

ONCOLYTICS BIOTECH INC

Form SUPPL

November 18, 2009

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The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement Dated November 17, 2009

**Filed pursuant to General Instruction II.L of Form F-10
File No. 333-151513**

PROSPECTUS SUPPLEMENT

(To Base Shelf Prospectus dated June 16, 2008)

November , 2009

U.S.\$

Units

We are hereby qualifying for distribution (the **Offering**) units (the **Units**) of Oncolytics Biotech Inc. (the **Corporation**) at a price of U.S.\$ per Unit (the **Offering Price**), each Unit consisting of one common share (**Unit Share**) and of one common share purchase warrant (**Warrant**) of the Corporation. Each whole Warrant will entitle the holder to purchase one common share (a **Warrant Share**) of the Corporation at an exercise price of U.S. \$ per Warrant Share, subject to adjustment, at any time until 4:30 p.m. (Calgary time) on the date that is months from the date of the closing of the Offering. The Units will be issued and sold pursuant to an underwriting agreement (the **Underwriting Agreement**) dated as of November , 2009 among the Corporation and Oppenheimer & Co. Inc. and Canaccord Capital Corporation (collectively, the **Underwriters**). The Offering Price was determined by negotiations between the Corporation and the Underwriters. See Details of the Offering and Plan of Distribution .

Investing in our securities involves risks that are described in the Risk Factors section beginning on page S-27 of this prospectus supplement and page 4 of the accompanying short form base shelf prospectus.

We are permitted, under a multi-jurisdictional disclosure system adopted by the United States, to prepare this prospectus supplement and the accompanying short form base shelf prospectus in accordance with Canadian disclosure requirements. You should be aware that such requirements are different from those of the United States. We have prepared our financial statements included or incorporated herein by reference in accordance with Canadian generally accepted accounting principles, and they are subject to Canadian auditing and auditor independence standards. Thus, they may not be comparable to the financial statements of United States companies. Information regarding the impact upon our financial statements of significant differences between Canadian and United States generally accepted accounting principles is contained in Note 22 to our consolidated financial statements for the year ended December 31, 2008 in our annual report on Form 20-F as filed with the United States Securities and Exchange Commission (the **SEC**) on March 6, 2009 and in the note to our unaudited consolidated financial statements as at and for the nine months ended September 30, 2009 in our report on Form 6-K filed with the SEC on November 12, 2009, both of which are incorporated by reference in this prospectus supplement and the accompanying short form base shelf prospectus.

You should be aware that the purchase of the Units described herein may have tax consequences both in the United States and Canada. This prospectus supplement and the accompanying short form base shelf prospectus may not describe these tax consequences fully. You should read the tax discussion in this prospectus supplement and the accompanying short form base shelf prospectus. See **Certain Canadian Federal Income Tax Considerations** and **Certain United States Federal Income Tax Considerations** in this prospectus supplement and the accompanying short form base shelf prospectus.

Your ability to enforce civil liabilities under United States federal securities laws may be adversely affected by the fact that we are incorporated under the laws of Canada, the majority of our officers and directors and some of the experts named in this prospectus supplement and the accompanying short form base shelf prospectus are residents of Canada, and a substantial portion of our assets and the assets of such persons are located outside the United States.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT OR

**THE ACCOMPANYING SHORT FORM BASE SHELF PROSPECTUS IS TRUTHFUL OR COMPLETE.
ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

Sole Book-Running Manager
Oppenheimer & Co.

