

AEGON NV
Form 424B2
April 06, 2018
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Filed Pursuant to Rule 424B2
File no. 333-220276

CALCULATION OF REGISTRATION FEE

Class of Securities Offered	Maximum Aggregate Offering Price	Amount of Registration Fee
Subordinated notes of AEGON N.V.(2)	\$800,000,000	\$99,600.00

- (1) The Registrant filed the registration statement of which this prospectus supplement forms a part (Registration No. 333-220726) on August 31, 2017 (this **Registration Statement**). In accordance with Rules 456(b) and 457(r), the Registrant deferred payment of all of the registration fees for securities sold under this Registration Statement.

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Prospectus Supplement

(To Prospectus dated August 31, 2017)

\$800,000,000

Aegon N.V.

(a Netherlands public company with limited liability)

5.500% Fixed-to-Floating Rate Subordinated Notes due 2048

We are issuing \$800,000,000 aggregate principal amount of 5.500% fixed-to-floating rate subordinated notes due April 11, 2048, or Subordinated Notes. The Subordinated Notes will be issued in denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof, will constitute our direct, unsecured and subordinated securities and, in the event of our bankruptcy, winding up, moratorium or emergency regulations being applied to us, will be subordinated in right of payment to the prior payment in full of all of our Senior Debt (as defined herein), present and future, but will rank senior to all our classes of share capital and to any Junior Subordinated Indebtedness.

The Subordinated Notes are scheduled to be repaid on April 11, 2048. Under certain conditions, we will be required to postpone this repayment. See Description of the Subordinated Notes Maturity, Redemption, Substitution, Variation and Purchases Condition for Redemption or Purchase of Subordinated Notes and Description of the Subordinated Notes Non-Payment When Due; Limitation of Remedies.

We may, subject to the satisfaction of certain conditions and subject to our first obtaining any required approval of our Supervisory Authority, (i) on April 11, 2028, or on any interest payment date thereafter, redeem the Subordinated Notes at our option in whole (but not in part) at their aggregate principal amount, together with any accrued but unpaid interest to (but excluding) the date fixed for redemption and any Arrears of Interest or (ii) redeem the Subordinated Notes upon the occurrence of certain tax, regulatory disqualification or rating methodology events. We may also, subject to the satisfaction of certain conditions and subject to our first obtaining any required approval of our Supervisory Authority, substitute or vary the Subordinated Notes upon the occurrence of certain tax, regulatory disqualification or rating methodology events. See Description of the Subordinated Notes.

The Subordinated Notes will bear interest at an initial fixed rate of 5.500% per annum on their outstanding principal amount from (and including) the issuance date, payable in U.S. dollars semi-annually in arrears on April 11 and October 11 of each year, commencing on October 11, 2018 to but excluding April 11, 2028, or the date of any earlier redemption; thereafter, the Subordinated Notes will bear interest at a floating rate per annum equal to the then-current six-month LIBOR plus 3.539%, payable semi-annually in arrears on April 11 and October 11 of each year, and will reset semi-annually on each interest payment date commencing on April 11, 2028, in each case subject to the conditions described under Description of the Subordinated Notes. As more fully described in this prospectus supplement under Description of the Subordinated Notes Deferral of Interest Payments, in the absence of deferral of

interest in accordance with certain required deferral provisions and mandatory interest payment provisions, payment of interest on the Subordinated Notes may be deferred at our option.

We will apply to list the Subordinated Notes on the New York Stock Exchange under the symbol AG48. If listing is approved, we expect trading of the Subordinated Notes to begin within 30 days after the initial delivery of the Subordinated Notes.

Investing in the Subordinated Notes involves risks. See Risk Factors beginning on page S-15.

The Subordinated Notes may be written down, converted or become subject to other exercise of Dutch Bail-in Power (as defined herein). See Description of the Subordinated Notes Agreement and Acknowledgment with Respect to the Exercise of Dutch Bail-in Power.

	Price to public (1)	Underwriting discount	Proceeds to Aegon N.V. (2)
Per Subordinated Note	\$ 200,000	\$ 2,000	\$ 198,000
Total	\$ 800,000,000	\$ 8,000,000	\$ 792,000,000

(1) Plus accrued interest, if any, from April 11, 2018 if settlement occurs after that date.

(2) Before deducting expenses. See Underwriting.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters will deliver the Subordinated Notes in book-entry form only through the facilities of The Depository Trust Company on or about April 11, 2018. Beneficial interests in the Subordinated Notes will be shown on, and transfers thereof will be effected only through, records maintained by The Depository Trust Company and its participants, including Euroclear Bank SA/NV (**Euroclear**), and Clearstream Banking, S.A. (**Clearstream, Luxembourg**).

Joint Book-Running Managers

J.P. Morgan

BofA Merrill

Deutsche Bank

Morgan Stanley

Wells Fargo

Lynch

Securities

Securities

Sole Structuring Agent to the Issuer

The date of this Prospectus Supplement is April 4, 2018.

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We have not, and the underwriters have not, taken any action to permit a public offering of the Subordinated Notes outside the United States or to permit the possession or distribution of this prospectus supplement and the accompanying prospectus outside the United States in any jurisdiction where action for that purpose is required. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about and observe any restrictions relating to the offering of the Subordinated Notes and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. We reserve the right to withdraw this offering of the Subordinated Notes at any time.

This prospectus supplement and the accompanying prospectus are not a prospectus for the purpose of the Financial Markets Supervision Act (*Wet op het financieel toezicht*) and have not been approved by the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*). This prospectus supplement has been prepared on the basis that any offer of Subordinated Notes in any Member State of the European Economic Area (**EEA**) will be made pursuant to an exemption under Directive 2003/71/EC (as amended, the **Prospectus Directive**) from the requirement to publish a prospectus for offers of notes. This prospectus supplement is not a prospectus for the purposes of the Prospectus Directive.

For information relating to transactions that stabilize the market price of the Subordinated Notes in connection with the offering, see Underwriting Short Positions.

ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on information contained in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information different from that contained in this prospectus supplement and the accompanying prospectus. We are offering to sell the Subordinated Notes, and seeking offers to buy the Subordinated Notes, only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein is accurate only as of the respective dates of such documents, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or the time of any sale of the Subordinated Notes. Our business, financial condition, results of operations and prospects may have changed since that date. In this prospectus supplement and the accompanying prospectus, except as otherwise noted, we, us, our and Aegon refer to Aegon N.V. and any or all of our subsidiaries and joint ventures as the context requires. References in this prospectus supplement to U.S. dollars, \$ or USD are to the lawful currency of the United States of America, and references to euro, or EUR are to the lawful currency of the member states of the European Monetary Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union. References to the United States or to U.S. are to the United States of America.

This prospectus supplement contains the terms of the offering of the Subordinated Notes. Certain additional information about us is contained in the accompanying prospectus. This prospectus supplement, or the information incorporated by reference in this prospectus supplement or in the accompanying prospectus, may add, update or change information in the accompanying prospectus. If the information in this prospectus supplement or the information incorporated by reference in this prospectus supplement or in the accompanying prospectus is inconsistent with the accompanying prospectus, this prospectus supplement or the information incorporated by reference in this prospectus supplement or in the accompanying prospectus, as applicable, will apply and will supersede the information in the accompanying prospectus. Terms used in this prospectus supplement that are otherwise not defined will have the meanings given to them in the accompanying prospectus or the Indenture (as defined under Description of the Subordinated Notes beginning on page S-51 of this prospectus supplement).

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It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents we have referred you to under [Where You Can Find More Information About Us](#) on page S-47 of this prospectus supplement and page 5 of the accompanying prospectus.

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IMPORTANT INFORMATION

MiFID II product governance / Professional investors and ECPs only target market Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Subordinated Notes has led to the conclusion that: (i) the target market for the Subordinated Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Subordinated Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Subordinated Notes (a **distributor**) should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Subordinated Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors The Subordinated Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Subordinated Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Subordinated Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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This summary may not contain all of the information that may be important to you. You should read the entire prospectus supplement and the accompanying prospectus, including the financial data and related notes and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, before making a decision to invest in the Subordinated Notes. The terms capitalized below are defined terms, which are defined under Description of the Subordinated Notes or in the accompanying prospectus and have the same meaning when used herein.

The Subordinated Notes will be a separate series of subordinated debt securities of Aegon N.V., as described in this prospectus supplement and the accompanying prospectus, and will be issued under an indenture, as supplemented by a ninth supplemental indenture, among Aegon N.V., The Bank of New York Mellon Trust Company, N.A., as trustee, and Citibank, N.A., as paying agent and calculation agent.

Issuer	Aegon N.V.
Securities Offered	5.500% Fixed-to-Floating Rate Subordinated Notes due 2048, with an aggregate principal amount of \$800,000,000.
Scheduled Maturity Date	April 11, 2048. Repayment of the Subordinated Notes on the Scheduled Maturity Date may be postponed under certain circumstances. See Summary Information Questions and Answers, Description of the Subordinated Notes Maturity, Redemption, Substitution, Variation and Purchases Condition for Redemption or Purchase of Subordinated Notes and Description of the Subordinated Notes Non-Payment When Due; Limitation of Remedies.
Interest	<p>Interest on the Subordinated Notes will accrue from (and including) the issuance date to but excluding April 11, 2028 at a fixed rate of 5.500% per annum (calculated on a 30/360 day basis).</p> <p>From and including April 11, 2028 to but excluding April 11, 2048 or the date of any earlier redemption, interest on the Subordinated Notes will accrue at a floating rate per annum (calculated on an actual/360 day basis) and will reset semi-annually on each Floating Rate Interest Payment Date commencing on April 11, 2028 and will be equal to the then-current six-month LIBOR plus 3.539% (calculated on an actual/360 day basis).</p> <p>Interest will accrue on the Subordinated Notes from the issuance date of the Subordinated Notes until the full outstanding principal amount of</p>

such Subordinated Note is paid or duly made available for payment. Each Subordinated Note will cease to bear interest from the relevant date on which payment is due, unless, upon due presentation, payment of principal is improperly withheld or refused or default is otherwise made in the payment thereof, in which event, such principal amount will continue to bear interest at the interest rate then applicable to the principal amount of the Subordinated Notes.

