Second Quarter Report

June 30, 2021

MANAGEMENT DISCUSSION & ANALYSIS

June 30, 2021

August 5, 2021

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 six months ended June 30, 2021 and 2020, 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, 2020. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all references to "$" and "dollars" in this discussion and analysis mean Canadian dollars.

FORWARD-LOOKING STATEMENTS

The following discussion contains forward-looking statements, within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended and forward-looking information under applicable Canadian securities laws (such forward-looking statements and forward-looking information are collectively referred to herein as "forward-looking statements"). Forward-looking statements, including: our belief as to the potential and mode of action of pelareorep, an intravenously delivered immuno-oncolytic virus, as a cancer therapeutic; our expectation that we will incur substantial losses and will not generate significant revenues until and unless pelareorep becomes commercially viable; our business strategy, goals, focus and objectives for the development of pelareorep; the impact of the COVID-19 pandemic on our research and development activities, business operations and financial condition, our plans to mitigate any such impact; the potential impact of the COVID-19 pandemic on stock markets and global economic activity; our plan to actively manage the development of our clinical trial program, our pre-clinical and collaborative programs, our manufacturing process and pelareorep supply; our plans respecting regulatory approval for pelareorep; our planned clinical development program, including the timing thereof; our expectations regarding the anticipated benefits and value to us of additional clinical data; our expectations as to the purpose, design, outcomes and benefits of our current or pending clinical trials involving pelareorep; our expectations regarding enrollment under our various clinical trials; our expectations respecting the delivery of additional clinical data and the timing thereof; our anticipated milestones and catalysts; our planned 2021 development activity for pelareorep; our 2021 manufacturing program; our anticipated 2021 cash requirements to fund our operations; our anticipated 2021 expenses relating to clinical trials, manufacturing, intellectual property, research collaborations, personnel-related and other and operating expenses; our plans respecting the maintenance of adequate cash reserves to support our planned activities; our anticipated cash usage in 2021; our plans for funding our capital expenditure requirements; our approach to credit rate, interest rate, foreign exchange and liquidity risk mitigation; and other statements that are not historical facts or which are related to anticipated developments in our business and technologies. In any forward-looking statement in which we express an expectation or belief as to future results, such expectations or beliefs are expressed in good faith and are believed to have a reasonable basis, but there can be no assurance that the statement or expectation or belief will be achieved. Forward-looking statements, involve known and unknown risks and uncertainties, which could cause our actual results to differ materially from those in the forward-looking statements. We may be impacted by business interruptions resulting from COVID-19 coronavirus, including operating, manufacturing supply chain, clinical trial and project development delays and disruptions, labor shortages, travel and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). It is unknown whether and how the Company may be affected if the COVID-19 pandemic persists for an extended period of time. We may incur expenses or delays relating to such events outside of our control, which could have a material adverse impact on our business, operating results and financial condition.

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 pelareorep as a cancer treatment, the success and timely completion of clinical studies and trials, our ability to successfully commercialize pelareorep, uncertainties related to the research, development and manufacturing of pelareorep, 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 recruit and retain talented employees, our continued ability to obtain financing to fund our clinical development plan, our ability to receive regulatory approval to commence enrollment in the clinical studies which are part of our clinical development plan, our ability to maintain our supply of pelareorep 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 any obligation to update these forward-looking statements except as required by applicable law.

Pelareorep Development Update For 2021

Oncolytics Biotech Inc. is a Development Stage Company

Since our inception in April of 1998, Oncolytics Biotech Inc. has been a development stage company. We have focused our research and development efforts on the development of pelareorep, an intravenously delivered immunotherapeutic agent with the potential to treat a variety of cancers. 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, and unless, pelareorep becomes commercially viable.

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

Potential Impact of COVID-19

During the first six months of 2021, the ongoing coronavirus infectious disease 2019 (COVID-19) pandemic did not significantly disrupt our business operations. While COVID-19 has created challenges, to date, our clinical trial activities, including patient enrollment and site activation, along with our manufacturing supply, have not been materially impacted. Also, our financial condition, liquidity and longer-term strategic development remain on track. However, COVID-19 has caused and may continue to cause significant fluctuations in stock markets, global economic activity and healthcare systems. The scale and duration of these developments remain uncertain and could affect our ability to finance and execute our operations.

The extent to which COVID-19 might prolong and/or cause significant disruptions to our business and materially impact our results of operations and our ongoing and planned clinical studies will depend on future developments. These future developments are highly uncertain and cannot be predicted, such as the duration and severity of outbreaks, including future potential waves or cycles, travel restrictions and social distancing, business closures or business disruptions and the effectiveness of actions taken to contain and treat the disease and to address its impact, including on financial markets. A lack of coordinated responses on risk mitigation and vaccination deployment with respect to the COVID-19 pandemic could result in significant increases to the duration and severity of the pandemic and could have a corresponding negative impact on our business.

We continue to collaborate with our investigators to ensure the safety of patients and employees, as well as the productivity of our clinical programs. We expect these measures will allow us to build on the positive momentum of the past quarter, despite any COVID-19-related challenges that may arise. Moving forward, we plan to remain in contact with relevant stakeholders and keep the market apprised of any new information that may materially impact clinical timelines.

Clinical Trial Program

The ultimate objective of our clinical development plan is to obtain regulatory approval for pelareorep and is based on the compelling efficacy data from previous studies in breast, multiple myeloma, and selected gastrointestinal cancers. Our current clinical development program centers on the role of pelareorep in immuno-oncology mechanisms, particularly in combination with key immune checkpoint inhibitors and potentially other immune-based therapies. Our primary focus is to demonstrate enhanced antitumor efficacy with checkpoint inhibitors, as we believe this may be the most immediately impactful clinical data and the most expeditious path to approval.

We believe pelareorep has the potential to provoke specific innate and adaptive immune responses when combined with different classes of immunotherapies. Therefore, as our clinical development program evolves and delivers additional data, we will consider appropriate expansion of our plan to investigate potential opportunities with such immunotherapies.

Second Quarter 2021 Developments

Clinical studies aiding our breast cancer program

Collaboration with Pfizer Inc. and Merck KGaA, Darmstadt, Germany: BRACELET-1 study

In 2019, we entered into a co-development agreement with Merck KGaA, Darmstadt, Germany and Pfizer Inc. to co-develop pelareorep in combination with paclitaxel and avelumab (Bavencio®), a human anti-PD-L1 antibody, for the treatment of hormone receptor-positive / human epidermal growth factor 2-negative (HR+ / HER2-) metastatic breast cancer (mBC). This phase 2 clinical trial is jointly funded by Oncolytics and Pfizer. The study, known as BRACELET-1, is an open-label study planned to enroll 48 patients into three cohorts: paclitaxel alone, paclitaxel in combination with pelareorep, and paclitaxel in combination with both pelareorep and avelumab. PrECOG LLC, a leading cancer research network, is managing the BRACELET-1 study. We dosed the first patient in 2020.

The study is examining the expression of immune-related biomarkers to identify changes in T cell population between pretreatment and on-therapy biopsies and seek to confirm our previously identified biomarker and is designed to assess efficacy in terms of overall response rate at week 16 per RECIST 1.1 and iRECIST. The safety of the combination is also being evaluated. Similar to the AWARE-1 study (see below), the results of this study may provide an opportunity to add an arm to our proposed registration study that includes a checkpoint inhibitor in addition to the chemotherapy-virus combination. Furthermore, the results of the BRACELET-1 study may provide important confirmatory data in the same patient population where we presented compelling mBC survival data at the 2017 AACR Annual Meeting. These endpoints, including the biomarker data, are expected to further de-risk our contemplated registration study, permitting for a smaller study with a higher likelihood of clinical success.

In the second quarter of 2021, we continued patient enrollment and treatment.

Collaboration with SOLTI: AWARE-1 study

In February 2019, we received approval for our AWARE-1 study from the Spanish Agency for Medicine and Health Products. This clinical collaboration with SOLTI, an academic research group dedicated to breast cancer research, is a window of opportunity study in the neoadjuvant setting for breast cancer using pelareorep in combination with F. Hoffmann-La Roche (Roche)'s anti-PD-L1 checkpoint inhibitor, atezolizumab (Tecentriq®), which we are utilizing under our Master Clinical Supply Agreement with Roche. In 2020, we published various clinical data demonstrating the ability of pelareorep to promote a pro-inflammatory tumor microenvironment (TME) and provided a basis for the findings of a prior successful phase 2 trial (IND-213) that showed a near doubling of overall survival with pelareorep treatment in HR+/HER2- breast cancer patients. These data also highlighted the potential of a predictive biomarker (T cell clonality) to identify patients with breast cancer most likely to respond to pelareorep.

