Third Quarter Report

September 30, 2024

Oncolytics Biotech Inc.
TSX: ONC
Nasdaq: ONCY

ONCOLYTICS BIOTECH INC.
Innately Adaptive™

MANAGEMENT'S DISCUSSION & ANALYSIS

September 30, 2024

November 9, 2024

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

This discussion and analysis should be read in conjunction with our unaudited condensed interim consolidated financial statements and notes thereto as at and for the three and nine months ended September 30, 2024, and should also be read in conjunction with the audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) contained in our annual report for the year ended December 31, 2023. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all references to "$" and "dollars" in this discussion and analysis mean Canadian dollars.

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 and adaptive immune responses within the TME will play an increasingly important role as our clinical development program advances, and our belief that this approach increases 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 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-enabling clinical studies and our exploration of opportunities for registrational programs in other gastrointestinal cancers through our GOBLET platform study; our expectation that we will incur substantial losses and will not generate significant revenues until and unless pelareorep becomes commercially viable; our estimations regarding cash and cash equivalents on hand being sufficient to fund operations into the second quarter of 2025; our plans to fund ongoing operations by raising additional funds through the sale of our common shares or other capital resources, such as strategic collaborations and debt; the availability of additional liquidity and the terms thereof; our ability to reduce or eliminate planned expenditures to extend our operating runway if additional financing cannot be obtained when required; the anticipated design and outcomes of our various planned studies; our plan to conduct a registration-enabling study to assess pelareorep-based combination therapy in patients with advanced or metastatic HR+/HER2- breast cancer; our belief that the design of our adaptive trial with GCAR could accelerate the registrational timeline and provide substantial cost savings compared to traditional trial designs; 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 towards registration and commercial readiness; ongoing bulk manufacturing and expanded filling capabilities forming part of our planned process validation; continued process validation being required to ensure our product meets specifications and quality standards, and the inclusion thereof in our submission to regulators, including the FDA, for product approval; ongoing patent applications and the potential duration of patent rights; our expected pelareorep development plan for the remainder of 2024, including our plans to finalize a submission to the FDA for a randomized phase 2 trial in breast cancer and the related enrollment plan, our plans to work with GCAR to draft the master protocol associated with a pancreatic cancer study and engage the FDA to discuss the adaptive design, our plans to continue enrolling GOBLET’s expanded anal cancer cohort and newly added pancreatic cancer cohorts, our plans to have the safety run-in data from the newly added pancreatic cancer cohort evaluated by GOBLET's data and safety and monitoring board; the focus of and plans for our manufacturing program; our plans for our intellectual property program; our ongoing evaluation of all types of financing arrangements; the sale of securities under the Base Shelf (as defined herein) and our expectations regarding the ability of the Base Shelf to shorten the time required to close a financing and increase the number of potential investors that may be prepared to invest in the Company; our plans to use our ATM equity distribution agreement to assist us in achieving our capital objective; our expectation that we will continue to access equity arrangements to help support our operations; our assessment of marketable securities; our objective to maintain adequate cash reserves to support our planned activities and the methods used to achieve such objective; our continued management of our research and development plan; our expectation to fund our expenditure requirements and commitments with existing working capital; the judgment applied in assessing our ability to continue as a going concern and the material uncertainties that raise substantial doubt on our ability to continue as a going concern; our belief that we are not able to fund our operations for at least the next twelve months from the balance sheet date with the cash and cash equivalents on hand; our estimate of our cash runway; the factors that affect our cash usage; 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 and the increased costs associated with later stages of clinical development; our expectation that we will continue to incur additional costs associated with operating as a public company; the potential for adjustments to our condensed interim consolidated financial statements; the dilutive effects of raising funds by issuing equity; the potential that debt financing may involve restrictive covenants that may impact our ability to conduct our business; making reductions in spending, including potentially delaying, scaling back or eliminating certain of our development programs, extending payment terms with suppliers, or liquidating assets in the event we are unable to secure additional funding, and the effects thereof on our business, results of operations and future prospects; the cost and time associated with conducting clinical trials and obtaining regulatory approval; the factors that may affect the probability of successful commercialization of our drug candidates; potential changes to the amount and timing of payments under our contractual obligations and commitments; the expectation that counterparties to financial instruments will meet their contractual obligations; 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 immunologically favorable TME, which in turn makes the tumor more susceptible to various treatment combinations. These treatments include chemotherapies, checkpoint inhibitors, and 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-enabling 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 September 30, 2024, we had cash and cash equivalents of $19,598. Without raising additional funding or reducing or eliminating our planned expenditures, we estimated our cash and cash equivalents to fund our operations into the second quarter of 2025. We plan on raising additional funds through the sale of our common shares or other capital resources, such as collaborations and debt, to fund our ongoing operations. However, given the difficulty for micro-cap market capitalization companies to raise significant capital, there can be no assurance that additional liquidity will be available under acceptable terms or at all. Furthermore, if we are unable to obtain additional financing when required, there can be no assurance that we will be able to sufficiently reduce or eliminate our planned expenditures to extend our operating runway. These material uncertainties raise substantial doubt on our ability to continue as a going concern. See further discussion in "*Liquidity and Capital Resources*".

Third Quarter 2024 Pelareorep Development Update

Clinical Trial Program

Program	Collaborator	Combination	Phase 1	Phase 2	Registration-Enabling Study
BREAST CANCER					
Planned Study	TBD	pela + PTX	Preparing protocol for FDA submission		
GASTROINTESTINAL CANCERS					
Planned Adaptive Study 1L Adv/Metastatic PDAC	Roche; GCAR	pela + gem + nab-PTX + atezo	Preparing arm-specific protocol		
GOBLET cohort 5 Newly Diagnosed PDAC	Roche; Pancreatic Cancer Action Network	pela + mFOL +/- atezo			
GOBLET cohort 4 ≥2L Unresectable Anal Cancer	Roche	pela + atezo			

PDAC: pancreatic ductal adenocarcinoma; GCAR: Global Coalition for Adaptive Research; pela: pelareorep; PTX: paclitaxel; gem: gemcitabine; atezo: atezolizumab; mFOL: modified FOLFIRINOX; Adv: Advanced; 1L: First-Line; 2L: Second-Line

Breast cancer program

Final results announced for BRACELET-1 study

BRACELET-1 was a randomized open-label study that enrolled 48 patients with HR+/HER2- mBC into three cohorts: paclitaxel (PTX) alone, PTX in combination with pelareorep, and PTX in combination with both pelareorep and avelumab, a human anti-PD-L1 antibody.