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Interest Payment Dates	Subject to our right or obligation to defer Interest Payments as described under Description of the Subordinated Notes Deferral of Interest Payments, interest accrued on the Subordinated Notes will be payable: (a) to but excluding April 11, 2028, on April 11 and October 11 of each year, commencing on October 11, 2018, and (b) from and including April 11, 2028 to but excluding April 11, 2048 or the date of any earlier redemption, on April 11 and October 11 of each year, commencing on October 11, 2028.
Regular Record Dates	We will make any required Interest Payments through the paying agent to the person in whose name such Subordinated Note is registered at the close of business 15 calendar days preceding the applicable Interest Payment Date, whether or not such day is a Business Day.
Status and Subordination	The Subordinated Notes constitute our direct, unsecured, subordinated securities and, in the event of our bankruptcy, winding up, moratorium or emergency regulations being applied to us, the Subordinated Notes will be subordinated in right of payment to the prior payment in full of all of our Senior Debt, present and future, but will rank senior to all our classes of share capital and to any Junior Subordinated Indebtedness.
Option to Defer Interest Payments	<p>We may in respect of any Interest Payment that would, in the absence of deferral in accordance with the provisions contained herein, be due and payable, defer all or part of such interest payment.</p> <p>We will make any such election by giving written notice to the trustee, paying agent and the holders of the Subordinated Notes not less than 10 Business Days prior to the relevant Interest Payment Date.</p>
Required Deferral of Interest	If any Interest Payment is due to be made on a Required Interest Deferral Date, then we will defer such Interest Payment (and payment of any Arrears of Interest), and we will not have any obligation to make all or part of, such Interest Payment (or any payment of Arrears of Interest). See Summary Information Questions and Answers.
Issuer's Optional Redemption	Subject to the provisions set out in Description of the Subordinated Notes Maturity, Redemption, Substitution, Variation and Purchases Condition for Redemption or Purchase of Subordinated Notes and subject to our having received the prior approval of our Supervisory Authority if required pursuant to the then applicable Capital Adequacy Regulations, we may, having given notice in accordance with the provisions set out in Description of the Subordinated Notes Maturity,

Redemption, Substitution, Variation and Purchases Notice of Redemption, redeem the Subordinated Notes in whole (but not in part) at our option on April 11, 2028, or on any Interest Payment Date thereafter at their Base Redemption Price. See Summary Information Questions and Answers.

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Redemption for Tax Reasons	Subject to the provisions set out in Description of the Subordinated Notes Maturity, Redemption, Substitution, Variation and Purchases Condition for Redemption or Purchase of Subordinated Notes and subject to our having received the prior approval of our Supervisory Authority if required pursuant to the then applicable Capital Adequacy Regulations, upon the occurrence of certain Tax Events, we may, having given notice in accordance with the provisions set out in Description of the Subordinated Notes Maturity, Redemption, Substitution, Variation and Purchases Notice of Redemption, redeem the Subordinated Notes in whole (but not in part) at their Base Redemption Price.
Redemption for Regulatory Reasons	Subject to the provisions set out in Description of the Subordinated Notes Maturity, Redemption, Substitution, Variation and Purchases Condition for Redemption or Purchase of Subordinated Notes and subject to our having received the prior approval of our Supervisory Authority if required pursuant to the then applicable Capital Adequacy Regulations, upon the occurrence of a Capital Disqualification Event, we may, having given notice in accordance with the provisions set out in Description of the Subordinated Notes Maturity, Redemption, Substitution, Variation and Purchases Notice of Redemption, redeem the Subordinated Notes in whole (but not in part) at their Base Redemption Price.
Redemption for Rating Reasons	Subject to the provisions set out in Description of the Subordinated Notes Maturity, Redemption, Substitution, Variation and Purchases Condition for Redemption or Purchase of Subordinated Notes and subject to our having received the prior approval of our Supervisory Authority if required pursuant to the then applicable Capital Adequacy Regulations, upon the occurrence of a Rating Methodology Event, we may, having given notice in accordance with Description of the Subordinated Notes Maturity, Redemption, Substitution, Variation and Purchases Notice of Redemption, redeem the Subordinated Notes in whole (but not in part) at their Base Redemption Price.
Substitution and Variation of the Subordinated Notes	If a Tax Event, a Capital Disqualification Event or a Rating Methodology Event has occurred and is continuing, then we may, subject to the provisions set out in Description of the Subordinated Notes Maturity, Redemption, Substitution, Variation and Purchases Substitution and Variation of the Subordinated Notes and having given not less than seven days written notice to the trustee, the paying agent and the holders of the Subordinated Notes, at any time either substitute the Subordinated Notes in whole (but not in part) for, or vary the terms of the Subordinated Notes so that they remain or, as appropriate, become, Qualifying Securities.

Additional Amounts

Subject to our right or obligation to defer Interest Payments as described under Description of the Subordinated Notes Deferral of Interest Payments, we will pay Additional Amounts that may be

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necessary to gross up payments on the Subordinated Notes in accordance with Description of the Subordinated Notes Taxation; Additional Amounts for any withholding tax imposed by the government of the Netherlands or a Successor Jurisdiction, subject to customary exceptions.

U.S. Federal Income Tax Considerations

For a discussion of the U.S. federal income tax consequences of purchase, ownership and disposition of the notes, see Taxation in the United States.

Non-Payment When Due; Limitation of Remedies

The Events of Default and rights to accelerate described, and certain remedies provided for, in the accompanying prospectus under Description of Debt Securities Events of Default do not apply to the Subordinated Notes.

The Subordinated Notes and the Indenture provide for acceleration of payment of the principal amount of the Subordinated Notes and interest then accrued thereon, if any, (including any Arrears of Interest), only upon a Winding Up, as described under Description of the Subordinated Notes Non-Payment When Due; Limitation of Remedies.

In addition if a Non-Payment Event occurs and is continuing, holders of the Subordinated Notes have the absolute and unconditional right to institute suit for the enforcement of any Interest Payment that we do not timely elect to defer or are not obliged to defer, or any payment of principal that we are not required to postpone. The trustee may not, however, in the case of a Non-Payment Event in respect of an Interest Payment (and with respect to a Mandatory Interest Payment Date and any Arrears of Interest) declare the principal amount of any outstanding Subordinated Note to be due and payable.

Agreement and Acknowledgment with Respect to the Exercise of Dutch Bail-In Power

No principal of, or interest on, the Subordinated Notes shall become due and payable after the exercise of any Dutch Bail-in Power by the relevant resolution authority except as permitted under the laws and regulations of The Netherlands and the European Union applicable to us.

By acquiring any Subordinated Notes, each holder and beneficial owner of a Subordinated Note or any interest therein acknowledges, agrees to be bound by, and consents to the exercise of, any Dutch Bail-in Power by the relevant resolution authority that may result in (a) the reduction or cancellation of all, or a portion, of the principal amount of, or interest on, the Subordinated Notes and/or (b) the conversion of all, or a portion, of the principal amount of, or interest on, the Subordinated Notes into

shares or other securities or other obligations of Aegon N.V. or another person, including by means of a

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variation to the terms of the Subordinated Notes or any expropriation of the Subordinated Notes, in each case, to give effect to the exercise by the relevant resolution authority of such Dutch Bail-in Power. Each holder and beneficial owner of a Subordinated Note or any interest therein further acknowledges and agrees that the rights of holders and beneficial owners of a Subordinated Note or any interest therein are subject to, and will be varied, if necessary, so as to give effect to, the exercise of any Dutch Bail-in Power by the relevant resolution authority. In addition, by acquiring any Subordinated Notes, each holder and beneficial owner of a Subordinated Note or any interest therein further acknowledges, agrees to be bound by, and consents to the exercise by the relevant resolution authority of, any power to suspend any payment in respect of the Subordinated Notes for a temporary period.

Dutch Bail-in Power means any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions, investment firms, insurance companies, holding companies of insurance companies and/or financial conglomerates incorporated in The Netherlands in effect and applicable in The Netherlands to Aegon N.V. or other members of the Group, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (including but not limited to Directive 2014/59/EU of the European Parliament and of the Council (the **Bank Recovery and Resolution Directive** or **BRRD**) and Regulation (EU) No 806/2014 of the European Parliament and of the Council) and/or within the context of a Dutch resolution regime under the Dutch Intervention Act and any amendments thereto, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution, investment firm, insurance company, holding company of an insurance company or financial conglomerate or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person or may be expropriated (and a reference to the relevant resolution authority is to any authority with the ability to exercise a Dutch Bail-in Power).

Under the terms of the Subordinated Notes, the exercise of the Dutch Bail-in Power by the relevant resolution authority with respect to the Subordinated Notes will not be an Event of Default or a Non-Payment Event.

We will issue the Subordinated Notes only in fully registered form, without coupons, in the form of beneficial interests in one or more separate global securities (the **Global Securities**) registered in the name of Cede & Co., as nominee for The Depository Trust Company,

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which we refer to as DTC. The Subordinated Notes will not be issued in definitive form, except under certain limited circumstances described herein. See Description of the Subordinated Notes Book-Entry System; Delivery and Form. The Subordinated Notes will be issued only in denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof.

Clearing Systems; Book-Entry System

The Subordinated Notes will be accepted for clearance by DTC, Euroclear and Clearstream, Luxembourg. The initial distribution of the Subordinated Notes will be cleared through DTC only. Beneficial interests in the Global Securities will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg. Owners of beneficial interests in the Subordinated Notes will receive all payments in respect of their Subordinated Notes in U.S. dollars.

Listing; Trading

We will apply to list the Subordinated Notes on the New York Stock Exchange under the symbol AG48. If listing is approved, we expect trading of the Subordinated Notes on the New York Stock Exchange to begin within 30 days after the initial delivery of the Subordinated Notes.

Governing Law

The Subordinated Notes and the related Indenture will be governed by, and construed in accordance with, the laws of the State of New York, except that the subordination and waiver of set-off provisions will be governed by and construed in accordance with the laws of the Netherlands.

Use of Proceeds

We intend to use the net proceeds of this offering for general corporate purposes, including the refinancing of outstanding securities.

Trustee

The Bank of New York Mellon Trust Company, N.A.
Address: 2 North LaSalle Street, Suite 1020, Chicago, IL 60602
Attention: Global Corporate Trust

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SUMMARY INFORMATION QUESTIONS AND ANSWERS

These questions and answers are intended to highlight selected information from this prospectus supplement to help you understand certain features of the Subordinated Notes. This summary may not contain all of the information that is important to you. You should read the entire prospectus supplement and the accompanying prospectus, including the full description of the Subordinated Notes, the financial data and related notes and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, before making a decision to invest in the Subordinated Notes. The terms capitalized below are defined terms which are defined under Description of the Subordinated Notes or in the accompanying prospectus and have the same meaning when used herein.

When may we elect to defer interest? In respect of any Interest Payment that would, in the absence of deferral in accordance with the provisions contained herein, be due and payable, we may defer all or part of such Interest Payment, subject to the mandatory interest payment provisions contained herein. We will make any such election by giving written notice to the trustee, paying agent and the holders of the Subordinated Notes not less than 10 Business Days prior to the relevant Interest Payment Date.

When must interest be deferred? If, as of any Interest Payment Date:

a Mandatory Deferral Event has occurred and is continuing on such Interest Payment Date, or

the payment of such interest would itself cause a Mandatory Deferral Event,

then we will defer such Interest Payment (and payment of Arrears of Interest), and we will not have any obligation to make all or part of, such Interest Payment (or any Arrears of Interest). Any such failure to pay interest on the applicable Interest Payment Date will not constitute an Event of Default or Non-Payment Event by us, and will not give the holders of the Subordinated Notes or the trustee any right to accelerate repayment of the Subordinated Notes. See Description of the Subordinated Notes Non-Payment When Due; Limitation of Remedies.

Will arrears of interest bear interest? Any unpaid interest will as long as it remains unpaid constitute arrears of interest (**Arrears of Interest**). Arrears of Interest will not bear interest.