In the second quarter of 2021, we published the results at the AACR Annual Meeting 2021 showing the first two cohorts of patients receiving pelareorep plus checkpoint blockade therapy met the trial's primary endpoint. These patients were treated with pelareorep and letrozole without (cohort 1) or with (cohort 2) the PD-L1 inhibitor atezolizumab prior to surgery. Evaluation of cohorts 1 and 2 was the core objective of AWARE-1, as HR+/HER2- is the breast cancer subtype we intend to examine in a future registrational study. Key data and conclusions included:

- 60% of cohort 2 patients (n=10) saw a CelTIL increase of at least 30% from baseline (pre-pelareorep administration) to surgery (21-days post-administration), exceeding the study's pre-specified primary endpoint;
- Cohort 1 also showed a promising trend towards an increased CelTIL score, with 40% of patients showing a 30% increase in the CelTIL value;
- Treatment with pelareorep alone or in combination with atezolizumab increased tumor PD-L1 expression and led to the conversion of PD-L1 negative tumors into PD-L1 positive tumors;
- Pelareorep profoundly reverses immunosuppressive tumor microenvironments and promotes immune effector cell infiltration into solid tumors, positioning it as an enabling technology for a variety of immunotherapeutic agents;
- Tumor-cell specific pelareorep replication was observed in all evaluated patients following intravenous pelareorep administration;
- 70% of all cohort 1 and 2 patients (n=20) saw an increase in CelTIL from baseline to surgery;
- The addition of atezolizumab enhances pelareorep's ability to generate and expand new anti-viral and anti-tumor T cell clones in the tumor and periphery; and
- Compared to cohort 1, cohort 2 patients had a higher ratio of CD8+ T cells to regulatory T cells, suggesting pelareorep and checkpoint inhibition enhances inflammation within the tumor microenvironment.

Additional checkpoint inhibitor combinations

Triple-negative breast cancer study combining pelareorep and retifanlimab

In the second quarter of 2021, we continued patient recruitment and enrollment activities in our investigator-sponsored trial (IST) managed by Rutgers Cancer Institute of New Jersey. This single-arm, open-label, phase 2 trial, known as IRENE, is investigating the use of pelareorep in combination with Incyte's anti-PD-1 checkpoint inhibitor, retifanlimab, in patients with metastatic triple-negative breast cancer (TNBC). This study plans to enroll 25 patients.

The IRENE study represents an expansion of our lead breast cancer program into a new disease subtype (TNBC). In addition to investigating the safety and efficacy of pelareorep-anti-PD-1 combination treatment in TNBC patients, the study is also evaluating changes in PD-L1 expression and correlations between treatment outcomes and peripheral T cell clonality, a previously identified biomarker of pelareorep response that may enable the success of future pivotal studies by facilitating the patient selection process.

Collaboration with Roche and AIO-Studien-gGmbH: GOBLET platform study

In 2020, we entered into a collaboration with Roche and AIO-Studien-gGmbH, a leading academic cooperative medical oncology group based in Germany. The phase 1/2 trial, known as GOBLET, will investigate the use of pelareorep, in combination with Roche's anti-PD-L1 checkpoint inhibitor atezolizumab (Tecentriq®), in patients with metastatic pancreatic, metastatic colorectal and advanced anal cancers. The study is expected to be conducted at 25 centers in Germany. The primary endpoint of the study is safety, with overall response rate and blood-based biomarkers (T cell clonality and CEACAM6) as exploratory endpoints. Approximately 55 patients are planned for enrollment across four separate cohorts: pelareorep in combination with atezolizumab, gemcitabine, and nab-paclitaxel in 1st line metastatic pancreatic cancer patients, pelareorep in combination with atezolizumab in 2nd and 3rd line metastatic colorectal cancer patients that are diagnosed as MSI high (microsatellite instability), pelareorep in combination with atezolizumab and TAS-102 in 3rd line metastatic colorectal cancer patients, and pelareorep in combination with atezolizumab in 2nd line advanced and unresectable anal cancer patients.

In the second quarter of 2021, we continued with initial regulatory activities seeking approval to commence enrollment from the German federal agency, The Paul Ehrlich Institute, along with startup activities.

Pancreatic cancer study combining pelareorep and Keytruda®

In the second quarter of 2021, we continued patient follow-up activities and published data at the 2021 American Society of Clinical Oncology (ASCO) Annual Meeting indicating that pelareorep and Keytruda® (pembrolizumab) synergize and show anti-cancer activity in second-line pancreatic cancer patients, which is mediated through the complementary immunotherapeutic effects of the two agents. Key data and conclusions included:

- Disease control was achieved in 42% (5/12) of patients, with one patient achieving a partial response and four patients achieving stable disease
- On-treatment tumor biopsies showed pelareorep replication and increased infiltration of CD8+ T cells and PD-L1+ cells relative to pre-treatment samples
- Patients achieving disease control showed reductions in pro-tumor regulatory T cells in the peripheral blood and tumor tissue compared to those with progressive disease
- Patients achieving disease control showed increased activation of anti-cancer CD8+ T cells in the peripheral blood compared to those with progressive disease
- Pelareorep-pembrolizumab combination therapy was found to be well tolerated, with most treatment-related adverse events being grade 1 or 2

Multiple myeloma study combining pelareorep and Opdivo®

In the second quarter of 2021, we continued patient enrollment and treatment in our IST with Emory University and the University of Utah investigating the combination of pelareorep and Bristol-Myers Squibb's anti-PD1 checkpoint inhibitor Opdivo® in 40 - 50 relapsed or refractory myeloma patients.

CAR T Preclinical Activities

In February 2021, we published results at the CAR-TCR Summit Europe 2021, in collaboration with investigators at the Mayo Clinic, showing that loading CAR T cells with pelareorep vastly improved their persistence and efficacy in a murine solid tumor model in contrast to preclinical studies using intratumoral infection with the VSV oncolytic virus that weakened CAR T cells. In the second quarter of 2021, we initiated further collaboration activities to develop and evaluate pelareorep and CAR T cell combination therapy.

Manufacturing and Process Development

During the second quarter of 2021, we continued distribution and storage activities with the product supply and completed various vendor quality control audits. As well, we continued our activities to maintain clinical and commercial production capabilities to manufacture pelareorep at the 100-liter scale. Ongoing bulk manufacturing and expanded filling capabilities are both part of the 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 our submission to regulators, including the FDA, for product approval.

Intellectual Property

At the end of the second quarter of 2021, we had been issued over 344 patents including 39 US and 15 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. "at-the-market" equity distribution
During the three months ended June 30, 2021, we sold 2,087,810 common shares for gross proceeds of US$6,717,829 at an average price of US$3.22. We received, net of commissions of US$201,535, proceeds of US$6,516,294. In total, we incurred share issue costs (including commissions) of $263,601.

Financial Impact

We estimated at the beginning of the second quarter of 2021 that our cash requirements to fund our operations for the year will be between $28 - $30 million. Our actual cash usage for the six months ended June 30, 2021 was $12,365,339 for operating activities, $6,598 for the acquisition of property and equipment and $210,228 for the payment of office leases. Our net loss for the period was $13,680,881, which included a non-cash change in fair value of warrant derivative loss of $84,621 and a foreign exchange loss of $1,021,906 primarily due to unrealized translation loss on U.S. dollar denominated cash balances.

Cash Resources

We ended the second quarter of 2021 with cash and cash equivalents totaling $50,799,432 (see *"Liquidity and Capital Resources")*.

Pelareorep Development for the Remainder of 2021

Our planned 2021 development activity for pelareorep focuses on our clinical development plan along with our manufacturing and intellectual property programs. Our primary 2021 clinical objectives will focus on BRACELET-1 enrollment, the commencement of enrollment in our GOBLET platform study and the assessment of our clinical data to help form the nature of our registration strategy, our path to approval and possible other clinical development opportunities. While we are making every effort to maintain the timing of our future milestones, the full impact of the COVID-19 pandemic on these milestones is not known. Patient safety is our foremost concern and we will provide updates as they become known.

Our 2021 manufacturing program includes product fills and the associated analytical testing, process development activities as well as labeling, packaging and shipping of pelareorep to our various clinical sites for ongoing and upcoming activities. We also intend to assess a process development plan investigating application of single-use equipment to our drug substance production process. These activities are consistent with our process validation master plan. Finally, our intellectual property program includes filings for additional patents along with monitoring activities required to protect our patent portfolio.

