Financial Statements and Management's Discussion and Analysis

December 31, 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

2023

March 7, 2024

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

BASIS OF PRESENTATION

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Our IFRS accounting policies are set in note 3 of our audited consolidated financial statements for the year ended December 31, 2023. This MD&A, along with our audited consolidated financial statements for the year ended December 31, 2023, were authorized for issue in accordance with a resolution of the Board of Directors (the "Board") on March 7, 2024. Unless otherwise indicated, all references to "$" and "dollars" in this discussion and analysis mean thousands of Canadian dollars.

All references in this MD&A to "the Company", "Oncolytics", "we", "us", or "our" and similar expressions refer to Oncolytics Biotech Inc. and the subsidiaries through which it conducts its business, unless otherwise indicated.

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 mechanism of action of pelareorep, an intravenously delivered immunotherapeutic agent, as a cancer therapeutic; our expectation that pelareorep's ability to enhance innate adaptive immune responses within the TME will play an increasingly important role as our clinical development program advances; our business strategy, goals, focus, and objectives for the development of pelareorep, including our immediate primary focus on advancing our programs in hormone receptor-positive / human epidermal growth factor 2-negative metastatic breast cancer and metastatic pancreatic ductal adenocarcinoma to registration-enabled clinical studies and our exploration of opportunities for registrational programs in other gastrointestinal cancers through our GOBLET platform study; our belief that our approach will increase opportunities for expanding our clinical program and business development and partnering opportunities, has the most promise for generating clinically impactful data and offers the most expeditious path to regulatory approval; our expectation that we will incur substantial losses and will not generate significant revenues until and unless pelareorep becomes commercially viable; our belief that our combined cash resources are sufficient to fund our presently planned operations for at least the next 12 months from the balance sheet date; our belief that recent data from our BRACELET-1 study further de-risk our path to registration, increasing the likelihood of clinical success and potentially allowing for the use of PFS as a primary endpoint; our belief that we currently have sufficient drug product to support our clinical development program and our focus on expanding the scale of our production capabilities to ensure we will be registration ready; our belief that continued positive results in the anal cancer cohort could potentially expand pelareorep's opportunity beyond breast and pancreatic cancers; our expected pelareorep development plan for 2024, including our primary 2024 focus on commencing a registration-enabled study in pancreatic cancer and introduce a new GOBLET cohort investigating pelareorep in combination with mFOLFIRINOX, with or without Tecentriq®; our plans to seek guidance on our breast cancer program protocol design from the FDA; our intention to finalize our breast cancer program registration pathway and commencing the relevant clinical study; our ongoing evaluation of all types of financing arrangements; our continued management of our research and development plan; our expectation that we will increase our spending in connection with the research and development of pelareorep over the next several years as we look to advance our breast and gastrointestinal cancer programs into later stages of clinical development; the factors that affect our cash usage; our approach to credit rate, interest rate, foreign exchange, and liquidity risk mitigation; our anticipated use of the remaining proceeds raised as part of our 2023 public offering of common shares and warrants; the effectiveness of our internal control systems; 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.

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 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.

Company Overview

We are a clinical-stage biopharmaceutical company developing pelareorep, a safe and well-tolerated intravenously delivered immunotherapeutic agent that activates the innate and adaptive immune systems and weakens tumor defense mechanisms. This improves the ability of the immune system to fight cancer, making tumors more susceptible to a broad range of oncology treatments.

Pelareorep is a proprietary isolate of reovirus, a naturally occurring, non-pathogenic double-stranded RNA (dsRNA) virus commonly found in environmental waters. Pelareorep has shown promising results in changing the tumor microenvironment (TME). This creates a more favorable TME, which in turn makes the tumor more susceptible to various treatment combinations. These treatments include chemotherapies, checkpoint inhibitors, as well as other immuno-oncology approaches such as CAR T therapies, bispecific antibodies, and CDK4/6 inhibitors. Pelareorep induces a new army of tumor-reactive T cells, helps these cells to infiltrate the tumor through an inflammatory process, and promotes the overexpression of PD-1/PD-L1. By priming the immune system with pelareorep, we believe we can increase the proportion of patients who respond to immunotherapies and other cancer treatments, especially in cancers where immunotherapies have failed or provided limited benefit.

As our clinical development program advances, we anticipate pelareorep's ability to enhance innate and adaptive immune responses within the TME will play an increasingly important role. This greatly increases opportunities for expanding our clinical program, business development, and partnering opportunities to address a broad range of cancers in combination with various other therapies. We believe this approach has the most promise for generating clinically impactful data and offers the most expeditious path to regulatory approval.

Our primary focus is to advance our programs in hormone receptor-positive / human epidermal growth factor 2-negative (HR+/HER2-) metastatic breast cancer (mBC) and metastatic pancreatic ductal adenocarcinoma (PDAC) to registration-enabled clinical studies. In addition, we are exploring opportunities for registrational programs in other gastrointestinal cancers through our GOBLET platform study.

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. As at December 31, 2023, we had cash and cash equivalents of $34,912. We believe we have sufficient existing cash resources to fund our presently planned operations for at least the next twelve months from the balance sheet date.

2023 Developments

Clinical Trial Program

Program	Collaborator	Combination	Phase 1	Phase 2	Registration-Enabled Study
BREAST CANCER					
BRACELET-1 HR+/HER2- mBC	Pfizer Merck	pela + PTX			
Registration-Enabled Study HR+/HER2- mBC	TBD	pela + PTX			
GASTROINTESTINAL CANCERS					
GOBLET cohort 1 1L Adv/Metastatic PDAC	Roche	pela + gem + nab-PTX + atezo			
Adaptive Registration-Enabled Study 1L Adv/Metastatic PDAC	Roche	pela + gem + nab-PTX + atezo			
GOBLET cohort 5 Newly Diagnosed PDAC	Roche	pela + mFOL +/- atezo			
GOBLET cohort 4 ≥2L Unresectable Anal Cancer	Roche	pela + atezo			

mBC: Metastatic Breast Cancer; PDAC: pancreatic ductal adenocarcinoma; pela: pelareorep; PTX: paclitaxel; gem: gemcitabine; atezo: atezolizumab; mFOL: modified FOLFIRINOX; Adv: Advanced; 1L: First-Line; 2L: Second-Line

Gastrointestinal cancer program

Collaboration with Roche and AIO-Studien-gGmbH: GOBLET platform study
Our GOBLET platform study is a collaboration with Roche and AIO-Studien-gGmbH, a leading academic cooperative medical oncology group based in Germany. The study is investigating the use of pelareorep, in combination with Roche's anti-PD-L1 checkpoint inhibitor atezolizumab (Tecentriq®), in advanced or metastatic gastrointestinal tumors. The study is being conducted at 12 centers in Germany. The study's co-primary endpoints are safety and objective response rate or disease control rate at week 16. Key secondary and exploratory endpoints include additional efficacy assessments and evaluation of potential biomarkers. The study employs a two-stage design with Stage 1 comprising of patients with first-line advanced/metastatic PDAC, first- and third-line metastatic colorectal (CRC), and advanced anal cancers. Any cohort meeting pre-specified efficacy criteria in Stage 1 may be advanced to Stage 2 and enroll additional patients.

In 2022, we received clearance from the Paul Ehrlich Institute (PEI; Germany's medical regulatory body) for full enrollment of the trial's four cohorts. After presenting the interim GOBLET PDAC data in 2022, we obtained FDA Fast Track designation for the treatment of advanced/metastatic PDAC using pelareorep in combination with atezolizumab, gemcitabine, and nab-paclitaxel. Fast Track designation is designed to facilitate the development and expedite the review of therapies to treat serious conditions and fill an unmet medical need. A clinical program that receives Fast Track designation may benefit from more frequent meetings and communications with the FDA to discuss development plans and ensure the collection of appropriate data needed to support approval.

In 2023, we completed enrollment in the advanced/metastatic PDAC cohort/Stage 1 and third-line metastatic CRC cohort/Stage 1, and continued to monitor patients and patient outcomes. In our advanced anal cancer cohort, we continued enrolling patients and evaluating patient outcomes. We also presented data from our advanced/metastatic PDAC, third-line metastatic CRC, and anal cancer cohorts at various conferences throughout the year.

GOBLET's PDAC cohort survival data reported at ESMO
Updated data from GOBLET's PDAC cohort was presented at the European Society for Medical Oncology (ESMO) Congress 2023 showing an objective response rate and interim survival data exceeding historical control trials[1-4]. A summary of the findings was as follows:

Tumor Responses:
- Objective Response Rate of 62% (54% confirmed by two or more consecutive scans)
- A Disease Control Rate of 85%

Survival data:
- Median duration of response was 5.7 months
- Median progression-free survival (PFS) was 7.2 months
- Interim 12-month survival rate was 46%
- Interim median overall survival (OS) was 10.6 months

T Cell populations analysis of the changes of T cell clones and tumor-infiltrating lymphocytes (TILs) showed:
- Expansion of pre-existing and new T cell clones, including the expansion of TIL-specific clones
- A correlation between the expansion in the blood of TIL-specific clones and tumor response

Safety:
- The treatment combination has been well tolerated with no safety concerns
- Most common grade 3 and 4 treatment-related adverse events were related to red and white blood cell counts (anemia, neutropenia and decreased neutrophil counts), but were transient

References
1. Von Hoff D et al. N Engl J Med 2013; 369:1691-1703 DOI: 10.1056/NEJMoa1304369
2. O'Reilly et al. Eur J Cancer. 2020 June; 132: 112–121. DOI:10.1016/j.ejca.2020.03.005
3. Karasic et al. JAMA Oncol. 2019 Jul 1; 5(7):993-998. DOI: 10.1001/jamaoncol.2019.0684
4. Tempero et al. Ann Oncol. 2021 May; 32(5):600-608. DOI: 10.1016/j.annonc.2021.01.070

GOBLET's third-line metastatic CRC cohort efficacy data reported at ESMO

This arm was the second consecutive arm within the GOBLET platform study to meet its respective success criteria and to be eligible to move to full enrollment. The interim results from the third-line metastatic CRC cohort included:
- 6 of 15 enrolled patients had stable disease as their best response, including 4 patients demonstrating stable disease at week 16
- These patients demonstrated a 40% disease control rate, a PFS of 2.8 months, a median OS of 8.0 months, and a 12-month survival rate of 33%
- The data suggested that pelareorep was taken by tumor cells and stimulated T cell expansion even in heavily pre-treated colorectal cancer patients

GOBLET's anal cancer cohort efficacy data reported at IMACC

Interim data presented at the 2nd International Multidisciplinary Anal Cancer Conference (IMACC) 2023 on patients with second-line or later, unresectable squamous cell carcinoma of the anal canal (SCCA) achieved the pre-defined success criteria. A summary of interim data and findings from the SCCA arm included:
- *Tumor Responses*: Interim Objective Response Rate of 37.5% based on one patient with a complete response (ongoing at 12 months) and two patients with a partial response (one at week 8, one ongoing at week 16)
- *Safety:* No safety signal was observed, consistent with previously reported cohorts from the GOBLET study

Recipient of PanCAN Therapeutic Accelerator Award

In 2023, we were selected by the Pancreatic Cancer Action Network (PanCAN) as the recipient of its US$5 million Therapeutic Accelerator Award. This grant will enable us to continue our research on a clinical trial with pelareorep in combination with modified FOLFIRINOX (mFOLFIRINOX) chemotherapy with or without Tecentriq® in pancreatic cancer patients.

Breast cancer program

Co-development Agreement 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 HR+/ HER2- mBC. This phase 2 clinical trial was jointly funded by Oncolytics and Pfizer. The study, known as BRACELET-1, is a randomized open-label study that enrolled 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, managed the BRACELET-1 study. We completed patient enrollment in the second quarter of 2022.

The study is examining potential immune-related biomarkers, including investigating changes in T cell populations in response to treatment through T cell receptor sequencing. It is designed to assess efficacy in terms of overall response rate (ORR) at week 16 per RECIST 1.1. Key secondary and exploratory endpoints include the safety of the combination along with PFS and OS.

In 2023, we announced data that showed pelareorep driving robust increases in PFS and confirmed ORR. We featured these interim data at an oral presentation at the 2023 American Society of Clinical Oncology Annual Meeting (ASCO) and a subsequent key opinion leader webinar. A summary of response and PFS data from all 48 patients enrolled in BRACELET-1 was shown below:

	Paclitaxel (PTX) Monotherapy (n=15)	**PTX + Pelareorep (n=16)**	**PTX + Pelareorep + Avelumab (n=17)[3]**
ORR at Week 16[1]	3 (20%)	5 (31.3%)	3 (17.6%)
Confirmed ORR Over Course of Trial[2]	2 (13.3%)	6 (37.5%)	3 (17.6%)
mPFS (months)[2]	6.3 (95% CI: 3.9, NR)	9.5 (95% CI: 6.5, NR)	6.2 (95% CI: 4.0, NR)
PFS Hazard Ratio vs. PTX Monotherapy[2]	—	0.29 (95% CI: 0.09, 0.98)	1.31 (95% CI: 0.47, 3.65)
12-month PFS Rate (%)[2]	0 (95% CI: -, -)	32.8 (95% CI: 11.7, 92.4)	0 (95% CI: -, -)

1. Data from an October 2022 cut-off date. Three patients who withdrew consent prior to starting therapy and two patients who discontinued treatment after week 1 were considered non-responders and censored for PFS.
2. Data from a March 3, 2023 cut-off date. Numbers presented may change as they are derived from an unlocked database.
3. Data include all patients enrolled in trial. Response data presented by Clark et al. at ASCO 2023 included the 45 randomized patients and excluded participants in the three-patient safety run-in in cohort 3.
CI: Confidence interval; NR: Not reached; mPFS: median progression-free survival.