What is a Mandatory Interest Payment Date? Subject to the exception below, Interest Payments (and any Arrears of Interest) will become mandatorily due and payable on a Mandatory

Interest Payment Date. A **Mandatory Interest Payment Date** means an Interest Payment Date if any of the following events (any such event, a **Mandatory Interest Payment Event**) has occurred during a period of six months prior to such Interest Payment Date:

a dividend (including any distribution from reserves) was declared payable in the general meeting of our shareholders, paid or made in respect of any common shares of Aegon N.V.; or

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we have repurchased or otherwise acquired any common shares in our own capital (other than shares repurchased or otherwise acquired by us, to the extent relevant, to reduce our capital, in the context of our own buy-back program, if any, under any equity derivative hedge structure or transaction, under any hedging of stock options program or any other compensation benefit program, if any, in connection with financial restructurings, mergers, acquisitions, split-offs, divestments or similar corporate transactions);

provided; however, that if a Mandatory Deferral Event occurred during the Interest Period immediately preceding such Interest Payment Date, such Interest Payment Date will only be a Mandatory Interest Payment Date if such Mandatory Interest Payment Event occurred after the relevant Mandatory Deferral Event, as applicable, and such Mandatory Deferral Event has ceased to exist on such Interest Payment Date.

What is a Mandatory Deferral Event?

A Mandatory Deferral Event means that:

- (a) we determine that we are not or, on the relevant date on which an Interest Payment or a payment of principal would be made after taking into account amounts payable on that date on the Subordinated Notes, will not be Solvent; or
- (b) a Capital Adequacy Event has occurred and continues to exist or an Interest Payment or a payment of principal on the relevant date would cause a Capital Adequacy Event and a deferral of Interest Payments and/or payment of principal is required under the then applicable Capital Adequacy Regulations;

provided, however, that the occurrence of (b) above will not constitute a Mandatory Deferral Event:

- (1) in respect of Interest Payments or Arrears of Interest, if:

our Supervisory Authority has exceptionally waived the deferral of such interest payment and/or payment of Arrears of Interest;

paying the Interest Payment and/or Arrears of Interest does not further weaken our solvency position as determined in accordance with the then applicable Capital Adequacy Regulations; and

the Minimum Capital Requirement will be complied with immediately after the Interest Payment and/or payment of Arrears of Interest is made;

(2) in respect of payments of principal, if:

our Supervisory Authority has exceptionally waived the deferral of such principal payment;

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the Subordinated Notes are exchanged for or converted into another tier 1 or tier 2 basic own-fund of at least the same quality; and

the Minimum Capital Requirement will be complied with immediately after the principal payment is made.

See Description of the Subordinated Notes Deferral of Interest Payments Mandatory Interest Payments.

When are we Solvent?

We are Solvent if we are:

able to pay our debts to Senior Creditors as they fall due and

our assets exceed our liabilities (other than our liabilities to persons who are not Senior Creditors).

For these purposes, assets refers to the non-consolidated gross assets of Aegon N.V. and liabilities means the non-consolidated gross liabilities of Aegon N.V., in each case as shown by the then latest published audited balance sheet of Aegon N.V. but adjusted for contingencies and for subsequent events in such manner and to such extent as our Executive Board, our auditors or, as the case may be, our liquidator may determine.

What is a Capital Adequacy Event?

A Capital Adequacy Event means that:

in respect of Interest Payments and payments of principal, the amount of eligible own funds (or any equivalent terminology employed by the then applicable Capital Adequacy Regulations) of Aegon N.V. on a Group basis to cover the Solvency Capital Requirement or the Minimum Capital Requirement of Aegon N.V. on a Group basis is, or as a result of an Interest Payment or a payment of principal would become, not sufficient to cover such Solvency Capital Requirement or Minimum Capital Requirement or

if required or applicable in order for the Subordinated Notes to qualify as regulatory capital of Aegon N.V. on a Group basis under the then applicable Capital Adequacy Regulations from time to time, our Supervisory Authority has notified Aegon N.V. that it has

determined, in view of the financial and/or solvency condition of Aegon N.V. on a Group basis, that in accordance with the applicable Capital Adequacy Regulations at such time Aegon N.V. must take specified action in relation to deferral of payments of principal and/or interest under the Subordinated Notes.

When can the Subordinated Notes be redeemed before maturity?

Subject to our meeting the conditions for redemption described below, and subject to our first obtaining any required approval of our supervisory authority, we may elect to redeem the Subordinated Notes at their Base Redemption Price:

in whole (but not in part) on any Interest Payment Date on or after April 11, 2028;

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in whole (but not in part) at any time, following the occurrence of a Tax Event (subject to conditions described below if a redemption is to occur before April 11, 2023);

in whole (but not in part) at any time, following the occurrence of a Capital Disqualification Event (subject to conditions described below if a redemption is to occur before April 11, 2023); or

in whole (but not in part) at any time, following the occurrence of a Rating Methodology Event (subject to conditions described below if a redemption is to occur before April 11, 2023).

See Are there Conditions for Redemption or Purchase of Subordinated Notes? and Description of the Subordinated Notes Maturity, Redemption, Substitution, Variation and Purchases.

Are there Conditions for Redemption or Purchase of Subordinated Notes?

Subordinated Notes may only be redeemed (whether before, on or after the Scheduled Maturity Date) or purchased by us provided that:

no Mandatory Deferral Event has occurred and is continuing on the relevant date for redemption or purchase;

such redemption or purchase would not itself cause a Mandatory Deferral Event; and

as long as enforced by our Supervisory Authority, no Insolvent Insurer Liquidation has occurred and is continuing on the relevant date for redemption or purchase

or in each case, as otherwise permitted by our Supervisory Authority and subject to our having received the prior approval of our Supervisory Authority if required pursuant to the then applicable Capital Adequacy Regulations in order for the Subordinated Notes to qualify as tier 2 basic own funds of the Group.

If a purchase or redemption of the Subordinated Notes upon the occurrence of a Tax Event, Capital Disqualification Event or Rating Methodology Event is to occur before April 11, 2023, any such purchase or redemption will only be made:

in compliance with the then applicable Capital Adequacy Regulations; and

on the condition that the Subordinated Notes are exchanged for, or redeemed out of the proceeds of a new issue of, capital of the same or higher quality, provided that this condition will not apply if the then applicable Capital Adequacy Regulations do not require such redemption to be so funded (on the basis that the Subordinated Notes are intended to qualify as at least tier 2 basic own funds, on a Group basis).

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See Description of the Subordinated Notes Maturity, Redemption, Substitution, Variation and Purchases Condition for Redemption or Purchase of Subordinated Notes.

Can Substitution or Variation of Subordinated Notes Occur?

If a Tax Event, a Capital Disqualification Event or a Rating Methodology Event has occurred and is continuing, then we may, without consent or approval of the holders of Subordinated Notes, at any time either substitute the Subordinated Notes in whole (but not in part) for, or vary the terms of the Subordinated Notes so that they remain or become, Qualifying Securities, as provided in Description of the Subordinated Notes Substitution and Variation of the Subordinated Notes . See also Are the Subordinated Notes Subject to the Exercise of Dutch Bail-in Power?

What is a Tax Event?

If, as a result of any Change in Law:

we would be required to pay Additional Amounts as set forth under Description of the Subordinated Notes Taxation; Additional Amounts or

other than as a result of an Excluded Change (as defined herein), there is more than an insubstantial risk that we would not obtain full or substantially full deductibility for the purposes of Dutch corporation tax for any payment of interest,

and we cannot avoid this risk or requirement to pay Additional Amounts by taking reasonable measures.

What is a Capital Disqualification Event? A Capital Disqualification Event means that as a result of any change in the then applicable Capital Adequacy Regulations (or an official application or interpretation of those rules and regulations) on or after the issuance date of the Subordinated Notes, the Subordinated Notes cease to be capable of qualifying, in whole or in part as at least tier 2 basic own funds, on a Group basis, except where such non-qualification is only as a result of any then applicable limitation on the amount of such capital.

What is a Rating Methodology Event

A Rating Methodology Event will be deemed to occur upon a change in the methodology of a Rating Agency (or in the interpretation of such methodology) as a result of which the equity content previously assigned by such Rating Agency to the Subordinated Notes is, in our reasonable opinion, materially reduced when compared to the equity content assigned by such Rating Agency at the issuance date of the Subordinated

Notes.

Are the Subordinated Notes Subject to the Exercise of Dutch Bail-in Power? Yes, by acquiring any Subordinated Notes, each holder and beneficial owner of a Subordinated Note or any interest therein acknowledges, agrees to be bound by, and consents to the exercise of, any Dutch Bail-in Power by the relevant resolution authority that may result in (a) the reduction or cancellation of all, or a portion, of the principal

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amount of, or interest on, the Subordinated Notes and/or (b) the conversion of all, or a portion, of the principal amount of, or interest on, the Subordinated Notes into shares or other securities or other obligations of Aegon N.V. or another person, including by means of a variation to the terms of the Subordinated Notes or any expropriation of the Subordinated Notes, in each case, to give effect to the exercise by the relevant resolution authority of such Dutch Bail-in Power. Each holder and beneficial owner of a Subordinated Note or any interest therein further acknowledges and agrees that the rights of holders and beneficial owners of a Subordinated Note or any interest therein are subject to, and will be varied, if necessary, so as to give effect to, the exercise of any Dutch Bail-in Power by the relevant resolution authority. In addition, by acquiring any Subordinated Notes, each holder and beneficial owner of a Subordinated Note or any interest therein further acknowledges, agrees to be bound by, and consents to the exercise by the relevant resolution authority of, any power to suspend any payment in respect of the Subordinated Notes for a temporary period. See Description of the Subordinated Notes Agreement and Acknowledgment with Respect to the Exercise of Dutch Bail-in Power.

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*Your investment in the Subordinated Notes entails risks. You should carefully consider the risk factors below, as well as the other information contained in this prospectus supplement and the accompanying prospectus, and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including our annual report on Form 20-F for the year ended December 31, 2017 (our **Annual Report**), before investing in the Subordinated Notes. As part of making an investment decision, you should make sure you thoroughly understand the terms of the Subordinated Notes and the agreement by you to be bound by the exercise of any Dutch Bail-in Power by the relevant resolution authority. The following discusses risk factors related to an investment in the Subordinated Notes, key risk factors that may affect our businesses and operations, as well as other risk factors that are particularly relevant to us in periods of significant economic uncertainty. Other factors besides those discussed below could adversely affect our business and operations, and the following risk factors should not be considered a complete list of potential risks that may affect us and our subsidiaries. If any of the risks described below materializes, our business, financial condition and results of operations could suffer, the Subordinated Notes could be subject to the Dutch Bail-in Power, and the trading price and liquidity of the Subordinated Notes could decline, in which case you could lose some or all of the value of your investment.*

RISKS RELATING TO OUR BUSINESS

Disruptions in the global financial markets and general economic conditions may affect, and could have materially adverse effects on, our businesses, results of operations, cash flows and financial condition.

Our results of operations and financial condition may be materially affected from time to time by general economic conditions, such as economic growth, levels of unemployment, consumer confidence, inflation and interest rate levels in the countries in which we operate. The global financial crisis has shown that financial markets can experience extreme volatility and disruption.