We currently estimate the cash requirements to fund our operations for 2021 will be approximately $28 - $30 million but will depend on our ultimate clinical program. (see *"Liquidity and Capital Resources"*).

Second Quarter Results of Operations

(for the three months ended June 30, 2021 and 2020)

Net loss for the three months ended June 30, 2021 was $7,246,136 compared to $6,827,415 for the three months ended June 30, 2020.

Research and Development Expenses ("R&D")

	2021 $	2020 $
Clinical trial expenses	**1,012,684**	447,129
Manufacturing and related process development expenses	**434,107**	879,698
Intellectual property expenses	**94,013**	161,426
Research collaboration expenses	**91,482**	162,289
Personnel-related and other expenses	**1,570,895**	848,586
Research and development expenses	**3,203,181**	2,499,128

Clinical Trial Expenses

	2021 $	2020 $
Clinical trial expenses	**1,012,684**	447,129

Our clinical trial expenses for the second quarter of 2021 were $1,012,684 compared to $447,129 for the second quarter of 2020. In the second quarter of 2021, costs related to our breast cancer program included direct patient expenses for our AWARE-1 study and our portion (net of Pfizer's contribution) of patient enrollment and treatment for our BRACELET-1 study. In the second quarter of 2020, activities related to our breast cancer program included continued patient enrollment and treatment as well as data analysis for our AWARE-1 study and our portion (net of Pfizer's contribution) of trial initiation activities and patient enrollment and treatment related to our BRACELET-1 study.

In the second quarter of 2021, in addition to activities related to our breast cancer program, we also incurred trial initiation costs for our GOBLET study and costs related to a quality audit of one of our contract research organizations. In the second quarter of 2020, our other clinical costs related to data management consultants and our Opdivo® combination study.

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

	2021 $	2020 $
Product manufacturing expenses	**421,699**	836,321
Process development expenses	**12,408**	43,377
Manufacturing and related process development expenses	**434,107**	879,698

Our M&P expenses for the second quarter of 2021 were $434,107 compared to $879,698 for the second quarter of 2020. During the second quarter of 2021, our product manufacturing costs primarily related to shipping and storage costs of our bulk and vialed product, as well as sourcing materials required for our planned product fills in the upcoming years. During the second quarter of 2020, our product manufacturing costs primarily related to the start of a cGMP production run and the associated testing, as well as shipping and storage costs of our bulk and vialed product.

Our process development expenses for the second quarter of 2021 and 2020 focused on stability studies and analytical development.

Intellectual Property Expenses

	2021 $	2020 $
Intellectual property expenses	**94,013**	161,426

Our intellectual property expenses for the second quarter of 2021 were $94,013 compared to $161,426 for the second quarter of 2020. The change in intellectual property expenditures mainly reflected the lapsing of patents in certain jurisdictions and foreign exchange difference as a result of a weakened U.S dollar against the Canadian dollar in the second quarter of 2021 compared to the same period in 2020. At the end of the second quarter of 2021, we had been issued over 344 patents including 39 US and 15 Canadian patents, as well as issuances in other jurisdictions.

Research Collaboration Expenses

	2021 $	2020 $
Research collaboration expenses	**91,482**	162,289

Our research collaboration expenses were $91,482 for the second quarter of 2021 compared to $162,289 for the second quarter of 2020. Our research collaborations in the second quarters of 2021 and 2020 included studies investigating the interaction of the immune system and pelareorep, including CAR T therapy.

Personnel-Related and Other Expenses

	2021 $	2020 $
R&D personnel-related expenses	**967,079**	750,740
Other R&D expenses	**6,471**	6,384
Share-based compensation	**597,345**	91,462
Personnel-related and other expenses	**1,570,895**	848,586

Our personnel-related and other expenses were $1,570,895 for the second quarter of 2021 compared to $848,586 for the second quarter of 2020. The change in R&D personnel-related expenses in the second quarter of 2021 compared to the second quarter of 2020 was primarily due to salary adjustments and increased headcount in our U.S. office to support our clinical program, partly offset by recruitment-related costs that were not incurred in the second quarter of 2021.

Other R&D expenses in the second quarter of 2021 remained consistent with the second quarter of 2020.

Non-cash share-based compensation for the second quarter of 2021 was $597,345 compared to $91,462 for the second quarter of 2020. The change in non-cash share-based compensation in the second quarter of 2021 compared to the second quarter of 2020 was primarily due to a higher number of vesting options with a higher grant date fair value that were previously granted to officers, employees and consultants.

Operating Expenses

	2021 $	2020 $
Public company related expenses	**2,278,722**	1,899,491
Office expenses	**643,534**	865,186
Depreciation - property and equipment	**75,340**	22,584
Depreciation - right-of-use assets	**88,493**	92,133
Share-based compensation	**434,897**	169,178
Operating expenses	**3,520,986**	3,048,572

Our operating expenses for the second quarter of 2021 were $3,520,986 compared to $3,048,572 for the second quarter of 2020. 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. Our public company related expenses were $2,278,722 for the second quarter of 2021 compared to $1,899,491 for the second quarter of 2020. The change in our public company related expenses in the second quarter of 2021 was primarily due to higher investor relations activities and increased director and officers insurance premiums, partly offset by lower business development consulting activities.

Office expenses include compensation costs (excluding share-based compensation), rent related to short-term leases and other office related costs. During the second quarter of 2021, our office expenses were $643,534 compared to $865,186 for the second quarter of 2020. The change was primarily related to costs associated with changes in personnel in the second quarter of 2020.

Non-cash share-based compensation in the second quarter of 2021 was $434,897 compared to $169,178 in the second quarter of 2020. The change in non-cash share-based compensation in the second quarter of 2021 compared to the second quarter of 2020 was primarily due to a higher number of vesting options with a higher grant date fair value that were previously granted to officers, employees, consultants and independent board members.

Change in Fair Value of Warrant Derivative

We issued warrants in connection with our August 2019 underwritten public offering. Warrants issued with an exercise price denominated in a foreign currency are reported as a liability until they are exercised or expire. These warrants are adjusted to fair value at each exercise date and at each reporting period and any change in fair value is recorded in the consolidated statements of loss and comprehensive loss. Gains and losses resulting from the revaluation of the warrant derivative are non-cash and do not impact our cash flows.

	2021 $	2020 $
Change in fair value of warrant derivative	**80,159**	**(507,150)**

In the second quarter of 2021, we recognized a gain of $80,159 on the change in fair value of our warrant derivative compared to a loss of $507,150 in the second quarter of 2020. The change in fair value in the second quarter of 2021 was as a result of several factors including changes in the market price of our shares to US$2.77 on June 30, 2021 from US$3.81 on March 30, 2021. The change in fair value in the second quarter of 2020 was as a result of several factors including changes in the market price of our shares to US$1.88 on June 30, 2020 from US$1.38 on March 31, 2020, and the revaluation of warrants exercised. The number of outstanding warrants was 64,035 and 265,757 as at June 30, 2021 and June 30, 2020, respectively.

Foreign Exchange Loss

	2021 $	2020 $
Foreign exchange loss	**(631,352)**	**(805,098)**

Our foreign exchange loss was $631,352 for the second quarter of 2021 compared to a loss of $805,098 for the second quarter of 2020. The foreign exchange loss incurred in the second quarters of 2021 and 2020 was primarily due to unrealized translation loss on U.S. dollar denominated cash balances.

Results of Operations

(for the six months ended June 30, 2021 and 2020)

Net loss for the six months ended June 30, 2021 was $13,680,881 compared to $6,427,753 for the six months ended June 30, 2020.

Research and Development Expenses ("R&D")

	2021 $	2020 $
Clinical trial expenses	**1,778,316**	1,085,641
Manufacturing and related process development expenses	**812,056**	1,346,675
Intellectual property expenditures	**371,439**	587,585
Research collaboration expenses	**142,684**	205,476
Personnel-related and other expenses	**2,857,700**	1,803,397
Research and development expenses	**5,962,195**	5,028,774

Clinical Trial Program

	2021 $	2020 $
Clinical trial expenses	**1,778,316**	1,085,641

Our clinical trial expenses were $1,778,316 for the six months ended June 30, 2021 compared to $1,085,641 for the six months ended June 30, 2020. During the six months ended June 30, 2021, costs related to our breast cancer program included direct patient expenses as well as patient sample analysis expenses for our AWARE-1 study and our portion (net of Pfizer's contribution) of patient enrollment and treatment for our BRACELET-1 study. During the six months ended June 30, 2020, activities related to our breast cancer program included continued patient enrollment and treatment as well as data analysis for our AWARE-1 study, and our portion (net of Pfizer's contribution) of trial initiation activities and patient enrollment and treatment related to the BRACELET-1 study.