Additional key biomarker and safety findings included:

- Association between T cell expansion and efficacy measures: A statistically significant increase in T cell fraction, a measure of T cell expansion, was observed in cohort 2 (paclitaxel + pelareorep) but not in cohort 3 (paclitaxel + pelareorep + avelumab)
- Generally favorable and manageable safety profile: Pelareorep displayed a manageable safety profile consistent with what has been observed in prior clinical trials that have collectively treated over 1,100 patients

The results of this study provided important confirmatory data in a patient population similar to our IND.213 study, in which we observed a statistically significant near-doubling of median OS with pelareorep treatment in HR+/HER2- mBC. These data further de-risk our path to registration, increasing the likelihood of clinical success and potentially allowing for the use of PFS as a primary endpoint.

In addition to the data presented at ASCO, we continued monitoring BRACELET-1 patients for survival to allow the assessment of median OS in all treatment groups, which we expect to occur in 2024. We also reviewed our BRACELET-1 data with key opinion leaders to investigate different trial designs as we move toward defining our breast cancer licensure-enabling study.

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, was 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®). Early-stage HR+/HER2- breast cancer patients were enrolled in two cohorts; those in cohort 1 received pelareorep and letrozole, while patients in cohort 2 received pelareorep, letrozole, and atezolizumab. We completed enrollment in 2022 and presented data at the Society for Immunotherapy of Cancer 38th Annual Meeting (SITC 2023) and the 2023 San Antonio Breast Cancer Symposium (SABCS).

SITC 2023:

Samples from cohort 2 were evaluated using a biomarker panel of 37 conjugated antibodies that bind to tumor antigens and immune cells. Novel imaging mass cytometry (IMC) technology was used to visualize cellular interactions down to the single cell level and showed an increase in PD-L1 positivity and cytotoxic T cells. This translational data will be incorporated into the registrational program for HR+/HER2- metastatic breast cancer.

2023 SABCS:

Samples from both AWARE-1 cohorts were evaluated, showing pelareorep induced the expansion of existing TIL clones, which are presumed to be anti-tumor T cells and new clones. These data are consistent with results from posters recently presented at the SITC and ESMO meetings and affirm that pelareorep functions as an immunotherapeutic agent.

- As previously reported, the majority of patients in both cohorts achieved an increase in CelTIL scores, which is correlated with improved patient outcomes, with 60% of patients in Cohort 2 achieving a 30% increase in CelTIL scores, the primary endpoint of the study
- Tumor T cell fractions showed that TILs increased in both study cohorts (1.27 fold in Cohort 1, 2.74 fold in Cohort 2), with a greater increase in Cohort 2, which included pelareorep and the checkpoint inhibitor
- Clonal expansion results showed that pelareorep induced an expansion of TILs in tumor and peripheral blood with:
  - In tumors, new clones were more prominent
  - In peripheral blood, existing clones were more prominent
  - In cohort 2 containing atezolizumab, there was greater overall expansion

Manufacturing and Process Development

While we currently have sufficient drug product supply to support our clinical development program, we are focused on expanding the scale of our production capabilities to ensure we will be registration-ready. During 2023, we executed a process development production run, scaled-up engineering production run, and related batch testing, where we also implemented new procedures to match evolving industry standards and environmental regulations. We then initiated a 200-liter scaled-up cGMP (Current Good Manufacturing Practice) production run near the end of the year. We also completed release testing of a new master cell bank and initiated potency assay validation using this cell bank. These activities ensure alignment with the clinical development timeline and anticipated registration program. We also incurred storage and distribution costs and completed a product fill to maintain our product supply. Ongoing bulk manufacturing and expanded filling capabilities are both part of the planned process validation. Continued process validation ensures that the manufactured product meets the required specifications and quality standards and will form part of our regulatory submission for product approval.

Intellectual Property

At the end of 2023, we had been issued 150 patents, including 15 US and 7 Canadian patents, as well as issuances in other jurisdictions. We have an extensive patent portfolio covering the oncolytic reovirus and formulations that we use in our clinical trial program. These patent rights extend to at least the end of 2031. During 2023, we also actively filed additional patent applications covering innovations associated with the manufacturing scale-up process.

Financing Activity

Public offering
In 2023, pursuant to an underwritten public offering, we issued 7,667,050 units for gross proceeds of $23,262 (US$17,251) at a price of US$2.25 per unit. Each unit consisted of one common share and one common share purchase warrant ("warrant"), which were immediately separable and issued separately in this offering. Each warrant entitles the holder to purchase one common share at an exercise price of US$2.81 up to 60 months from the date of issuance, subject to certain acceleration provisions (see note 9 of our audited consolidated financial statements). In consideration of the services rendered by the underwriter, we issued 536,693 compensation warrants. Each compensation warrant is exercisable into one common share at an exercise price of US$2.25 up to 60 months from the date of issuance. Net proceeds from the offering were $20,770.

U.S. "at-the-market" (ATM) equity distribution agreement
In 2023, we sold 4,978,605 common shares for gross proceeds of $10,676 (US$7,904) at an average price of $2.14 (US$1.59). We received proceeds of $10,356 (US$7,667) after commissions of $320 (US$237). In total, we incurred share issue costs (including commissions) of $415.

Cash Resources

We ended 2023 with cash and cash equivalents of $34,912 (see *"Liquidity and Capital Resources")*.

Subsequent Events

Enrollment Expansion of GOBLET Anal Cancer Cohort
Based on the positive Stage 1 interim data presented at IMACC (see 2023 GOBLET platform study update above), we announced enrollment expansion for GOBLET's anal cancer cohort evaluating pelareorep in combination with atezolizumab (Tecentriq®) in patients with second-line or later unresectable SCCA. As there is currently no established standard therapy for anal carcinoma patients who have failed first-line treatment, continued positive results in the anal cancer cohort could potentially expand pelareorep's opportunity beyond breast and pancreatic cancers.

Initiation of New Pancreatic Cancer GOBLET Cohort

As supported by the PanCAN Therapeutic Accelerator Award (see 2023 GOBLET platform study update above), we submitted an amendment to the PEI to initiate a fifth cohort of the GOBLET platform study. This cohort is designed to evaluate newly diagnosed PDAC patients treated with pelareorep in combination with mFOLFIRINOX with or without atezolizumab (Tecentriq®). The co-primary endpoints of the cohort are objective response rate and safety. A total of fifteen patients may be randomized to each arm in Stage 1 of the two stage design. Successful completion of Stage 1 will support expansion into Stage 2. The submission will be reviewed by the PEI for approval before patient enrollment can begin.

Expected Pelareorep Development For 2024

In 2024, our clinical objectives will primarily revolve around our breast and pancreatic programs. We intend to commence a registration-enabled study on pancreatic cancer and introduce a new GOBLET cohort. The new GOBLET cohort will investigate pelareorep in combination with mFOLFIRINOX, with or without Tecentriq® in pancreatic cancer. In relation to our breast cancer program, we have plans to submit a request for a Type C meeting with the FDA to seek guidance on our protocol design. Upon receiving guidance from the FDA, our intention is to finalize our registration pathway and commence the relevant clinical study. Our 2024 manufacturing program includes completing scaled-up cGMP production runs and the related batch testing. We also expect to fill product and perform the associated analytical testing, as well as labeling, packaging, and distribution of pelareorep to our various clinical sites for ongoing and upcoming activities. In addition, we will initiate sourcing of a secondary fill/finish supplier. Finally, our intellectual property program includes filings for additional patents and monitoring activities required to protect our patent portfolio.

Selected Annual Information

Unless otherwise indicated, all amounts below are presented in thousands of Canadian dollars, except for share amounts.

	2023	2022	2021
Revenue	**$ —**	$ —	$ —
Net loss[(1)(2)(3)]	**$ (27,752)**	$ (24,835)	$ (26,304)
Basic and diluted loss per share[(1)(2)(3)]	**$ (0.41)**	$ (0.43)	$ (0.49)
Total assets[(4)]	**$ 38,820**	$ 37,334	$ 45,880
Cash dividends declared per share[(5)]	**Nil**	Nil	Nil

Notes:

(1) Included in consolidated net loss and loss per common share for 2023, 2022, and 2021 are non-cash changes in fair value of warrant derivative gain (loss) of $5,285, $(20), and $17, respectively.

(2) Included in consolidated net loss and loss per common share for 2023, 2022, and 2021 are share-based compensation expenses of $1,917, $2,378, and $3,826, respectively.

(3) Included in consolidated net loss and loss per common share for 2023, 2022, and 2021 are foreign exchange (losses) gains of $(475), $1,665, and $(136), respectively.

(4) We issued 13,096,046 common shares for net cash proceeds of $31.8 million in 2023 (2022 - 6,284,125 common shares for net cash proceeds of $12.6 million; 2021 - 8,876,809 common shares for net cash proceeds of $33.4 million).

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

Components of Results of Operations

Research and Development Expenses ("R&D")

Our R&D expenses consist primarily of costs incurred to conduct research and development on pelareorep.

Clinical trial expenses include the preparation and development of our breast and gastrointestinal cancer programs. Clinical trial expenses include regulatory and consulting activities, contract research organization expenses, data management expenses, and other costs associated with our clinical trial program.

Manufacturing & related process development (“M&P”) expenses include product manufacturing and process development activities. Product manufacturing expenses include third-party direct manufacturing costs, quality control testing, filling, labeling, packaging, and storage costs. Process development expenses include costs associated with studies examining components of our manufacturing and analytical processes and costs associated with planned process validation and related conformity testing.

Intellectual property expenses include legal and filing fees associated with our patent portfolio.

Translational science expenses are intended to expand our intellectual property related to pelareorep and identify potential licensing opportunities arising from our technology base.

Personnel-related, share-based compensation, and other expenses are employee-related expenses.

General and Administrative Expenses ("G&A")

Our G&A expenses consist primarily of public company-related expenses, office expenses, share-based compensation expense, and depreciation. Public company-related expenses include investor, media, and public relations, marketing communications, business development, financial advisory activities, legal and accounting fees, corporate insurance, director fees and transfer agent, and other fees relating to our U.S. and Canadian stock listings. Office expenses include compensation costs (excluding share-based compensation expense), rent related to short-term leases, and other office-related costs.

Change in Fair Value of Warrant Derivative

Warrants issued with an exercise price denominated in a foreign currency are reported as a liability until exercised or expired. These warrants are adjusted to fair value at each exercise date and reporting period. 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.

Results of Operations

Unless otherwise indicated, all amounts below are presented in thousands of Canadian dollars, except for share amounts.

Net loss for the year ended December 31, 2023, was $27,752 compared to $24,835 and $26,304 for the years ended December 31, 2022, and December 31, 2021, respectively.

Research and Development Expenses ("R&D")

Our R&D expenses increased by $2,277 for the year ended December 31, 2023, compared to 2022, and increased by $2,512 for the year ended December 31, 2022, compared to 2021. The following table summarizes our R&D expenses for the years ended December 31, 2023, 2022, and 2021:

	Year Ended December 31,			Change	Change
	2023	**2022**	**2021**	**2022 to 2023**	**2021 to 2022**
Clinical trial expenses	**$ 3,675**	$ 4,970	$ 3,205	$ (1,295)	$ 1,765
M&P expenses	**5,789**	2,148	1,547	3,641	601
Intellectual property expenses	**397**	544	618	(147)	(74)
Translational science expenses	**—**	264	673	(264)	(409)
Personnel-related expenses	**6,324**	6,023	4,754	301	1,269
Share-based compensation expense	**1,305**	1,371	2,087	(66)	(716)
Other expenses	**219**	112	36	107	76
Research and development expenses	**$ 17,709**	$ 15,432	$ 12,920	$ 2,277	$ 2,512

The increase in our R&D expenses for the year ended December 31, 2023, was primarily due to the following:

- Increased M&P expenses associated with completing a process development and a scaled-up engineering production run, along with the related batch testing. We also initiated a scaled-up cGMP production run. As part of the production runs, we also implemented new procedures to match evolving industry standards and environmental regulations as we focus on advancing toward registration readiness; and
- Increased personnel-related expenses due to changes in salary levels and the strengthening of the U.S. dollar.

The above increases were partly offset by the following:

- Decreased clinical trial expenses due to lower BRACELET-1, GOBLET, and AWARE-1 study costs, as well as reduced clinical and safety data management. The BRACELET-1 trial was in the patient follow-up phase throughout 2023, whereas patients were enrolled and treated during the same period in the previous year. Enrollment and treatment for GOBLET's advanced/metastatic PDAC and third-line metastatic CRC cohorts largely occurred in 2022. We incurred AWARE-1 data analysis costs during 2022 for various conference presentations;

- Decreased translational science expenses as we focus on biomarker activities related to our ongoing clinical trials. In 2022, we incurred costs related to our bispecific antibodies and CAR T studies.

The increase in our R&D expenses for the year ended December 31, 2022, was primarily due to the following:

- Increased clinical trial expenses as a result of an increase in our clinical study costs due to higher GOBLET set-up, patient enrollment, and sample analysis costs and increased clinical and safety data management consulting costs, partly offset by lower AWARE-1 patient activities as study closure began in 2022;
- Increased personnel-related expenses due to higher salaries and annual incentive awards, the strengthening of the U.S. dollar, and additional headcount to support our R&D program; and
- Increased M&P expenses associated with higher production process and analytical activities as we focused on ensuring our active drug substance and finished drug product meet changing regulatory specifications and standards. The increase was partly offset by lower routine testing activities.

The above increases were partly offset by the following:

- Decreased share-based compensation expense as a result of a lower number of options granted in 2022 and the impact of the vesting of options granted in prior periods; and
- Decreased translational science expenses as our bispecific antibodies and CAR T studies ongoing throughout 2021 were largely completed by the end of the first quarter of 2022.