Such conditions may result in reduced demand for our products as well as impairments and reductions in the value of the assets in our general account, separate account, and company pension schemes, among other assets. We may also experience a higher incidence of claims and unexpected policyholder behavior such as unfavorable changes in lapse rates. Our policyholders manbsp; This summary is not applicable to a holder: (i) that is a financial institution (as defined in the Tax Act) for purposes of the mark-to-market rules); (ii) that is a specified financial institution (as defined in the Tax Act); (iii) an interest in which is a tax shelter investment (as defined in the Tax Act); (iv) to which the functional currency reporting rules in section 261 of the Tax Act apply; (v) that is exempt from tax under Part I of the Tax Act; or (vi) who holds or subsequently acquires Common Shares acquired on the exercise of a stock option or other agreement to issue or sell Common Shares received in respect of, in the course of, or by virtue of employment with the Corporation or any corporation or mutual fund trust (as defined in the Tax Act) not dealing at arm's length with the Corporation. Such holders should consult their own tax advisors.

This summary is based upon the facts set out in the prospectus, the current provisions of the Tax Act and the regulations thereunder (the **Regulations**), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the **Proposed Amendments**) and Counsel's understanding of the current published administrative practices of the Canada Revenue Agency (the **CRA**) which have been made publicly available prior to the date hereof. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law or administrative practice, nor does it take into account provincial or territorial tax laws of Canada or the tax laws of any foreign jurisdiction. No assurance can be given that the Proposed Amendments will be enacted as proposed (or at all) or that legislative, judicial or administrative changes will not alter the statements made herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Common Shares and Warrants comprising the Units. The income and other tax consequences of acquiring, holding and disposing of Common Shares and Warrants will vary according to the status of the holder, the province or provinces or territory or territories in which the holder resides or carries on business and, generally, the holder's own particular circumstances. Accordingly, each prospective holder of Units should obtain independent advice regarding the income tax consequences of investing in the Common Shares and Warrants with reference to the holder's own particular circumstances.

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Currency

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Common Shares and Warrants (including dividends received or deemed to have been received, adjusted cost base and proceeds of disposition) must generally be converted into Canadian dollars using the relevant exchange rate quoted by the Bank of Canada at noon on the relevant day or such other rate or rates of exchange acceptable to the Minister of National Revenue (Canada).

Allocation of Purchase Price

In acquiring Units, holders will be acquiring ownership of the Common Shares and Warrants represented by such Units. The Common Shares and Warrants represented by Units are separate properties and accordingly, holders will be required to allocate the purchase price paid for each Unit between the Common Share and the portion of one Warrant comprising each Unit on a reasonable basis in order to determine their respective costs for purposes of the Tax Act. The Corporation intends to allocate U.S.\$2.95 of the purchase price for each Unit to each Common Share and U.S.\$0.05 of the purchase price for each Unit to the portion of one Warrant comprising each Unit. While the Corporation considers this allocation to be reasonable, it is not binding on the CRA or the holder and Counsel express no opinion as to such allocation. A successful challenge of such allocation by the CRA will affect the adjusted cost base of the Common Shares and the Warrants to a holder.

Holders Resident in Canada

The following part of the summary is applicable to a holder who, at all relevant times, is or is deemed to be resident in Canada for the purpose of the Tax Act and any applicable income tax treaty or convention (a **Canadian Holder**).

Exercise of Warrants

No gain or loss will be realized by a Canadian Holder upon the exercise of a Warrant. A Canadian Holder's cost of a Warrant Share acquired on the exercise of a Warrant will be the aggregate of the adjusted cost base to the Canadian Holder of the Warrant so exercised and the exercise price paid for such Warrant Share under the terms of the Warrant. The cost of any Warrant Share acquired on the exercise of a Warrant by a Canadian Holder will be averaged with the adjusted cost base to the holder of any other Common Shares (including the Warrant Shares) held by the Canadian Holder as capital property at that time to determine the adjusted cost base of the Warrant Share so acquired.

Disposition of Warrants

A Canadian Holder who disposes of or is deemed to dispose of a Warrant (other than a disposition arising on the exercise or expiry of a Warrant) will realize a capital gain (or capital loss) in the amount by which the proceeds of disposition, net of any costs of disposition, exceed (or are less than) the adjusted cost base to the holder of the Warrant disposed of. The tax treatment of capital gains and losses is discussed in greater detail below under *Taxation of Capital Gains and Capital Losses* .

Expiry of Warrants

The expiry of any unexercised Warrant will constitute a disposition of that Warrant for nil proceeds of disposition, resulting in the Canadian Holder realizing a capital loss equal to the adjusted cost base to the Canadian Holder of the expired Warrant. The tax treatment of capital losses is discussed in greater detail below under *Taxation of Capital Gains and Capital Losses* .

Taxation of Dividends on Common Shares

Dividends (including deemed dividends) received on the Common Shares by a Canadian Holder who is an individual (other than by certain trusts) will be included in the individual's income and will generally be subject to the gross-up and the dividend tax credit rules normally applicable to taxable dividends received from taxable

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Canadian corporations. To the extent the Corporation designates the dividends as eligible dividends in the prescribed manner, the Canadian Holder will be subject to the enhanced gross-up and dividend tax credit rules. There may be limitations on the ability of the Corporation to designate dividends as eligible dividends. Taxable dividends received by an individual (and certain trusts) may give rise to alternative minimum tax under the Tax Act, depending on the individual's circumstances.

Dividends (including deemed dividends) received on the Common Shares by a Canadian Holder that is a corporation will be included in computing the corporation's income and will generally be deductible in computing the corporation's taxable income.

A Canadian Holder that is a private corporation, as defined in the Tax Act, or any other corporation controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33¹/₃ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Common Shares to the extent such dividends are deductible in computing its taxable income.

Disposition of Common Shares

A disposition or deemed disposition of a Common Share (other than to the Corporation) will result in the Canadian Holder thereof realizing a capital gain (or a capital loss) in the taxation year in which the disposition occurs equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the Canadian Holder's adjusted cost base of such shares and reasonable costs of the disposition. The adjusted cost base of any Common Shares acquired pursuant to the Offering will generally be the average of the cost of all such shares (including all other Common Shares held by the Canadian Holder) for the purpose of calculating capital gains or capital losses on subsequent dispositions of such shares. If the Canadian Holder is a corporation, any capital loss arising on a disposition of a share may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on the share. Analogous rules may apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

Taxation of Capital Gains and Capital Losses

One half of any such capital gain (a taxable capital gain) must be included in computing the income of the Canadian Holder in the year of disposition, and one half of any such capital loss (an allowable capital loss) generally must be applied to reduce taxable capital gains realized by the Canadian Holder in the year of disposition. Allowable capital losses in excess of taxable capital gains for the year of disposition generally may be applied by the Canadian Holder to reduce net taxable capital gains realized in any of the three preceding years or in any subsequent year, subject to various detailed provisions of the Tax Act including provisions that apply to corporate holders after an acquisition of control.

The amount of any capital loss realized on the disposition or deemed disposition of a Common Share by a Canadian Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on the Common Share to the extent and in the circumstances prescribed by the Tax Act. Analogous rules may apply where a corporation is, directly or through a trust or partnership, a member of a partnership or a beneficiary of a trust that owns Common Shares. Canadian Holders to whom these rules may be relevant should consult their own tax advisors.

A subscriber that is a Canadian controlled private corporation (as defined in the Tax Act) will be liable to pay an additional 6²/₃ % refundable tax on its aggregate investment income for the year, which is defined to include an amount in respect of taxable capital gains.

Alternative Minimum Tax

Individuals, including certain trusts, are subject to an alternative minimum tax. Generally, dividends received or deemed to be received on the Common Shares and capital gains realized on a disposition or deemed

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disposition of Common Shares or Warrants may increase a Canadian Holder's liability for alternative minimum tax. Canadian Holders should consult their own advisors with respect to alternative minimum tax.

 Holders Not Resident in Canada

This part of the summary is generally applicable to a holder who, at all relevant times, is neither resident nor deemed to be resident in Canada for purposes of the Tax Act and any applicable income tax treaty or convention, and who does not use or hold, and is not deemed to use or hold, the Common Shares or Warrants, comprising the Units, in connection with carrying on a business in Canada (a **Non-Resident Holder**). Special rules not discussed in this summary may apply to a non-resident insurer carrying on an insurance business in Canada and elsewhere; such insurers should consult their own tax advisors.

Taxation of Dividends on Common Shares

Amounts paid or credited or deemed to be paid or credited to a Non-Resident Holder as, on account or in lieu of, or in satisfaction of a dividend on the Common Shares will be subject to a Canadian withholding tax under the Tax Act at a rate of 25%, subject to reduction under the provisions of any applicable income tax treaty or convention. For example, under the *Canada-United States Tax Convention (1980)* (the **Canada-U.S. Treaty**), the withholding tax rate in respect of a dividend paid to a person who is the beneficial owner of the dividend and is resident in the United States for purposes of, and entitled to full benefits under, the Canada-U.S. Treaty, is generally reduced to 15% (unless the beneficial owner is a company that owns at least 10% of the voting stock of the Corporation, in which case the rate is reduced to 5%).

Disposition of Common Shares or Warrants

A Non-Resident Holder of Common Shares or Warrants will not generally be subject to income tax under the Tax Act in respect of the disposition or deemed disposition of such shares or warrants, provided that the Common Shares or Warrants, as the case may be, are not, and are not deemed to be, taxable Canadian property (as defined in the Tax Act) to the Non-Resident Holder at the time of disposition.

Generally, Common Shares or Warrants, as the case may be, will not be taxable Canadian property to a Non-Resident Holder at a particular time provided that: (i) the Common Shares are listed on a designated stock exchange (which currently includes the TSM and the NASDAQ) at that time; (ii) at no time during the sixty (60) month period immediately preceding the disposition of such shares or warrants did the Non-Resident Holder, either alone or together with one or more persons with whom the holder does not deal at arm's length, own or have an interest in or an option in respect of, 25% or more of the issued shares of any class or series of shares in the capital of the Corporation; and (iii) the Common Shares or Warrants were not deemed under the Tax Act to be taxable Canadian property to the Non-Resident Holder.

In the event that the Common Shares or Warrants constitute or are deemed to constitute taxable Canadian property to any Non-Resident Holder, the tax consequences of realizing a capital gain on the disposition of such shares or warrants as described above under the heading **Holders Resident in Canada Taxation of Capital Gains and Capital Losses** generally will apply, subject to the Non-Resident Holder being entitled to relief under the provisions of an applicable income tax treaty or convention. Non-Resident Holders whose Common Shares or Warrants may be taxable Canadian property should consult with their own tax advisors for advice having regard to their particular circumstances.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership and disposition of Units acquired pursuant to this prospectus supplement, the acquisition, ownership, and disposition of Unit Shares acquired as part of the Units, the exercise, disposition, and lapse of Warrants acquired as part of the Units, and the acquisition, ownership, and disposition of Warrant Shares received on exercise of the Warrants.

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This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the acquisition of Units pursuant to this prospectus supplement. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax considerations applicable to such U.S. Holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership, and disposition of Units, Unit Shares, Warrants, and Warrant Shares.