During the six months ended June 30, 2021, in addition to activities related to our breast cancer program, we also incurred trial initiation costs related to our GOBLET study, costs related to our ongoing ISTs, costs related to a quality audit of one of our contract research organizations and data management consulting costs. During the six months ended June 30, 2020, our other clinical activities included consulting costs related to data management, close out costs related to our fully enrolled legacy clinical trials and costs related to our Opdivo® combination study.

We still expect our clinical trial expenses to increase in 2021 compared to 2020. During 2021, we will focus on BRACELET-1 enrollment, the commencement of enrollment in our GOBLET platform study and the assessment of our clinical data to help form the nature of our registration strategy, our path to approval and possible other clinical development opportunities.

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

	2021 $	2020 $
Product manufacturing expenses	**746,627**	1,272,181
Process development expenses	**65,429**	74,494
Manufacturing and related process development expenses	**812,056**	1,346,675

Our M&P expenses for the six months ended June 30, 2021 were $812,056 compared to $1,346,675 for the six months ended June 30, 2020. During the six months ended June 30, 2021, our product manufacturing costs primarily related to shipping and storage costs of our bulk and vialed product, sourcing materials required for our planned product fills in the upcoming years as well as drug product release testing related to a product fill completed at the end of 2020. During the six months ended June 30,

2020, our product manufacturing costs primarily related to the start of a cGMP production run, a product fill and the associated consulting and testing expenses, as well as shipping and storage costs of our bulk and vialed product.

Our process development expenses for the six months ended June 30, 2021 were $65,429 compared to $74,494 for the six months ended June 30, 2020. During the six months ended June 30, 2021 and 2020, our process development activities focused on stability studies and analytical development.

We now expect our M&P expenses for 2021 to be consistent with 2020. For the remainder of 2021, we expect to fill products and perform the associated analytical testing, carry out process development activities as well as labeling, packaging and shipping of pelareorep to our various clinical sites for ongoing and upcoming activities. We also intend to assess a process development plan investigating application of single-use equipment to our drug substance production process. These activities are consistent with our process validation master plan.

Intellectual Property Expenses

	2021 $	2020 $
Intellectual property expenses	**371,439**	587,585

Our intellectual property expenses for the six months ended June 30, 2021 were $371,439 compared to $587,585 for the six months ended June 30, 2020. The change in intellectual property expenditures mainly reflected the lapsing of patents in certain jurisdictions and foreign exchange difference as a result of a weakened U.S dollar against the Canadian dollar in the second quarter of 2021 compared to the same period in 2020. At June 30, 2021, we had been issued over 344 patents including 39 U.S. and 15 Canadian patents, as well as issuances in other jurisdictions.

We still expect our intellectual property expenses will remain consistent in 2021 compared to 2020.

Research Collaborations

	2021 $	2020 $
Research collaborations	**142,684**	205,476

Our research collaboration expenses for the six months ended June 30, 2021 were $142,684 compared to $205,476 for the six months ended June 30, 2020. During the six months ended June 30, 2021 and 2020, our research collaborations included studies investigating the interaction of the immune system and pelareorep, including CAR T therapy.

We still expect that our research collaborations in 2021 will increase compared to 2020. We expect to complete our ongoing collaborative program carried over from 2020 and will continue to be selective in the types of new collaborations we enter into in 2021.

Personnel-Related and Other Expenses

	2021 $	2020 $
R&D personnel-related expenses	**1,885,259**	1,540,598
Other R&D expenses	**13,493**	65,890
Share-based compensation	**958,948**	196,909
Personnel-related and other expenses	**2,857,700**	1,803,397

Our personnel-related and other expenses for the six months ended June 30, 2021 were $2,857,700 compared to $1,803,397 for the six months ended June 30, 2020. The change in R&D personnel-related expenses for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was due to salary adjustments and an increase in headcount as we expand our U.S. office, partly offset by recruitment-related costs that were not incurred in 2021.

The change in Other R&D expenses for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was primarily due to decreased travel expenses as a result of COVID-19.

During the six months ended June 30, 2021, our non-cash share-based compensation was $958,948 compared to $196,909 for the six months ended June 30, 2020. The change in non-cash share-based compensation for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was primarily due to a higher number of options granted in 2021, in addition to a higher number of vesting options with a higher grant date fair value that were previously granted to officers, employees and consultants.

We still expect our personnel-related and other expenses in 2021 to increase compared to 2020 as a result of our need for additional U.S. personnel to implement our clinical program.

Operating Expenses

	2021 $	2020 $
Public company related expenses	**4,365,873**	3,797,179
Office expenses	**1,295,066**	1,559,460
Depreciation - property and equipment	**95,890**	45,629
Depreciation - right-of-use assets	**174,677**	183,156
Share-based compensation	**731,370**	456,536
Operating expenses	**6,662,876**	6,041,960

Our operating expenses for the six months ended June 30, 2021 were $6,662,876 compared to $6,041,960 for the six months ended June 30, 2020. 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 six months ended June 30, 2021, our public company related expenses were $4,365,873 compared to $3,797,179 for the six months ended June 30, 2020. The change was due to increased directors and officers insurance premiums and higher investor relations activities, partly offset by lower business development consulting activities.

Office expenses include compensation costs (excluding share-based compensation), rent related to short-term leases and other office related costs. During the six months ended June 30, 2021, our office expenses were $1,295,066 compared to $1,559,460 during the six months ended June 30, 2020. The change was primarily related to costs associated with changes in personnel in 2020.

During the six months ended June 30, 2021, our non-cash share-based compensation was $731,370 compared to $456,536 for the six months ended June 30, 2020. The change in non-cash share-based compensation for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was primarily due to a higher number of options granted in 2021, in addition to a higher number of vesting options with a higher grant date fair value that were previously granted to officers, employees, consultants and independent board members.

We still expect our operating expenses in 2021 to increase compared to 2020.

Change in Fair Value of Warrant Derivative

We issued warrants in connection with our August 2019 underwritten public offering. Warrants issued with an exercise price denominated in a foreign currency are reported as a liability until they are exercised or expire. These warrants are adjusted to fair value at each exercise date and at each reporting period and any change in fair value is recorded in the consolidated statements of (loss) income and comprehensive (loss) income. Gains and losses resulting from the revaluation of the warrant derivative are non-cash and do not impact our cash flows.

	2021 $	2020 $
Change in fair value of warrant derivative	**(84,621)**	**3,644,832**

During the six months ended June 30, 2021, we recognized a loss of $84,621 on the change in fair value of our warrant derivative compared to a gain of $3,644,832 for the six months ended June 30, 2020. The change in fair value during the six months ended June 30, 2021 was as a result of several factors including changes in the market price of our shares to US$2.77 on June 30, 2021 from US$2.38 on December 31, 2020, and the revaluation on warrants exercised. The change in fair value in the six months ended June 30, 2020 was as a result of several factors including changes in the market price of our shares to US$1.88 on June 30, 2020 from US$4.76 on December 31, 2019, and the revaluation on warrants exercised. The number of outstanding warrants was 64,035 and 265,757 as at June 30, 2021 and June 30, 2020, respectively.

Foreign Exchange (Loss) Gain

	2021 $	2020 $
Foreign exchange (loss) gain	**(1,021,906)**	**899,707**

Our foreign exchange (loss) gain for the six months ended June 30, 2021 was a loss of $1,021,906 compared to a gain of $899,707 for the six months ended June 30, 2020. The foreign exchange (loss) gain in the six months ended June 30, 2021 and 2020 was primarily due to unrealized translation (loss) gain on U.S. dollar denominated cash balances.

Commitments

As at June 30, 2021, we were committed to payments totaling approximately $9,897,073 for activities related to our clinical trial, manufacturing and collaboration programs which are expected to occur over the next two years. All of these committed payments are considered to be part of our normal course of business.

Leases
Our portfolio of leases consists of office spaces with initial lease terms generally between 3 to 6 years. We currently do not have leases with variable lease payments or residual value guarantees.

During the first six months of 2021, we extended the office lease for one of our subsidiaries and entered into a new office space lease for our Canadian head office for which we recorded an addition of $532,758 to the lease liability and right-of-use asset. The incremental borrowing rate applied was 15%.