In the third quarter of 2024, we announced final BRACELET-1 results. The results were based on efficacy data collected and analyzed two years after the last patient was enrolled as specified by the protocol. Results of the final BRACELET-1 analysis demonstrated that the median overall survival (OS) could not be calculated in the PTX + pelareorep arm as more than half of the patients in that arm remained alive at study end, in contrast with a median OS of 18.2 months in the PTX monotherapy arm. A conservative estimate of median OS for the pelareorep arm is 32.1 months, demonstrating that PTX + pelareorep delivered a greater than 12-month survival advantage compared to PTX alone. This survival benefit is further illustrated by the 24-month overall survival rate, which showed that 64% of patients treated with pelareorep combination therapy survived at least 2 years compared to only 33% of patients treated with PTX alone. In addition, final progression-free survival (PFS) was 12.1 months for PTX + pelareorep compared to 6.4 months for PTX alone, yielding a benefit of 5.7 months. These results also substantiated the statistically significant near doubling of median OS observed in our earlier randomized IND-213 study in a similar patient population treated with pelareorep + chemotherapy compared to chemotherapy alone. The strong survival data from the BRACELET-1 and IND-213 studies, along with the FDA's productive guidance on our registration study plan from a recent Type C meeting, have provided the foundation for our plan to conduct a registration-enabling study to assess pelareorep-based combination therapy in patients with advanced or metastatic HR+/HER2- breast cancer.

Gastrointestinal cancer program

Preliminary collaboration agreement with GCAR for inclusion in anticipated pancreatic cancer trial
In the third quarter of 2024, we continued working with the Global Coalition for Adaptive Research (GCAR) on incorporating a pelareorep combination therapy arm treating first-line metastatic PDAC as part of GCAR's anticipated master protocol for metastatic pancreatic cancer. This adaptive trial design could accelerate the registrational timeline and provide substantial cost savings compared to traditional trial designs.

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®) and/or chemotherapy (gemcitabine and nab-paclitaxel, TAS-102, or modified FOLFIRINOX (mFOLFIRINOX)), where appropriate, in advanced or metastatic gastrointestinal tumors. The study is being conducted at 17 centers in Germany. The study's co-primary endpoints are safety and objective response rate and/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 comprising of patients with first-line advanced/metastatic and newly diagnosed metastatic PDAC, first- and third-line metastatic colorectal (CRC), and second-line or later anal cancer. Any cohort meeting pre-specified efficacy criteria in Stage 1 may be advanced to Stage 2 and enroll additional patients. Our first-line advanced/metastatic PDAC, third-line metastatic CRC, and second-line or later anal cancer cohorts have completed Stage 1 and met the pre-specified success criteria. Our cohort evaluating newly diagnosed metastatic PDAC patients treated with pelareorep in combination with mFOLFIRINOX with or without atezolizumab (Tecentriq®) is supported by the Pancreatic Cancer Action Network (PanCAN) Therapeutic Accelerator Award.

In the third quarter of 2024, we continued enrollment in our new PDAC mFOLFIRINOX cohort to evaluate the tolerability of each treatment arm in this cohort. Additionally, we continued to enroll, treat, and monitor patients in our anal cancer cohort.

Manufacturing and Process Development

While we currently have sufficient drug product supply to support our clinical development program, we continued our activities to expand our production capabilities as we focus on advancing our active drug substance and finished drug product towards registration and commercial readiness. During the third quarter of 2024, we completed a current good manufacturing practice (cGMP) production run and began the related batch release testing. We also sourced materials required for our planned product fills and incurred storage and distribution costs to maintain our product supply. Ongoing bulk manufacturing and expanded filling capabilities are both part of the planned process validation. Continued process validation is required to ensure that the resulting product meets the specifications and quality standards and will form part of our submission to regulators, including the FDA, for product approval.

Intellectual Property

At the end of the third quarter of 2024, we had 148 patents, including 13 U.S. and 7 Canadian patents, and issuances in other jurisdictions. We have an extensive patent portfolio covering the oncolytic reovirus and formulations that we use in our clinical trial program. We also have patents covering methods for manufacturing pelareorep and screening for susceptibility to pelareorep. These patent rights extend to at least the end of 2031. In addition, we have ongoing patent applications that may extend the patent rights beyond 2031.

Financing Activity

U.S. "at-the-market" (ATM) equity distribution agreement
During the nine months ended September 30, 2024, we sold 2,596,533 common shares for gross proceeds of $4,062 (US$2,998) at an average price of $1.56 (US$1.15). We received proceeds of $3,940 (US$2,908) after commissions of $122 (US$90). In total, we incurred share issue costs (including commissions) of $582.

Cash Resources

We ended the third quarter of 2024 with cash and cash equivalents of $19,598 (see "*Liquidity and Capital Resources")*.

Pelareorep Development for the Remainder of 2024

For the remainder of 2024, our clinical objectives will continue to revolve around our breast and pancreatic programs. Following the strong efficacy results from BRACELET-1, we intend to finalize our submission to the FDA for a randomized phase 2 trial examining pelareorep + paclitaxel combination therapy in breast cancer. This registration-enabling trial will enroll approximately 180 patients with HR+/HER2- advanced/metastatic breast cancer who have progressed on antibody-drug conjugates (ADCs) like Enhertu, who are not eligible for ADCs, or who cannot tolerate ADCs. In relation to our pancreatic cancer program, working with GCAR, we intend to continue drafting the master protocol associated with a pancreatic cancer study and engage the FDA to discuss the adaptive design. We also plan to continue enrolling GOBLET's expanded anal cancer and newly added pancreatic cancer cohorts. The safety run-in data from the newly added pancreatic cancer cohort will also be evaluated by GOBLET's data and safety and monitoring board.

Our manufacturing program will focus on filling product and performing the associated analytical testing, as well as distribution of pelareorep to our various clinical sites for ongoing and upcoming activities. In addition, we plan to finalize an agreement with a secondary fill/finish supplier. Finally, our intellectual property program includes filings for additional patents and monitoring activities required to protect our patent portfolio.

Results of Operations

Comparison of the three months ended September 30, 2024, and 2023:

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

Net loss for the three months ended September 30, 2024, was $9,543 compared to $9,925 for the three months ended September 30, 2023.

Research and Development Expenses ("R&D")

Our R&D expenses increased by $983 from $5,811 for the three months ended September 30, 2023, to $6,794 for the three months ended September 30, 2024. The following table summarizes our R&D expenses for the three months ended September 30, 2024, and 2023:

	Three Months Ended September 30,		
	2024	**2023**	**Change**
Clinical trial expenses	**$ 1,419**	$ 1,010	$ 409
Manufacturing and related process development expenses	**3,585**	2,979	606
Intellectual property expenses	**101**	84	17
Translational science expenses	**47**	—	47
Personnel-related expenses	**1,297**	1,317	(20)
Share-based compensation expense	**282**	399	(117)
Other expenses	**63**	22	41
Research and development expenses	**$ 6,794**	$ 5,811	$ 983

The increase in our R&D expenses in the third quarter of 2024 was primarily due to the following:

- Increased manufacturing and related process development expenses related to completing a cGMP production run compared to an engineering production run and the related batch testing during the same period last year; and

- Increased clinical trial expenses associated with planning activities as part of GCAR's anticipated metastatic pancreatic cancer master protocol, BRACELET-1 study close-out costs, and clinical data management of legacy studies. The increase was partly offset by lower GOBLET study costs as we focus on enrolling the new mFOLFIRINOX cohort, which is supported by the PanCAN Therapeutic Accelerator Award ($595 of the funds received were applied).