No ruling from the U.S. Internal Revenue Service (the **IRS**) or legal opinion has been requested, or will be obtained, regarding the U.S. Federal income tax considerations applicable to U.S. Holders as discussed in this summary. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

NOTICE PURSUANT TO IRS CIRCULAR 230: NOTHING CONTAINED IN THIS SUMMARY CONCERNING ANY U.S. FEDERAL TAX ISSUE IS INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY A U.S. HOLDER (AS DEFINED BELOW), FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES UNDER THE CODE (AS DEFINED BELOW). THIS SUMMARY WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS DOCUMENT. EACH U.S. HOLDER SHOULD SEEK U.S. FEDERAL TAX ADVICE, BASED ON SUCH U.S. HOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

Scope of this SummaryAuthorities

This summary is based on the Internal Revenue Code of 1986, as amended (the **Code**), Treasury Regulations (whether final, temporary, or proposed), U.S. court decisions, published IRS rulings, published administrative positions of the IRS, and the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the **Canada-U.S. Tax Convention**), that are applicable and, in each case, as in effect and available, as of the date of this prospectus supplement. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis and could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive basis.

U.S. Holders

For purposes of this summary, a **U.S. Holder** is a beneficial owner of Units, Unit Shares, Warrants, or Warrant Shares acquired pursuant to this document that is (a) an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes, (b) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any state in the U.S., including the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

Non-U.S. Holders

For purposes of this summary, a **Non-U.S. Holder** is a beneficial owner of Units, Unit Shares, Warrants, or Warrant Shares that is neither a U.S. Holder nor a partnership. This summary does not address the U.S. federal income tax considerations applicable to Non-U.S. Holders relating to the acquisition, ownership, and disposition of

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Units, Unit Shares, Warrants, and Warrant Shares. Accordingly, a Non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any tax treaties) relating to the acquisition, ownership, and disposition of Units, Unit Shares, Warrants, and Warrant Shares.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies or that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (c) U.S. Holders that have a functional currency other than the U.S. dollar; (d) U.S. Holders that own Units, Unit Shares, Warrants or Warrant Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (e) U.S. Holders that acquired Units, Unit Shares, Warrants or Warrant Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (f) U.S. Holders that hold Units, Unit Shares, Warrants or Warrant Shares other than as a capital asset within the meaning of Section 1221 of the Code or (g) U.S. Holders that own, directly, indirectly, or by attribution, 10% or more, by voting power or value, of the outstanding shares of the Company. The summary below also does not address the impact of the Offering on U.S. Holders who are U.S. expatriates or former long-term residents of the U.S. subject to Section 877 of the Code. U.S. Holders and others that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors.

If an entity that is classified as partnership (or pass-through entity) for U.S. federal income tax purposes holds Units, Unit Shares, Warrants or Warrant Shares, the U.S. federal income tax consequences applicable to such partnership (or pass-through entity) and the partners of such partnership (or owners of such pass-through entity) generally will depend on the activities of the partnership (or pass-through entity) and the status of such partners (or owners). Partners of entities that are classified as partnerships (and owners of pass-through entities) for U.S. federal income tax purposes should consult their own tax advisor regarding the U.S. federal income tax consequences relating to the acquisition, ownership, and disposition of Units, Unit Shares, Warrants, and Warrant Shares.

Tax Consequences Other than U.S. Federal Income Tax Consequences Not Addressed

This summary does not address the U.S. state and local, U.S. estate and gift, alternative minimum tax, or foreign tax consequences to U.S. Holders relating to the acquisition, ownership, and disposition of Units, Unit Shares, Warrants, and Warrant Shares. Each U.S. Holder should consult its own tax advisor regarding the U.S. state and local, U.S. estate and gift, U.S. federal alternative minimum tax and foreign tax consequences relating to the acquisition, ownership, and disposition of Units, Unit Shares, Warrants, and Warrant Shares.

U.S. Federal Income Tax Consequences of the Acquisition of Units

For U.S. federal income tax purposes, the acquisition by a U.S. Holder of a Unit will be treated as the acquisition of an investment unit consisting of two components: one Unit Share and 0.4 of one Warrant. The purchase price for each Unit will be allocated between these two components in proportion to their relative fair market values at the time the Unit is purchased by the U.S. Holder. This allocation of the purchase price for each Unit will establish a U.S. Holder's initial tax basis for U.S. federal income tax purposes in the Unit Share and 0.4 of one Warrant that comprise each Unit.

For this purpose, the Company will allocate U.S.\$2.95 of the purchase price for the Unit to the Unit Share and U.S.\$0.05 of the purchase price for each Unit to the 0.4 of one Warrant underlying each Unit. However, the IRS will not be bound by the Company's allocation of the purchase price for the Units, and therefore, the IRS or a U.S. court may not respect the allocation set forth above. Each U.S. Holder should consult its own tax advisor regarding the allocation of the purchase price for the Units.

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Passive Foreign Investment Company Rules

If the Company is considered a passive foreign investment company within the meaning of Section 1297 of the Code (a **PFIC**) at any time during a U.S. Holder's holding period, the following sections will generally describe the U.S. federal income tax consequences to U.S. Holders of the acquisition, ownership, and disposition of Units, Unit Shares, Warrants or Warrant Shares.

PFIC Status of the Company

The Company generally will be a PFIC under Section 1297 of the Code if, for a tax year, (a) 75% or more of the gross income of the Company for such tax year is passive income or (b) 50% or more of the assets held by the Company either produce passive income or are held for the production of passive income, based on the fair market value of such assets. Gross income generally means all revenues less the cost of goods sold, and passive income includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all of a foreign corporation's commodities are (a) stock in trade of such foreign corporation or other property of a kind which would properly be included in inventory of such foreign corporation if it is on hand at the close of the taxable year, or property held by such foreign corporation primarily for sale to customers in the ordinary course of its trade or business, (b) property used in the trade or business of such foreign corporation that would be subject to the allowance for depreciation under Section 167 of the Code, or (c) supplies of a type regularly used or consumed by such foreign corporation in the ordinary course of its trade or business.

For purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, passive income does not include any interest, dividends, rents, or royalties that are received or accrued by the Company from a related person (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

Under certain attribution rules, if the Company is a PFIC, U.S. Holders will be deemed to own their proportionate share of any subsidiary of the Company which is also a PFIC (a **Subsidiary PFIC**), and will be subject to U.S. federal income tax on (i) a distribution on the shares of a Subsidiary PFIC and (ii) a disposition of Unit Shares of a Subsidiary PFIC, both as if the holder directly held the shares of such Subsidiary PFIC.

The Company believes that it qualified as a PFIC for the tax year ended December 31, 2008, and based on current business plans and financial projections, the Company anticipates that it may qualify as a PFIC for the subsequent taxable years. The determination of whether the Company (or a Subsidiary PFIC) was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether the Company (or a Subsidiary PFIC) will be a PFIC for any tax year depends on the assets and income of the Company (and each Subsidiary PFIC) over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any determination made by the Company (or a Subsidiary PFIC) concerning its PFIC status or that the Company (and each Subsidiary PFIC) was not, or will not be, a PFIC for any tax year. Each U.S. Holder should consult its own tax advisor regarding the PFIC status of the Company and each Subsidiary PFIC.

Default PFIC Rules Under Section 1291 of the Code

If the Company is a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the purchase of Units and the acquisition, ownership, and disposition of Unit Shares, Warrants and Warrant Shares will depend on whether such U.S. Holder makes an election to treat the Company (and/or a Subsidiary PFIC) as a qualified electing fund or QEF under Section 1295 of the Code (a **QEF Election**) or has made a mark-to-market election under Section 1296 of the Code (a **Mark-to-Market Election**) with respect to Unit Shares or Warrant Shares. A

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U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a Non-Electing U.S. Holder.

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code with respect to (a) any gain recognized on the sale or other taxable disposition of Unit Shares, Warrants and Warrant Shares and (b) any excess distribution paid on the Unit Shares and Warrant Shares. A distribution generally will be an excess distribution to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder's holding period for the Unit Shares and Warrant Shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of Unit Shares, Warrants and Warrant Shares of a PFIC (including an indirect disposition of Unit Shares of a Subsidiary PFIC), and any excess distribution paid on such Unit Shares and Warrant Shares (or a disposition by a Subsidiary PFIC to its shareholder that is deemed to be received by a U.S. Holder) must be ratably allocated to each day of a Non-Electing U.S. Holder's holding period for the Unit Shares or Warrant Shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such year, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as personal interest, which is not deductible.

If the Company is a PFIC for any tax year during which a Non-Electing U.S. Holder holds Unit Shares, Warrant Shares or Warrants, the Company will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether the Company ceases to be a PFIC in one or more subsequent years. If the Company ceases to be a PFIC, a Non-Electing U.S. Holder may terminate this deemed PFIC status with respect to Unit Shares and Warrant Shares by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such Unit Shares and Warrant Shares were sold on the last day of the last tax year for which the Company was a PFIC. No such election, however, may be made with respect to Warrants.

Under proposed Treasury Regulations, if a U.S. holder has an option, warrant, or other right to acquire stock of a PFIC (such as the Units or the Warrants), such option, warrant or right is considered to be PFIC stock subject to the default rules of Section 1291 of the Code. Under rules described below, the holding period for the Warrants Shares will begin on the date a U.S. Holder acquires the Units. This will impact the availability of the QEF Election and Mark-to-Market Election with respect to the Warrant Shares. Thus, a U.S. Holder will have to account for Warrant Shares and Unit Shares under the PFIC rules and the applicable elections differently. See discussion below under QEF Election and under Market-to-Market Election.

QEF Election

A U.S. Holder that makes a QEF Election for the first tax year in which its holding period of its Unit Shares begins, generally, will not be subject to the rules of Section 1291 of the Code discussed above with respect to its Unit Shares. However, a U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such U.S. Holder's pro rata share of (a) the net capital gain of the Company, which will be taxed as long-term capital gain to such U.S. Holder, and (b) and the ordinary earnings of the Company, which will be taxed as ordinary income to such U.S. Holder. Generally, net capital gain is the excess of (a) net long-term capital gain over (b) net short-term capital gain, and ordinary earnings are the excess of (a) earnings and profits over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which the Company is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by the Company. However, a U.S. Holder that makes a QEF Election may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as personal interest, which is not deductible.

A U.S. Holder that makes a QEF Election generally (a) may receive a tax-free distribution from the Company to the extent that such distribution represents earnings and profits of the Company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder's tax

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basis in the Unit Shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of Unit Shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as timely if such QEF Election is made for the first year in the U.S. Holder's holding period for the Unit Shares in which the Company was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year.

A QEF Election will apply to the tax year for which such QEF Election is made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, the Company ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which the Company is not a PFIC. Accordingly, if the Company becomes a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during a subsequent tax year in which the Company qualifies as a PFIC.