General and Administrative Expenses ("G&A")

Our G&A expenses increased by $4,590 for the year ended December 31, 2023, compared to 2022, and decreased by $1,823 for the year ended December 31, 2022, compared to 2021. The following table summarizes our G&A expenses for the years ended December 31, 2023, 2022, and 2021:

	Year Ended December 31,			Change	Change
	2023	**2022**	**2021**	**2022 to 2023**	**2021 to 2022**
Public company-related expenses	**$ 11,278**	$ 6,790	$ 8,161	$ 4,488	$ (1,371)
Office expenses	**3,789**	3,303	2,963	486	340
Share-based compensation expense	**612**	1,007	1,739	(395)	(732)
Depreciation - property and equipment	**81**	93	130	(12)	(37)
Depreciation - right-of-use assets	**322**	299	322	23	(23)
General and administrative expenses	**$ 16,082**	$ 11,492	$ 13,315	$ 4,590	$ (1,823)

The increase in our G&A expenses for the year ended December 31, 2023, was primarily due to the following:

- Increased public company-related expenses due to higher investor relations activities along with media and public relations activities associated with our BRACELET data presented at ASCO. In addition, a portion of the 2023 public offering transaction costs allocated to warrants were treated as public company-related expenses (see note 10 of our audited consolidated financial statements); and
- Increased office expenses as a result of changes in personnel costs and a change in salary level.

The above increases were partly offset by decreased share-based compensation expense reflecting the impact of changes in personnel, including a recovery due to the forfeiture of unvested options.

The decrease in our G&A expenses for the year ended December 31, 2022, was primarily due to the following:

- Decreased public company-related expenses as a result of lower investor relations activities, partly offset by increased travel expenses with the easing of COVID-19-related restrictions and higher board of directors advisory costs; and
- Decreased share-based compensation expense caused by a lower number of options granted in 2022 and the impact of the vesting of options and share awards granted in prior periods.

Increased office expenses partly offset the above decreases as a result of higher salaries and annual incentive awards, and additional headcount to support our administrative activities.

Change in Fair Value of Warrant Derivative

For the year ended December 31, 2023, we recognized a gain of $5,285 on the change in fair value of our warrant derivative compared to a loss and gain of $20 and $17 for the years ended December 31, 2022, and December 31, 2021, respectively. The gain recognized in 2023 primarily related to the 7,667,050 warrants issued as part of our 2023 financing, where the underlying

market price of these warrants changed from a weighted average price of US$2.28 at issuance to US$1.35 at December 31, 2023. The number of outstanding warrants was 7,731,085, 64,035, and 64,035 as at December 31, 2023, December 31, 2022, and December 31, 2021, respectively.

Foreign Exchange

For the year ended December 31, 2023, our foreign exchange loss was $475 compared to a gain and loss of $1,665 and $136 for the years ended December 31, 2022, and December 31, 2021, respectively. The foreign exchange gains/losses incurred in all three years mainly reflected the fluctuation of the U.S. dollar versus the Canadian dollar throughout the respective periods, primarily on our U.S. dollar-denominated cash and cash equivalents and marketable securities balances.

Summary of Quarterly Results

Historical patterns of expenditures cannot be taken as an indication of future expenditures. Our current and future expenditures are subject to numerous uncertainties, including the duration, timing, and costs of R&D activities ongoing during each period and the availability of funding from investors and prospective partners. As a result, the amount and timing of expenditures and, therefore, liquidity and capital resources may vary substantially from period to period.

	2023				2022			
	Dec.[3]	Sept.	June	March	Dec.	Sept.	June	March
Revenue	—	—	—	—	—	—	—	—
Net loss[1][2]	(3,949)	(9,925)	(7,441)	(6,437)	(8,554)	(4,407)	(5,095)	(6,779)
Basic and diluted loss per common share[1][2]	$ (0.05)	$ (0.14)	$ (0.12)	$ (0.10)	$ (0.14)	$ (0.08)	$ (0.09)	$ (0.12)
Total assets[4]	38,820	46,089	31,966	35,328	37,334	38,959	40,239	44,446
Total cash, cash equivalents, and marketable securities[4]	34,912	39,981	24,351	29,670	32,138	32,362	33,689	39,483
Total long-term debt	—	—	—	—	—	—	—	—
Cash dividends declared[5]	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) Included in consolidated net loss and loss per common share are share-based compensation expenses of $759, $599, $242, $317, $749, $500, $490, and $639, respectively.
(2) Included in consolidated net loss and loss per common share are foreign exchange (losses) gains of $(392), $310, $(394), $1, $(274), $1,526, $888, and $(474), respectively.
(3) Included in consolidated net loss and loss per common share is a gain resulting from a change in fair value of warrant derivative of $4,846.
(4) We issued 13,096,046 common shares for net cash proceeds of 31.8 million in 2023 (2022 - 6,284,125 common shares for net cash proceeds of $12.6 million).
(5) We have not declared or paid any dividends since incorporation.

During the quarter ended September 30, 2023, we completed an engineering production run, resulting in higher manufacturing and related process development expenses. We also incurred higher public-company related expenses associated with higher investor relations activities and the portion of the 2023 public offering transaction costs allocated to warrants (see note 10 of our audited consolidated financial statements). During the quarters ended December 31, 2023, and 2022, we incurred expenses related to annual short-term incentive awards.

Fourth Quarter

Statement of loss for the three months ended December 31, 2023, and 2022, was as follows:

	2023	2022
Expenses		
Research and development	**$ 4,658**	$ 4,841
General and administrative	**4,191**	3,667
Loss before the following	**(8,849)**	(8,508)
Change in fair value of warrant derivative	**4,846**	(29)
Foreign exchange loss	**(392)**	(274)
Interest income, net	**489**	314
Loss before income taxes	**(3,906)**	(8,497)
Income tax expense	**(43)**	(57)
Net loss	**(3,949)**	(8,554)
Other comprehensive loss - translation adjustment	**(111)**	(61)
Total comprehensive loss	**$ (4,060)**	$ (8,615)
Basic and diluted loss per common share	**$ (0.05)**	$ (0.14)
Weighted average number of shares (basic and diluted)	**73,731,359**	59,512,765

Fourth Quarter Review of Operations

Net loss for the three months ended December 31, 2023, was $3,949 compared to $8,554 for the three months ended December 31, 2022.

Research and Development Expenses ("R&D")

Our R&D expenses decreased by $183 from $4,841 for the three months ended December 31, 2022, to $4,658 for the three months ended December 31, 2023. The following table summarizes our R&D expenses for the three months ended December 31, 2023, and 2022:

	Three Months Ended December 31,		
	2023	2022	Change
Clinical trial expenses	**$ 734**	$ 1,295	$ (561)
M&P expenses	**933**	477	456
Intellectual property expenses	**70**	129	(59)
Translational science expenses	**—**	13	(13)
Personnel-related expenses	**2,253**	2,431	(178)
Share-based compensation expense	**570**	460	110
Other expenses	**98**	36	62
Research and development expenses	**$ 4,658**	$ 4,841	$ (183)

The decrease in our R&D expenses for the three months ended December 31, 2023, was primarily related to decreased clinical trial expenses due to lower GOBLET and BRACELET-1 study costs, as well as reduced clinical and safety data management. We recorded an adjustment to the GOBLET trial costs in the fourth quarter of 2022 related to non-patient expenses. The BRACELET-1 trial incurred lower patient sample analysis and report writing expenses. The increase was partly offset by increased M&P expenses related to the preparation and start of a cGMP production run.

General and Administrative Expenses ("G&A")

Our G&A expenses increased by $524 from $3,667 for the three months ended December 31, 2022, to $4,191 for the three months ended December 31, 2023. The following table summarizes our G&A expenses for the three months ended December 31, 2023, and 2022:

	2023	2022	Change
Public company-related expenses	**$ 2,410**	$ 2,003	$ 407
Office expenses	**1,485**	1,276	209
Share-based compensation expense	**189**	289	(100)
Depreciation - property and equipment	**19**	22	(3)
Depreciation - right-of-use assets	**88**	77	11
General and administrative expenses	**$ 4,191**	$ 3,667	$ 524

The increase in our G&A expenses for the three months ended December 31, 2023, was primarily due to increased public company-related expenses associated with higher investor relations and marketing communications activities and higher office expenses as a result of changes in personnel costs.

Change in Fair Value of Warrant Derivative

For the three months ended December 31, 2023, we recorded a gain of $4,846 on the change in fair value of our warrant derivative compared to a loss of $29 for the three months ended December 31, 2022. The gain recognized in 2023 primarily related to the 7,667,050 warrants issued as part of our 2023 financing, where the underlying market price of these warrants changed from US$2.20 at September 30, 2023 to US$1.35 at December 31, 2023.

Liquidity and Capital Resources

As a clinical-stage biopharmaceutical company, we have not been profitable since our inception. We expect to continue to incur substantial losses as we continue our research and development efforts. We do not expect to generate significant revenues until and unless pelareorep becomes commercially viable. To date, we have funded our operations mainly through issuing additional capital via public offerings, equity distribution arrangements, and the exercise of warrants and stock options. For the year ended December 31, 2023, we were able to raise funds through our U.S. ATM and 2023 public offering.

We have no assurances that we will be able to raise additional funds through the sale of our common shares. Consequently, we will continue to evaluate all types of financing arrangements. On June 16, 2022, we renewed our short form base shelf prospectus (the "Base Shelf") that qualifies for distribution of up to $150.0 million of common shares, subscription receipts, warrants, or units (the "Securities") in either Canada, the U.S. or both. Under a Base Shelf, we may sell Securities to or through underwriters, dealers, placement agents, or other intermediaries. We may also sell Securities directly to purchasers or through agents, subject to obtaining any applicable exemption from registration requirements. The distribution of Securities may be performed 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 required to close a financing and is expected to increase the number of potential investors that may be prepared to invest in the 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 16, 2024.

Our Base Shelf allowed us to enter into our ATM equity distribution agreements and 2023 public offering (see note 10 of our audited consolidated financial statements). We use these equity arrangements to assist us in achieving our capital objectives. These arrangements provide us with the opportunity to raise capital and better manage our cash resources. We expect to continue to access our equity arrangement to help support our operations.

As at December 31, 2023, and 2022, we had cash and cash equivalents and marketable securities as follows:

	2023	2022
Cash and cash equivalents	**$ 34,912**	$ 11,666
Marketable securities	**$ —**	$ 20,472

The change in our cash and cash equivalents between December 31, 2022, and December 31, 2023, reflected the cash used in our operating activities of $28.4 million, cash provided by our investing activities of $20.2 million, and cash provided by our financing activities of $32.0 million for the year ended December 31, 2023. The acquisition of marketable securities was based on a comparative analysis of the anticipated yield from an investment in marketable securities versus the interest earnings from our cash deposits in interest-bearing accounts. We have no debt other than accounts payable and accrued liabilities and lease liabilities. We have commitments and contingent obligations relating to the completion of our research and development of pelareorep.

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,			Change	Change
	2023	**2022**	**2021**	**2022 to 2023**	**2021 to 2022**
Cash used in operating activities	**$ (28,448)**	$ (23,355)	$ (22,433)	$ (5,093)	$ (922)
Cash provided by investing activities	**20,222**	(20,403)	(286)	40,625	(20,117)
Cash provided by financing activities	**31,994**	12,205	33,015	19,789	(20,810)
Impact of foreign exchange on cash and cash equivalents	**(522)**	1,957	(254)	(2,479)	2,211
Increase (decrease) in cash and cash equivalents	**$ 23,246**	$ (29,596)	$ 10,042	$ 52,842	$ (39,638)

Cash used in operating activities

The change between 2023, 2022, and 2021 reflected higher net operating activities and non-cash working capital changes.

Net cash used in operating activities for the year ended December 31, 2023, consisted of a net loss of $27,752 less non-cash adjustments of $2,461 offset by non-cash working capital changes of $1,765. Non-cash items primarily included change in fair value of warrant derivative and share-based compensation expense. Non-cash working capital changes mainly reflected decreased prepaid expenses, decreased other receivables with cash collected from Pfizer, and increased liabilities with unapplied funding received from PanCAN.

Net cash used in operating activities for the year ended December 31, 2022, included a net loss of $24,835 less non-cash adjustments of $1,089 offset by non-cash working capital changes of $391. Non-cash items primarily included share-based compensation expense and unrealized foreign exchange gains. Non-cash working capital changes were mainly due to additions to accounts payable and accrued liabilities and prepaid expenses.

Net cash used in operating activities for the year ended December 31, 2021, comprised a net loss of $26,304 less non-cash adjustments of $4,779 and non-working capital changes of $908. Non-cash items mainly consisted of share-based compensation expense and unrealized foreign exchange losses. An increase in other receivables primarily caused the non-cash working capital changes.

Cash used in investing activities

The change between 2023 and 2022 was mainly due to the maturities of marketable securities. The change between 2022 and 2021 was principally related to acquiring marketable securities.

Cash provided by financing activities

During the year ended December 31, 2023, pursuant to an underwritten public offering, we issued 7,667,050 units for gross proceeds of $23,262 (US$17,251) at a price of US$2.25 per unit. We also sold 4,978,605 common shares for gross proceeds of $10,676 (US$7,904) at an average price of $2.14 (US$1.59) through our U.S. ATM. During the year ended December 31, 2022, we sold 6,235,232 common shares for gross proceeds of $13,338 (US$10,192) at an average price of $2.14 (US$1.63) through our U.S. ATM. During the year ended December 31, 2021, we sold 8,401,029 common shares for gross proceeds of $34,168 (US$27,158) at an average price of $4.07 (US$3.23) through our U.S. ATM.