General and Administrative Expenses ("G&A")

Our G&A expenses decreased by $2,132 from $5,237 for the three months ended September 30, 2023, to $3,105 for the three months ended September 30, 2024. The following table summarizes our G&A expenses for the three months ended September 30, 2024, and 2023:

	Three Months Ended September 30,		
	2024	**2023**	**Change**
Public company-related expenses	**$ 2,041**	$ 4,180	$ (2,139)
Personnel-related expenses	**680**	645	35
Office expenses	**116**	109	7
Share-based compensation expense	**163**	200	(37)
Depreciation - property and equipment	**36**	20	16
Depreciation - right-of-use assets	**69**	83	(14)
General and administrative expenses	**$ 3,105**	$ 5,237	$ (2,132)

The decrease in our G&A expenses in the third quarter of 2024 was primarily due to lower investor relations activities and the transaction costs allocated to warrants as part of our public offering in 2023 (see note 7 of our condensed interim consolidated financial statements).

Change in fair value of warrant derivative

In the third quarter of 2024, we recognized a gain of $229 on the change in fair value of our warrant derivative compared to a gain of $515 in the third quarter of 2023. The gain recognized in 2024 and 2023 primarily related to the warrants issued as part of our 2023 financing. In the third quarter of 2024, the underlying market price of these warrants changed from US$0.99 at June 30, 2024, to US$0.88 at September 30, 2024. In the third quarter of 2023, the underlying market price of these warrants changed from US$2.26 and US$2.39 at their respective issuance dates to US$2.20 at September 30, 2023. The number of outstanding warrants was 7,667,050 at September 30, 2024.

Foreign Exchange

Our foreign exchange losses were $122 for the third quarter of 2024 compared to gains of $310 for the third quarter of 2023. The foreign exchange impact 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.

Comparison of the nine months ended September 30, 2024, and 2023:

Net loss for the nine months ended September 30, 2024, was $23,693 compared to $23,803 for the nine months ended September 30, 2023.

Research and development expenses ("R&D")

Our R&D expenses increased by $4,044 from $13,051 for the nine months ended September 30, 2023, to $17,095 for the nine months ended September 30, 2024. The following table summarizes our R&D expenses for the nine months ended September 30, 2024, and 2023:

	Nine Months Ended September 30,		
	2024	**2023**	**Change**
Clinical trial expenses	**$ 4,385**	$ 2,941	$ 1,444
Manufacturing and related process development expenses	**7,425**	4,856	2,569
Intellectual property expenses	**299**	327	(28)
Translational science expenses	**47**	—	47
Personnel-related expenses	**3,856**	4,071	(215)
Share-based compensation expense	**932**	735	197
Other expenses	**151**	121	30
Research and development expenses	**$ 17,095**	$ 13,051	$ 4,044

The increase in our R&D expenses for the nine months ended September 30, 2024, was primarily due to the following:

- Increased manufacturing and related process development expenses associated with two cGMP production runs compared to an engineering production run during the same period in the prior year;
- Increased clinical trial expenses related to planning activities as part of GCAR's anticipated pancreatic cancer master protocol and BRACELET-1's patient data management and analysis. The increase was partly offset by lower GOBLET study costs as we focus on enrolling the new mFOLFIRINOX cohort, which is supported by the PanCAN Therapeutic Accelerator Award ($1,219 of the funds received were applied), and clinical data management of legacy studies; and
- Increased share-based compensation expense resulting from the impact of the vesting of options and share awards granted in prior periods.

General and administrative expenses ("G&A")

Our G&A expenses decreased by $2,441 from $11,891 for the nine months ended September 30, 2023, to $9,450 for the nine months ended September 30, 2024. The following table summarizes our G&A expenses for the nine months ended September 30, 2024, and 2023:

	Nine Months Ended September 30,		
	2024	**2023**	**Change**
Public company-related expenses	**$ 6,160**	$ 8,868	$ (2,708)
Personnel-related expenses	**2,000**	1,972	28
Office expenses	**369**	332	37
Share-based compensation expense	**595**	423	172
Depreciation - property and equipment	**92**	62	30
Depreciation - right-of-use assets	**234**	234	—
General and administrative expenses	**$ 9,450**	$ 11,891	$ (2,441)

The decrease in our G&A expenses for the nine months ended September 30, 2024, was primarily due to lower public-company related expenses associated with lower investor relations activities, the transaction costs allocated to warrants as part of our public offering in 2023 (see note 7 of our condensed interim consolidated financial statements), and lower directors and officers liability insurance premiums. The above decrease was partly offset by higher share-based compensation expense resulting from the impact of the vesting of options and share awards granted in prior periods.

Change in fair value of warrant derivative

For the nine months ended September 30, 2024, we recognized a gain of $1,333 on the change in fair value of our warrant derivative compared to a gain of $439 for the nine months ended September 30, 2023. The gain recognized in 2024 and 2023 primarily related to the warrants issued as part of our 2023 financing. For the nine months ended September 30, 2024, the underlying market price of these warrants changed from US$1.35 at December 31, 2023, to US$0.88 at September 30, 2024. For the nine months ended September 30, 2023, the underlying market price of these warrants changed from US$2.26 and US$2.39 at their respective issuance dates to US$2.20 at September 30, 2023. The number of outstanding warrants was 7,667,050 at September 30, 2024.

Foreign exchange

Our foreign exchange gains for the nine months ended September 30, 2024, were $579 compared to losses of $83 for the nine months ended September 30, 2023. The foreign exchange impact 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.

