in 2016 is made up of clinical, manufacturing, and intellectual property programs. Our 2016 clinical program includes the continuation of patient enrollment in our Registration, Checkpoint Inhibitor and Randomization Programs and the anticipated release of clinical data. We also expect to use our clinical data to assist in the implementation of our overall Clinical Program.

Our 2016 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 2016. Finally, our intellectual property program includes filings for additional patents along with monitoring activities required to protect our patent portfolio.

Third Quarter Results of Operations

(for the three months ended September 30, 2016 and 2015)

Net loss for the three month period ending September 30, 2016 was $3,332,474 compared to $2,823,977 for the three month period ending September 30, 2015.

Research and Development Expenses ("R&D")

	2016 $	2015 $
Clinical trial expenses	**380,488**	459,502
Manufacturing and related process development expenses	**637,684**	705,145
Intellectual property expenditures	**302,934**	242,212
Research collaboration expenses	**53,149**	97,969
Other R&D expenses	**742,262**	887,055
Foreign exchange loss (gain)	**(43,669)**	(631,775)
Share based payments (recovery)	**70,092**	7,164
Scientific research and development repayment (refund)	**(1,203)**	(62,488)
Research and development expenses	**2,141,737**	1,704,784

Clinical Trial Program

	2016 $	2015 $
Clinical trial expenses	**380,488**	459,502

Our clinical trial expenses for the third quarter of 2016 were $380,488 compared to $459,502 for the third quarter of 2015. In the third quarter of 2016, our clinical activities continued to relate primarily to the patient enrollment in our checkpoint inhibitor pancreatic cancer study investigating pembrolizumab (KEYTRUDA®) in combination with REOLYSIN®. As well, we incurred costs associated with the completion of enrollment in our other Company sponsored clinical trials. During the third quarter of 2015, our clinical trial program activities related to completing the enrollment in our Randomized Program and closing out fully enrolled clinical trials.

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

	2016 $	2015 $
Product manufacturing expenses	**443,650**	595,102
Process development expenses	**194,034**	110,043
Manufacturing and related process development expenses	**637,684**	705,145

Our M&P expenses for the third quarter of 2016 were $637,684 compared to $705,145 for the third quarter of 2015. During the third quarter of 2016, our product manufacturing costs mainly related to shipping and storage costs along with lot release testing.

During the third quarter of 2015, our product manufacturing costs mainly related to the fill, labeling and lot release testing of product to be used in our clinical trial program. As well, costs were incurred associated with shipping and storage of our bulk and vialed product.

Our process development expenses for the third quarter of 2016 were $194,034 compared to $110,043 for the third quarter of 2015. In the third quarter of 2016, these activities related to scale up and process optimization studies compared to assay development, optimization, validation and stability studies in the third quarter of 2015.

Intellectual Property Expenses

	2016 $	2015 $
Intellectual property expenses	**302,934**	242,212

Our intellectual property expenses for the third quarter of 2016 were $302,934 compared to $242,212 for the third quarter of 2015. The change in intellectual property expenditures reflects the timing of filing costs associated with our expanded patent base. At the end of the third quarter of 2016, we had been issued over 440 patents including 61 U.S. and 20 Canadian patents, as well as issuances in other jurisdictions.

Research Collaborations

	2016 $	2015 $
Research collaborations	**53,149**	97,969

Our research collaboration expenses for the third quarter of 2016 were $53,149 compared to $97,969 for the third quarter of 2015. During the third quarter of 2016, our research collaborations were primarily focused on biomarker studies. During the third quarter of 2015, our research collaborations included biomarker studies along with studies investigating the interaction of the immune system and the reovirus and the use of the reovirus as a co-therapy with existing chemotherapeutics and radiation.

Other Research and Development Expenses

	2016 $	2015 $
R&D consulting fees	**11,959**	62,559
R&D salaries and benefits	**680,772**	701,849
Other R&D expenses	**49,531**	122,647
Other research and development expenses	**742,262**	887,055

Our other research and development expenses for the third quarter of 2016 were $742,262 compared to $887,055 for the third quarter of 2015. During the third quarter of 2016, our R&D salaries and benefits expenses continued to decline compared to the third quarter of 2015 as a result of a drop in head count that occurred during the second half of 2015. As well, with the completion of enrollment in our NCIC trials in 2015 and the close out of completed Company sponsored studies, our Other R&D expenses continue to decline.