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	Price to Public	Underwriters Fee⁽¹⁾	Net Proceeds to the Corporation⁽²⁾
Per Unit	U.S.\$	\$	\$
Total Offering ⁽³⁾	U.S.\$	\$	\$

Notes:

- (1) The Corporation has agreed to pay to the Underwriters a cash fee of 6.5% of the gross proceeds of the Offering (the **Underwriters Fee**). See Plan of Distribution .
- (2) Before deducting expenses associated with the Offering, estimated to be U.S.\$. The Underwriters Fee and expenses associated with the Offering will be paid from the proceeds of the Offering.
- (3) The Corporation has granted the Underwriters an over-allotment option (the **Over-Allotment Option**) to purchase up to

an additional
Common Shares
at a price of
U.S.\$ and up to
Warrants at a
price of U.S.\$
per one Warrant
on the same
terms and
conditions as the
Offering,
exercisable in
whole or in part
at any time from
the date of the
closing of the
Offering until
and including
30 days
thereafter, to
cover
over-allotments,
if any, and for
market
stabilization
purposes. In
respect of the
Over-Allotment
Option, the
Corporation will
pay to the
Underwriters a
fee equal to 7%
of the proceeds
realized on the
exercise of the
Over-Allotment
Option, or U.S.\$
per Common
Share and U.S.\$
per of one
Warrant. If the
Over-Allotment
Option is
exercised in full,
the total
offering,
Underwriters
Fee and net
proceeds to the
Corporation

(before deducting expenses of the total offering) will be U.S.\$, U.S.\$ and U.S.\$, respectively. This prospectus supplement qualifies both the grant of the Over-Allotment Option and the distribution of any Common Shares and Warrants issuable upon exercise of the Over-Allotment Option and a purchaser who acquires Units forming any part of the Underwriters over-allocation position, if applicable, acquires those Units under this prospectus supplement regardless of whether the Underwriters over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See Plan of Distribution .

The following table sets forth the number of Common Shares that have been issued or may be issued by the Corporation pursuant to the Over-Allotment Option:

Underwriters Position	Maximum size or number of securities held	Exercise period	Exercise price
Over-Allotment Option	Up to Common Shares and Warrants, if exercised in full	Any time within 30 days after the closing of the Offering	\$ per Common Share \$ per of one Warrant

The issued and outstanding common shares (**Common Shares**) of the Corporation are listed for trading on the Toronto Stock Exchange (**TSM**) under the trading symbol **ONC** and on the NASDAQ Capital Market (**NASDAQ**) under the trading symbol **ONCY** . On November 16, 2009, the closing price of the Common Shares on the TSM was \$3.88 and on NASDAQ was U.S.\$3.69 per Common Share. The Corporation has applied to the TSM and the NASDAQ to list the Unit Shares and the Warrant Shares offered by this prospectus supplement. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSM and NASDAQ.

There is no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this prospectus supplement. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of such Warrants, and the extent of issuer regulation. See Risk Factors.

The Underwriters, as principal, conditionally offer the Units, subject to prior sale, if, as and when issued by the Corporation and delivered and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under Plan of Distribution and subject to the approval of certain legal matters relating to Canadian law on behalf of the Corporation by McCarthy Tétrault LLP, and on behalf of the Underwriters by Heenan Blaikie LLP and certain legal matters relating to United States law on behalf of the Corporation by Dorsey & Whitney LLP and on behalf of the Underwriters by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. Subscriptions for the Units issuable hereunder will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. It is currently anticipated that the closing date of the Offering (the **Closing Date**) will be on or about November , 2009, or such later date as the Corporation and the Underwriters may agree but in any event not later than , 2009. See Details of the Offering and Plan of Distribution .

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It is anticipated that the Corporation will arrange for an instant deposit of the Unit Shares forming part of the Units to or for the account of the Underwriters through the book-entry facilities of CDS Clearing and Depository Services Inc. (**CDS**) and The Depository Trust Company (**DTC**) on the Closing Date. No certificate evidencing the Unit Shares will be issued to purchasers, except in limited circumstances and registration will be made in the depository services of CDS and DTC. Purchasers will receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS or DTC participant and from or through whom a beneficial interest in the Unit Shares forming part of the Units is purchased. Certificates for the Warrants forming part of the Units will be issued in fully registered form. See Plan of Distribution .

Our head office and principal place of business is located at 210, 1167 Kensington Crescent N.W., Calgary, Alberta, T2N 1X7. Our registered office is located at 4500 Bankers Hall East, 855 - 2nd Street S.W., Calgary, Alberta, T2P 4K7.