	2024			2023				2022
	Sept[4]	June[4]	March[4]	Dec.[4]	Sept.	June	March	Dec.
Revenue	—	—	—	—	—	—	—	—
Net loss[1][2][3]	(9,543)	(7,256)	(6,894)	(3,949)	(9,925)	(7,441)	(6,437)	(8,554)
Basic and diluted loss per common share[1][2][3]	$ (0.12)	$ (0.10)	$ (0.09)	$ (0.05)	$ (0.14)	$ (0.12)	$ (0.10)	$ (0.14)
Total assets[5]	24,262	32,069	34,750	38,820	46,089	31,966	35,328	37,334
Total cash, cash equivalents, and marketable securities[5]	19,598	24,850	29,603	34,912	39,981	24,351	29,670	32,138
Total long-term debt	—	—	—	—	—	—	—	—
Cash dividends declared[6]	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) Included in consolidated net loss and loss per common share were share-based compensation expenses of $445, $506, $576, $759, $599, $242, $317, and $749, respectively.
(2) Included in consolidated net loss and loss per common share were foreign exchange (losses) gains of $(122), $184, $517, $(392), $310, $(394), $1, and $(274), respectively.
(3) Included in consolidated net loss and loss per common share was interest income of $303, $382, $461, $508, $324, $286, $280, and $330, respectively.
(4) Included in consolidated net loss and loss per common share were gains resulting from a change in fair value of warrant derivative of $229, $235, $869, and $4,846, respectively.
(5) We raised net cash proceeds of nil, $2,040, $1,598, $1,846, $20,802, $3,792, $5,372, and $5,972, respectively, from issuing common shares.
(6) 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 7(b) of our condensed interim consolidated financial statements). During the quarter ended September 30, 2024, we completed a cGMP production run, resulting in higher manufacturing and related process development expenses. During the quarters ended December 31, 2023, and 2022, we incurred expenses related to annual short-term incentive awards.

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 nine months ended September 30, 2024, we were able to raise funds through our U.S. ATM.

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 July 19, 2024, we renewed our short form base shelf prospectus (the "Base Shelf") that qualifies for distribution of up to $150 million of common shares, subscription receipts, warrants, or units (the "Securities") in either Canada, the U.S. or both. The Base Shelf will be effective until August 19, 2026. Under the 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 Base Shelf allowed us to enter our ATM equity distribution agreement in August 2024 (see *"Use of Proceeds"*). We plan to use this equity arrangement to assist us in achieving our capital objective. This arrangement provided us with the opportunity to raise capital and better manage our cash resources. We expect to continue to access equity arrangements to help support our operations.

As at September 30, 2024, and December 31, 2023, we had cash and cash equivalents as follows:

	September 30, 2024	**December 31, 2023**
Cash and cash equivalents	**$ 19,598**	$ 34,912

We have no debt other than accounts payable and accrued liabilities and lease liabilities. We have commitments relating to completing our research and development of pelareorep.

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

	Nine Months Ended September 30,		
	2024	**2023**	**Change**
Cash used in operating activities	**$ (19,120)**	$ (22,324)	$ 3,204
Cash (used in) provided by investing activities	**(233)**	20,225	(20,458)
Cash provided by financing activities	**3,297**	30,252	(26,955)
Impact of foreign exchange on cash and cash equivalents	**742**	162	580
(Decrease) increase in cash and cash equivalents	**$ (15,314)**	$ 28,315	$ (43,629)

Cash used in operating activities
The decrease reflected non-cash working capital changes, partly offset by higher net operating activities in 2024.

Cash used in operating activities for the nine months ended September 30, 2024, consisted of a net loss of $23,693 offset by non-cash adjustments of $75 and by non-cash working capital changes of $4,498. Non-cash items primarily included change in fair value of warrant derivative, share-based compensation expense, and unrealized foreign exchange gains. Non-cash working capital changes mainly reflected increased accounts payable and accrued liabilities and decreased prepaid expenses (see note 13 of our condensed interim consolidated financial statements).

Cash used in operating activities for the nine months ended September 30, 2023, consisted of a net loss of $23,803 offset by non-cash adjustments of $1,240 and non-cash working capital changes of $239. Non-cash items primarily included share-based compensation expense and change in fair value of warrant derivative. Non-cash working capital changes mainly reflected increased accounts payable and accrued liabilities and prepaid expenses (see note 13 of our condensed interim consolidated financial statements).

Cash (used in) provided by investing activities
The change was primarily related to the maturities of marketable securities in the first nine months of 2023. We assess whether to acquire marketable securities 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.

Cash provided by financing activities
The decrease was mainly due to our 2023 public offering and U.S. ATM activities. During the nine months ended September 30, 2024, we sold 2,596,533 common shares for gross proceeds of $4,062 (US$2,998) at an average price of $1.56 (US$1.15). During the nine months ended September 30, 2023, as part of a 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 4,205,240 common shares for gross proceeds of $9,128 (US$6,764) at an average price of $2.17 (US$1.61).

Operating Capital Requirements

Our objective is 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.

Management has applied significant judgment in the assessment of our ability to continue as a going concern. In our going concern assessment, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. We have concluded that our cash and cash equivalents is not sufficient to fund our planned operations and meet our obligations for the twelve months following the balance sheet date without raising additional funding or reducing or eliminating our planned expenditures. 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, and 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. The judgment and assumptions applied by management may prove to be wrong, and actual results could vary materially from our expectations as significant risks and uncertainties are involved.

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.

We plan on raising additional funds through the sale of our common shares or other capital resources, such as strategic collaborations and debt, to fund our ongoing operations. However, given the difficulty for micro-cap market capitalization companies to raise significant capital, there can be no assurance that additional liquidity will be available under acceptable terms or at all. Furthermore, if we are unable to obtain additional financing when required, there can be no assurance that we will be able to sufficiently reduce or eliminate our planned expenditures to extend our operating runway until we obtain sufficient financing. These material uncertainties raise substantial doubt on our ability to continue as a going concern. Our condensed interim consolidated financial statements do not reflect the adjustments that may result from the outcome of these uncertainties. Such adjustments could be material.

To the extent that we can raise additional funds by issuing equity, our shareholders may experience significant dilution. Any debt financing, if available, may involve restrictive covenants that may impact our ability to conduct our business. If we are unable to secure adequate additional funding, we may be forced to make reductions in spending, including potentially delaying, scaling back or eliminating certain of our development programs, extending payment terms with suppliers, or liquidating assets where possible. Any of these actions could materially harm our business, results of operations and future prospects.

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 2024.

Contractual Obligations and Commitments

The following table summarizes our significant contractual obligations as at September 30, 2024:

	Total	Less than 1 year	1 -3 years	4 - 5 years	More than 5 years
Accounts payable and accrued liabilities	$ 6,922	$ 6,922	$ —	$ —	$ —
Lease obligations	1,431	394	853	184	—
Total contractual obligations	$ 8,353	$ 7,316	$ 853	$ 184	$ —

In addition, we are committed to payments totaling approximately $7,100 for activities mainly related to our clinical trial and manufacturing programs, which are expected to occur over the next two years. Approximately half of the committed payments relate to a production service agreement with our primary toll manufacturer, which cannot be canceled without a significant penalty. We are able to cancel most of the remaining 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 September 30, 2024, we had not entered into any off-balance sheet arrangements.

Transactions with Related Parties

During the three and nine months ended September 30, 2024, and 2023, 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Compensation and short-term benefits	**$ 1,132**	$ 1,010	**$ 3,045**	$ 3,036
Share-based compensation expense	**370**	541	**1,304**	941
	$ 1,502	$ 1,551	**$ 4,349**	$ 3,977

Critical Accounting Policies and Estimates

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

Our critical accounting policies and estimates are described in our audited consolidated financial statements for the year ended December 31, 2023, and available on SEDAR+ at www.sedarplus.ca and contained in our annual report on Form 20-F filed on EDGAR at www.sec.gov/edgar.