Share Based Payments

	2016 $	2015 $
Share based payments	**70,092**	7,164

Share based payments are non-cash amounts that are a result of activity related to our stock option and incentive share award plans. During the third quarter of 2016, our share based payment expenses were $70,092 compared to $7,164 for the third quarter of 2015. We incurred stock based compensation associated with the granting of restricted share units to officers in the third quarter of 2016 and the vesting of previously granted stock options.

Operating Expenses

	2016 $	2015 $
Public company related expenses	**678,482**	665,412
Office expenses	**471,674**	462,222
Amortization of property and equipment	**44,014**	44,761
Share based payments	**28,277**	3,628
Operating expenses	**1,222,447**	1,176,023

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 Canadian and U.S. stock listings. During the third quarter of 2016, our public company related expenses were $678,482 compared to $665,412 for the third quarter of 2015. During the third quarter of 2016, our activities and costs related to investor relations increased compared to the third quarter of 2015 which was partially offset by a decrease in professional fees.

Office expenses include compensation costs (excluding share based payments), office rent and other office related costs. During the third quarter of 2016, our office expenses were $471,674 compared to $462,222 for the third quarter of 2015. During the third quarters of 2016 and 2015, the activities associated with our office expenses remained relatively consistent.

During the third quarter of 2016, our non-cash share based payment expenses were $28,277 compared to $3,628 for the third quarter of 2015. We incurred stock based compensation associated with the granting of restricted share units to officers and independent board members along with the vesting of previously granted stock options.

Results of Operations

(for the nine month period ending September 30, 2016 and 2015)

Net loss for the nine month period ending September 30, 2016 was $9,929,957 compared to $10,226,073 for the nine month period ending September 30, 2015.

Research and Development Expenses ("R&D")

	2016 $	2015 $
Clinical trial expenses	**1,435,359**	1,121,396
Manufacturing and related process development expenses	**1,275,686**	2,120,920
Intellectual property expenditures	**827,072**	815,130
Research collaboration expenses	**191,675**	499,791
Other R&D expenses	**2,207,764**	2,806,716
Foreign exchange loss (gain)	**232,057**	(789,808)
Share based payments (recovery)	**190,412**	90,220
Scientific research and development repayment (refund)	**(1,203)**	(62,488)
Research and development expenses	**6,358,822**	6,601,877

Clinical Trial Program

	2016 $	2015 $
Clinical trial expenses	**1,435,359**	1,121,396

During the nine month period ending September 30, 2016, our clinical trial expenses were $1,435,359 compared to $1,121,396 for the nine month period ending September 30, 2015. During the nine month period ending September 30, 2016, our clinical activities mainly related to the patient enrollment in our checkpoint inhibitor pancreatic cancer study investigating pembrolizumab (KEYTRUDA®) in combination with REOLYSIN® along with costs associated with the completion of enrollment in our Randomized Program while implementing our Registration Program. During the nine month period ending September 30, 2015, our clinical trial program activities mainly related to the completion of enrollment in our Randomized Program and closing out our fully enrolled clinical trials.

We still expect our clinical trial expenses to increase in 2016 compared to 2015. In 2016, we expect to commence enrollment in our Registration Program which will include a mix of Company and Third Party sponsored clinical trials. As well, we expect to expand our Checkpoint Inhibitor Program and we believe, in order to ensure timely completion of this program, we will need to directly sponsor certain clinical trials including our pancreatic cancer trial in combination with pembrolizumab (KEYTRUDA®). We also expect to incur regulatory consulting activities and associated costs in order to support our decisions pertaining to our Clinical Programs.

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

	2016 $	2015 $
Product manufacturing expenses	**808,841**	1,560,846
Process development expenses	**466,845**	560,074
Manufacturing and related process development expenses	**1,275,686**	2,120,920

Our M&P expenses for the nine month period ending September 30, 2016 were $1,275,686 compared to $2,120,920 for the nine month period ending September 30, 2015. During the nine month period ending September 30, 2016, our product manufacturing activities have mainly related to supplying our clinical program with sufficient product including related shipping and storage activities. These costs have been partially offset by recoveries from a development collaboration. During the nine month period ending September 30, 2015, our production manufacturing activities related to the fill, labeling and lot release testing of product to be used in our clinical trial program along with related shipping and storage activities.