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**IMPORTANT NOTICE ABOUT THE INFORMATION
IN THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the Offering and certain other matters and also adds to and updates information contained in the accompanying short form base shelf prospectus. The second part, the accompanying short form base shelf prospectus, gives more general information about securities we may offer from time to time, some of which may not apply to the Offering.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying short form base shelf prospectus. To the extent that there is a conflict between the information contained in this prospectus supplement, on the one hand, and the accompanying short form base shelf prospectus, on the other hand, you should rely on the information in this prospectus supplement. We have not authorized anyone to provide you with different or additional information. We are not making an offer of the Units in any jurisdiction where the offer is not permitted by law. If anyone provides you with any different or inconsistent information, you should not rely on it. You should not assume that the information contained in or incorporated by reference in this prospectus supplement or the accompanying short form base shelf prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

DEFINITIONS AND OTHER MATTERS

In this prospectus supplement and in the accompanying short form base shelf prospectus, unless otherwise indicated, references to we , us , our , Oncolytics or the Corporation are to Oncolytics Biotech Inc. and/or its subsidiary corporations, as applicable. All references to dollars , Cdn.\$ or \$ are to Canadian dollars and all references to U.S.\$ to United States dollars.

This prospectus supplement is part of a registration statement on Form F-10 relating to the Units that we filed with the SEC. This prospectus supplement does not contain all of the information contained in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. You should refer to the registration statement and the exhibits to the registration statement for further information with respect to us and our securities.

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We prepare our financial statements in accordance with Canadian generally accepted accounting principles (**Canadian GAAP**), which differ from United States generally accepted accounting principles (**U.S. GAAP**). Therefore, our consolidated financial statements incorporated by reference in this prospectus supplement and in the accompanying short form base shelf prospectus and in the documents incorporated by reference in this prospectus supplement and in the accompanying short form base shelf prospectus may not be comparable to consolidated financial statements prepared in accordance with U.S. GAAP. You should refer to Note 22 of our consolidated financial statements for the year ended December 31, 2008 for a discussion of the principal differences between our financial results determined under Canadian GAAP and under U.S. GAAP. For our unaudited consolidated financial statements as at and for the three and nine months ended September 30, 2009, you should refer to our reconciliation of our consolidated financial statements as at and for the three and nine months ended September 30, 2009 to U.S. GAAP filed with the SEC on November 12, 2009 and incorporated into this prospectus supplement by reference. See Documents Incorporated by Reference .

This prospectus supplement is deemed to be incorporated by reference into the accompanying short form base shelf prospectus solely for the purposes of the Offering. Other documents are also incorporated or deemed to be incorporated by reference into this prospectus supplement and into the accompanying short form base shelf prospectus. See Documents Incorporated by Reference in this prospectus supplement.

SPECIAL NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements that we make contain forward-looking statements reflecting our current beliefs, plans, estimates and expectations. Readers are cautioned that these forward-looking statements involve risks and uncertainties, including, without limitation, clinical trial study delays, product development delays, our ability to attract and retain business partners, future levels of government funding, competition from other biotechnology companies and our ability to obtain the capital required for research, product development, operations and marketing. These factors should be carefully considered and readers should not place undue reliance on our forward-looking statements. Actual events may differ materially from our current expectations due to risks and uncertainties.

Our statements of belief , estimates , expectations and other similar statements are based primarily upon our results derived to date from our research and development program with animals and early stage human results and upon which we believe we have a reasonable scientific basis to expect the particular results to occur. It is not possible to predict, based upon studies in animals or early stage human results, whether a new therapeutic will be proved to be safe and effective in humans. There can be no assurance that the particular result expected by us will occur. Except as required by applicable securities laws, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus supplement or to conform these statements to actual results or to changes in our expectations.

DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference into the accompanying short form base shelf prospectus solely for the purposes of the Offering.

Other information has also been incorporated by reference in the accompanying base shelf prospectus from documents filed with securi