We desire to maintain adequate cash reserves to support our planned activities, including our clinical trial program, product manufacturing, administrative costs, and intellectual property protection. To do so, 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 associated costs. 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.

We continue to manage our research and development plan to ensure optimal use of our existing resources as we expect to fund our expenditure requirements and commitments with existing working capital. Additional activities continue to be subject to adequate resources, and we believe we will have sufficient existing cash resources to fund our presently planned operations for at least the next twelve months from the balance sheet date. We expect to increase our spending in connection with the research and development of pelareorep over the next several years as we look to advance our breast and gastrointestinal cancer programs into later stages of clinical development. A product candidate in later stages of clinical development generally has higher costs than those in earlier stages, primarily due to the increased size and duration of later-stage clinical trials. Additionally, we expect to continue to incur additional costs associated with operating as a public company.

Factors that will affect our anticipated cash usage 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 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, the level of collaborative activity undertaken, and other factors described in the "Risk Factors" section of our most recent annual report on Form 20-F. Conducting clinical trials necessary to obtain regulatory approval is costly and time-consuming. We may never succeed in achieving marketing approval. The probability of successful commercialization of our drug candidates may be affected by numerous factors, including clinical data obtained in future trials, competition, manufacturing capability and commercial viability. As a result, we are unable to determine the duration and completion costs of our research and development projects or when and to what extent we will generate revenue from the commercialization and sale of any of our product candidates.

We are not subject to externally imposed capital requirements, and there have been no changes in how we define or manage our capital in 2023.

Contractual Obligations and Commitments

The following table summarizes our significant contractual obligations as at December 31, 2023:

	Total	Less than 1 year	2 -3 years	4 - 5 years	More than 5 years
Accounts payable and accrued liabilities	$ 3,572	$ 3,572	$ —	$ —	$ —
Lease obligations[(1)]	513	202	311	—	—
Total contractual obligations	$ 4,085	$ 3,774	$ 311	$ —	$ —

(1) We are also committed to office lease payments of approximately $1,098 over 5.3 years for one of our subsidiaries which have not yet commenced.

In addition, we are committed to payments of approximately $12,686 for activities mainly related to our clinical trial and manufacturing programs, which are expected to occur over the next three years. We are able to cancel most of these agreements with notice. The ultimate amount and timing of these payments are subject to changes in our research and development plan.

Off-Balance Sheet Arrangements

As at December 31, 2023, we had not entered into any off-balance sheet arrangements.

Transactions with Related Parties

For the years ended December 31, 2023, 2022, and 2021, we did not enter into any related party transactions other than compensation paid to 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 comprise the Board of Directors, Executive Officers, President, and Vice Presidents.

	2023	2022	2021
Short-term employee compensation and benefits	**$ 4,870**	$ 4,308	$ 3,919
Termination benefits	**319**	—	—
Share-based compensation expense	**1,496**	1,615	2,703
	$ 6,685	$ 5,923	$ 6,622

Critical Accounting Estimates

In preparing our audited consolidated financial statements, we use IFRS as issued by the IASB. IFRS requires us to make certain estimates, judgements, and assumptions that we believe are reasonable based upon the information available in applying our accounting policies. These estimates and assumptions affect the reported amounts and disclosures in our audited consolidated financial statements and accompanying notes. Actual results could differ from those estimates, and such differences could be material.

Judgment, estimates and assumptions made by management that are significant to the financial statements are described below and in note 4 of our audited consolidated financial statements for the year ended December 31, 2023.

Revenue recognition
We entered into a Licensing Agreement with Adlai, which provides, among other payments, upfront license fees in exchange for a regional license to our intellectual property. Management uses its judgment in applying the input method when determining the extent of progress toward completion of the performance obligation. Revenue recognition requires assumptions and estimates regarding total estimated costs, the complexity of the work to be performed, and the length of time to complete the performance obligation, among other variables.

Clinical trial and manufacturing expenses
Clinical trial and manufacturing expenses represent significant components of our research and development expenses, and we outsource a significant portion of these activities to third-party contract research/manufacturing organizations. The financial terms of these agreements are subject to negotiation, vary from contract to contract, and may result in uneven payment flows to these organizations. Payments under the contracts depend on factors such as achieving certain milestones. As part of preparing our audited consolidated financial statements, we estimate the expense to recognize based on services that the contract research/ manufacturing organizations have performed. When making these estimates, we use operational and contractual information from third-party service providers, operational data from internal personnel, and considerable judgment. We base our estimates on the best information available at the time. However, additional information may become available to us which may allow us to make a more accurate estimate in future periods. In this event, we may be required to record adjustments to research and development expenses in future periods when the actual level of activity becomes more certain. Such increases or decreases in cost are generally considered to be changes in estimates and will be reflected in research and development expenses in the period identified.

Valuation of share-based compensation
Estimating the fair value of share-based compensation and compensation warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. We have chosen to use the Black-Scholes valuation model ("Black-Scholes" or the "Model") to calculate the fair value of our stock options and compensation warrants. Black-Scholes is widely used and accepted by other publicly traded companies. Therefore, we have concluded that Black-Scholes is the appropriate option pricing model to use for our stock options and compensation warrants at this time. This estimate also requires determining the most appropriate inputs to the model, including the expected life, share price volatility, and dividend yield, and making assumptions about them. The assumptions and inputs used for estimating fair value for stock options and compensation warrants granted are disclosed in note 11 of our audited consolidated financial statements. Consequently, in complying with IFRS and selecting what we believe are the most appropriate assumptions under the circumstances, we recorded non-cash share-based compensation expense for the years ended December 31, 2023, 2022, and 2021, of $1,917, $2,378, and $3,826, respectively.

Valuation of warrant derivative
Estimating the fair value of the warrant derivative at initial measurement, at each exercise date and at each reporting period requires determining the most appropriate valuation model. We have chosen to use Black-Scholes to calculate the fair value of our warrant derivative. This estimate also requires determining the most appropriate inputs to the model including, the expected life, share price volatility, and dividend yield, and making assumptions about them, as discussed in note 9 of our audited consolidated financial statements. Consequently, in complying with IFRS and selecting what we believe are the most appropriate assumptions under the circumstances, we recorded a non-cash change in fair value of warrant derivative for the years ended December 31, 2023, 2022, and 2021, of $5,285, $(20), and $17, respectively.

Income taxes
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Currently, we are accumulating tax loss carry-forward balances in various tax jurisdictions creating a deferred tax asset. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management's judgment is required to determine the amount of deferred tax

assets that can be recognized based on the likely timing and the level of future taxable profits together with future tax planning strategies.

To date, we have determined that none of our deferred tax assets should be recognized. Our deferred tax assets are mainly comprised of our net operating losses from prior years, prior year research and development expenses, and non-refundable investment tax credits. These tax pools relate to entities that have a history of losses, have varying expiry dates, and may not be used to offset taxable income within our other subsidiaries. There are also no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

Functional currency
We assess the relevant factors related to the primary economic environment in which our entities operate to determine the functional currency. Where the assessment of primary indicators are mixed, we assess the secondary indicators, including the relationship between the foreign operations and reporting entity.

Accounting Policies

Our material accounting policies are described in note 3 of our audited consolidated financial statements for the year ended December 31, 2023.

Adoption of New Accounting Standards

IAS 1 *Presentation of Financial Statements*
In February 2021, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements,* in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments became effective on January 1, 2023. Adopting the amendments did not have a material impact on our audited consolidated financial statements.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
In February 2021, the IASB issued amendments to IAS 8, in which it introduced a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates, changes in accounting policies, and the correction of errors. Also, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments became effective on January 1, 2023. Adopting the amendments did not have a material impact on our audited consolidated financial statements.

IAS 12 *Income Taxes*
In May 2021, the IASB issued amendments to IAS 12, which narrowed the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments became effective on January 1, 2023. Adopting the amendments did not have a material impact on our audited consolidated financial statements.

Accounting Standards and Interpretations Issued but Not Yet Effective

IAS 1 *Classification of Liabilities as Current or Non-Current*
In October 2022, the IASB issued amendments to clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. This is in addition to the amendment from January 2020 where the IASB issued amendments to IAS 1 Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least 12 months, provided that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability and clarify when a liability is considered settled. The amendments are effective for annual periods beginning on or after January 1, 2024, and are to be applied retrospectively. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

Financial Instruments and Other Instruments

Fair value of financial instruments

Our financial instruments consist of cash and cash equivalents, marketable securities, other receivables, accounts payable and accrued liabilities, other liabilities, and warrant derivative. As at December 31, 2023, and December 31, 2022, the carrying

amount of our cash and cash equivalents, marketable securities, other receivables, accounts payable and accrued liabilities, and other liabilities approximated their fair value due to their short-term maturity. 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 December 31, 2023, the fair value of our warrant derivative was $200 (December 31, 2022 - $79). We use the Black-Scholes valuation model to estimate fair value.

Financial risk management

Credit risk

Credit risk is the risk of a financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. As at December 31, 2023, we were 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.

We mitigate our exposure to credit risk connected to our cash and cash equivalents 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. Our foreign-domiciled bank accounts are used solely for the purpose of settling accounts payable and accrued liabilities or payroll.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We hold our cash and cash equivalents in bank accounts or high-interest investment accounts with variable interest rates. We mitigate interest rate risk through our investment policy that only allows the investment of excess cash resources in investment-grade vehicles while matching maturities with our operational requirements.

Fluctuations in market interest rates do not significantly impact our results of operations due to the short-term 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. For the year ended December 31, 2023, we were primarily exposed to the risk of changes in the Canadian dollar relative to the U.S. dollar as a portion of our financial assets and liabilities were denominated in such currency. 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 for the year ended December 31, 2023, by approximately $140.

Significant balances in foreign currencies as at December 31, 2023, are as follows:

	U.S. dollar
Cash and cash equivalents	$ 24,294
Accounts payable and accrued liabilities	(1,476)
	$ 22,818

For the year ended December 31, 2022, we were primarily exposed to the risk of changes in the Canadian dollar relative to the U.S. dollar and the 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 for the year ended December 31, 2022, by approximately $170. The impact of a $0.01 increase in the value of the Euro against the Canadian dollar would have increased our net comprehensive loss for the year ended December 31, 2022, by approximately $22.

Significant balances in foreign currencies as at December 31, 2022, were as follows:

	U.S. dollar	Euro
Cash and cash equivalents	$ 6,635	€ —
Marketable securities	15,115	—
Accounts payable and accrued liabilities	(1,093)	(1,035)
	$ 20,657	€ (1,035)

We mitigate our foreign exchange risk by maintaining sufficient foreign currencies by purchasing foreign currencies or receiving foreign currencies from financing activities to settle our foreign accounts payable and accrued liabilities.

Liquidity risk
Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities. We manage liquidity risk through the management of our capital structure as outlined in the notes to our audited financial statements. Accounts payable and accrued liabilities are all due within the current operating period. See note 8 to our audited financial statements for a maturity analysis of our lease liabilities.

Use of Proceeds

2023 Public Offering and Use of Proceeds

The following table provides an update on the anticipated use of proceeds raised as part of our 2023 public offering of common shares and warrants along with amounts actually expended. As at December 31, 2023, the following expenditures have been incurred (in thousands of U.S. dollars):

Item	Amount to Spend	Spent to Date	Adjustments	Remaining to Spend
Pancreatic Cancer Program	$ 10,500	$ (229)	$ —	$ 10,271
Breast Cancer Program	500	(111)	—	389
General and Administrative Expenses	2,650	(110)	—	2,540
Total	$ 13,650	$ (450)	$ —	$ 13,200

ATM Facility

On June 17, 2022, we entered into an ATM equity distribution agreement with Canaccord Genuity Inc. Our ATM allows us to issue common shares, at prevailing market prices, with an aggregate offering value of up to US$65.0 million over a 25-month period through the facilities of the Nasdaq Capital Market in the United States. During the year ended December 31, 2023, we sold 4,978,605 common shares for gross proceeds of US$7,904. Approximately $68.1 million (US$51.5 million) remains unused under the ATM equity distribution agreement.

Other MD&A Requirements

We have 75,419,768 common shares outstanding at March 7, 2024. If all of our options and restricted share awards (7,428,433) and warrants and compensation warrants (8,267,778) were exercised or were to vest, we would have 91,115,979 common shares outstanding.

Our most recent annual report on Form 20-F is available on SEDAR+ at www.sedarplus.ca and EDGAR at www.sec.gov/edgar.

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures:
Our chief executive and financial officers reviewed and evaluated our disclosure controls and procedures. Based on that evaluation, they have concluded that our disclosure controls and procedures are effective in providing timely material information relating to the Company.

Management's Annual Report on Internal Control Over Financial Reporting:
Our management is responsible for establishing and maintaining adequate internal control over financial reporting and has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls and procedures over financial reporting will prevent all errors and all fraud. A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the

individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management has evaluated the design and operation of our internal control over financial reporting as of December 31, 2023, and has concluded that such internal control over financial reporting is effective as of December 31, 2023. There are no material weaknesses that have been identified by management in this regard. This assessment was based on criteria for effective internal control over financial reporting described in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework).

Changes in Internal Controls over Financial Reporting
There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2023, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

Risks and Uncertainties

We are a clinical-stage biopharmaceutical company. Prospects for biotechnology companies in the research and development stage should generally be regarded as speculative. It is not possible to predict, based on studies in animals, or early studies in humans, whether a new therapeutic will ultimately prove to be safe and effective in humans, or whether necessary and sufficient data can be developed through the clinical trial process to support a successful product application and approval. If a product is approved for sale, product manufacturing at a commercial scale and significant sales to end users at a commercially reasonable price may not be successful. There can be no assurance that we will generate adequate funds to continue development, or will ever achieve significant revenues or profitable operations. Many factors (e.g., competition, patent protection, appropriate regulatory approvals) can influence the revenue and product profitability potential. In developing a pharmaceutical product, we rely on our employees, contractors, consultants and collaborators, and other third-party relationships, including the ability to obtain appropriate product liability insurance. There can be no assurance that this reliance and these relationships will continue as required. In addition to developmental and operational considerations, market prices for securities of biotechnology companies generally are volatile, and may or may not move in a manner consistent with the progress we have made or are making.