Our process development expenses for the nine month period ending September 30, 2016 were $466,845 compared to $560,074 for the nine month period ending September 30, 2015. During the nine month periods ending September 30, 2016 and 2015, our process development activities focused on our validation master plan. In 2016, these activities included stability, scale up and process optimization studies. In 2015, our process development activities also included assay development and validation studies.

We now expect our M&P expenses for 2016 to decrease compared to 2015. In 2016, 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

	2016 $	2015 $
Intellectual property expenses	**827,072**	815,130

Our intellectual property expenses for the nine month period ending September 30, 2016 were $827,072 compared to $815,130 for the nine month period ending September 30, 2015. The change in intellectual property expenditures reflects the timing of filing costs associated with our expanded patent base. For the nine month period ending September 30, 2016, we had been issued over 440 patents including 61 U.S. and 20 Canadian patents, as well as issuances in other jurisdictions. We expect that our intellectual property expenses will remain consistent in 2016 compared to 2015.

Research Collaborations

	2016 $	2015 $
Research collaborations	**191,675**	499,791

Our research collaboration expenses for the nine month period ending September 30, 2016 were $191,675 compared to $499,791 for the nine month period ending September 30, 2015. During the nine month period ending September 30, 2016, our research collaborations included biomarker studies along with studies investigating the interaction of the immune system and the reovirus. During the nine month period ending September 30, 2015, our research collaborations also included the use of the reovirus as a co-therapy with existing chemotherapeutics and radiation.

We still expect that our research collaborations in 2016 will remain consistent with 2015. We expect to complete our ongoing collaborative program carried over from 2015 and will continue to be selective in the types of new collaborations we enter into in 2016.

Other Research and Development Expenses

	2016 $	2015 $
R&D consulting fees	**141,031**	166,224
R&D salaries and benefits	**1,913,155**	2,250,006
Other R&D expenses	**153,578**	390,486
Other research and development expenses	**2,207,764**	2,806,716

Our other research and development expenses for the nine month period ending September 30, 2016 were $2,207,764 compared to $2,806,716 for the nine month period ending September 30, 2015. During the nine month period ending September 30, 2016, our R&D salaries and benefits expenses continued to decline compared to the nine month period ending September 30, 2015 as a result of a drop in head count that occurred during the second half of 2015. As well, with the completion of enrollment in our NCIC trials in 2015 and the close out of completed Company sponsored studies, our Other R&D expenses continue to decline.

We still expect that our Other Research and Development expenses in 2016 will remain consistent compared to 2015.

Share Based Payments

	2016 $	2015 $
Share based payments	**190,412**	90,220

Share based payments are non-cash amounts that are a result of activity related to our stock option and incentive share award plans. For the nine month periods ending September 30, 2016, our share based payment expenses were $190,412 compared to $90,220 for the nine month period ending September 30, 2015. During the nine month period ending September 30, 2016 we incurred stock based compensation associated with the granting of restricted share units to officers and independent directors and the vesting of previously granted stock options. During the nine month period ending September 30, 2015, our share based payment expenses related to the vesting of previously granted stock options.

Operating Expenses

	2016 $	2015 $
Public company related expenses	**2,260,865**	2,194,547
Office expenses	**1,203,598**	1,360,306
Amortization of property and equipment	**134,631**	134,743
Share based payments	**109,223**	91,216
Operating expenses	**3,708,317**	3,780,812

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 nine month periods ending September 30, 2016 and 2015, our public company related expenses have remained relatively consistent.

Office expenses include compensation costs (excluding share based payments), office rent and other office related costs. Our office expenses in the nine month period ending September 30, 2016, were $1,203,598 compared to $1,360,306 in the nine month period ending September 30, 2015. During the nine month period ending September 30, 2016, rent associated with our head office declined which was offset by an increase in salary levels and head count compared to the nine month period ending September 30, 2015.

During the nine month period ending September 30, 2016, our non-cash share based payment expenses were $109,223 compared to $91,216 for the nine month period ending September 30, 2015. During the nine month period ending September 30, 2016, we incurred stock based compensation associated with the granting of restricted share units to officers and independent board members along with the vesting of previously granted stock options. During the nine month period ending September 30, 2015, we incurred stock based compensation associated with the vesting of previously granted stock options along with the grant of stock options to our new directors elected at the 2015 Annual General Meetings.