There were no material changes to our critical accounting policies in the nine months ended September 30, 2024.

Adoption of new accounting standards

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 became effective on January 1, 2024. Adopting the amendments did not have a material impact on our condensed interim consolidated financial statements.

Accounting standards and interpretations issued but not yet effective

IFRS 18 *Presentation and Disclosure in Financial Statements*
In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* which replaces IAS 1 *Presentation of Financial Statements.* IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified roles of the primary financial statements and the notes. Narrow scope amendments have been made to IAS 7 *Statement of Cash Flows* and some requirements previously included within IAS 1 have been moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* which has also been renamed IAS 8 *Basis of Preparation of Financial Statements*. IAS 34 *Interim Financial Reporting* has also been amended to require disclosure of management-defined performance measures. IFRS 18 and the amendments to the other standards are effective for annual periods beginning on or after January 1, 2027, with early application permitted. IFRS 18 applies retrospectively to both annual and interim financial statements. We are assessing the impact of adopting this standard on our consolidated financial statements.

Financial Instruments and Other Instruments

Fair value of financial instruments

Our financial instruments consist of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, other liabilities, and warrant derivative. As at September 30, 2024, and December 31, 2023, the carrying amount of our cash and cash equivalents, 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 September 30, 2024, the fair value of our warrant derivative was presented as an asset of $1,092 (December 31, 2023 - liability of $200). The change was mainly due to the revaluation of our warrants issued as part of our 2023 public offering. As the unamortized discount balance was greater than the fair value of the warrant derivative liability at September 30, 2024, the net balance was presented as an asset on our condensed interim consolidated statement of financial position. An initial discount was recognized as the difference between the fair value of the warrants and their allocated proceeds, which is amortized on a straight-line basis over the expected life of the warrants (see note 6 of our condensed interim consolidated financial statements). 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 September 30, 2024, 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 a financial instrument's fair value or future cash flows 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 nine months ended September 30, 2024, we were primarily exposed to the risk of changes in the Canadian dollar relative to the U.S. dollar and Euro, as a portion of our financial assets and liabilities 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 total comprehensive loss in 2024 by approximately $29 (September 30, 2023 - $216). The impact of a $0.01 increase in the value of the Euro against the Canadian dollar would have increased our total comprehensive loss in 2024 by approximately $25 (September 30, 2023 - $12).

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.

Significant balances denominated in U.S. dollars were as follows:

	September 30, 2024	December 31, 2023
Cash and cash equivalents	$ 12,658	$ 24,294
Accounts payable and accrued liabilities	(3,518)	(1,476)
	$ 9,140	$ 22,818

Significant balances denominated in Euros were as follows:

	September 30, 2024	December 31, 2023
Accounts payable and accrued liabilities	€ (1,125)	€ (673)

Liquidity risk
Liquidity risk is the risk that we will encounter difficulty meeting obligations associated with financial liabilities. We manage liquidity risk by managing our capital structure as outlined in note 11 of our condensed interim consolidated financial statements. Accounts payable and accrued liabilities are all due within the current operating period.

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 the 2023 public offering of common shares and warrants along with amounts actually expended. As at September 30, 2024, 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	$ (1,915)	$ —	$ 8,585
Breast Cancer Program	500	(500)	—	—
General and Administrative Expenses	2,650	(480)	—	2,170
Total	$ 13,650	$ (2,895)	$ —	$ 10,755

ATM facility

On August 2, 2024, we entered into an ATM equity distribution agreement with Cantor Fitzgerald & Co. The ATM allows us to issue common shares, at prevailing market prices, with an aggregate offering value of up to US$50.0 million through the facilities of the Nasdaq Capital Market in the United States until August 19, 2026. Approximately $67.4 million (US$50.0 million) remains unused under the ATM equity distribution agreement.

Other MD&A Requirements

We have 77,074,089 common shares outstanding at November 9, 2024. If all of our options and restricted share awards (7,609,836) and common share purchase warrants (8,203,743) were exercised, we would have 92,887,668 common shares outstanding.

Our 2023 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

Disclosure controls and procedures (“DC&P”) are designed to provide reasonable assurance that information required to be disclosed by the Company in its reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its reports filed or submitted under securities legislation is accumulated and communicated to the Company’s management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. There were no changes in our DC&P during the three months ended September 30, 2024, that materially affected or are reasonably likely to materially affect, our DC&P.

Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting (“ICFR”) or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO have designed, or caused to be designed under their supervision, ICFR to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others; and (ii) information required to be disclosed by the Company in its reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) 2013 framework provides the basis for management’s design of internal controls over financial reporting. There were no changes in our ICFR during the three months ended September 30, 2024, that materially affected or are reasonably likely to materially affect, our ICFR.

Management, including the CEO and CFO, 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 error or mistake. 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 controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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.

Condensed Interim Consolidated Financial Statements
(unaudited)

Oncolytics Biotech® Inc.
For the three and nine months ended September 30, 2024

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

(in thousands of Canadian dollars, except share amounts)

As at	September 30, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents (note 4)	**$ 19,598**	$ 34,912
Other receivables	**104**	15
Prepaid expenses	**2,119**	3,246
Warrant derivative (note 6)	**1,092**	—
Total current assets	**22,913**	38,173
Property and equipment	**422**	282
Right-of-use assets (note 5)	**927**	365
Total assets	**$ 24,262**	$ 38,820
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	**$ 6,922**	$ 3,572
Other liabilities (note 4)	**489**	332
Lease liabilities (note 5)	**251**	133
Warrant derivative (note 6)	**—**	200
Total current liabilities	**7,662**	4,237
Contract liability	**6,730**	6,730
Lease liabilities (note 5)	**813**	290
Total liabilities	**15,205**	11,257
Commitments (note 10)		
Shareholders' equity		
Share capital (note 7) Authorized: unlimited Issued: September 30, 2024 – 77,074,089 December 31, 2023 – 74,423,960	**434,460**	430,906
Contributed surplus (note 8)	**43,640**	42,116
Accumulated other comprehensive income	**653**	544
Accumulated deficit	**(469,696)**	(446,003)
Total shareholders' equity	**9,057**	27,563
Total liabilities and shareholders' equity	**$ 24,262**	$ 38,820