Our total undiscounted lease liability as at June 30, 2021 is as follows:

Maturity analysis - contractual undiscounted cash flows	
	June 30, 2021
Less than one year	331,286
One to six years	617,618
More than six years	—
Total undiscounted lease liability	948,904

Summary of Quarterly Results

(in thousands, except per share data)

	2021		2020				2019	
	June	Mar	Dec	Sept	June	Mar	Dec	Sept
Revenue	—	—	—	—	—	—	—	—
Net (loss) income[(1)(2)]	(7,246)	(6,435)	(9,329)	(6,749)	(6,827)	400	(19,402)	(3,529)
Basic (loss) earnings per common share[(1)(2)]	(0.13)	(0.13)	(0.21)	(0.16)	(0.17)	0.01	(0.71)	(0.16)
Diluted loss per common share[(3)]	(0.13)	(0.13)	(0.21)	(0.16)	(0.17)	(0.04)	(0.71)	(0.16)
Total assets[(4)]	56,309	54,180	34,346	31,242	34,604	34,553	19,658	16,285
Total cash[(4)]	50,799	50,362	31,220	26,711	29,911	30,567	14,148	12,299
Total long-term debt	—	—	—	—	—	—	—	—
Cash dividends declared[(5)]	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) Included in consolidated net (loss) income and (loss) earnings per common share are non-cash change in fair value of warrant derivative gain (loss) of $80,159, ($164,780), ($213,168), $60,264, ($507,150), $4,151,982, ($12,486,310) and ($122,498), respectively.

(2) Included in net (loss) income and (loss) earnings per common share are quarterly share-based compensation of $1,032,242, $658,076, $1,704,453, $201,076, $260,640, $392,805, $658,662, and $250,384, respectively.

(3) Q1 2020 included the effect of dilutive warrant derivative, stock options and share awards. For all other periods presented, the effect of any potential exercise of our stock options and warrants outstanding during the year has been excluded from the calculation of diluted loss per common share, as it would be anti-dilutive.

(4) We issued 8,792,692 common shares for net cash proceeds of $33.4 million in 2021 (2020 - 13,968,257 common shares for net cash proceeds of $40.2 million).

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

Liquidity and Capital Resources

2021 Financing Activities

U.S. "at-the-market" equity distribution

During the six months ended June 30, 2021, we sold 8,401,029 common shares for gross proceeds of US$27,158,080 at an average price of US$3.23. We received, net of commissions of US$814,743, proceeds of US$26,343,337. In total, we incurred share issue costs (including commissions) of $1,237,848.

Warrant exercise

During the six months ended June 30, 2021, 201,722 warrants in connection with our August 2019 underwritten public offering were exercised for gross proceeds of US$181,550.

2020 Financing Activities

U.S. "at-the-market" equity distribution agreement

During the six months ended June 30, 2020, we sold 7,055,627 common shares for gross proceeds of US$18,188,346 at an average price of US$2.58. We received, net of commission of US$545,650, proceeds of US$17,642,696. In total, we incurred share issue costs (including commissions) of $1,072,119.

Warrant exercise

During the six months ended June 30, 2020, 1,418,369 warrants in connection with our August 2019 underwritten public offering were exercised for gross proceeds of US$1,276,532.

Liquidity

As at June 30, 2021, we had cash and cash equivalents and working capital positions as follows:

	June 30, 2021 $	December 31, 2020 $
Cash and cash equivalents	**50,799,432**	31,219,574
Working capital position	**53,010,947**	31,558,550

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

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 June 12, 2020, 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 either Canada, the US or both. Under a 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 subject to change, 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 as a result of using our Base Shelf would be used in line with our Board approved budget and multi-year plan. Our renewed Base Shelf will be effective until July 12, 2022.

Our Base Shelf allowed us to enter into our ATM equity offering sales agreements in June 2020 and March 2021 (see Note 5 of our interim consolidated financial statements). We use these equity arrangements to assist us in achieving our capital objective. These arrangements provide us with the opportunity to raise capital at our sole discretion providing us with the ability to better manage our cash resources.

We anticipate that the expected cash usage from our operations in 2021 will be between $28 - $30 million. We continue to manage our research and development plan with the objective of ensuring optimal use of our existing resources. Additional activities continue to be subject to adequate resources and we believe we will have sufficient cash resources to fund our presently planned operations into 2023. Factors that will affect our anticipated cash usage in 2021, 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 2021.

Financial Instruments and Other Instruments

Our financial instruments consist of cash and cash equivalents, other receivables, other liabilities, accounts payable and warrant derivative. As at June 30, 2021, the carrying amount of our cash and cash equivalents, other receivables, other liabilities and accounts payable approximated their fair value. The warrant derivative is a recurring Level 2 fair value measurement as these warrants have not been listed on an exchange and therefore do not trade on an active market. As at June 30, 2021, the fair value of our warrant derivative was $153,968 (December 31, 2020 - $531,228).

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 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 other receivables.

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.

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. 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.

Foreign exchange risk

Foreign exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of our financial assets or liabilities. We are primarily exposed to the risk of changes in the Canadian dollar relative to the U.S. dollar and Euro as a portion of our financial assets and liabilities are denominated in such 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 comprehensive loss in 2021 by approximately $360,000. The impact of a $0.10 increase in the value of the Euro against the Canadian dollar would have decreased our net comprehensive loss in 2021 by approximately $14,000.

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 June 30, 2021 are as follows:

	US dollars $	**Euro €**
Cash and cash equivalents	39,763,120	148,430
Other receivables	46,878	—
Accounts payable and other liabilities	(333,475)	—
Warrant derivative	(124,228)	—
	39,352,295	148,430

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

Other MD&A Requirements

We have 54,959,672 common shares outstanding at August 5, 2021. If all of our options, restricted share units and performance share units (4,878,480), common share purchase warrants with a $9.025 exercise price (1,730,894) and common share purchase warrants with a US$0.90 exercise price (64,035), were exercised or were to vest, we would have 61,633,081 common shares outstanding.

Our 2020 annual report 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 June 30, 2021 that materially affected or are reasonably likely to materially affect, our internal controls over financial reporting.

Interim Consolidated Financial Statements
(unaudited)

Oncolytics Biotech® Inc.
June 30, 2021 and 2020

ONCOLYTICS BIOTECH INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)
(in Canadian dollars, except share amounts)

As at	Notes	June 30, 2021 $	December 31, 2020 $
Assets			
Current assets			
Cash and cash equivalents	*3*	**50,799,432**	31,219,574
Other receivables		**135,857**	89,661
Prepaid expenses		**4,503,776**	2,427,200
Total current assets		**55,439,065**	33,736,435
Non-current assets			
Property and equipment		**146,216**	236,664
Right-of-use assets	*9*	**724,164**	372,468
Total non-current assets		**870,380**	609,132
Total assets		**56,309,445**	34,345,567
Liabilities And Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**2,193,979**	1,805,015
Other liabilities		**—**	123,985
Lease liabilities	*9*	**234,139**	248,885
Warrant derivative	*4*	**153,968**	531,228
Total current liabilities		**2,582,086**	2,709,113
Non-current liabilities			
Contract liability	*8*	**6,730,287**	6,730,287
Lease liabilities	*9*	**510,369**	153,174
Total non-current liabilities		**7,240,656**	6,883,461
Total liabilities		**9,822,742**	9,592,574
Commitments and contingencies	*9*		
Shareholders' equity			
Share capital Authorized: unlimited Issued: June 30, 2021 – 54,959,672 December 31, 2020 – 46,166,980	*5*	**391,124,995**	356,824,172
Warrants	*5*	**3,617,570**	3,617,570
Contributed surplus	*6*	**32,224,806**	31,022,356
Accumulated other comprehensive income		**311,543**	400,225
Accumulated deficit		**(380,792,211)**	(367,111,330)
Total shareholders' equity		**46,486,703**	24,752,993
Total liabilities and shareholder's equity		**56,309,445**	34,345,567

See accompanying notes

ONCOLYTICS BIOTECH INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(unaudited)
(in Canadian dollars, except share amounts)