We still expect our operating expenses in 2016 to remain consistent with 2015.

Commitments

As at September 30, 2016, we are committed to payments totaling $1,802,631 which are expected to occur over the next twelve months for activities related to clinical trial activity, manufacturing and collaborations. All of these committed payments are considered to be part of our normal course of business.

Summary of Quarterly Results

(unaudited)	2016			2015				2014
(amounts in thousands, except per share data)	**Sept.**	**June**	**March**	**Dec.**	**Sept.**	**June**	**March**	**Dec.**
Revenue	—	—	—	—	—	—	—	—
Net loss [2]	3,332	2,581	4,017	3,497	2,824	3,850	3,552	3,779
Basic and diluted loss per common share[2, 3]	$0.03	$0.02	$0.03	$0.03	$0.02	$0.03	$0.04	$0.04
Total assets[3]	18,437	21,368	23,023	27,384	31,001	33,190	31,445	17,193
Total cash[1, 3]	17,702	20,410	22,322	26,077	30,023	32,079	30,639	16,185
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 September 2016 and October 2014 are quarterly stock based compensation expenses of $98,369, $119,626, $81,640, 248,101, $10,791, $55,675, $114,970, and $109,902, respectively.

(3) We issued 2,721,600 common shares for net cash proceeds of $0.9 million in 2016 (2015 - 24,197,878 common shares for net cash proceeds of $23.4 million; 2014 - 8,708,676 common shares for net cash proceeds of $9.0 million).

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

Liquidity and Capital Resources

2016 Financing Activities

During the period between February 26 and September 30, 2016, we sold 2,621,600 common shares for gross proceeds of $1,339,378. We incurred share issue costs which included costs to establish our Canadian ATM facility of $486,842.

2015 Financing Activities

US Share Purchase Agreement

During the nine month period ending September 30, 2015, we issued 5,778,674 common shares under our share purchase agreement with Lincoln Park Capital, LLC for net cash proceeds of US$3,490,272.

"At the Market" Equity Distribution Agreement

During the nine month period ending September 30, 2015, we issued 18,690,504 common shares under our "At the Market" equity distribution agreement with Canaccord Genuity Inc. for net cash proceeds of US$15,360,369.

Liquidity

As at September 30, 2016, we had cash and cash equivalents, short-term investments and working capital positions as follows:

	September 30, 2016 $	**December 31, 2015 $**
Cash and cash equivalents	**15,612,729**	24,016,275
Short-term investments	**2,088,800**	2,060,977
Shareholders' equity	**15,628,179**	24,674,306

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 us 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 to, subject to the respective terms and conditions, $4.6 million of which we have raised gross proceeds of approximately $1.3 million. We expect to continue to access our Financing Arrangement to help support our current clinical trial, manufacturing, intellectual property and collaboration programs. We still anticipate that the expected cash usage from our operations in 2016 will be between approximately $14 - $15 million. Despite the anticipated change in our cash requirements compared to 2015, 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 2017. Factors that will affect our anticipated cash usage in 2016 and 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 2016.

Investing Activities

Under our Investment Policy, we are permitted to invest in short-term instruments with a rating no less than R-1 (DBRS) with terms less than two years. Our portfolio consists of guaranteed investment certificates. As of September 30, 2016, we had $2.1 million invested under this policy, currently earning interest at an effective rate of 1.41%.

Financial Instruments and Other Instruments

Our financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable and accounts payable. As at September 30, 2016, there are no significant differences between the carrying values of these amounts and their estimated market values. These financial instruments expose us to the following risks:

Credit risk

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

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

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

Interest rate risk

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

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

Currency risk

Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 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. For the nine month period ending September 30, 2016, 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 2016 by approximately $25,284. 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 2016 by approximately $6,847. The impact of a $0.10 increase in the value of the Euro against the Canadian dollar would have decreased our net loss for the nine month period ending September 30, 2016 by approximately $3,040.

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

Balances in foreign currencies at September 30, 2016 are as follows:

	U.S. dollars $	British pounds £	Euro €
Cash and cash equivalents	5,950,072	24,483	32,717
Accounts payable	(231,789)	(3,185)	—
	5,718,283	21,298	32,717

Liquidity risk

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

Other MD&A Requirements

We have 121,169,722 common shares outstanding at November 2, 2016. If all of our options (7,801,727) were exercised and our restricted share units were to vest (1,934,312) we would have 130,905,761 common shares outstanding.