As discussed above, under proposed Treasury Regulations, if a U.S. holder has an option, warrant or other right to acquire stock of a PFIC (such as the Units or the Warrants), such option, warrant or right is considered to be PFIC stock subject to the default rules of Section 1291 of the Code. However, a holder of an option, warrant or other right to acquire stock of a PFIC may not make a QEF Election that will apply to the option, warrant or other right or to acquire PFIC stock. In addition, under proposed Treasury Regulations, if a U.S. Holder holds an option, warrant or other right to acquire stock of a PFIC, the holding period with respect to shares of stock of the PFIC acquired upon exercise of such option, warrant or other right will include the period that the option, warrant or other right was held.

Consequently, if a U.S. Holder of Unit Shares makes a QEF Election, such election generally will not be treated as a timely QEF Election with respect to Warrant Shares and the rules of Section 1291 of the Code discussed above will continue to apply with respect to such U.S. Holder's Warrant Shares. However, a U.S. Holder of Warrant Shares should be eligible to make a timely QEF Election if such U.S. Holder elects in the tax year in which such Warrant Shares are received to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such Warrant Shares were sold for fair market value on the date such U.S. Holder acquired them. In addition, gain recognized on the sale or other taxable disposition (other than by exercise) of the Warrants by a U.S. Holder will be subject to the rules of Section 1291 of the Code discussed above. Each U.S. Holder should consult its own tax advisor regarding the application of the PFIC rules to the Units, Unit Shares, Warrants, and Warrant Shares.

The Company will make available to U.S. Holders, upon their written request, timely and accurate information as to its status as a PFIC, and will provide to a U.S. Holder all information and documentation that a U.S. Holder making a QEF Election with respect to the Company is required to obtain for U.S. federal income tax purposes. However, U.S. Holders should be aware that the Company can provide no assurances that it will provide any such information relating to any Subsidiary PFIC. Because the Company may own shares in one or more Subsidiary PFICs, and may acquire shares in one or more Subsidiary PFICs in the future, they will continue to be subject to the rules discussed above with respect to the taxation of gains and excess distributions with respect to any Subsidiary PFIC for which the U.S. Holders do not obtain the required information. Each U.S. Holder should consult his, her or its own tax advisor regarding the availability of, and procedure for making, a QEF Election with respect to the Company and any Subsidiary PFIC.

Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market Election only if the Unit Shares and Warrant Shares are marketable stock. The Unit Shares and Warrant Shares generally will be marketable stock if the Unit Shares and Warrant Shares are regularly traded on (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or (c) a foreign securities exchange that is regulated or supervised by a governmental

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authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange ensure active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be regularly traded for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter.

A U.S. Holder that makes a Mark-to-Market Election with respect to its Unit Shares generally will not be subject to the rules of Section 1291 of the Code discussed above. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder's holding period for the Unit Shares or such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the Unit Shares

Any Mark-to-Market Election made by a U.S. Holder for the Unit Shares will also apply to such U.S. Holder's Warrant Shares. As a result, if a Market-to-Market Election has been made by a U.S. Holder with respect to Unit Shares, any Warrant Shares received will automatically be marked-to-market in the year of exercise. Because a U.S. Holder's holding period for Warrant Shares includes the period during which such U.S. Holder held the Warrants, a U.S. Holder will be treated as making a Mark-to-Market Election with respect to its Warrant Shares after the beginning of such U.S. Holder's holding period for the Warrant Shares unless the Warrant Shares are acquired in the same tax year as the year in which the U.S. Holder acquired its Units. Consequently, the default rules under Section 1291 described above generally will apply to the mark-to-market gain realized in the tax year in which Warrant Shares are received. However, the general mark-to-market rules will apply to subsequent tax years.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each tax year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the Unit Shares and any Warrant Shares, as of the close of such tax year over (b) such U.S. Holder's tax basis in the Unit Shares and any Warrant Shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (i) such U.S. Holder's adjusted tax basis in the Unit Shares and any Warrant Shares, over (ii) the fair market value of such Unit Shares and any Warrant Shares (but only to the extent of the net amount of previously included income a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election generally also will adjust such U.S. Holder's tax basis in the Unit Shares and Warrant Shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of Unit Shares and Warrant Shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years).

A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the Unit Shares and Warrant Shares cease to be marketable stock or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the Unit Shares and Warrant Shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the interest charge described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of Unit Shares and Warrant Shares that would otherwise be tax-deferred (e.g., gifts and

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exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which Unit Shares, Warrants, or Warrant Shares are transferred.

Certain additional adverse rules will apply with respect to a U.S. Holder if the Company is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example under Section 1298(b)(6) of the Code, a U.S. Holder that uses Unit Shares, Warrants or Warrant Shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such Unit Shares, Warrants or Warrant Shares.

In addition, a U.S. Holder who acquires Unit Shares, Warrants or Warrant Shares from a decedent will not receive a step up in tax basis of such Unit Shares, Warrants or Warrant Shares to fair market value.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisor regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Unit Shares, Warrants and Warrant Shares.

U.S. Federal Income Tax Consequences of the Exercise and Disposition of Warrants**Exercise of Warrants**

A U.S. Holder should not recognize gain or loss on the exercise of a Warrant and related receipt of a Warrant Share (except if cash is received in lieu of the issuance of a fractional Warrant Share). A U.S. Holder's initial tax basis in the Warrant Share received on the exercise of a Warrant should be equal to the sum of (a) such U.S. Holder's tax basis in such Warrant plus (b) the exercise price paid by such U.S. Holder on the exercise of such Warrant. If, as anticipated, the Company is a PFIC, a U.S. Holder's holding period for the Warrant Share should begin on the date on which such U.S. Holder acquired its Units.

In certain limited circumstances, a U.S. Holder may be permitted to undertake a cashless exercise of Warrants into Warrant Shares. The U.S. federal income tax treatment of a cashless exercise of Warrants into Warrant Shares is unclear, and the tax consequences of a cashless exercise could differ from the consequences upon the exercise of a Warrant described in the preceding paragraph. U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences of a cashless exercise of Warrants.

Disposition of Warrants

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of a Warrant in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in the Warrant sold or otherwise disposed of. As noted below under Disposition of Unit Shares and Warrant Shares, such gain or loss will generally be treated as U.S. source for purposes of the U.S. foreign tax credit calculations. Any gain will be subject to the rules of Section 1291 of the Code, as discussed above. Any such loss generally will be a capital loss and will be long-term capital loss if the Warrant is held for more than one year.

Expiration of Warrants Without Exercise

Subject to the PFIC rules discussed above, upon the lapse or expiration of a Warrant, a U.S. Holder will recognize a loss in an amount equal to such U.S. Holder's tax basis in the Warrant. Any such loss generally will be a capital loss and will be long-term capital loss if the Warrants are held for more than one year. Deductions for capital losses are subject to complex limitations under the Code.

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Certain Adjustments to the Warrants

Under Section 305 of the Code, an adjustment to the number of Warrant Shares that will be issued on the exercise of the Warrants, or an adjustment to the exercise price of the Warrants, may be treated as a constructive distribution to a U.S. Holder of the Warrants if, and to the extent that, such adjustment has the effect of increasing such U.S. Holder's proportionate interest in the earnings and profits or assets of the Company, depending on the circumstances of such adjustment (for example, if such adjustment is to compensate for a distribution of cash or other property to shareholders of the Company). (See more detailed discussion of the rules applicable to distributions made by the Company at U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Unit Shares, and Warrant Shares – Distributions on Unit Shares and Warrant Shares below).

U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Unit Shares and Warrant Shares**Distributions on Unit Shares and Warrant Shares**

Subject to the PFIC rules discussed above, a U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Unit Share or Warrant Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated earnings and profits of the Company, as computed for U.S. federal income tax purposes. To the extent that a distribution exceeds the current and accumulated earnings and profits of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Unit Shares or Warrant Shares and thereafter as gain from the sale or exchange of such Unit Shares or Warrant Shares. (See

Sale or Other Taxable Disposition of Unit Shares and/or Warrant Shares below). However, the Company does not intend to maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by the Company with respect to the Unit Shares or Warrant Share will constitute ordinary dividend income. Dividends received on Unit Shares or Warrant Shares generally will not be eligible for the dividends received deduction.

For tax years beginning before January 1, 2011, a dividend paid to a U.S. Holder who is an individual, estate or trust by the Company generally will be taxed at the preferential tax rates applicable to long-term capital gains if the Company is a qualified foreign corporation as defined under Section 1(h)(11) of the Code (**QFC**) and certain holding period requirements for the Unit Shares or Warrant Shares are met. The Company generally will be a QFC if the Company is eligible for the benefits of the Canada-U.S. Tax Convention or the Unit Shares or Warrant Shares are readily tradable on an established securities market in the U.S. However, even if the Company satisfies one or more of these requirements, the Company will not be treated as a QFC if the Company is a PFIC for the tax year during which it pays a dividend or for the preceding tax year. (See the section above under the heading **Passive Foreign Investment Company Rules**). Accordingly, the Company does not expect to be a QFC in the current tax year and it may not be a QFC for subsequent tax years.

If the Company is not considered a PFIC, but a dividend paid to a U.S. Holder otherwise fails to qualify for the preferential tax rates discussed above, such a dividend generally will be taxed at ordinary income tax rates (and not at the preferential tax rates applicable to long-term capital gains).

Sale or Other Taxable Disposition of Unit Shares and/or Warrant Shares

Subject to the PFIC rules discussed above, upon the sale or other taxable disposition of Unit Shares or Warrant Shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount of cash plus the fair market value of any property received and such U.S. Holder's tax basis in such Unit Shares or Warrant Shares sold or otherwise disposed of. Such gain generally will be treated as U.S. source for purposes of applying the U.S. foreign tax credit rules unless the gain is subject to tax in Canada and is resourced as foreign source under the Canada-U.S. Tax Convention and such U.S. Holder elects to treat such gain or loss as foreign source. (See more detailed discussion at **Foreign Tax Credit** below).

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Preferential tax rates apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Proceeds paid to a U.S. Holder in foreign currency generally will be taxable as described below under Receipt of Foreign Currency above.

Foreign Tax Credit

A U.S. Holder who pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the Unit Shares and Warrant Shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's foreign source taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either foreign source or U.S. source. In addition, this limitation is calculated separately with respect to specific categories of income. Dividends paid by the Company generally will constitute foreign source income and generally will be categorized as passive category income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisor regarding the foreign tax credit rules.

Subject to certain specific rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with their own tax advisor regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

Receipt of Foreign Currency

The amount of any distribution paid in foreign currency to a U.S. Holder in connection with the ownership of Unit Shares or Warrant Shares, or on the sale, exchange or other taxable disposition of the Company's Unit Shares, Warrants or Warrant Shares generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of actual or constructive receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). If the foreign currency received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. A U.S. Holder that receives foreign currency and converts such foreign currency into U.S. dollars at a conversion rate other than the rate in effect on the date of receipt may have a foreign currency exchange gain or loss, which generally would be treated as U.S. source ordinary income or loss for foreign tax credit purposes. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Information Reporting; Backup Withholding Tax

Under U.S. federal income tax law and Treasury regulations, certain categories of United States Persons must file information returns with respect to their investment in, or involvement in, a foreign corporation. Penalties for failure to file certain of these information returns are substantial. United States Persons who acquire Units through this prospectus supplement and hold Unit Shares, Warrants and Warrant Shares should consult with their own tax advisors regarding the requirements of filing information returns, and if applicable, any Mark-to-Market election or QEF election.