	Notes	Three Months Ended June 30, 2021 $	Three Months Ended June 30, 2020 $	Six Months Ended June 30, 2021 $	Six Months Ended June 30, 2020 $
Expenses					
Research and development	*6, 13, 14*	**3,203,181**	2,499,128	**5,962,195**	5,028,774
Operating	*6, 13, 14*	**3,520,986**	3,048,572	**6,662,876**	6,041,960
Loss before the following		**(6,724,167)**	(5,547,700)	**(12,625,071)**	(11,070,734)
Change in fair value of warrant derivative	*4*	**80,159**	(507,150)	**(84,621)**	3,644,832
Foreign exchange (loss) gain	*13*	**(631,352)**	(805,098)	**(1,021,906)**	899,707
Interest income, net		**29,224**	32,533	**50,717**	98,442
Loss before income taxes		**(7,246,136)**	(6,827,415)	**(13,680,881)**	(6,427,753)
Income tax expense		**—**	—	**—**	—
Net loss		**(7,246,136)**	(6,827,415)	**(13,680,881)**	(6,427,753)
Other comprehensive (loss) income items that may be reclassified to net loss					
Translation adjustment		**(48,370)**	(146,443)	**(88,682)**	148,769
Net comprehensive loss		**(7,294,506)**	(6,973,858)	**(13,769,563)**	(6,278,984)
Basic and diluted loss per common share	*7*	**(0.13)**	(0.17)	**(0.26)**	(0.17)
Weighted average number of shares (basic and diluted)	*7*	**54,325,212**	39,603,671	**52,008,768**	37,734,689

See accompanying notes

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

	Notes	Share Capital $	Warrants $	Contributed Surplus $	Accumulated Other Comprehensive Income $	Accumulated Deficit $	Total $
As at December 31, 2019		311,077,859	3,617,570	29,338,849	464,101	(344,606,273)	(107,894)
Net loss and other comprehensive loss		—	—	—	148,769	(6,427,753)	(6,278,984)
Issued pursuant to stock option plan	*5, 6*	162,812	—	(60,024)	—	—	102,788
Issued pursuant to incentive share award plan	*5, 6*	289,686	—	(289,686)	—	—	—
Issued pursuant to "At the Market" Agreement	*5*	24,359,150	—	—	—	—	24,359,150
Issued pursuant to warrant derivative exercised	*4, 5*	6,332,778	—	—	—	—	6,332,778
Share-based compensation	*6*	—	—	653,445	—	—	653,445
Share issue costs	*5*	(1,072,119)	—	—	—	—	(1,072,119)
As at June 30, 2020		341,150,166	3,617,570	29,642,584	612,870	(351,034,026)	23,989,164
As at December 31, 2020		356,824,172	3,617,570	31,022,356	400,225	(367,111,330)	24,752,993
Net loss and other comprehensive income		—	—	—	(88,682)	(13,680,881)	(13,769,563)
Issued pursuant to stock option plan	*5, 6*	313,867	—	(117,751)	—	—	196,116
Issued pursuant to incentive share award plan	*5, 6*	370,117	—	(370,117)	—	—	—
Issued pursuant to "At the Market" Agreement	*5*	34,168,071	—	—	—	—	34,168,071
Issued pursuant to warrant derivative exercised	*4, 5*	686,616	—	—	—	—	686,616
Share-based compensation	*6*	—	—	1,690,318	—	—	1,690,318
Share issue costs	*5*	(1,237,848)	—	—	—	—	(1,237,848)
As at June 30, 2021		**391,124,995**	**3,617,570**	**32,224,806**	**311,543**	**(380,792,211)**	**46,486,703**

See accompanying notes

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

	Notes	Three Months Ended June 30, 2021 $	Three Months Ended June 30, 2020 $	Six Months Ended June 30, 2021 $	Six Months Ended June 30, 2020 $
Operating Activities					
Net loss for the period		**(7,246,136)**	(6,827,415)	**(13,680,881)**	(6,427,753)
Depreciation - property and equipment	*13*	**75,340**	22,584	**95,890**	45,629
Depreciation - right-of-use-assets	*13*	**88,493**	92,133	**174,677**	183,156
Share-based compensation	*6, 13, 14*	**1,032,242**	260,640	**1,690,318**	653,445
Interest expense on lease liabilities		**24,450**	14,885	**38,259**	33,094
Unrealized foreign exchange loss (gain)		**713,763**	699,079	**1,233,131**	(728,677)
Change in fair value of warrant derivative	*4*	**(80,159)**	507,150	**84,621**	(3,644,832)
Net change in non-cash working capital	*12*	**(1,404,875)**	(1,027,687)	**(2,001,354)**	(327,950)
Cash used in operating activities		**(6,796,882)**	(6,258,631)	**(12,365,339)**	(10,213,888)
Investing Activities					
Acquisition of property and equipment		**(6,598)**	(3,034)	**(6,598)**	(13,749)
Cash used in investing activities		**(6,598)**	(3,034)	**(6,598)**	(13,749)
Financing Activities					
Proceeds from exercise of stock options	*6*	**6,766**	17,638	**196,116**	102,788
Proceeds from exercise of warrant derivative	*4, 5*	**—**	263,318	**230,946**	1,696,460
Proceeds from "At the Market" equity distribution agreement	*5*	**8,072,561**	6,449,218	**32,930,223**	23,287,031
Payment of lease liabilities		**(98,555)**	(119,634)	**(210,228)**	(233,108)
Cash provided by financing activities		**7,980,772**	6,610,540	**33,147,057**	24,853,171
Increase in cash		**1,177,292**	348,875	**20,775,120**	14,625,534
Cash and cash equivalents, beginning of period		**50,362,162**	30,567,480	**31,219,574**	14,148,021
Impact of foreign exchange on cash and cash equivalents		**(740,022)**	(1,005,004)	**(1,195,262)**	1,137,796
Cash and cash equivalents, end of period		**50,799,432**	29,911,351	**50,799,432**	29,911,351

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 June 30, 2021, were authorized for issue in accordance with a resolution of the Board of Directors (the "Board") on August 5, 2021. We are a limited company incorporated and domiciled in Canada. Our shares are publicly traded on the Nasdaq Capital Markets and the Toronto Stock Exchange. Our principal place of business is located at 804, 322 11th Avenue SW, Calgary, Alberta, Canada.

We are a development stage biopharmaceutical company that focuses on the discovery and development of pharmaceutical products for the treatment of cancers that have not been successfully treated with conventional therapeutics. Our lead product, pelareorep, is a potential immuno-oncology viral-agent that may be a novel treatment for certain types of cancer and may be an alternative to or used in combination with existing cytotoxic or cytostatic therapies. Our clinical development program for pelareorep centers on key immunotherapy combinations. Specifically, immunotherapy combinations in which pelareorep has the potential to provoke specific innate and adaptive immune responses when combined with checkpoint blockade therapy, chemotherapy and/or targeted therapies.

The full extent to which the coronavirus infectious disease 2019 ("COVID-19") pandemic may directly or indirectly impact our business, results of operations and financial condition, including our ability to finance our operations, expenses, clinical trials, and research and development costs, will depend on future developments that are evolving and highly uncertain, such as the duration and severity of outbreaks, including potential future waves or cycles, and the effectiveness of actions taken to contain and treat COVID-19. We considered the potential impact of COVID-19 when making certain estimates and judgments relating to the preparation of these interim consolidated financial statements. While there was no material impact to our interim consolidated financial statements as of and for the period ended June 30, 2021, our future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in a material impact to our consolidated financial statements in future reporting periods.

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 June 30, 2021 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, 2020. 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, 2020.

Note 3: Cash Equivalents

Cash Equivalents

Cash equivalents consist of interest bearing deposits with our bank totaling $47,944,484 (December 31, 2020 – $30,361,591). The current annual interest rate earned on these deposits is 0.45% (December 31, 2020 – 0.36%).

Note 4: Warrant Derivative

On August 16, 2019, pursuant to an underwritten public offering, 4,619,773 units were sold at a purchase price of US$0.81 per unit for gross proceeds of US$3,742,016. Each unit included one common share and one common share purchase warrant (see Note 5). Each common share purchase warrant entitled the holder to purchase one common share at an exercise price of US$0.90 until August 16, 2024.

Under IFRS 9 *Financial Instruments* and IAS 32 *Financial Instruments: Presentation*, warrants with an exercise price denominated in a currency that differs from an entity's functional currency are treated as a derivative measured at fair value with subsequent changes in fair value accounted for through profit and loss. Our warrants with an exercise price of US$0.90 meet this requirement and we have presented the fair value of these warrants as a current liability on the consolidated statement of financial position. As these warrants are exercised, the fair value at the date of exercise and the associated non-cash liability will be included in our share capital along with the proceeds from the exercise. If these warrants expire, the non-cash warrant liability is reversed through the consolidated statement of loss and comprehensive loss. There is no cash flow impact as a result of the accounting treatment for changes in the fair value of the warrant derivative or when warrants expire unexercised.