Our 2015 Annual Information Form on Form 20-F is available on www.sedar.com.

Disclosure Controls and Procedures

There were no changes in our internal controls over financial reporting during the quarter ended September 30, 2016 that materially affected or are reasonably likely to materially affect, internal controls over financial reporting.

Interim Consolidated Financial Statements
(unaudited)

Oncolytics Biotech® Inc.
September 30, 2016 and 2015

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

	Notes	September 30, 2016 $	December 31, 2015 $
Assets			
Current assets			
Cash and cash equivalents	*3*	**15,612,729**	24,016,275
Short-term investments	*3*	**2,088,800**	2,060,977
Accounts receivable		**44,991**	340,059
Prepaid expenses		**356,741**	506,669
Total current assets		**18,103,261**	26,923,980
Non-current assets			
Property and equipment		**333,926**	459,818
Total non-current assets		**333,926**	459,818
Total assets		**18,437,187**	27,383,798
Liabilities And Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**2,809,008**	2,709,492
Total current liabilities		**2,809,008**	2,709,492
Commitments	*7*		
Shareholders' equity			
Share capital Authorized: unlimited Issued:			
September 30, 2016 – 120,873,222			
December 31, 2015 – 118,151,622	*4*	**262,218,228**	261,324,692
Contributed surplus	*5*	**26,536,601**	26,277,966
Accumulated other comprehensive income		**492,637**	760,978
Accumulated deficit		**(273,619,287)**	(263,689,330)
Total shareholders' equity		**15,628,179**	24,674,306
Total liabilities and equity		**18,437,187**	27,383,798

See accompanying notes

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

	Notes	Three Month Period Ending September 30, 2016 $	Three Month Period Ending September 30, 2015 $	Nine Month Period Ending September 30, 2016 $	Nine Month Period Ending September 30, 2015 $
Expenses					
Research and development	*5, 11, 12*	**2,141,737**	1,704,784	**6,358,822**	6,601,877
Operating	*5, 11, 12*	**1,222,447**	1,176,023	**3,708,317**	3,780,812
Operating loss		**(3,364,184)**	(2,880,807)	**(10,067,139)**	(10,382,689)
Interest		**31,691**	52,756	**136,849**	153,313
Loss before income taxes		**(3,332,493)**	(2,828,051)	**(9,930,290)**	(10,229,376)
Income tax expense		**19**	4,074	**333**	3,303
Net loss		**(3,332,474)**	(2,823,977)	**(9,929,957)**	(10,226,073)
Other comprehensive income items that may be reclassified to net loss					
Translation adjustment		**32,545**	192,586	**(268,341)**	377,060
Net comprehensive loss		**(3,299,929)**	(2,631,391)	**(10,198,298)**	(9,849,013)
Basic and diluted loss per common share	*6*	**(0.03)**	(0.02)	**(0.08)**	(0.09)
Weighted average number of shares (basic and diluted)		**120,552,638**	117,963,979	**119,455,440**	110,757,811

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, 2014	237,657,056	25,848,429	280,043	(249,966,335)	13,819,193
Net loss and other comprehensive income	—	—	377,060	(10,226,073)	(9,849,013)
Issued, pursuant to Share Purchase Agreement	4,305,396	—	—	—	4,305,396
Issued, pursuant to "At the Market" Agreement	19,267,267	—	—	—	19,267,267
Share based compensation	—	181,436	—	—	181,436
As at September 30, 2015	261,229,719	26,029,865	657,103	(260,192,408)	27,724,279

	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	—	—	(268,341)	(9,929,957)	(10,198,298)
Issued, pursuant to "At the Market" Agreement	852,536	—	—	—	852,536
Issued, pursuant to incentive share award plan	41,000	(41,000)	—	—	—
Share based compensation	—	299,635	—	—	299,635
As at September 30, 2016	**262,218,228**	**26,536,601**	**492,637**	**(273,619,287)**	**15,628,179**