See accompanying notes

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

(in thousands of Canadian dollars, except share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Expenses				
Research and development (note 14)	**$ 6,794**	$ 5,811	**$ 17,095**	$ 13,051
General and administrative (note 14)	**3,105**	5,237	**9,450**	11,891
Loss before the following	**(9,899)**	(11,048)	**(26,545)**	(24,942)
Change in fair value of warrant derivative (note 6)	**229**	515	**1,333**	439
Foreign exchange (loss) gain	**(122)**	310	**579**	(83)
Interest income, net	**261**	305	**1,047**	837
Loss before income taxes	**(9,531)**	(9,918)	**(23,586)**	(23,749)
Income tax expense	**(12)**	(7)	**(107)**	(54)
Net loss	**(9,543)**	(9,925)	**(23,693)**	(23,803)
Other comprehensive (loss) income items that may be reclassified to net loss				
Translation adjustment	**(69)**	101	**109**	(7)
Net comprehensive loss	**$ (9,612)**	$ (9,824)	**$ (23,584)**	$ (23,810)
Basic and diluted loss per common share (note 9)	**$ (0.12)**	$ (0.14)	**$ (0.31)**	$ (0.36)
Weighted average number of shares (basic and diluted) (note 9)	**77,016,848**	69,803,255	**76,120,580**	65,565,890

See accompanying notes

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

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
As at December 31, 2022	$ 404,040	$ 40,051	$ 662	$ (418,251)	$ 26,502
Net loss and other comprehensive loss	—	—	(7)	(23,803)	(23,810)
Issued pursuant to stock option plan (notes 7, 8)	662	(256)	—	—	406
Issued pursuant to "At the Market" Agreement (note 7)	9,128	—	—	—	9,128
Issued pursuant to public offering (notes 7, 8)	17,724	638	—	—	18,362
Share issue costs (note 7)	(2,728)	—	—	—	(2,728)
Share-based compensation expense (note 8)	—	1,158	—	—	1,158
As at September 30, 2023	$ 428,826	$ 41,591	$ 655	$ (442,054)	$ 29,018
As at December 31, 2023	$ 430,906	$ 42,116	$ 544	$ (446,003)	$ 27,563
Net loss and other comprehensive income	—	—	109	(23,693)	(23,584)
Issued pursuant to incentive share award plan (notes 7, 8)	3	(3)	—	—	—
Issued pursuant to "At the Market" Agreement (note 7)	4,062	—	—	—	4,062
Issued pursuant to warrant derivative exercised (note 6)	71	—	—	—	71
Share issue costs (note 7)	(582)	—	—	—	(582)
Share-based compensation expense (note 8)	—	1,527	—	—	1,527
As at September 30, 2024	**$ 434,460**	**$ 43,640**	**$ 653**	**$ (469,696)**	**$ 9,057**

See accompanying notes

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

	Nine Months Ended September 30,	
	2024	**2023**
Operating Activities		
Net loss for the period	**$ (23,693)**	$ (23,803)
Depreciation - property and equipment (note 14)	**92**	62
Depreciation - right-of-use-assets (note 14)	**234**	234
Share-based compensation expense (notes 8, 14, 15)	**1,527**	1,158
Compensation warrant expenses (note 8)	**—**	151
Interest expense on lease liabilities	**99**	53
Unrealized foreign exchange (gain) loss	**(544)**	21
Change in fair value of warrant derivative (note 6)	**(1,333)**	(439)
Net change in non-cash working capital (note 13)	**4,498**	239
Cash used in operating activities	**(19,120)**	(22,324)
Investing Activities		
Acquisition of property and equipment	**(233)**	(5)
Maturities of marketable securities	**—**	20,230
Cash (used in) provided by investing activities	**(233)**	20,225
Financing Activities		
Proceeds from exercise of stock options (note 8)	**—**	406
Proceeds from exercise of warrant derivative (note 6)	**65**	—
Proceeds from "At the Market" equity distribution agreement, net (note 7)	**3,480**	8,790
Proceeds from public offering (note 7)	**—**	21,359
Payment of lease liabilities	**(248)**	(303)
Cash provided by financing activities	**3,297**	30,252
(Decrease) increase in cash and cash equivalents	**(16,056)**	28,153
Cash and cash equivalents, beginning of period	**34,912**	11,666
Impact of foreign exchange on cash and cash equivalents	**742**	162
Cash and cash equivalents, end of period	**$ 19,598**	$ 39,981

See accompanying notes

Note 1: Nature of Operations and Going Concern

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-enabling 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 September 30, 2024, we had an accumulated deficit of $469,696. 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.

Management has applied significant judgment in the assessment of our ability to continue as a going concern when preparing our condensed interim consolidated financial statements. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. As at September 30, 2024, we had cash and cash equivalents of $19,598. Without raising additional funding or reducing or eliminating our planned expenditures, we estimated our cash and cash equivalents to fund our operations into the second quarter of 2025. Factors that will affect our anticipated cash needs for the next twelve months 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 activity with our clinical trial research collaborations, the number, timing and costs of manufacturing runs required to conclude the validation process and supply product to our clinical trial program, and the level of collaborative activity undertaken.

Our ability to continue as a going concern is dependent upon raising additional financing through equity or strategic collaborations and transactions. We plan on raising additional funds through the sale of our common shares or other capital resources, such as collaborations and debt, to fund our ongoing operations. However, given the difficulty for micro-cap market capitalization companies to raise significant capital, there can be no assurance that additional liquidity will be available under acceptable terms or at all. Furthermore, if we are unable to obtain additional financing when required, there can be no assurance that we will be able to sufficiently reduce or eliminate our planned expenditures to extend our operating runway. These material uncertainties raise substantial doubt on our ability to meet our obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. However, the use of the going concern assumption on which these condensed interim consolidated financial statements are prepared may not be appropriate based on the factors described above.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if we were unable to realize our assets and settle our liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Note 2: Basis of Presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS and in compliance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

Our condensed interim consolidated financial statements for the three and nine months ended September 30, 2024, were authorized for issue in accordance with a resolution of the Board of Directors on November 9, 2024.

Basis of presentation

These condensed interim consolidated financial statements have been 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.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since our last fiscal year end and are not fully inclusive of all matters required to be disclosed in our annual audited consolidated financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with our most recent annual audited consolidated financial statements for the year ended December 31, 2023.

Our condensed interim 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.

Use of estimates

The preparation of our condensed interim consolidated financial statements in conformity with IFRS requires us to make judgments, estimates, and assumptions that affect the application of accounting policies, the reported amounts, and disclosures in our condensed interim 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, inflation, fluctuating interest rates, and liquidity, when making certain estimates and judgments relating to the preparation of these condensed interim 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.

Note 3: Material Accounting Policies

The accounting policies applied in these condensed interim consolidated financial statements are the same as those applied in our audited consolidated financial statements for the year ended December 31, 2023.

Adoption of new accounting standards

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 became effective on January 1, 2024. Adopting the amendments did not have a material impact on our condensed interim consolidated financial statements.