Payments made within the U.S., or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from certain sales or other taxable dispositions of the Unit Shares and Warrant Shares may be subject to information reporting and backup withholding tax, at the rate of 28%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. social security or other taxpayer identification number (generally on Form W-9), (b) furnishes

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an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails under certain circumstances to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding tax rules.

RISK FACTORS

Prospective purchasers of Units should consider carefully the risk factors set out herein and contained in and incorporated by reference in the accompanying base shelf prospectus. Discussions of certain risks affecting Oncolytics in connection with its business are provided in our annual disclosure documents filed with the various securities regulatory authorities which are incorporated by reference in the accompanying base shelf prospectus.

There can be no assurance as to the liquidity of the Warrants or that a trading market for the Warrants will develop.

There is currently no public market through which the Warrants may be sold and we do not intend to apply for the listing of the Warrants on any securities exchanges. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation.

Barbados law differs from the laws in effect in Canada and may afford less protection to holders of our securities.

Certain of our assets and intellectual property are held by our wholly-owned subsidiary, Oncolytics Barbados, which is organized under the laws of Barbados. It may not be possible to enforce court judgments obtained in Canada against Oncolytics Barbados in Barbados based on the civil liabilities provisions of applicable securities laws. In addition, there is some doubt as to whether the courts of Barbados would recognize or enforce judgments of Canadian courts obtained against us or our directors or officers based on the civil liabilities provisions of Canadian securities laws or hear actions against us or those persons based on such laws.

Changes in law could adversely affect our business and corporate structure.

There can be no assurances that there will not occur changes in corporate, tax, property and other laws in Canada and/or Barbados (or the interpretation thereof by regulatory or tax authorities) which may materially and adversely affect our businesses and corporate structure.

The Corporation may fail to achieve and maintain adequate internal control over financial reporting pursuant to the requirements of the Sarbanes-Oxley Act and equivalent Canadian legislation.

The Corporation documented and tested during its most recent fiscal year its internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act (**SOX**) and equivalent Canadian legislation. SOX requires an annual assessment by management of the effectiveness of the Corporation's internal controls over financial reporting and an attestation report by the Corporation's independent auditors addressing this assessment. The Corporation may fail to achieve and maintain the adequacy of its internal controls over financial reporting as such standards are modified, supplemented, or amended from time to time, and the Corporation may not be able to ensure that it can conclude, on an ongoing basis, that it has effective internal controls over financial reporting in accordance with Section 404 of SOX. The Corporation's failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Corporation's business and negatively impact the trading price of the common shares or the market value of its other securities. In addition, any failure to implement required new or

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improved controls, or difficulties encountered in their implementation, could harm the Corporation's operating results or cause it to fail to meet its reporting obligations. Future acquisitions of companies, if any, may provide the Corporation with challenges in implementing the required processes, procedures and controls in its acquired operations. No evaluation can provide complete assurance that the Corporation's internal controls over financial reporting will detect or uncover all failures of persons within the Corporation to disclose material information otherwise required to be reported. The effectiveness of the Corporation's processes, procedures and controls could also be limited by simple errors or faulty judgments. In addition, if the Corporation expands, the challenges involved in implementing appropriate internal controls over financial reporting will increase and will require that the Corporation continue to improve its internal controls over financial reporting.

Because the Corporation is a Canadian corporation and the majority of its directors and officers are resident in Canada, it may be difficult for investors in the United States to enforce civil liabilities against the Corporation based solely upon the federal securities laws of the United States.

The Corporation is a Canadian corporation, with its principal place of business in Canada. A majority of the Corporation's directors and officers and some or all of the experts named in the registration statement to which this prospectus supplement relates are residents of Canada and a significant portion of the Corporation's assets and the assets of a majority of the Corporation's directors and officers and the experts named in this prospectus supplement are located outside the United States. Consequently, it may be difficult for U.S. investors to effect service of process within the United States upon the Corporation or its directors or officers or such experts who are not residents of the United States, or to realize in the United States upon judgments of courts of the United States predicated upon civil liabilities under the U.S. Securities Act of 1933, as amended. Investors should not assume that Canadian courts (1) would enforce judgments of U.S. courts obtained in actions against the Corporation or such directors, officers or experts predicated upon the civil liability provisions of the U.S. federal securities laws or the securities or blue sky laws of any state within the United States or (2) would enforce, in original actions, liabilities against the Corporation or such directors, officers or experts predicated upon the U.S. federal securities laws or any such state securities or blue sky laws. In addition, the protections afforded by Canadian securities laws may not be available to investors in the United States.

Possible passive foreign investment company status.

Potential investors that are U.S. taxpayers should be aware that the Corporation believes that it qualified as a PFIC for the tax year ended December 31, 2008, and based on current business plans and financial projections, the Corporation anticipates that it may qualify as a PFIC for the subsequent taxable years. If the Corporation is or becomes a PFIC, any gain recognized on the sale of the Unit Shares, Warrants or Warrant Shares and any excess distributions (as specifically defined) paid on Unit Shares or Warrant Shares must be ratably allocated to each day in a U.S. taxpayer's holding period for the Unit Shares, Warrants or Warrant Shares. The amount of any such gain or excess distribution allocated to prior years of such U.S. taxpayer's holding period for the Unit Shares, Warrants or Warrant Shares generally will be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such prior year, and the U.S. taxpayer will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

The determination of whether the Corporation will be a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether the Corporation will be a PFIC for any taxable year generally depends on its assets and income over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this prospectus supplement. Accordingly, there can be no assurance that the IRS will not challenge the determination made by the Corporation concerning its PFIC status or that the Corporation will not be a PFIC for any taxable year. For a more detailed discussion see Certain United States Federal Income Tax Considerations.

LEGAL MATTERS AND INTEREST OF EXPERTS

The auditors of the Corporation are Ernst & Young LLP, Chartered Accountants, 1000, 440th Avenue S.W., Calgary, Alberta, T2P 5E9. Ernst & Young LLP is independent of Oncolytics in accordance with the Rules of

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Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta. Ernst & Young LLP is registered with the U.S. Public Company Accounting Oversight Board.

Certain legal matters relating to the Offering will be passed upon by McCarthy Tétrault LLP with respect to certain Canadian legal matters and by Dorsey & Whitney LLP with respect to certain U.S. legal matters on behalf of the Corporation. The Underwriters are being represented by Heenan Blaikie LLP with respect to certain Canadian legal matters and by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. with respect to certain U.S. legal matters. As at the date hereof, the partners and associates of McCarthy Tétrault LLP, as a group, the partners and associates of Dorsey & Whitney LLP, as a group, the partners and associates of Heenan Blaikie LLP, as a group and the partners and associates of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., as a group, each beneficially own directly or indirectly, less than 1% of the Common Shares.

In addition, none of the aforementioned persons or firms, nor any director, officer or employee of any of the aforementioned persons or firms is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or any associate or affiliate of the Corporation.

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Base Shelf Prospectus

This short form prospectus has been filed under legislation in each of the provinces of British Columbia, Alberta, Manitoba and Ontario that permits certain information about these securities to be determined after this short form prospectus has become final and that permits the omission from this short form prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Oncolytics Biotech Inc. at 210, 1167 Kensington Crescent N.W., Calgary, Alberta T2N 1X7 telephone (403) 670-7377, and are available electronically at www.sedar.com. See Documents Incorporated by Reference .

Final Short Form Prospectus

New Issue

Dated June 16, 2008

Cdn. \$150,000,000

**Common Shares
Subscription Receipts
Warrants
Debt Securities
Units**

We may from time to time during the 25-month period that this prospectus (the **Prospectus**), including any amendments, remains valid, sell under this Prospectus up to Cdn. \$150,000,000 (or the equivalent in other currencies or currency units) aggregate initial offering price of our common shares (**Common Shares**), subscription receipts (**Subscription Receipts**), warrants to purchase Common Shares (**Warrants**), senior or subordinated unsecured debt securities (**Debt Securities**), and/or units comprised of one or more of the other securities described in this Prospectus in any combination, (**Units** and, together with the Common Shares, Subscription Receipts, Debt Securities and Warrants, the **Securities**). We may offer Securities in such amount and, in the case of the Subscription Receipts, Debt Securities, Warrants and Units, with such terms, as we may determine in light of market conditions. We may sell the Subscription Receipts, Debt Securities and Warrants in one or more series.

There are certain risk factors that should be carefully reviewed by prospective purchasers. See Risk Factors .

The specific variable terms of any offering of Securities will be set forth in a supplement to this Prospectus relating to such Securities (each, a **Prospectus Supplement**) including where applicable: (i) in the case of the Common Shares,

the number of Common Shares offered, the currency (which may be Canadian dollars or any other currency), the issue price and any other specific terms; (ii) in the case of Subscription Receipts, the number of Subscription Receipts offered, the currency (which may be Canadian dollars or any other currency), the issue price, the terms and procedures for the

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exchange of the Subscription Receipts and any other specific terms; (iii) in the case of Warrants, the designation, the number of Warrants offered, the currency (which may be Canadian dollars or any other currency), number of the Common Shares that may be acquired upon exercise of the Warrants, the exercise price, dates and periods of exercise, adjustment procedures and any other specific terms; (iv) in the case of Debt Securities, the designation, aggregate principal amount and authorized denominations of the Debt Securities, any limit on the aggregate principal amount of the Debt Securities, the currency (which may be Canadian dollars or any other currency), the issue price (at par, at a discount or at a premium), the issue and delivery date, the maturity date (including any provisions for the extension of a maturity date), the interest rate (either fixed or floating and, if floating, the method of determination thereof), the interest payment date(s), the provisions (if any) for subordination of the Debt Securities to other indebtedness, any redemption provisions, any repayment provisions, any terms entitling the holder to exchange or convert the Debt Securities into other securities and any other specific terms; and (v) in the case of Units, the designation, the number of Units offered, the offering price, the currency (which may be Canadian dollars or any other currency), terms of the Units and of the securities comprising the Units and any other specific terms.

We are permitted, as a foreign issuer in the United States, under a multi-jurisdictional disclosure system adopted by the United States and Canada, to prepare this 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 the notes to the financial statements incorporated by reference in this Prospectus.

You should be aware that the purchase of the Securities may have tax consequences both in the United States and Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. You should read the tax discussion contained in the applicable Prospectus Supplement with respect to a particular offering of securities. See Certain Income Tax Considerations .

Your ability to enforce civil liabilities under United States federal securities laws may be affected adversely 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 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 UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE SEC) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES NOR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

Our outstanding securities are listed for trading on the Toronto Stock Exchange under the trading symbol **ONC** and on the NASDAQ Capital Market under the trading symbol **ONCY** . Unless otherwise specified in any applicable Prospectus Supplement, the Subscription Receipts, Warrants, Debt Securities, and Units will not be listed on any securities exchange. **There is no market through which the Subscription Receipts, Warrants, Debt Securities or**

Units may be sold and purchasers may not be able to resell the Subscription Receipts, Warrants, Debt Securities or Units purchased under this Prospectus. This may affect the pricing of these securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See the Risk Factors section of the applicable Prospectus Supplement.