See accompanying notes

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

	Notes	Three Month Period Ending September 30, 2016 $	Three Month Period Ending September 30, 2015 $	Nine Month Period Ending September 30, 2016 $	Nine Month Period Ending September 30, 2015 $
Operating Activities					
Net loss for the period		**(3,332,474)**	(2,823,977)	**(9,929,957)**	(10,226,073)
Amortization - property and equipment		**44,014**	44,761	**134,631**	134,743
Share based compensation	*5, 11*	**98,369**	10,791	**299,635**	181,436
Unrealized foreign exchange gain		**(49,400)**	(182,131)	**(152,019)**	(485,653)
Net change in non-cash working capital	*10*	**216,611**	92,792	**978,847**	(327,690)
Cash used in operating activities		**(3,022,880)**	(2,857,764)	**(8,668,863)**	(10,723,237)
Investing Activities					
Acquisition of property and equipment		**(4,851)**	(17,695)	**(10,553)**	(47,292)
Purchase of short-term investments		**—**	—	**(27,823)**	(29,292)
Cash used in investing activities		**(4,851)**	(17,695)	**(38,376)**	(76,584)
Financing Activities					
Proceeds from Share Purchase Agreement	*4*	**—**	—	**—**	4,305,396
Proceeds from "At the Market" equity distribution agreement	*4*	**242,706**	213,742	**852,536**	19,267,267
Cash provided by financing activities		**242,706**	213,742	**852,536**	23,572,663
(Decrease) increase in cash		**(2,785,025)**	(2,661,717)	**(7,854,703)**	12,772,842
Cash and cash equivalents, beginning of period		**18,320,981**	30,018,217	**24,016,275**	14,152,825
Impact of foreign exchange on cash and cash equivalents		**76,773**	605,962	**(548,843)**	1,036,795
Cash and cash equivalents, end of period		**15,612,729**	27,962,462	**15,612,729**	27,962,462

See accompanying notes

Note 1: Incorporation and Nature of Operations

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

Our interim consolidated financial statements for the period ended September 30, 2016, were authorized for issue in accordance with a resolution of the Board of Directors (the "Board") on November 2, 2016. We are a limited company incorporated and domiciled in Canada. Our shares are publicly traded and our registered office is located at 210, 1167 Kensington Crescent NW, Calgary, Alberta, Canada.

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

Note 2: Basis of Financial Statement Presentation

Our interim consolidated financial statements include our financial statements and the financial statements of our subsidiaries as at September 30, 2016 and are presented in Canadian dollars, our functional currency.

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

These interim consolidated financial statements have been prepared in compliance with International Accounting Standard 34 *Interim Financial Reporting.* The notes presented in these interim consolidated financial statements include only significant events and transactions occurring since our last fiscal year end and are not fully inclusive of all matters required to be disclosed in our annual audited consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with our most recent annual audited consolidated financial statements, for the year ended December 31, 2015. 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, 2015.

Note 3: Cash Equivalents and Short Term Investments

Cash Equivalents
Cash equivalents consist of interest bearing deposits with our bank totaling $13,457,302 (December 31, 2015 – $21,742,300). The current annual interest rate earned on these deposits is 0.91% (December 31, 2015 – 0.76%).

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.

September 30, 2016

	Face Value $	Original Cost $	Accrued Interest $	Carrying Value $	Fair Value $	Effective Interest Rate %
September 30, 2016						
Short-term investments	**2,088,800**	**2,088,800**	**—**	**2,088,800**	**2,088,800**	**1.41%**
December 31, 2015						
Short-term investments	2,060,977	2,060,977	—	2,060,977	2,060,977	1.35%

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, 2014	93,512,494	237,657,056
Issued pursuant to "At the Market" sales agreement[(a)]	18,860,454	20,049,693
Issued pursuant to Share Purchase Agreement[(b)]	5,778,674	4,371,687
Share issue costs	—	(753,744)
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[(c)]	2,621,600	1,339,378
Share issue costs	—	(486,842)
Balance, September 30, 2016	**120,873,222**	**262,218,228**

(a) In 2015, under the terms of our "at-the-market" equity distribution agreement with Canaccord Genuity Inc. acting as sole agent (our "US ATM"), we issued 18,860,454 common shares for net proceeds of approximately US$15.5 million. On November 5, 2015, we were delisted from the NASDAQ Capital Market and as a result we are no longer able to sell common shares under our US ATM.