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

Accounting standards and interpretations issued but not yet effective

IFRS 18 *Presentation and Disclosure in Financial Statements*
In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* which replaces IAS 1 *Presentation of Financial Statements.* IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified roles of the primary financial statements and the notes. Narrow scope amendments have been made to IAS 7 *Statement of Cash Flows* and some requirements previously included within IAS 1 have been moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* which has also been renamed IAS 8 *Basis of Preparation of Financial Statements*. IAS 34 *Interim Financial Reporting* has also been amended to require disclosure of management-defined performance measures. IFRS 18 and the amendments to the other standards are effective for annual periods beginning on or after January 1, 2027, with early application permitted. IFRS 18 applies retrospectively to both annual and interim financial statements. We are assessing the impact of adopting this standard on our consolidated financial statements.

Note 4: Balance Sheet Details

Cash equivalents

Cash equivalents consist of interest-bearing deposits with our bank totaling $14,367 as at September 30, 2024 (December 31, 2023 – $31,534).

Other liabilities

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 September 30, 2024, we recorded US$362 ($489) (December 31, 2023 – US$225 ($298)) in other liabilities representing unapplied funding received from PanCAN.

Accounts payable and accrued liabilities

	September 30, 2024	**December 31, 2023**
Trade payables	**$ 3,427**	$ 1,082
Accrued liabilities	**3,495**	2,490
	$ 6,922	$ 3,572

Note 5: Leases

We have office space leases with initial lease terms generally between 3 to 6 years. We currently do not have leases with residual value guarantees or leases not yet commenced to which we are committed. 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 nine months ended September 30, 2024, we recorded an increase of $785 to the lease liability and $794 to the right-of-use asset relating to one of our subsidiaries' office leases.

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

Our total undiscounted lease liabilities as at September 30, 2024, were as follows:

	September 30, 2024
Less than one year	$ 394
One to five years	1,037
More than five years	—
Total undiscounted lease liabilities	$ 1,431

Note 6: 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. 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.

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

	Number of Warrants	Fair Value of Warrant Derivative
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
Exercised	(52,456)	(6)
Expired	(11,579)	—
Amortization of discount on warrants issued	—	273
Change in fair value	—	(1,606)
Foreign exchange impact	—	47
As at September 30, 2024	**7,667,050**	**$ (1,092)**

The following table summarizes our outstanding warrant derivative as at September 30, 2024:

Exercise price	Issuance date	Expiry date	Number of Warrants Outstanding
US$2.81	August 8, 2023	August 8, 2028	6,667,000
US$2.81	September 7, 2023	August 8, 2028	1,000,050
			7,667,050

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 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. 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.

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

At September 30, 2024, as the unamortized discount balance was greater than the fair value of the warrant derivative liability, the net balance was presented as an asset on our condensed interim consolidated statement of financial position.

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.

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

	September 30, 2024	December 31, 2023
Underlying share price	**US$0.88**	US$1.35
Risk-free interest rate	**2.8%**	3.2%
Expected life	**3.9 years**	4.6 years
Expected volatility	**36.5%**	36.5%
Expected dividend yield	**Nil**	Nil
Fair value per warrant	**US$0.03**	US$0.18

Note 7: Share Capital

Authorized
Unlimited number of no par value common shares

	Shares	
	Number	Amount
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[a]	4,978,605	10,676
Issued pursuant to public offering[b]	7,667,050	17,724
Share issue costs	—	(2,805)
As at December 31, 2023	74,423,960	$ 430,906
Issued pursuant to incentive share award plan	1,140	3
Issued pursuant to "At the Market" (ATM) equity distribution agreement[a]	2,596,533	4,062
Issued pursuant to warrant derivative exercised	52,456	71
Share issue costs	—	(582)
As at September 30, 2024	**77,074,089**	**$ 434,460**

(a) Under our ATM equity distribution agreements, during the nine months ended September 30, 2024, we sold 2,596,533 (September 30, 2023 - 4,205,240) common shares for gross proceeds of $4,062 (US$2,998) (September 30, 2023 - $9,128 (US$6,764)) at an average price of $1.56 (US$1.15) (September 30, 2023 - $2.17 (US$1.61)). We received proceeds of $3,940 (US$2,908) (September 30, 2023 - $8,854 (US$6,561)) after commissions of $122 (US$90) (September 30, 2023 - $274 (US$203)). In total, we incurred share issue costs (including commissions) of $582 (September 30, 2023 - $338).

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

(b) 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 6). 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 8). 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 8: 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 September 30, 2024, we reserved 10,790,372 common shares for issuance relating to our Equity Incentive Plans. Our share-based compensation expense was $445 and $1,527 for the three and nine months ended September 30, 2024, respectively (September 30, 2023 - $599 and $1,158, respectively).

(b) Our stock option activity for the nine months ended September 30 was as follows:

	2024		2023	
	Stock Options	Weighted Average Exercise Price $	Stock Options	Weighted Average Exercise Price $
Outstanding, beginning of the period	**7,063,333**	**2.72**	5,963,185	2.91
Granted	**310,000**	**1.57**	802,500	2.77
Forfeited	**(175,534)**	**2.46**	(69,867)	2.73
Expired	**(65,263)**	**5.93**	(5,263)	27.46
Exercised	**—**	**—**	(198,643)	2.04
Outstanding, end of the period	**7,132,536**	**2.65**	6,491,912	2.90
Exercisable, end of the period	**5,597,822**	**2.83**	4,895,741	2.97

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

The following table summarizes information about the stock options outstanding and exercisable at September 30, 2024:

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	2,285,400	3.3	1.72	1,133,046	1.62
$2.01 - $2.70	1,183,156	1.7	2.25	998,982	2.24
$2.71 - $3.11	978,033	3.4	2.78	779,847	2.78
$3.12 - $4.00	2,608,269	0.8	3.32	2,608,269	3.32
$4.01 - $16.53	77,678	0.4	11.96	77,678	11.96
	7,132,536	2.1	2.65	5,597,822	2.83

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 nine months ended September 30 were determined using the following weighted average assumptions:

	2024	2023
Risk-free interest rate	**4.1%**	4.5%
Expected life	**3.0 years**	3.0 years
Expected volatility	**64.8%**	76.9%
Expected dividend yield	**Nil**	Nil
Weighted average fair value of options	**$0.72**	$1.46

(c) Our share award activity for the nine months ended September 30 was as follows:

	2024	2023
Outstanding, beginning of the period	**398,440**	—
Granted[(1)]	**—**	150,500
Released	**(1,140)**	—
Outstanding, end of the period	**397,300**	150,500

(1) The weighted average fair value of the RSAs granted was $2.76 in 2023.

We have granted restricted share awards to officers of the Company. Restricted share award grants vest over a three-year period.

Compensation warrants

In consideration of the services rendered by the underwriter as part of a public offering in 2023 (see note 7(b)), 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. At issuance date, we used the Black-Scholes valuation model to estimate the fair value of the services rendered. As at September 30, 2024, there were 536,693 compensation warrants outstanding.