Investment in our common shares involves a high degree of risk. An investor should carefully consider, among other matters, the risk factors in addition to the other information in our annual report on Form 20-F filed with the U.S. Securities and Exchange Commission (the "SEC"), as well as our other public filings with the Canadian securities regulatory authorities and the SEC, when evaluating our business because these risk factors may have a significant impact on our business, financial condition, operating results or cash flow. If any of the described material risks in our annual report or in subsequent reports we file with the regulatory authorities actually occur, they may materially harm our business, financial condition, operating results or cash flow. Additional risks and uncertainties that we have not yet identified or that we presently consider to be immaterial may also materially harm our business, financial condition, operating results, or cash flow. For information on risks and uncertainties, please refer to the "Risk Factors" section of our most recent annual report on Form 20-F and our other public filings available on www.sedarplus.ca and www.sec.gov/edgar.

Consolidated Financial Statements

Oncolytics Biotech® Inc.
For the year ended December 31, 2023

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the consolidated financial statements, Management's Discussion and Analysis ("MD&A"), and all other information in the annual report.

In management's opinion, the accompanying consolidated financial statements have been properly prepared within reasonable limits of materiality and in accordance with the appropriately selected International Financial Reporting Standards as issued by the International Accounting Standards Board consistently applied and summarized in the consolidated financial statements.

The consolidated financial statements include estimates that are necessary when transactions affecting the current accounting period cannot be finalized with certainty until after the balance sheet date. Based on careful judgments by management, such estimates have been properly reflected in the accompanying consolidated financial statements. The financial information presented elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, and risks and uncertainty. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

Systems of internal controls, including organizational and procedural controls and internal controls over financial reporting, assessed as reasonable and appropriate in the circumstances, are designed and maintained by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable records for preparation of financial statements.

Ernst & Young LLP, an independent firm of Chartered Professional Accountants, has been engaged, as approved by a vote of the shareholders' at the Company's most recent Annual General Meeting, to audit and provide their independent audit opinion on the following:

- Company's consolidated financial statements as at and for the year ended December 31, 2023; and
- the effectiveness of the Company's internal control over financial reporting as at December 31, 2023.

Ernst & Young has full and free access to our Board of Directors and its Committees to discuss audit, financial reporting, and related matters.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board, which is comprised entirely of independent directors. This Committee meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements and MD&A before they are presented to the Board of Directors for approval. The consolidated financial statements have been approved by the Board on the recommendation of the Audit Committee.

/s/Matthew Coffey	/s/Kirk Look
Dr. Matthew Coffey, PhD, MBA	Kirk Look, CA
President and Chief Executive Officer	Chief Financial Officer

The following report is provided by management in respect of the company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the U.S. Securities Exchange Act of 1934):

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

1. Management is responsible for establishing and maintaining adequate internal control over the company's financial reporting.

2. Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework (2013) in Internal Control - Integrated Framework to evaluate the effectiveness of the company's internal control over financial reporting.

3. Management has assessed the effectiveness of the company's internal control over financial reporting as at December 31, 2023, and has concluded that such internal control over financial reporting was effective as of that date. Additionally, based on this assessment, management determined that there were no material weaknesses in internal control over financial reporting as at December 31, 2023. Because of inherent limitations, systems of internal control over financial reporting may not prevent or detect misstatements and even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

4. The effectiveness of the company's internal control over financial reporting as at December 31, 2023 has been audited by Ernst & Young, independent auditor, as stated in their report which appears herein.

/s/ Matthew Coffey

Dr. Matthew Coffey, PhD, MBA
President and Chief Executive Officer

/s/ Kirk Look

Kirk Look, CA
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Oncolytics Biotech Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Oncolytics Biotech Inc. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of loss and comprehensive loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 7, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/Ernst & Young LLP
Chartered Professional Accountants

We have served as the Company's auditor since 1999.

Calgary, Canada
March 7, 2024

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Oncolytics Biotech Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Oncolytics Biotech Inc.'s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023 based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of Oncolytics Biotech Inc. as of December 31, 2023 and 2022, the related consolidated statements of loss and comprehensive loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes, and our report dated March 7, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/Ernst & Young LLP
Chartered Professional Accountants

Calgary, Canada
March 7, 2024

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

As at December 31,	2023	2022
Assets		
Current assets		
Cash and cash equivalents	**$ 34,912**	$ 11,666
Marketable securities	**—**	20,472
Other receivables (note 5)	**15**	521
Prepaid expenses (note 5)	**3,246**	3,025
Total current assets	**38,173**	35,684
Property and equipment (note 6)	**282**	356
Right-of-use assets (note 8)	**365**	296
Prepaid expenses (note 5)	**—**	998
Total assets	**$ 38,820**	$ 37,334
Liabilities And Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**$ 3,572**	$ 3,650
Other liabilities (note 5)	**332**	—
Lease liabilities (note 8)	**133**	216
Warrant derivative (notes 9, 17)	**200**	79
Total current liabilities	**4,237**	3,945
Contract liability (note 13)	**6,730**	6,730
Lease liabilities (note 8)	**290**	157
Total liabilities	**11,257**	10,832
Commitments and contingencies (note 14)		
Shareholders' equity		
Share capital (note 10) Authorized: unlimited Issued: December 31, 2023 – 74,423,960 December 31, 2022 – 61,327,914	**430,906**	404,040
Contributed surplus (note 11)	**42,116**	40,051
Accumulated other comprehensive income	**544**	662
Accumulated deficit	**(446,003)**	(418,251)
Total shareholders' equity	**27,563**	26,502
Total liabilities and shareholders' equity	**$ 38,820**	$ 37,334

See accompanying notes

On behalf of the Board:

/s/Angela Holtham
Director

/s/Wayne Pisano
Director

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

For the years ended December 31,	2023	2022	2021
Expenses			
Research and development (note 20)	**$ 17,709**	$ 15,432	$ 12,920
General and administrative (note 20)	**16,082**	11,492	13,315
Loss before the following	**(33,791)**	(26,924)	(26,235)
Change in fair value of warrant derivative (notes 9, 17)	**5,285**	(20)	17
Foreign exchange (loss) gain	**(475)**	1,665	(136)
Interest income, net	**1,326**	528	99
Loss before income taxes	**(27,655)**	(24,751)	(26,255)
Income tax expense (note 15)	**(97)**	(84)	(49)
Net loss	**(27,752)**	(24,835)	(26,304)
Other comprehensive (loss) income items that may be reclassified to net loss			
Translation adjustment	**(118)**	274	(12)
Total comprehensive loss	**$ (27,870)**	$ (24,561)	$ (26,316)
Basic and diluted loss per common share (note 12)	**$ (0.41)**	$ (0.43)	$ (0.49)
Weighted average number of shares (basic and diluted) (note 12)	**67,624,036**	58,029,745	53,513,225

See accompanying notes

ONCOLYTICS BIOTECH INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands of Canadian dollars)

	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
As at December 31, 2020	$ 356,824	$ 3,618	$ 31,022	$ 400	$ (367,112)	$ 24,752
Net loss and other comprehensive loss	—	—	—	(12)	(26,304)	(26,316)
Issued pursuant to stock option plan (note 11)	381	—	(143)	—	—	238
Issued pursuant to incentive share award plan (note 11)	544	—	(544)	—	—	—
Issued pursuant to "At the Market" Agreement (note 10)	34,168	—	—	—	—	34,168
Share issue costs (note 10)	(1,256)	—	—	—	—	(1,256)
Issued pursuant to warrant derivative exercised (note 10)	687	—	—	—	—	687
Share-based compensation expense (note 11)	—	—	3,826	—	—	3,826
As at December 31, 2021	$ 391,348	$ 3,618	$ 34,161	$ 388	$ (393,416)	$ 36,099
Net loss and other comprehensive income	—	—	—	274	(24,835)	(24,561)
Issued pursuant to stock option plan (note 11)	20	—	(8)	—	—	12
Issued pursuant to incentive share award plan (note 11)	98	—	(98)	—	—	—
Expiry of equity warrant agreement	—	(3,618)	3,618	—	—	—
Issued pursuant to "At the Market" Agreement (note 10)	13,338	—	—	—	—	13,338
Share issue costs (note 10)	(764)	—	—	—	—	(764)
Share-based compensation expense (note 11)	—	—	2,378	—	—	2,378
As at December 31, 2022	$ 404,040	$ —	$ 40,051	$ 662	$ (418,251)	$ 26,502
Net loss and other comprehensive income	—	—	—	(118)	(27,752)	(27,870)
Issued pursuant to stock option plan (note 11)	1,271	—	(490)	—	—	781
Issued pursuant to "At the Market" Agreement (note 10)	10,676	—	—	—	—	10,676
Issued pursuant to public offering (note 10)	17,724	—	638	—	—	18,362
Share issue costs (note 10)	(2,805)	—	—	—	—	(2,805)
Share-based compensation expense (note 11)	—	—	1,917	—	—	1,917
As at December 31, 2023	**$ 430,906**	**$ —**	**$ 42,116**	**$ 544**	**$ (446,003)**	**$ 27,563**

See accompanying notes

ONCOLYTICS BIOTECH INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

For the years ended December 31,	2023	2022	2021
Operating Activities			
Net loss for the year	**$ (27,752)**	$ (24,835)	$ (26,304)
Depreciation - property and equipment (notes 6, 20)	**81**	93	130
Depreciation - right-of-use assets (notes 8, 20)	**322**	299	322
Share-based compensation expense (notes 11, 20, 21)	**1,917**	2,378	3,826
Compensation warrant expenses (note 11)	**151**	—	—
Interest expense (income), net	**71**	(76)	92
Unrealized foreign exchange loss (gain)	**282**	(1,625)	426
Change in fair value of warrant derivative (notes 9, 17)	**(5,285)**	20	(17)
Net change in non-cash working capital (note 18)	**1,765**	391	(908)
Cash used in operating activities	**(28,448)**	(23,355)	(22,433)
Investing Activities			
Acquisition of marketable securities	**—**	(20,348)	—
Maturities of marketable securities	**20,230**	—	—
Acquisition of property and equipment (note 6)	**(8)**	(55)	(286)
Cash provided by investing activities	**20,222**	(20,403)	(286)
Financing Activities			
Proceeds from exercise of stock options (note 11)	**781**	12	238
Proceeds from exercise of warrants (note 9)	**—**	—	231
Proceeds from "At the Market" equity distribution agreement (note 10)	**10,261**	12,574	32,912
Proceeds from public offering (note 10)	**21,359**	—	—
Payment of lease liabilities (note 8)	**(407)**	(381)	(366)
Cash provided by financing activities	**31,994**	12,205	33,015
Increase (decrease) in cash and cash equivalents	**23,768**	(31,553)	10,296
Cash and cash equivalents, beginning of year	**11,666**	41,262	31,220
Impact of foreign exchange on cash and cash equivalents	**(522)**	1,957	(254)
Cash and cash equivalents, end of year	**$ 34,912**	$ 11,666	$ 41,262

See accompanying notes

Note 1: 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. We are a limited company incorporated and domiciled in Canada. Our shares are publicly traded on the Nasdaq Capital Market and the Toronto Stock Exchange. Our principal place of business is located at 804, 322 11th Avenue S.W., Calgary, Alberta, Canada.

We are a clinical-stage biopharmaceutical company developing pelareorep, a safe and well-tolerated intravenously delivered immunotherapeutic agent that activates the innate and adaptive immune systems and weakens tumor defense mechanisms. This improves the ability of the immune system to fight cancer, making tumors more susceptible to a broad range of oncology treatments. Our primary focus is to advance our programs in hormone receptor-positive / human epidermal growth factor 2-negative (HR+/HER2-) metastatic breast cancer and metastatic pancreatic ductal adenocarcinoma to registration-enabled clinical studies. In addition, we are exploring opportunities for registrational programs in other gastrointestinal cancers through our GOBLET platform study.

We have not been profitable since our inception and expect to continue to incur substantial losses as we continue our research and development efforts. As at December 31, 2023, we had an accumulated deficit of $446,003. We do not expect to generate significant revenues until and unless pelareorep becomes commercially viable. To date, we have funded our operations mainly through issuing additional capital via public offerings, equity distribution arrangements, and the exercise of warrants and stock options. There can be no assurance that we will be able to raise additional funds through the sale of our common shares. Failure to raise additional capital would have a material adverse impact on our business, results of operations, and financial condition. As at December 31, 2023, we had cash and cash equivalents of $34,912. We believe we have sufficient existing cash resources to fund our presently planned operations for at least the next twelve months from the balance sheet date.

Note 2: Basis of Presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Our consolidated financial statements for the year ended December 31, 2023, were authorized for issue in accordance with a resolution of the Board of Directors (the "Board") on March 7, 2024.

Basis of presentation

Our consolidated financial statements include our financial statements and the financial statements of our subsidiaries, Oncolytics Biotech (Barbados) Inc. and Oncolytics Biotech (U.S.) Inc., and are presented in Canadian dollars, our functional currency.

Subsidiaries are entities over which we have control which is achieved when we are exposed, or have the rights, to variable returns from our involvement with the investee and have the ability to affect those returns through our power to govern. The accounting policies of our subsidiaries are consistent with our accounting policies, and all intercompany transactions, balances, income, and expenses are eliminated on consolidation.