(b) In 2015, under the terms of the share purchase agreement with Lincoln Park Capital Fund, LLC ("Share Purchase Agreement"), we issued 5,778,674 common shares for net proceeds of approximately US$3.5 million. As part of the shares issued, we issued 78,674 commitment shares. The commitment shares were valued at a fair value of US$50,024 and were recorded as additional share issue costs. On November 5, 2015, we were delisted from the NASDAQ Capital Market and as a result we are no longer able to sell common shares under the Share Purchase Agreement.

(c) On February 25, 2016, we entered into a new "at-the-market" equity distribution agreement with Canaccord Genuity Inc. acting as our sole agent with an aggregate offering value of $4.6 million which 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. During the period ending September 30,

2016, we sold 2,621,600 commons shares for gross proceeds of $1,339,378. We incurred share issue costs which included costs to establish our Canadian ATM facility of $486,842.

Note 5: Share Based Payments

Stock Option Plan

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

	2016		2015	
	Stock Options	Weighted Average Exercise Price $	Stock Options	Weighted Average Exercise Price $
Outstanding, beginning of the period	**8,561,394**	**2.17**	5,446,394	3.19
Granted during the period	**35,000**	**0.39**	100,000	0.80
Forfeited during the period	**(806,667)**	**3.39**	—	—
Expired during the period	—	—	(15,000)	1.59
Exercised during the period	—	—	—	—
Outstanding, end of the period	**7,789,727**	**2.03**	5,531,394	3.16
Options exercisable, end of the period	**5,681,393**	**2.63**	5,381,394	3.19

The following table summarizes information about the stock options outstanding and exercisable at September 30, 2016:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price $	Number Exercisable	Weighted Average Exercise Price $
$0.38 - $0.41	435,000	8.5	0.41	411,666	0.41
$0.42 - $0.57	2,780,000	9.2	0.42	695,000	0.42
$0.58 - $1.87	1,640,667	7.3	1.55	1,640,667	1.55
$1.88 - $3.95	1,614,060	4.3	3.03	1,614,060	3.03
$3.96 - $6.72	1,320,000	5.2	5.33	1,320,000	5.33
	7,789,727	7.1	2.03	5,681,393	2.63

Non-exercisable options vest annually over periods ranging from one to three years or upon satisfaction of certain performance conditions.

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:

	2016	2015
Risk-free interest rate	**0.56%**	0.64%
Expected hold period to exercise	**3.0 years**	2.0 years
Volatility in the price of the Company's shares	**89.49%**	102.8%
Rate of forfeiture	**3.67%**	2.5%
Dividend yield	**Nil**	Nil
Weighted average fair value of options	**$0.22**	$0.43

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. We have also issued restricted share units to certain officers of the Company. Grants of restricted share units to certain officers of the Company vest at the earlier of the third anniversary date from the grant date, immediately upon a change of control of the Company, or on a pro rata basis if the officer ceases to be an officer of the Company prior to the third anniversary of the grant but after the first anniversary. The following restricted share units are outstanding at September 30:

	2016	2015
Outstanding, beginning of the period	**368,831**	—
Granted during the period[(1)]	**1,267,551**	—
Vested, during the period	**(100,000)**	—
Outstanding, end of the period	**1,536,382**	—

(1) The weighted average fair value of the restricted share units granted was $0.38 in 2016.

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 and restricted share units granted to independent directors and certain officers was $98,369 and $299,635 for the three and nine month periods ending September 30, 2016, respectively (2015 - $10,791 and $181,436, respectively).

Note 6: Loss Per Common Share

Loss per common share is calculated using the net loss for the three and nine month periods and the weighted average number of common shares outstanding for the three and nine month periods ending September 30, 2016 of 120,552,638 and 119,455,440, respectively (September 30, 2015 of 117,963,979 and 110,757,811, respectively). The effect of any potential exercise of our stock options and warrants outstanding during the period has been excluded from the calculation of diluted loss per common share, as it would be anti-dilutive.

Note 7: Commitments

We are committed to payments totaling $1,802,631 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 these leases are as follows:

	Amount $
Remainder of 2016	**39,940**
2017	**148,891**
2018	**103,512**
2019	**103,512**
2020	**103,512**
2021	**43,130**
	542,497

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

Note 8: Capital Disclosures

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

	September 30, 2016 $	December 31, 2015 $
Cash and cash equivalents	**15,612,729**	24,016,275
Short-term investments	**2,088,800**	2,060,977
Shareholders' equity	**15,628,179**	24,674,306

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 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 2016.