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

Note 9: Loss Per Common Share

Loss per common share is calculated by dividing net loss for the period and the weighted average number of common shares outstanding for the three and nine months ended September 30, 2024, of 77,016,848 and 76,120,580, respectively (September 30, 2023 - 69,803,255 and 65,565,890, respectively). The effect of any potential exercise of our stock options and warrants outstanding during the period has been excluded from the calculation of diluted loss per common share, as it would be anti-dilutive.

Note 10: Commitments

We are committed to payments of approximately $7,100 for activities mainly related to our clinical trial and manufacturing programs, which are expected to occur over the next two years. Approximately half of the committed payments relate to a production service agreement with our primary toll manufacturer, which cannot be canceled without a significant penalty. We are able to cancel most of the remaining agreements with notice.

Note 11: Capital Disclosures

Our objective when managing capital is to maintain adequate cash resources to support planned activities, including our clinical trial program, product manufacturing, administrative costs, and intellectual property expansion and protection. See note 1 for the discussion on our ability to continue as a going concern. We include shareholders' equity and cash and cash equivalents in the definition of capital.

	September 30, 2024	December 31, 2023
Cash and cash equivalents	**$ 19,598**	$ 34,912
Shareholders' equity	**$ 9,057**	$ 27,563

We have no debt other than accounts payable and accrued liabilities and lease liabilities. We also have commitments relating to completing 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 are converted to common shares upon exercise. Management regularly monitors the capital markets attempting to balance the timing of issuing additional equity with our progress through our clinical trial program, general market conditions, and the availability of capital. There are no assurances that funds will be made available to us when required.

On July 19, 2024, we renewed our short form base shelf prospectus (the "Base Shelf") that qualifies for distribution of up to $150 million of common shares, subscription receipts, warrants, or units (the "Securities") in either Canada, the U.S. or both. The Base Shelf will be effective until August 19, 2026. Under the 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 Base Shelf allowed us to enter an ATM equity distribution agreement on August 2, 2024, with Cantor Fitzgerald & Co. The ATM allows us to issue common shares, at prevailing market prices, with an aggregate offering value of up to US$50 million over a 24-month period through the facilities of the Nasdaq Capital Market in the United States. We plan on using this equity arrangement to assist us in achieving our capital objective. This arrangement provided 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 2024.

Note 12: Financial Instruments

Fair value of financial instruments

Our financial instruments consist of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, other liabilities, and warrant derivative. As at September 30, 2024, and December 31, 2023, the carrying amount of our cash and cash equivalents, 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 September 30, 2024, the fair value of our warrant derivative was presented as an asset of $1,092 (December 31, 2023 - liability of $200) (see note 6).

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 September 30, 2024, 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 a financial instrument's fair value or future cash flows 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 nine months ended September 30, 2024, we were primarily exposed to the risk of changes in the Canadian dollar relative to the U.S. dollar and Euro, as a portion of our financial assets and liabilities 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 total comprehensive loss in 2024 by approximately $29 (September 30, 2023 - $216). The impact of a $0.01 increase in the value of the Euro against the Canadian dollar would have increased our total comprehensive loss in 2024 by approximately $25 (September 30, 2023 - $12).

(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.

Significant balances denominated in U.S. dollars were as follows:

	September 30, 2024	December 31, 2023
Cash and cash equivalents	$ 12,658	$ 24,294
Accounts payable and accrued liabilities	(3,518)	(1,476)
	$ 9,140	$ 22,818

Significant balances denominated in Euros were as follows:

	September 30, 2024	December 31, 2023
Accounts payable and accrued liabilities	€ (1,125)	€ (673)

Liquidity risk
Liquidity risk is the risk that we will encounter difficulty meeting obligations associated with financial liabilities. We manage liquidity risk by managing our capital structure as outlined in note 11. Accounts payable and accrued liabilities are all due within the current operating period.

Note 13: Additional Cash Flow Disclosures

Net Change In Non-Cash Working Capital

	Nine Months Ended September 30,	
	2024	**2023**
Change in:		
Other receivables	**$ (89)**	$ (109)
Prepaid expenses	**1,127**	(703)
Accounts payable and accrued liabilities	**3,350**	886
Other liabilities	**157**	93
Non-cash impact of foreign exchange	**(47)**	72
Change in non-cash working capital related to operating activities	**$ 4,498**	$ 239

Other Cash Flow Disclosures

	Nine Months Ended September 30,	
	2024	**2023**
Cash interest received	**$ 1,146**	$ 1,046
Cash taxes paid	**$ 160**	$ 93

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

Note 14: Components of Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Research and development expenses				
Clinical trial expenses	**$ 1,419**	$ 1,010	**$ 4,385**	$ 2,941
Manufacturing and related process development expenses	**3,585**	2,979	**7,425**	4,856
Intellectual property expenses	**101**	84	**299**	327
Translational science expenses	**47**	—	**47**	—
Personnel-related expenses	**1,297**	1,317	**3,856**	4,071
Share-based compensation expense	**282**	399	**932**	735
Other expenses	**63**	22	**151**	121
	$ 6,794	$ 5,811	**$ 17,095**	$ 13,051
General and administrative expenses				
Public company-related expenses	**$ 2,041**	$ 4,180	**$ 6,160**	$ 8,868
Personnel-related expenses	**680**	645	**2,000**	1,972
Office expenses	**116**	109	**369**	332
Share-based compensation expense	**163**	200	**595**	423
Depreciation - property and equipment	**36**	20	**92**	62
Depreciation - right-of-use assets	**69**	83	**234**	234
	$ 3,105	$ 5,237	**$ 9,450**	$ 11,891

Our research and development personnel-related expenses included employee compensation and benefits of $1,210 and $3,734 for the three and nine months ended September 30, 2024, respectively (September 30, 2023 - $1,317 and $4,071, respectively).

Our general and administrative office expenses included employee compensation and benefits of $680 and $1,802 for the three and nine months ended September 30, 2024, respectively (September 30, 2023 - $645 and $1,972, respectively).

Note 15: 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 comprise the Board of Directors, Executive Officers, President, and Vice Presidents.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Compensation and short-term benefits	**$ 1,132**	$ 1,010	**$ 3,045**	$ 3,036
Share-based compensation expense	**370**	541	**1,304**	941
	$ 1,502	$ 1,551	**$ 4,349**	$ 3,977

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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Officers

Matt Coffey, PhD, MBA
President and Chief Executive Officer
Kirk Look, CA, MSJ
Chief Financial Officer
Thomas C. Heineman, MD, PhD
Chief Medical Officer

Directors

Pat Andrews
Corporate Director
Deborah M. Brown, MBA, ICD.D
Corporate Director
Matt Coffey, PhD, MBA
President and CEO, Oncolytics Biotech Inc.
Angela Holtham, MBA, FCPA, FCMA, ICD.D
Corporate Director
James T. Parsons, MAcc, CPA, CA
CFO, Sernova Corp.
Wayne Pisano, MBA
Corporate Director and Interim CEO
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