Our 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.

Note 3: Summary of Material Accounting Policies

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the material accounting policies summarized below.

Cash and cash equivalents and marketable securities

Cash equivalents include interest-bearing deposits with our bank totaling $31,534 as at December 31, 2023 (December 31, 2022 - $9,501). Marketable securities include foreign currency term deposits with a maturity of greater than 90 days and less than one year.

Deferred income taxes

We follow the liability method of accounting for income taxes. Under the liability method, deferred income taxes are recognized for the difference between the financial statement carrying values and the respective income tax basis of assets and liabilities (temporary differences). Deferred income tax assets and liabilities are measured using substantively enacted income tax rates and laws expected to apply in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is charged or credited to income, except when it is related to items charged or credited to either other comprehensive income or directly to equity.

Financial instruments

Classification and measurement

Financial assets

Financial assets are initially measured at fair value. In the case of a financial asset not at fair value through profit or loss, the financial asset is initially measured at fair value plus or minus transaction costs.

Financial assets are subsequently measured at amortised cost, fair value through profit or loss (FVPL), or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company’s business model for managing the assets; and whether the financial asset’s contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

Our financial assets include cash and cash equivalents, marketable securities, and other receivables. The classification and measurement of these financial assets are at amortized cost, as these assets are held within our business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

Financial liabilities

Financial liabilities are initially measured at fair value and are subsequently measured at amortised cost or FVPL. Our financial liabilities include accounts payable and accrued liabilities, other liabilities, and warrant derivative. The classification and measurement of accounts payable and accrued liabilities are at amortized cost. The classification and measurement of the warrant derivative is at FVPL.

Impairment

Accounting for impairment losses for financial assets uses a forward-looking expected credit loss (ECL) approach. We are required to record a loss allowance for ECLs on all financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or we transfer the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

A financial liability is derecognized when our obligations specified in the contract are discharged or canceled, or expired.

Fair Value Measurement

Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. In determining the fair value measurement of our financial instruments, we prioritize the related inputs used in measuring fair value into the following hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
Level 3 - Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

Foreign currency translation

The financial statements for each of our subsidiaries are prepared using their functional currency. Our functional and presentation currency is the Canadian dollar. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Exchange differences resulting from the settlement of such transactions and from the translation at exchange rates ruling at the statement of financial position date of monetary assets and liabilities denominated in currencies other than the functional currency are recognized directly in the consolidated statement of loss and comprehensive loss.

Exceptions to this are where the monetary items form part of the net investment in a foreign operation, and the foreign operation's functional currency is the local currency. These exchange differences are initially recognized in equity. The statement of financial position of foreign operations is translated into Canadian dollars using the exchange rate at the statement of financial position date and the income statements are translated into Canadian dollars using the average exchange rate for the period. Where this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, the exchange rate on the transaction date is used. Exchange differences on translation into Canadian dollars are recognized as a separate component of equity. On disposal of a foreign operation, any cumulative exchange differences held in equity are transferred to the consolidated statement of loss and comprehensive loss.

Leases

At the inception of a contract, we assess whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, we assess whether:

- the contract involves the use of an identified asset;
- we have the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use; and
- we have the right to direct the use of the identified asset.

A right-of-use asset and corresponding lease liability are recognized on the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is reduced by impairment losses and adjusted for certain remeasurements of the lease liabilities, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. If the rate cannot be readily determined, our incremental rate of borrowing is used. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in our estimate of the amount expected to be payable under a residual value guarantee, if we change our

assessment of whether we will exercise a purchase, extension or termination option, or if the underlying lease contract is amended.

We have elected not to separate fixed non-lease components from lease components and instead account for each lease component and associated fixed non-lease components as a single lease component.

We have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. We recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted loss per share is computed in a manner consistent with basic loss per share except that the weighted average common shares outstanding are adjusted to include the effects of all dilutive potential common shares, which comprise stock options, share awards, and warrants.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided on bases and at rates designed to amortize the cost of the assets over their estimated useful lives. Depreciation is recorded using the declining balance method at the following annual rates:

Office equipment and furniture	20%
Medical equipment	20%
Computer equipment	30%
Leasehold improvements	Straight-line over the term of the lease

Research and development costs

Research and development costs are expensed as incurred, net of recoveries. We record accruals for the estimated costs of our research and development activities performed by third parties. Advance payments for goods or services that will be used or rendered for future research and development activities are capitalized as prepaid expenses and recognized as an expense as the related goods are delivered or the related services are performed. Development costs that meet specific criteria related to technical, market, and financial feasibility will be capitalized. To date, all development costs have been expensed.

Revenue recognition

Revenue relates to a long-term contract associated with a regional licensing agreement (the "Licensing Agreement") with Adlai Nortye Biopharma Co., Ltd. ("Adlai"). The pricing for the contract was based on the specific negotiations with Adlai and included non-refundable upfront license fees, development and regulatory milestone payments, royalties, and sales-based milestone payments. We account for a contract with a customer when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and the collectability of consideration is probable.

Under the Licensing Agreement, we have granted a regional license to our intellectual property. The granting of this license is accounted for as one performance obligation. We have determined that we provide Adlai with a right to access our intellectual property and, therefore, recognize revenue related to the upfront license fee over time. Revenue is recognized based on the extent of progress toward completion of the performance obligation using the input method. Under the input method, the extent of progress toward completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. We use this method because Adlai receives and consumes the benefit of our intellectual property as we undertake activities that impact the intellectual property. Management must use judgment in making assumptions and estimates regarding total estimated costs, the complexity of the work to be performed, and the length of time to complete the performance obligation, among other variables.

The contract also provides for development and regulatory milestone payments, royalties, and sales-based milestone payments. These amounts are contingent on the occurrence of a future event and, therefore, give rise to variable consideration. We estimate variable consideration at the most likely amount to which we expect to be entitled. We include estimated amounts in the transaction price when it becomes highly probable that the amount will not be subject to significant reversal when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current, and forecasted) that is reasonably available to us. Based on this information and related analysis, any quarterly adjustments to revenue are recognized as necessary in the period they become known.

The upfront license fee is not considered a significant financing component because it is used to meet working capital demands that can be higher in the early stages of a contract and to protect us from the other party failing to adequately complete some or all of its obligations under the contract.

Revenue from sales-based royalties and the achievement of annual sales volumes will be recognized when the subsequent sale occurs, as the license of the intellectual property is the predominant item to which the royalty relates. We consider payments associated with the achievement of annual sales volumes to be, in substance, royalty payments, and we will recognize such sales-based payments upon achievement of such sales volumes, provided that collection is reasonably assured.

Contract liability - Our contract liability includes upfront license fees and billings in excess of the revenue recognized. Contract liabilities are recognized as revenue as or when we perform under the contract. We classify our contract liability as current or non-current based on the timing of when we expect to recognize revenue.

Share-based compensation

Stock option plan

We have one stock option plan (the "Stock Option Plan") available to directors, officers, employees, and consultants with grants under the Stock Option Plan approved from time to time by our Board of Directors (the "Board"). Under the Stock Option Plan, no option shall be granted with an exercise price at a discount to the closing price of our stock on the Toronto Stock Exchange on the last trading date prior to the date of the grant. Vesting is provided at the discretion of the Board, and the expiration of options is to be no greater than ten years from the date of grant. Exercised stock options are settled with common shares issued from treasury.

We use the fair value-based method of accounting for stock option awards granted under the Stock Option Plan. We recognize compensation expense and a corresponding adjustment to contributed surplus equal to the fair value of the stock options granted using the Black-Scholes valuation model over the vesting periods of the respective options. Compensation expense is adjusted for subsequent changes in management’s estimate of the number of options that are expected to vest.

Stock options awarded to non-employees are accounted for at the fair value of the goods received or the services rendered. The fair value is measured at the date the Company obtains the goods or the date the counterparty renders the service. If the fair value of the goods or services cannot be reliably measured, the fair value of the options granted will be used.

Share award plan

Our share award plan (the "Share Award Plan") is available to directors, officers, employees, and consultants. Under our Share Award Plan, performance and restricted share awards may be approved from time to time by the Board. Performance share awards ("PSAs") can be awarded to certain officers and employees to which common shares shall be issued based upon achieving the applicable performance criteria. Restricted share awards ("RSAs") can be awarded to certain officers, employees, non-employee directors, and consultants to which common shares shall be issued in accordance with the Share Award Plan.

We recognize compensation expense and a corresponding adjustment to contributed surplus equal to the market value of our common shares at the grant date based on the number of PSAs/RSAs expected to vest, recognized over the vesting period. Compensation expense is adjusted for subsequent changes in management’s estimate of the number of PSAs/RSAs that are expected to vest. The effect of these changes is recognized in the period of the change.

Adoption of New Accounting Standards

IAS 1 *Presentation of Financial Statements*
In February 2021, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements,* in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments became effective on January 1, 2023. Adopting the amendments did not have a material impact on our consolidated financial statements.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
In February 2021, the IASB issued amendments to IAS 8, in which it introduced a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates, changes in accounting policies, and the correction of errors. Also, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments became effective on January 1, 2023. Adopting the amendments did not have a material impact on our consolidated financial statements.

IAS 12 *Income Taxes*
In May 2021, the IASB issued amendments to IAS 12, which narrowed the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments became effective on January 1, 2023. Adopting the amendments did not have a material impact on our consolidated financial statements.

Accounting Standards and Interpretations Issued but Not Yet Effective

IAS 1 *Classification of Liabilities as Current or Non-Current*
In October 2022, the IASB issued amendments to clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. This is in addition to the amendment from January 2020 where the IASB issued amendments to IAS 1 Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least 12 months, provided that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability and clarify when a liability is considered settled. The amendments are effective for annual periods beginning on or after January 1, 2024, and are to be applied retrospectively. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

Note 4: Significant Judgments, Estimates, and Assumptions

The preparation of our consolidated financial statements requires us to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amount and disclosures in our consolidated financial statements and accompanying notes. Management makes estimates based on our best knowledge of current events and actions that the Company may undertake in the future. We consider the potential impact of certain external factors outside of our control, including global political conflicts, supply chain disruptions, pandemics, inflation, rising interest rates, and liquidity, when making certain estimates and judgments relating to the preparation of these consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results could differ from these estimates, and such differences could be material.

Significant estimates made by management affecting our consolidated financial statements include:

Revenue recognition
We entered into a Licensing Agreement which provides, among other payments, upfront license fees in exchange for a regional license to our intellectual property. Management uses its judgment in applying the input method when determining the extent of progress toward completion of the performance obligation. Revenue recognition requires assumptions and estimates regarding total estimated costs, the complexity of the work to be performed, and the length of time to complete the performance obligation, among other variables.

Clinical trial and manufacturing expenses
Clinical trial and manufacturing expenses represent significant components of our research and development expenses, and we outsource a significant portion of these activities to third-party contract research/manufacturing organizations. The financial terms of these agreements are subject to negotiation, vary from contract to contract, and may result in uneven payment flows to these organizations. Payments under the contracts depend on factors such as achieving certain milestones. As part of preparing the consolidated financial statements, we estimate the expense to recognize based on services that the contract research/ manufacturing organizations have performed. When making these estimates, we use operational and contractual information from third-party service providers, operational data from internal personnel, and considerable judgment. We base our estimates on the best information available at the time. However, additional information may become available to us which may allow us to make a more accurate estimate in future periods. In this event, we may be required to record adjustments to research and development expenses in future periods when the actual level of activity becomes more certain. Such increases or decreases in cost are generally considered to be changes in estimates and will be reflected in research and development expenses in the period identified.

Valuation of share-based compensation
Estimating the fair value of share-based compensation and compensation warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life, volatility, and dividend yield, and making assumptions about them. The assumptions and inputs used for estimating fair value of share-based compensation are disclosed in note 11.

Valuation of warrant derivative
Estimating the fair value of the warrant derivative at initial measurement, at each exercise date and at each reporting period requires determining the most appropriate valuation model. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life, volatility, and dividend yield, and making assumptions about them. The assumptions and inputs used for estimating fair value for warrant derivative issued are disclosed in note 9.

Income taxes
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Currently, we are accumulating tax loss carry-forward balances in various tax jurisdictions creating a deferred tax asset. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management's judgment is required to determine the amount of deferred tax assets that can be recognized based on the likely timing and the level of future taxable profits together with future tax planning strategies.

To date, we have determined that none of our deferred tax assets should be recognized. Our deferred tax assets are mainly comprised of our net operating losses from prior years, prior year research and development expenses, and non-refundable investment tax credits. These tax pools relate to entities that have a history of losses, have varying expiry dates, and may not be used to offset taxable income within our other subsidiaries. There are also no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

Functional currency
We assess the relevant factors related to the primary economic environment in which our entities operate to determine the functional currency. Where the assessment of primary indicators are mixed, we assess the secondary indicators, including the relationship between the foreign operations and reporting entity.

(in thousands of Canadian dollars, except share amounts and where indicated)

Note 5: Other Assets and Liabilities

(a) In 2019, we entered into a co-development agreement with Merck KGaA, Darmstadt, Germany, and Pfizer Inc ("Pfizer"), known as BRACELET-1. This phase 2 clinical trial was jointly funded by Oncolytics and Pfizer. As at December 31, 2023, we recorded nil (December 31, 2022 - US$360 ($488)) in other receivables related to unbilled BRACELET-1 cost from Pfizer. As at December 31, 2023, Pfizer had completed its funding obligations.

(b) We paid deposits to our manufacturer related to the production of pelareorep required for our clinical trial program. We classify the related prepaid expenses as current or non-current based on the timing of when we expect to receive services. As at December 31, 2023, we recorded $1,319 (December 31, 2022 - $1,327) in current prepaid expenses and nil (December 31, 2022 - $998) in non-current prepaid expenses.