A reconciliation of the change in fair value of the warrant derivative is as follows:

	Number of Warrants Outstanding	Fair Value of Warrant Derivative $
As at December 31, 2019	1,684,126	8,508,764
Exercised	(1,418,369)	(4,636,317)
Change in fair value	—	(3,491,928)
Foreign exchange impact	—	150,709
As at December 31, 2020	265,757	531,228
Exercised	(201,722)	(455,670)
Change in fair value	—	84,621
Foreign exchange impact	—	(6,211)
As at June 30, 2021	**64,035**	**153,968**

During the six months ended June 30, 2021, we received cash proceeds of US$181,550 (June 30, 2020 - US$1,276,532) with respect to warrants exercised.

We use the Black-Scholes valuation model to estimate fair value. The expected volatility is based on the Company's common share historical volatility less an estimated market participant risk adjustment. The risk-free interest rate is based on U.S. Department of Treasury benchmark treasury yield rates with an approximate equivalent remaining term in effect at the time of valuation and the expected life represents the estimated length of time the warrants are expected to remain outstanding.

The estimated fair value of the warrant derivative was determined using the following assumptions:

	June 30, 2021	December 31, 2020
Fair value per warrant	**US$1.94**	US$1.57
Underlying share price	**US$2.77**	US$2.38
Risk-free interest rate	**0.07%**	0.10%
Expected hold period to exercise	**1.0 year**	1.0 year
Expected share price volatility	**90.00%**	90.00%
Expected dividend yield	**Nil**	Nil

Note 5: Share Capital

Authorized:
Unlimited number of no par value common shares

	Shares	
	Number	**Amount $**
Balance, December 31, 2019	32,198,453	311,077,859
Issued pursuant to stock option plan	133,454	385,022
Issued pursuant to incentive share award plan	234,172	732,367
Issued pursuant to "At the Market" (ATM) equity distribution agreement[(a)(c)]	12,182,532	40,037,786
Issued pursuant to warrant derivative exercised[(b)]	1,418,369	6,332,778
Share issue costs	—	(1,741,640)
Balance, December 31, 2020	46,166,980	356,824,172
Issued pursuant to stock option plan	93,159	313,867
Issued pursuant to incentive share award plan	96,782	370,117
Issued pursuant to "At the Market" (ATM) equity distribution agreement[(c)(d)]	8,401,029	34,168,071
Issued pursuant to warrant derivative exercised[(b)]	201,722	686,616
Share issue costs	—	(1,237,848)
Balance, June 30, 2021	**54,959,672**	**391,124,995**

(a) On October 24, 2018, we entered into an ATM equity offering sales agreement with Canaccord Genuity Inc. The ATM allowed us, at our sole discretion, to issue common shares, at prevailing market prices, with an aggregate offering value of up to US$30,000,000 over a 19-month period through the facilities of the Nasdaq Capital Market in the United States. This sales agreement expired on June 4, 2020 and no shares were issued during the six months ended June 30, 2021. During the six months ended June 30, 2020, we sold 6,741,518 common shares for gross proceeds of US$17,538,342 at an average price of US$2.60. We received, net of commissions of US$526,150, proceeds of US$17,012,192. In total, we incurred share issue costs (including commissions) of $856,754.

(b) On August 16, 2019, pursuant to an underwritten public offering, 4,619,773 units were sold at a purchase price of US$0.81 per unit. Each unit included one common share with a fair value of US$0.54 and one common share purchase warrant with a fair value of US$0.27. These warrants were classified as a financial liability. Each common share purchase warrant entitled the holder to purchase one common share at an exercise price of US$0.90 until August 16, 2024. During the six months ended June 30, 2021, our share capital included fair value of $455,670 (June 30, 2020 - $4,636,317) in addition to gross proceeds of US$181,550 (June 30, 2020 - US$1,276,532) for the 201,722 (June 30, 2020 - 1,418,369) warrants that were exercised (see Note 4).

(c) On June 15, 2020, we entered into an ATM equity distribution agreement with Canaccord Genuity Inc. The ATM allowed us, at our sole discretion, to issue common shares, at prevailing market prices, with an aggregate offering value of up to US$40,000,000 over a 25-month period through the facilities of the Nasdaq Capital Market in the United States. During the six months ended June 30, 2021, we sold 5,685,097 (June 30, 2020 - 314,109) common shares for gross proceeds of US$18,503,188 (June 30, 2020 - US$650,004) at an average price of US$3.25 (June 30, 2020 - US$2.07). We received, net of commissions of US$555,096 (June 30, 2020 - US$19,500), proceeds of US$17,948,092 (June 30, 2020 - US$630,504). In total, we incurred share issue costs (including commissions) of $707,421 (June 30, 2020 - $215,365). On March 4, 2021, we terminated the June 15, 2020 ATM equity distribution agreement.

(d) On March 5, 2021, we entered into an ATM equity distribution agreement with Canaccord Genuity Inc. The ATM allows us, at our sole discretion, to issue common shares, at prevailing market prices, with an aggregate offering value of up to US$80,000,000 over a 16-month period through the facilities of the Nasdaq Capital Market in the United States. During the six months ended June 30, 2021, we sold 2,715,932 common shares for gross proceeds of US$8,654,892 at an average

price of US$3.19. We received, net of commissions of US$259,647, proceeds of US$8,395,245. In total, we incurred share issue costs (including commissions) of $530,427.

Equity Warrants

On June 1, 2017, pursuant to an underwritten public offering, 16,445,000 units were sold for gross proceeds of $11,511,500. Each unit included one common share and one common share purchase warrant. Following the 2018 share consolidation, 9.5 common share purchase warrants entitled the holder to purchase one common share in the capital of the Company until June 1, 2022, at an exercise price of approximately $9.025. These warrants were classified as equity.

The following table summarizes our outstanding equity warrants:

	Number of Warrants Outstanding[(1)]	Warrant $
As at December 31, 2020	16,443,500	3,617,570
As at June 30, 2021	16,443,500	3,617,570

(1) Exercisable into 1,730,894 common shares.

Note 6: Share-Based Compensation

Stock Option Plan

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

	2021		2020	
	Stock Options	Weighted Average Exercise Price $	Stock Options	Weighted Average Exercise Price $
Outstanding, beginning of the period	**3,764,055**	**4.08**	2,246,947	5.31
Granted during the period	**1,172,500**	**3.42**	60,000	5.23
Forfeited during the period	**(56,226)**	**4.08**	(18,085)	13.83
Expired during the period	**(526)**	**52.63**	—	—
Exercised during the period	**(93,159)**	**2.11**	(45,120)	2.28
Outstanding, end of the period	**4,786,644**	**3.95**	2,243,742	5.30
Options exercisable, end of the period	**2,174,143**	**4.99**	1,359,448	7.23

The following table summarizes information about the stock options outstanding and exercisable at June 30, 2021:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price $	Number Exercisable	Weighted Average Exercise Price $
$0.54 - $1.79	756,665	2.53	1.39	495,007	1.36
$1.80 - $3.01	421,573	4.10	2.67	261,573	2.68
$3.02 - $3.90	2,962,382	3.88	3.29	791,539	3.28
$3.91 - $7.41	478,516	2.23	6.09	458,516	6.13
$7.42 - $40.96	167,508	1.83	24.23	167,508	24.23
	4,786,644	3.45	3.95	2,174,143	4.99

Non-exercisable options vest either immediately or annually over periods ranging from one to three years.

We use the Black-Scholes valuation model to estimate fair value. 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 benchmark bond yield rates 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.

The estimated fair value of stock options granted during the period was determined using the Black-Scholes valuation model using the following weighted average assumptions:

	2021	2020
Risk-free interest rate	**0.49%**	1.63%
Expected hold period to exercise	**3.0 years**	3.0 years
Expected share price volatility	**110.87%**	110.84%
Expected dividend yield	**Nil**	Nil
Weighted average fair value of options	**$2.27**	$3.51

Incentive Share Award Plan

Restricted Share Units

We have issued restricted share units ("RSUs") to non-employee directors through our incentive share award plan. Grants of RSUs to non-employee directors vest either immediately, 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 RSUs to certain officers and employees of the Company. Grants of RSUs to certain officers and employees of the Company vest over a three year period. The following RSUs are outstanding at June 30:

	2021	2020
Outstanding, beginning of the period	**134,618**	209,657
Granted during the period	**—**	32,003
Released during the period	**(39,941)**	(99,052)
Outstanding, end of the period	**94,677**	142,608

(1) The weighted average fair value of the RSUs granted was nil in 2021 (2020 - $2.90).