Note 9: Financial Instruments

Our financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable. As at September 30, 2016, 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. 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 for the nine month period ending September 30, 2016 by approximately $25,284. The impact of a $0.10 increase in the value of the British pound against the Canadian dollar would have increased our net loss for the nine month period ending September 30, 2016 by approximately $6,847. The impact of a $0.10 increase in the value of the Euro against the Canadian dollar would have decreased our net loss for the nine month period ending September 30, 2016 by approximately $3,040 .

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 September 30, 2016 are as follows:

	U.S. dollars $	British pounds £	Euro €
Cash and cash equivalents	5,950,072	24,483	32,717
Accounts payable	(231,789)	(3,185)	—
	5,718,283	21,298	32,717

Liquidity risk

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

Note 10: Additional Cash Flow Disclosures

Net Change In Non-Cash Working Capital

	Three Month Period Ending September 30, 2016 $	Three Month Period Ending September 30, 2015 $	Nine Month Period Ending September 30, 2016 $	Nine Month Period Ending September 30, 2015 $
Change in:				
Accounts receivable	**9,642**	8,221	**295,068**	138,711
Prepaid expenses	**173,729**	100,857	**149,928**	(189,058)
Accounts payable and accrued liabilities	**28,303**	217,803	**99,516**	(97,718)
Non-cash impact of foreign exchange	**4,937**	(234,089)	**434,335**	(179,625)
Change in non-cash working capital related to operating activities	**216,611**	92,792	**978,847**	(327,690)

Other Cash Flow Disclosures

	Three Month Period Ending September 30, 2016 $	Three Month Period Ending September 30, 2015 $	Nine Month Period Ending September 30, 2016 $	Nine Month Period Ending September 30, 2015 $
Cash interest received	**31,691**	52,756	**136,849**	153,313
Cash taxes paid	**(19)**	(4,074)	**(333)**	(3,303)

Note 11: Other Expenses and Adjustments

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

	Three Month Period Ending September 30, 2016 $	Three Month Period Ending September 30, 2015 $	Nine Month Period Ending September 30, 2016 $	Nine Month Period Ending September 30, 2015 $
Included in research and development expenses:				
Realized foreign exchange loss (gain)	**38,276**	(259,901)	**115,735**	67,360
Unrealized non-cash foreign exchange loss (gain)	**218,941**	(371,871)	**116,322**	(857,168)
Non-cash share based payments	**70,092**	7,164	**190,412**	90,220
Included in operating expenses				
Amortization of property and equipment	**44,014**	44,761	**134,631**	134,743
Non-cash share based payments	**28,277**	3,627	**109,223**	91,216
Office minimum lease payments	**22,691**	45,853	**108,660**	137,559

Note 12: Related Party Transactions

Compensation of Key Management Personnel

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

	Three Month Period Ending September 30, 2016 $	Three Month Period Ending September 30, 2015 $	Nine Month Period Ending September 30, 2016 $	Nine Month Period Ending September 30, 2015 $
Short-term employee compensation and benefits	**649,184**	594,303	**2,007,630**	1,914,403
Share-based payments	**95,495**	3,629	**296,761**	157,054
	744,679	597,932	**2,304,391**	2,071,457

Shareholder Information

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

Oncolytics Biotech Inc.
Suite 210, 1167 Kensington Crescent NW
Calgary, Alberta, Canada T2N 1X7
tel: 403.670.7377 fax: 403.283.0858
www.oncolyticsbiotech.com

Officers

Matt Coffey, PhD
Interim President and CEO
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

Directors

Matt Coffey, PhD
Interim President and CEO & Chief Operating Officer, Oncolytics Biotech Inc.
Angela Holtham, FCPA, FCMA, ICD.D
Corporate Director
J. Mark Lievonen, FCA
President, Sanofi Pasteur Limited
Wayne Pisano
President and CEO, VaxInnate Corporation
William G. Rice, PhD
Chairman, President and CEO, Aptose Biosciences, Inc.
Bernd R. Seizinger, MD, PhD
Chairman and Executive Chairman, Opsona Therapeutics Ltd.

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