(c) In 2023, we were selected by the Pancreatic Cancer Action Network (PanCAN) as the recipient of its Therapeutic Accelerator Award to conduct a clinical trial with pelareorep in combination with modified FOLFIRINOX chemotherapy with or without an immune checkpoint inhibitor in pancreatic cancer patients. Under the terms of the award agreement, we are entitled to receive up to US$5 million in funding for eligible research expenses, and we must comply with the conditions set out with the award agreement, including providing periodic performance progress reports. As at December 31, 2023, we recorded US$225 ($298) in other liabilities representing unapplied funding received from PanCAN.

Note 6: Property and Equipment

	Medical Equipment	Computer Equipment	Office Equipment and Furniture	Leasehold Improvements	Total
Cost					
As at December 31, 2021	$ 62	$ 406	$ 217	$ 228	$ 913
Additions, net of foreign exchange impact	—	23	31	3	57
As at December 31, 2022	62	429	248	231	970
Additions, net of foreign exchange impact	—	7	—	—	7
As at December 31, 2023	$ 62	$ 436	$ 248	$ 231	$ 977
Amortization					
As at December 31, 2021	$ 51	$ 285	$ 58	$ 127	$ 521
Depreciation expense	2	36	34	21	93
As at December 31, 2022	53	321	92	148	614
Depreciation expense	2	30	28	21	81
As at December 31, 2023	$ 55	$ 351	$ 120	$ 169	$ 695
Net book value					
As at December 31, 2022	9	108	156	83	356
As at December 31, 2023	**$ 7**	**$ 85**	**$ 128**	**$ 62**	**$ 282**

Note 7: Accounts payable and accrued liabilities

	December 31, 2023	December 31, 2022
Trade payables	**$ 1,082**	$ 2,252
Accrued liabilities	**2,490**	1,398
	$ 3,572	$ 3,650

(in thousands of Canadian dollars, except share amounts and where indicated)

Note 8: Leases

Our portfolio of leases consists of office spaces with lease terms generally between 3 to 6 years. We currently do not have leases with residual value guarantees. We have variable lease payments related to office space lease operating costs that are not material. Lease liabilities have been measured by discounting future lease payments using our incremental borrowing rate as rates implicit in the leases were not readily determinable. The weighted-average rate applied was 15%.

During the year ended December 31, 2023, we extended the office lease for our subsidiaries, for which we recorded an addition of $392 to the lease liability and right-of-use asset. Under the terms of the lease, we have the option to extend the lease term for one of our subsidiaries for an additional three years. We did not include the extension option in the lease term as we were not reasonably certain to exercise the option.

The following table summarizes our right-of-use assets activity for the years ended December 31:

	2023	2022
As at beginning of year	**$ 296**	$ 584
Additions	**392**	—
Depreciation expense	**(322)**	(299)
Foreign exchange impact	**(1)**	11
As at end of year	**$ 365**	$ 296

The following table summarizes our lease liabilities activity for the years ended December 31:

	2023	2022
As at beginning of year	**$ 373**	$ 655
Additions	**392**	—
Payment of lease liabilities	**(407)**	(381)
Interest expense on lease liabilities	**71**	80
Foreign exchange impact	**(6)**	19
As at end of year	**$ 423**	$ 373

Our total undiscounted lease liability as at December 31, 2023 was as follows:

	December 31, 2023
Less than one year	$ 202
One to five years	311
More than five years	—
Total undiscounted lease liability	$ 513

Note 9: Warrant Derivative

Our common share purchase warrants ("warrants") with a U.S. dollar exercise price, which differs from our functional currency, are treated as a derivative measured at fair value, and revalued each period end at fair value through profit and loss. The fair value of these warrants is presented as a liability on our 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.

(in thousands of Canadian dollars, except share amounts and where indicated)

Changes in the value of our warrant derivative were as follows:

	Number of Warrants Outstanding	Fair Value of Warrant Derivative
As at December 31, 2021	64,035	$ 56
Change in fair value	—	20
Foreign exchange impact	—	3
As at December 31, 2022	64,035	$ 79
Issued pursuant to public offering	7,667,050	7,360
Discount on warrants issued	—	(1,822)
Amortization of discount on warrants issued	—	146
Change in fair value	—	(5,431)
Foreign exchange impact	—	(132)
As at December 31, 2023	**7,731,085**	**$ 200**

The following table summarizes our outstanding warrant derivative as at December 31, 2023:

Exercise price	Issuance date	Expiry date	Number of Warrants Outstanding
US$0.90	August 16, 2019	August 16, 2024	64,035
US$2.81	August 8, 2023	August 8, 2028	6,667,000
US$2.81	September 7, 2023	August 8, 2028	1,000,050
			7,731,085

On August 8, 2023, pursuant to an underwritten public offering, we issued 6,667,000 units for gross proceeds of $20,185 (US$15,001) at a price of US$2.25 per unit. On September 7, 2023, pursuant to the over-allotment option exercised by the underwriter, we issued an additional 1,000,050 units for gross proceeds of $3,077 (US$2,250) at a price of US$2.25 per unit. Each unit consisted of one common share and one warrant, which were immediately separable and issued separately in this offering. Each warrant entitles the holder to purchase one common share at an exercise price of US$2.81 up to 60 months from the date of issuance. The expiry of the warrants may be accelerated by the Company at any time prior to the expiry date if the volume weighted average price (if applicable, as converted to U.S. dollars at the Bank of Canada posted rate for the respective trading day) of the issued and outstanding common shares on the Toronto Stock Exchange or such other principal stock exchange on which the common shares are listed and posted for trading is greater than US$6.50 for any 20 consecutive trading days, at which time the Company may, within 10 business days, accelerate the expiry date by issuing a press release announcing the reduced warrant term whereupon the warrants will expire on or after the 75th calendar day after the date of such press release.

Proceeds were allocated amongst common shares and warrants by applying a relative fair value approach, which resulted in $17,724 recorded in share capital and an initial warrant derivative liability of $7,360. The difference between the fair value of the warrants and their allocated proceeds was a discount of $1,822, which is amortized on a straight-line basis over the five-year expected life of the warrants and recorded under change in fair value of warrant derivative on our consolidated statement of loss and comprehensive loss.

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 the Government of Canada benchmark bond 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.

(in thousands of Canadian dollars, except share amounts and where indicated)

The estimated fair value of the warrant derivative with an exercise price of US$2.81 was determined using the following assumptions:

	December 31, 2023	September 7, 2023	August 8, 2023
Underlying share price	**US$1.35**	US$2.39	US$2.26
Risk-free interest rate	**3.2%**	3.9%	3.8%
Expected life	**4.6 years**	5.0 years	5.0 years
Expected volatility	**36.5%**	36.5%	36.5%
Expected dividend yield	**Nil**	Nil	Nil
Fair value per warrant	**US$0.18**	US$0.79	US$0.70

Note 10: Share Capital

Authorized:
Unlimited number of no par value common shares

	Shares	
	Number	**Amount**
As at December 31, 2020	46,166,980	$ 356,824
Issued pursuant to stock option plan	123,159	381
Issued pursuant to incentive share award plan	150,899	544
Issued pursuant to "At the Market" (ATM) equity distribution agreement[(a)(b)]	8,401,029	34,168
Issued pursuant to warrant derivative exercised[(c)]	201,722	687
Share issue costs	—	(1,256)
As at December 31, 2021	55,043,789	$ 391,348
Issued pursuant to stock option plan	8,333	20
Issued pursuant to incentive share award plan	40,560	98
Issued pursuant to "At the Market" (ATM) equity distribution agreement[(b)(d)]	6,235,232	13,338
Share issue costs	—	(764)
As at December 31, 2022	61,327,914	$ 404,040
Issued pursuant to stock option plan	450,391	1,271
Issued pursuant to "At the Market" (ATM) equity distribution agreement[(d)]	4,978,605	10,676
Issued pursuant to public offering[(e)]	7,667,050	17,724
Share issue costs	—	(2,805)
As at December 31, 2023	**74,423,960**	**$ 430,906**

(a) On June 15, 2020, we entered into an ATM equity distribution agreement with Canaccord Genuity Inc. The ATM allowed us to issue common shares, at prevailing market prices, with an aggregate offering value of up US$40,000 over a 25-month period through the facilities of the Nasdaq Capital Market in the United States. This sales agreement was terminated on March 4, 2021. During the year ended December 31, 2021, we sold 5,685,097 common shares for gross proceeds of $23,413 (US$18,503) at an average price of $4.12 (US$3.25). We received proceeds of $22,711 (US$17,948) after commissions of $702 (US$555). In total, we incurred share issue costs (including commissions) of $707.

(b) On March 5, 2021, we entered into an ATM equity distribution agreement with Canaccord Genuity Inc. The ATM allowed us to issue common shares, at prevailing market prices, with an aggregate offering value of up to US$80,000 over a 16-month period through the facilities of the Nasdaq Capital Market in the United States. This sales agreement was terminated on June 16, 2022. During the year ended December 31, 2022, we sold 2,719,770 (2021 - 2,715,932) common shares for gross proceeds of $5,744 (US$4,560) (2021 - $10,755 (US$8,655)) at an average price of $2.11 (US$1.68) (2021 - $3.96

(in thousands of Canadian dollars, except share amounts and where indicated)

(US$3.19)). We received proceeds of $5,572 (US$4,423) (2021 - $10,432 (US$8,395)) after commissions of $172 (US$137) (2021 - $323 (US$260)). In total, we incurred share issue costs (including commissions) of $209 (2021 - $549).

(c) On August 16, 2019, pursuant to an underwritten public offering, we issued units consisting of common shares and warrants. During the years ended December 31, 2023 and 2022, no warrants were exercised. During the year ended December 31, 2021, 201,722 warrants with a fair value of $456 were exercised for gross proceeds of $231 (US$182).

(d) On June 17, 2022, we entered into an ATM equity distribution agreement with Canaccord Genuity Inc. The ATM allows us to issue common shares, at prevailing market prices, with an aggregate offering value of up to US$65,000 over a 25-month period through the facilities of the Nasdaq Capital Market in the United States. During the year ended December 31, 2023, we sold 4,978,605 (2022 - 3,515,462) common shares for gross proceeds of $10,676 (US$7,904) (2022 - $7,594 (US$5,632)) at an average price of $2.14 (US$1.59) (2022 - $2.16 (US$1.60)). We received proceeds of $10,356 (US$7,667) (2022 - $7,366 (US$5,463)) after commissions of $320 (US$237) (2022 - $228 (US$169)). In total, we incurred share issue costs (including commissions) of $415 (2022 - $555).

(e) On August 8, 2023, pursuant to an underwritten public offering, we issued 6,667,000 units for gross proceeds of $20,185 (US$15,001) at a price of US$2.25 per unit. On September 7, 2023, pursuant to the over-allotment option exercised by the underwriter, we issued an additional 1,000,050 units for gross proceeds of $3,077 (US$2,250) at a price of US$2.25 per unit. Each unit consisted of one common share and one warrant, which were immediately separable and issued separately in this offering. These warrants were classified as a financial liability (see note 9). Proceeds were allocated amongst common shares and warrants by applying a relative fair value approach, which resulted in $17,724 recorded in share capital and an initial warrant derivative liability of $7,360. In consideration of the services rendered by the underwriter, we issued 536,693 compensation warrants (see note 11). In total, we incurred transaction costs of $3,130 (including a fair value of $638 (US$473) for the compensation warrants), of which $2,390 were allocated to share issue costs and $740 were allocated to operating expenses, based on the relative fair values of the common share and warrant of each unit.

Note 11: Share-Based Compensation

Stock options and share awards

(a) Our amended and restated Stock Option Plan and Share Award Plan (collectively, the "Equity Incentive Plans") were approved by our shareholders at the annual general meeting of shareholders on May 9, 2023. Pursuant to our Equity Incentive Plans, we may grant stock options, restricted share awards, and performance share awards. The number of common shares reserved for issuance under our Equity Incentive Plans in aggregate shall not exceed 14% of the total number of issued and outstanding common shares from time to time. As at December 31, 2023, we reserved 10,419,354 common shares for issuance relating to our Equity Incentive Plans. Our share-based compensation expense for the year ended December 31, 2023, was $1,917 (2022 - $2,378; 2021 - $3,826).

(b) Our stock option activity for the years ended December 31 was as follows:

	2023		2022		2021	
	Number of options	Weighted Average Exercise Price $	Number of options	Weighted Average Exercise Price $	Number of options	Weighted Average Exercise Price $
Outstanding, beginning of year	**5,963,185**	**2.91**	5,334,420	3.53	3,764,055	4.08
Granted	**2,145,400**	**2.23**	1,005,000	2.04	1,832,500	2.99
Forfeited	**(280,288)**	**2.86**	(62,962)	3.83	(110,612)	6.21
Expired	**(314,573)**	**4.17**	(304,940)	10.80	(28,364)	37.63
Exercised	**(450,391)**	**1.74**	(8,333)	1.45	(123,159)	1.94
Outstanding, end of year	**7,063,333**	**2.72**	5,963,185	2.91	5,334,420	3.53
Exercisable, end of year	**5,039,604**	**2.85**	4,420,482	3.01	3,165,679	3.82

(in thousands of Canadian dollars, except share amounts and where indicated)

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2023:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price $	Number Exercisable	Weighted Average Exercise Price $
$1.14 - $2.00	2,015,400	3.7	1.75	1,082,629	1.61
$2.01 - $2.70	1,260,664	2.4	2.25	1,063,990	2.23
$2.71 - $3.11	978,033	4.1	2.78	364,165	2.80
$3.12 - $4.00	2,665,769	1.5	3.32	2,385,353	3.30
$4.01 - $16.53	143,467	0.5	9.20	143,467	9.20
	7,063,333	2.6	2.72	5,039,604	2.85

Option grants 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. 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 years ended December 31 were determined using the following weighted average assumptions:

	2023	2022	2021
Risk-free interest rate	**4.1%**	3.4%	0.7%
Expected life	**3.0 years**	3.0 years	3.0 years
Expected volatility	**72.0%**	96.0%	110.5%
Expected dividend yield	**Nil**	Nil	Nil
Weighted average fair value of options	**$1.12**	$1.24	$1.99

(c) Our share award activity for the years ended December 31 was as follows:

	2023	2022	2021
Outstanding, beginning of year	**—**	40,560	134,618
Granted	**403,200**	—	—
Forfeited	**(4,760)**	**—**	**—**
Released	**—**	(40,560)	(94,058)
Outstanding, end of year	**398,440**	—	40,560

(1) The weighted average fair value of the RSAs granted was $2.23in 2023.