Performance Share Units

We have also issued performance share units ("PSUs") to certain officers and employees of the Company. Grants of PSUs require completion of certain performance criteria and cliff vest after 3 years or vest over a three year period, depending on the grant. The following PSUs are outstanding at June 30:

	2021	2020
Outstanding, beginning of the period	**56,841**	61,051
Released during the period	**(56,841)**	(4,210)
Outstanding, end of the period	—	56,841

We have reserved 5,495,967 common shares for issuance relating to our outstanding equity compensation plans. Compensation expense related to stock options, RSUs and PSUs were $1,032,242 and $1,690,318 for the three and six months ended June 30, 2021, respectively (June 30, 2020 - $260,640 and $653,445, respectively).

Note 7: 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 three and six months ended June 30, 2021 of 54,325,212 and 52,008,768, respectively (June 30, 2020 - 39,603,671 and 37,734,689, respectively). The effect of any potential exercise of our stock options and warrants outstanding during the year has been excluded from the calculation of diluted loss per common share, as it would be anti-dilutive.

Note 8: Contract Liability

Regional licensing agreement
We entered into a regional licensing agreement (the "Licensing Agreement") with Adlai Nortye Biopharma Co., Ltd. ("Adlai") in November 2017. Under the terms of the Licensing Agreement, Adlai will have exclusive development and commercialization rights to pelareorep in China, Hong Kong, Macau, Singapore, South Korea and Taiwan. We are entitled to receive upfront license fees, development and regulatory milestone payments, royalties and sales-based milestone payments.

Contract liability
Our contract liability balance, which we expect to record in revenue over the next five years, is as follows:

	June 30, 2021 $	December 31, 2020 $
Balance, beginning of the period	**6,730,287**	6,730,287
Regional licensing agreement	—	—
Revenue recognized in the period	—	—
Balance, end of the period	**6,730,287**	6,730,287
Contract liability - non-current	**6,730,287**	6,730,287
	6,730,287	6,730,287

Note 9: Commitments

We are committed to payments totaling $9,897,073 for activities related to our clinical trial, manufacturing and collaboration programs which are expected to occur over the next two years.

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

Leases
Our portfolio of leases consists of office spaces with initial lease terms generally between 3 to 6 years. We currently do not have leases with variable lease payments or residual value guarantees.

During the first six months of 2021, we extended the office lease for one of our subsidiaries and entered into a new office space lease for our Canadian head office for which we recorded an addition of $532,758 to the lease liability and right-of-use asset. The incremental borrowing rate applied was 15%.

Our total undiscounted lease liability as at June 30, 2021 is as follows:

Maturity analysis - contractual undiscounted cash flows	
	June 30, 2021 $
Less than one year	331,286
One to six years	617,618
More than six years	—
Total undiscounted lease liability	948,904

Note 10: Capital Disclosures

Our objective when managing capital is to maintain a strong statement of financial position. We achieve our objective by obtaining adequate cash resources to support planned activities which include the clinical trial program, product manufacturing, administrative costs and intellectual property expansion and protection. We include shareholders' equity and cash and cash equivalents in the definition of capital.

	June 30, 2021 $	**December 31, 2020 $**
Cash and cash equivalents	**50,799,432**	31,219,574
Shareholders' equity	**46,486,703**	24,752,993

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

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 June 12, 2020, 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 either Canada, the US or both. Under a 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 subject to change, 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 as a result of using our Base Shelf would be used in line with our Board approved budget and multi-year plan. Our renewed Base Shelf will be effective until July 12, 2022.

Our Base Shelf allowed us to enter into our ATM equity distribution agreements in June 2020 and March 2021 (see Note 5). We use these equity arrangements to assist us in achieving our capital objective. These arrangements provide us with the opportunity to raise capital at our sole discretion providing us with the ability to better manage our cash resources.

We are not subject to externally imposed capital requirements and there have been no changes in how we define or manage our capital in 2021.

Note 11: Financial Instruments

Our financial instruments consist of cash and cash equivalents, other receivables, other liabilities, accounts payable and warrant derivative. As at June 30, 2021, the carrying amount of our cash and cash equivalents, other receivables, other liabilities and accounts payable approximated their fair value. The warrant derivative is a recurring Level 2 fair value measurement as these warrants have not been listed on an exchange and therefore do not trade on an active market. As at June 30, 2021, the fair value of our warrant derivative was $153,968 (December 31, 2020 - $531,228).

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 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 other receivables.

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.

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. 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.

Foreign exchange risk
Foreign exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of our financial assets or liabilities. We are primarily exposed to the risk of changes in the Canadian dollar relative to the U.S. dollar and Euro as a portion of our financial assets and liabilities are denominated in such 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 comprehensive loss in 2021 by approximately $360,000. The impact of a $0.10 increase in the value of the Euro against the Canadian dollar would have decreased our net comprehensive loss in 2021 by approximately $14,000.

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 June 30, 2021 are as follows:

	US dollars $	Euro €
Cash and cash equivalents	39,763,120	148,430
Other receivables	46,878	—
Accounts payable and other liabilities	(333,475)	—
Warrant derivative	(124,228)	—
	39,352,295	148,430

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 10. Accounts payable are all due within the current operating period.

Note 12: Additional Cash Flow Disclosures

Net Change In Non-Cash Working Capital

	Three Months Ended June 30, 2021 $	Three Months Ended June 30, 2020 $	Six Months Ended June 30, 2021 $	Six Months Ended June 30, 2020 $
Change in:				
Other receivables	**(24,192)**	71,310	**(46,196)**	2,012,587
Prepaid expenses	**(1,622,046)**	(900,394)	**(2,076,576)**	(1,397,116)
Accounts payable and accrued liabilities	**275,341**	(91,019)	**388,964**	(486,000)
Other liabilities	—	(242,475)	**(123,985)**	(376,708)
Non-cash impact of foreign exchange	**(33,978)**	134,891	**(143,561)**	(80,713)
Change in non-cash working capital related to operating activities	**(1,404,875)**	(1,027,687)	**(2,001,354)**	(327,950)

Other Cash Flow Disclosures

	Three Months Ended June 30, 2021 $	Three Months Ended June 30, 2020 $	Six Months Ended June 30, 2021 $	Six Months Ended June 30, 2020 $
Cash interest received	**53,674**	47,418	**88,976**	131,536
Cash taxes paid	**17,088**	8,211	**17,088**	8,211

Note 13: Other Expenses and Adjustments

The following details highlight certain components of the research and development and operating expenses classified by nature. The foreign exchange (loss) gain as presented separately on the face of the consolidated statement of loss and comprehensive loss is also classified as a research and development expense. Remaining research and development and operating expenses include personnel costs and expenses paid to third parties.

	Three Months Ended June 30, 2021 $	Three Months Ended June 30, 2020 $	Six Months Ended June 30, 2021 $	Six Months Ended June 30, 2020 $
Research and development expenses				
Non-cash share-based compensation	**597,345**	91,462	**958,948**	196,909
Operating expenses				
Depreciation - property and equipment	**75,340**	22,584	**95,890**	45,629
Depreciation - right-of-use-assets	**88,493**	92,133	**174,677**	183,156
Non-cash share-based compensation	**434,897**	169,178	**731,370**	456,536

Note 14: 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 employees of the Company.

	Three Months Ended June 30, 2021 $	Three Months Ended June 30, 2020 $	Six Months Ended June 30, 2021 $	Six Months Ended June 30, 2020 $
Short-term employee compensation and benefits	**771,934**	779,067	**1,556,565**	1,572,699
Termination benefits	**—**	217,015	**—**	217,015
Share-based compensation	**707,778**	190,567	**1,167,071**	443,754
	1,479,712	1,186,649	**2,723,636**	2,233,468

Shareholder Information

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

Oncolytics Biotech Inc.
Suite 804, 322 11th Avenue SW
Calgary, Alberta, Canada T2R 0C5
tel: 403.670.7377 fax: 403.283.0858
www.oncolyticsbiotech.com

Officers

Matt Coffey, PhD, MBA
President and Chief Executive Officer
Kirk Look, CA
Chief Financial Officer
Andrew de Guttadauro
President, Oncolytics Biotech (U.S.) Inc.

Directors

Deborah M. Brown, MBA, ICD.D
Lead, Commercial Partner Services, Eversana (Canada)
Matt Coffey, PhD, MBA
President and CEO, Oncolytics Biotech Inc.
Angela Holtham, MBA, FCPA, FCMA, ICD.D
Corporate Director
Leonard Kruimer, MBA, CPA
Corporate Director
Wayne Pisano
Corporate Director
Bernd R. Seizinger, MD, PhD
Corporate Director

Oncolytics Biotech Inc.
Suite 804, 322 11th Avenue SW, Calgary, AB T2R 0C5
Phone: (403) 670.7377 Fax: (403) 283.0858
www.oncolyticsbiotech.com