During the year ended December 31, 2023, we granted restricted share awards to officers of the Company. Restricted share award grants vest over a three-year period.

Compensation warrants

During the year ended December 31, 2023, in consideration of the services rendered by the underwriter as part of a public offering (see note 10(e)), we issued 536,693 compensation warrants. Each compensation warrant is exercisable into one common share at an exercise price of US$2.25 up to 60 months from the date of issuance.

We use the Black-Scholes valuation model to estimate the fair value of the services rendered. 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 the Government of Canada benchmark bond yield rates with an approximate equivalent remaining term in

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effect at the time of valuation, and the expected life represents the estimated length of time the warrants are expected to remain outstanding. We used the following weighted average assumptions:

Underlying share price	**US$2.28**
Risk-free interest rate	**3.8%**
Expected life	**5.0 years**
Expected volatility	**36.5%**
Expected dividend yield	**Nil**
Weighted average fair value of options	**US$0.88**

The resulting fair value of $638 (US$473) was included as part of the public offering transaction costs, which were allocated to share issue costs and operating expenses based on the relative fair values of the common share and warrant of each unit issued. No compensation warrants were exercised during the year ended December 31, 2023.

Note 12: Loss Per Share

Loss per common share is calculated by dividing net loss for the year by the weighted average number of common shares outstanding for the year ended December 31, 2023, of 67,624,036 (2022 - 58,029,745; 2021 - 53,513,225). The effect of any potential exercise of our stock options, share awards, 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 13: Contract Liability

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.

Our contract liability balance at December 31, which we expect to record in revenue over the next five years, is as follows:

	2023	2022
Balance, beginning of year	**$ 6,730**	$ 6,730
Revenue recognized	**—**	—
Balance, end of year	**$ 6,730**	$ 6,730

Note 14: Commitments and Contingencies

We are committed to payments of approximately $12,686 for activities mainly related to our clinical trial and manufacturing programs, which are expected to occur over the next three years. We are able to cancel most of these agreements with notice. We are also committed to office lease payments of approximately $1,098 over 5.3 years for one of our subsidiaries which have not yet commenced.

Indemnification of Officers and Directors

Our corporate by-laws require that, except to the extent expressly prohibited by law, we will indemnify our officers and directors against all costs, charges, and expenses, including an amount paid to settle an action or satisfy a judgment reasonably incurred in respect of any civil, criminal, or administrative action or proceeding as it relates to their services to the Company. The by-laws provide no limit to the amount of the indemnification. We have purchased directors' and officers' insurance coverage to cover claims made against the directors and officers during the applicable policy periods. The amounts and types of coverage have varied from period to period as dictated by market conditions. We believe that we have adequate insurance coverage; however, there is no guarantee that all indemnification payments will be covered under our existing insurance policies.

(in thousands of Canadian dollars, except share amounts and where indicated)

There is no pending litigation or proceeding involving any of our officers or directors as to which indemnification is being sought, nor are we aware of any threatened litigation that may result in claims for indemnification.

Note 15: Income Taxes

The provision for income taxes recorded in the consolidated financial statements differs from the amount which would be obtained by applying the statutory income tax rate to the loss before income taxes as follows:

	2023	2022	2021
Loss before income taxes	**$ (27,655)**	$ (24,751)	$ (26,255)
Statutory Canadian corporate tax rate	**23.00%**	23.00%	23.00%
Anticipated tax recovery	**(6,361)**	(5,693)	(6,039)
Difference in tax rates	**2,841**	3,552	2,716
Share-based compensation expense	**441**	547	880
Revaluation of tax balances	**2**	(338)	(552)
Impact of Barbados rate change	**(9,088)**	—	—
Other permanent differences	**325**	(368)	45
Expiry of tax benefits	**3,382**	1,614	1,661
Change in fair value of warrant derivative	**(1,215)**	5	(4)
Provision to offset deferred tax asset	**9,770**	765	1,342
Current income taxes	**$ 97**	$ 84	$ 49

At December 31, 2023, we have non-capital losses of $110,450 and $129,884 in Canada and Barbados, respectively (December 31, 2022 - $98,475 and $145,405, respectively). These losses are expected to expire between 2024 and 2043, if not utilized. At December 31, 2023, we have Canadian investment tax credits of $4,056 (December 31, 2022 - $4,368) that are expected to expire between 2024 and 2043, if not utilized. As well, we have unclaimed Canadian scientific research and experimental development expenditures available to reduce future years' taxable income of $28,376 (December 31, 2022 - $27,663). We also have unclaimed U.S. credits for research activities available to reduce future years' taxable income of $1,232 (December 31, 2022 - $1,285) expiring between 2031 and 2043. We have not recorded the potential benefits of these tax pools in these consolidated financial statements.

Deferred tax assets are recognized, to the extent that it is probable that taxable income will be available to utilize the deductible temporary differences. The components of our unrecognized deferred tax asset are as follows:

	2023	2022	2021
Non-capital losses carried forward	**$ 37,174**	$ 26,726	$ 25,158
Scientific research and experimental development	**7,742**	7,648	7,705
Investment tax credits	**3,123**	3,363	3,716
Property and equipment	**382**	366	351
Share issue costs	**833**	518	648
Net capital losses carried forward	**6**	6	6
Unrecognized deferred tax asset	**$ 49,260**	$ 38,627	$ 37,584

The Company currently files income tax returns in the various jurisdictions in which it operates. These tax returns are subject to periodic examinations in the normal course by the applicable tax authorities. Management is not aware of any material income tax examinations currently in progress by any taxing jurisdiction.

(in thousands of Canadian dollars, except share amounts and where indicated)

Note 16: Capital Disclosures

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

	December 31, 2023	December 31, 2022
Cash and cash equivalents	**$ 34,912**	$ 11,666
Marketable securities	**$ —**	$ 20,472
Shareholders' equity	**$ 27,563**	$ 26,502

We have no debt other than accounts payable and accrued liabilities and lease liabilities. We also have commitments and 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 associated costs. 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 16, 2022, we renewed our short form base shelf prospectus (the "Base Shelf") that qualifies for distribution of up to $150,000 of common shares, subscription receipts, warrants, or units (the "Securities") in either Canada, the U.S. or both. Under a Base Shelf, we may sell Securities to or through underwriters, dealers, placement agents, or other intermediaries. We may also sell Securities directly to purchasers or through agents, subject to obtaining any applicable exemption from registration requirements. The distribution of Securities may be performed 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 additional flexibility when managing our cash resources as, under certain circumstances, it shortens the time required to close a financing and is expected to increase the number of potential investors that may be prepared to invest in the Company. Funds received from 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 16, 2024.

Our Base Shelf allowed us to enter into our ATM equity distribution agreements and 2023 public offering (see note 10). We use these equity arrangements to assist us in achieving our capital objectives. These arrangements provide us with the opportunity to raise capital and 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 2023.

Note 17: Financial Instruments

Fair value of financial instruments

Our financial instruments consist of cash and cash equivalents, marketable securities, other receivables, accounts payable and accrued liabilities, other liabilities, and warrant derivative. As at December 31, 2023, and December 31, 2022, the carrying amount of our cash and cash equivalents, marketable securities, other receivables, accounts payable and accrued liabilities, and other liabilities approximated their fair value due to their short-term maturity. The warrant derivative is a recurring Level 2 fair

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value measurement as these warrants have not been listed on an exchange and, therefore, do not trade on an active market. As at December 31, 2023, the fair value of our warrant derivative was $200 (December 31, 2022 - $79) (see note 9).

Financial risk management

Credit risk

Credit risk is the risk of a financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. As at December 31, 2023, we were 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.

We mitigate our exposure to credit risk connected to our cash and cash equivalents 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. Our foreign-domiciled bank accounts are used solely for the purpose of settling accounts payable and accrued liabilities or payroll.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We hold our cash and cash equivalents in bank accounts or high-interest investment accounts with variable interest rates. We mitigate interest rate risk through our investment policy that only allows the investment of excess cash resources in investment-grade vehicles while matching maturities with our operational requirements.

Fluctuations in market interest rates do not significantly impact our results of operations due to the short-term 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. For the year ended December 31, 2023, we were primarily exposed to the risk of changes in the Canadian dollar relative to the U.S. dollar as a portion of our financial assets and liabilities were denominated in such currency. 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 for the year ended December 31, 2023, by approximately $140.

Significant balances in foreign currencies as at December 31, 2023, were as follows:

	U.S. dollar
Cash and cash equivalents	$ 24,294
Accounts payable and accrued liabilities	(1,476)
	$ 22,818

For the year ended December 31, 2022, we were primarily exposed to the risk of changes in the Canadian dollar relative to the U.S. dollar and the 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 for the year ended December 31, 2022, by approximately $170. The impact of a $0.01 increase in the value of the Euro against the Canadian dollar would have increased our net comprehensive loss for the year ended December 31, 2022, by approximately $22.

Significant balances in foreign currencies as at December 31, 2022, were as follows:

	U.S. dollar	Euro
Cash and cash equivalents	$ 6,635	€ —
Marketable securities	15,115	—
Accounts payable and accrued liabilities	(1,093)	(1,035)
	$ 20,657	€ (1,035)

(in thousands of Canadian dollars, except share amounts and where indicated)

We mitigate our foreign exchange risk by maintaining sufficient foreign currencies by purchasing foreign currencies or receiving foreign currencies from financing activities to settle our foreign accounts payable and accrued liabilities.

Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities. We manage liquidity risk by managing our capital structure as outlined in note 16. Accounts payable and accrued liabilities are all due within the current operating period. See note 8 for a maturity analysis of our lease liabilities.

Note 18: Additional Cash Flow Disclosures

Net Change In Non-Cash Working Capital

	2023	2022	2021
Change in:			
Other receivables	**$ 506**	$ 345	$ (776)
Prepaid expenses	**777**	(1,247)	(349)
Accounts payable and accrued liabilities	**(78)**	1,662	183
Other liabilities	**332**	(352)	228
Non-cash impact of foreign exchange	**228**	(17)	(194)
Change in non-cash working capital related to operating activities	**$ 1,765**	$ 391	$ (908)

Other Cash Flow Disclosures

	2023	2022	2021
Cash interest received	**$ 1,554**	$ 452	$ 190
Cash taxes paid	**$ 120**	$ 46	$ 35

Note 19: Economic Dependence

We are economically dependent on our toll manufacturers. We primarily use one toll manufacturer in the U.S. to produce the clinical-grade pelareorep active ingredient and a second toll manufacturer to formulate finished product required for our clinical trial program. Any significant disruption of the services provided by our primary toll manufacturers has the potential to delay the progress of our clinical trial program. We have used another toll manufacturer in the U.K. that has also produced clinical-grade pelareorep at a smaller scale. We have attempted to mitigate this risk by identifying an alternative toll manufacturer, establishing stability profiles for long-term storage of pelareorep, and producing sufficient pelareorep in advance of patient enrollment in a particular clinical trial.

Note 20: Components of Expenses

	2023	2022	2021
Research and development expenses			
Clinical trial expenses	**$ 3,675**	$ 4,970	$ 3,205
Manufacturing & related process development expenses	**5,789**	2,148	1,547
Intellectual property expenses	**397**	544	618
Translational science expenses	**—**	264	673
Personnel-related expenses	**6,324**	6,023	4,754
Share-based compensation expense	**1,305**	1,371	2,087
Other expenses	**219**	112	36
	$ 17,709	$ 15,432	$ 12,920

(in thousands of Canadian dollars, except share amounts and where indicated)

	2023	2022	2021
General and administrative expenses			
Public company-related expenses	**$ 11,278**	$ 6,790	$ 8,161
Office expenses	**3,789**	3,303	2,963
Share-based compensation expense	**612**	1,007	1,739
Depreciation - property and equipment	**81**	93	130
Depreciation - right-of-use assets	**322**	299	322
	$ 16,082	$ 11,492	$ 13,315

For the year ended December 31, 2023, our research and development personnel-related expenses included employee compensation and benefits of $6,324 (2022 - $5,983; 2021 - $4,645).

For the year ended December 31, 2023, our general and administrative office expenses included employee compensation and benefits of $3,332 (2022 - $2,870; 2021 - $2,542).

Note 21: 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 Board of Directors, Executive Officers, President, and Vice Presidents.

	2023	2022	2021
Short-term employee compensation and benefits	**$ 4,870**	$ 4,308	$ 3,919
Termination benefits	**319**	—	—
Share-based compensation expense	**1,496**	1,615	2,703
	$ 6,685	$ 5,923	$ 6,622

Shareholder Information

Our public company filings are available on SEDAR+ at www.sedarplus.ca and EDGAR at www.sec.gov or contact us at:

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Kirk Look, CA, MSJ
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Chief Medical Officer

Directors

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