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We may sell the Securities to or through underwriters, dealers, placement agents or other intermediaries or directly to purchasers or through agents. See Plan of Distribution . The Prospectus Supplement relating to a particular offering of Securities will identify each person who may be deemed to be an underwriter with respect to such offering and will set forth the terms of the offering of such Securities, including, to the extent applicable, the initial public offering price, the proceeds that we will receive, the underwriting discounts or commissions and any other discounts or concessions to be allowed or reallocated to dealers. The managing underwriter or underwriters with respect to Securities sold to or through underwriters, if any, will be named in the related Prospectus Supplement.

Subject to applicable securities legislation, in connection with any offering of Securities under this Prospectus, the underwriters, if any, may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. These transactions, if commenced, may be discontinued at any time. See Plan of Distribution .

You should rely only on the information contained in this Prospectus. We have not authorized anyone to provide you with information different from that contained in this Prospectus.

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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DEFINITIONS AND OTHER MATTERS

In this Prospectus and any Prospectus Supplement, unless otherwise indicated, references to we, us, our, Oncolytics the Corporation are to Oncolytics Biotech Inc. All references to dollars, Cdn.\$ or \$ are to Canadian dollars and all references to U.S.\$ are to United States dollars. Unless otherwise indicated, all financial information included and incorporated by reference in this Prospectus and any Prospectus Supplement is determined using Canadian generally accepted accounting principles.

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 financial statements incorporated by reference in this Prospectus and any Prospectus Supplement and in the documents incorporated by reference in this Prospectus and in any applicable Prospectus Supplement may not be comparable to financial statements prepared in accordance with U.S. GAAP. You should refer to Note 21 of our financial statements for the year ended December 31, 2007 for a discussion of the principal differences between our financial results determined under Canadian GAAP and under U.S. GAAP. For our financial statements as at and for the three months ended March 31, 2008, you should refer to our reconciliation of our financial statements as at and for the three months ended March 31, 2008 to U.S. GAAP furnished to the SEC on the Company's Current Report on Form 6-K dated June 4, 2008 and incorporated into this Prospectus by reference. See Documents Incorporated by

Reference .

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

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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 or to conform these statements to actual results or to changes in our expectations.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from our Corporate Secretary at 210, 1167 Kensington Crescent N.W., Calgary, Alberta T2N 1X7 telephone (403) 670-7377, and are available electronically at www.sedar.com.

We have filed the following documents with the securities commissions or similar regulatory authorities in certain of the provinces of Canada and such documents are specifically incorporated by reference in this Prospectus:

our Renewal Annual Information Form dated March 5, 2008, for the year ended December 31, 2007 (the **AIF**);

our Management Proxy Circular dated March 23, 2007 relating to the annual and special meeting of shareholders held on May 2, 2007;

our Management Proxy Circular dated March 20, 2008 relating to the annual and special meeting of shareholders held on May 7, 2008;

our audited financial statements, together with the notes thereto, for the years ended December 31, 2007 and 2006 and the auditors' report thereon addressed to our shareholders;

our management's discussion and analysis of financial condition and results of operations dated March 5, 2008, for the year ended December 31, 2007;

our unaudited interim consolidated financial statements as at and for the three months ended March 31, 2008, together with the notes thereto;

our management's discussion and analysis of financial condition and results of operations dated April 30, 2008, for the three months ended March 31, 2008; and

the reconciliation of our consolidated financial statements as at and for the three months ended March 31, 2008 to U.S. GAAP, filed on June 3, 2008 under the heading **Other**.

Any documents of the type required by National Instrument 44-101 Short Form Prospectus Distributions of the Canadian Securities Administrators to be incorporated by reference in a short form prospectus, including any annual information form, comparative annual financial statements and the auditors report thereon, comparative interim financial statements, management s discussion and analysis of financial condition and results of operations, material change report (except a confidential material change report), business acquisition report and information circular, if filed by us with the securities commissions or similar authorities in the provinces of Canada after the date of this Prospectus shall be deemed to be incorporated by reference in this Prospectus.

Any report filed by us with the SEC pursuant to section 13(a), 13(c), 14 or 15(d) of the United States Securities Exchange Act of 1934 after the date of this Prospectus shall be deemed to be incorporated by reference into the registration statement of which this Prospectus forms a part, if and to the extent expressly provided in such report.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference into this Prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other

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information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus.

Upon a new annual information form and related audited annual financial statements and management's discussion and analysis being filed by us with, and where required, accepted by, the securities commission or similar regulatory authority in each of the provinces of British Columbia, Alberta, Manitoba and Ontario during the term of this Prospectus, the previous annual information form, the previous audited annual financial statements and related management's discussion and analysis, all unaudited interim financial statements and related management's discussion and analysis, material change reports and business acquisition reports filed prior to the commencement of our financial year in which the new annual information form and related audited annual financial statements and management's discussion and analysis are filed shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities under this Prospectus. Upon new interim financial statements and related management's discussion and analysis being filed by us with the securities commission or similar regulatory authority in each of the provinces of British Columbia, Alberta, Manitoba and Ontario during the term of this Prospectus, all interim financial statements and related management's discussion and analysis filed prior to the new interim consolidated financial statements and related management's discussion and analysis shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities under this Prospectus. Upon a new information circular relating to an annual meeting of holders of Common Shares being filed by us with the securities commission or similar regulatory authority in each of the provinces of British Columbia, Alberta, Manitoba and Ontario during the term of this Prospectus, the information circular for the preceding annual meeting of holders of Common Shares shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities under this Prospectus.

One or more Prospectus Supplements containing the specific variable terms for an issue of the Securities and other information in relation to such Securities will be delivered to purchasers of such Securities together with this Prospectus and will be deemed to be incorporated by reference into this Prospectus as of the date of the Prospectus Supplement solely for the purposes of the offering of the Securities covered by any such Prospectus Supplement.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-10 relating to the Securities. This Prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement, certain items of which are contained in the exhibits to the registration statement as permitted by the rules and regulations of the SEC.

We file annual and quarterly financial information and material change reports and other material with the SEC and with the securities commissions or similar regulatory authorities in Canada. Under a multi-jurisdictional disclosure system adopted by the United States, documents and other information that we file with the SEC may be prepared in accordance with the disclosure requirements of Canada, which are different from those of the United States. You may read and copy any document that we have filed with the SEC at the SEC's public reference rooms in Washington, D.C. and Chicago, Illinois. You may also obtain copies of those documents from the public reference room of the SEC at 100 F Street, N.E., Washington, D.C. 20549 by paying a fee. You should call the SEC at 1-800-SEC-0330 or access its website at www.sec.gov for further information about the public reference rooms. You may read and download some of the documents we have filed with the SEC's Electronic Data Gathering and Retrieval system at www.sec.gov. You may read and download any public document that we have filed with the securities commissions or similar

regulatory authorities in Canada at www.sedar.com.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a corporation existing under the *Business Corporations Act* (Alberta). The majority of our officers and directors and some of the experts named in this Prospectus, are residents of Canada or otherwise reside outside the United States, and all, or a substantial portion of their assets and a substantial portion of our assets, are located outside the United States. We have appointed an agent for service of process in the United States, but it may be difficult for holders of Securities who reside in the United States to effect service within the United States upon those directors, officers and

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experts who are not residents of the United States. It may also be difficult for holders of Securities who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon our civil liability and the civil liability of our directors, officers and experts under the United States federal securities laws. We have been advised by our Canadian counsel, Bennett Jones LLP, that a judgment of a United States court predicated solely upon civil liability under United States federal securities laws would probably be enforceable in Canada if the United States court in which the judgment was obtained has a basis for jurisdiction in the matter that would be recognized by a Canadian court for the same purposes. We have also been advised by Bennett Jones LLP, however, that there is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon United States federal securities laws.

We filed with the SEC, concurrently with our registration statement on Form F-10, an appointment of agent for service of process on Form F-X. Under the Form F-X, we appointed DL Services, Inc. at 1420, Fifth Avenue, Suite 3400, Seattle, Washington 98101 as our agent for service of process in the United States in connection with any investigation or administrative proceeding conducted by the SEC, and any civil suit or action brought against or involving us in a United States court arising out of or related to or concerning the offering of the Securities under this Prospectus.

RISK FACTORS

A prospective purchaser of Securities should carefully consider the list of risk factors set forth below as well as the other information contained in and incorporated by reference in this Prospectus before purchasing our Securities.

All of our potential products, including REOLYSIN[®], are in the research and development stage and will require further development and testing before they can be marketed commercially.

Prospects for companies in the biotechnology industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in biotechnology companies should be regarded as speculative. We are currently in the research and development stage on one product, REOLYSIN[®], for human application, the riskiest stage for a company in the biotechnology industry. It is not possible to predict, based upon studies in animals and early stage human clinical trials whether REOLYSIN[®] will prove to be safe and effective in humans. REOLYSIN[®] will require additional research and development, including extensive additional clinical testing, before we will be able to obtain the approvals of the relevant regulatory authorities in applicable countries to market REOLYSIN[®] commercially. There can be no assurance that the research and development programs we conducted will result in REOLYSIN[®] or any other products becoming commercially viable products, and in the event that any product or products result from the research and development program, it is unlikely they will be commercially available for a number of years.

To achieve profitable operations we, alone or with others, must successfully develop, introduce and market our products. To obtain regulatory approvals for products being developed for human use, and to achieve commercial success, human clinical trials must demonstrate that the product is safe for human use and that the product shows efficacy. Unsatisfactory results obtained from a particular study relating to a program may cause us to abandon our commitment to that program or the product being tested. No assurances can be provided that any current or future animal or human test, if undertaken, will yield favourable results. If we are unable to establish that REOLYSIN[®] is a safe, effective treatment for cancer, we may be required to abandon further development of the product and develop a new business strategy.

There are inherent risks in pharmaceutical research and development.

Pharmaceutical research and development is highly speculative and involves a high and significant degree of risk. The marketability of any product we develop will be affected by numerous factors beyond our control, including but not limited to:

the discovery of unexpected toxicities or lack of sufficient efficacy of products which make them unattractive or unsuitable for human use;

preliminary results as seen in animal and/or limited human testing may not be substantiated in larger, controlled clinical trials;

manufacturing costs or other production factors may make manufacturing of products ineffective, impractical and non-competitive;

proprietary rights of third parties or competing products or technologies may preclude commercialization;

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requisite regulatory approvals for the commercial distribution of products may not be obtained; and

other factors may become apparent during the course of research, up-scaling or manufacturing which may result in the discontinuation of research and other critical projects.

Our products under development have never been manufactured on a commercial scale, and there can be no assurance that such products can be manufactured at a cost or in a quantity to render such products commercially viable. Production and utilization of our products may require the development of new manufacturing technologies and expertise. The impact on our business in the event that new manufacturing technologies and expertise are required to be developed is uncertain. There can be no assurance that we will successfully meet any of these technological challenges, or others that may arise in the course of development.

Pharmaceutical products are subject to intense regulatory approval processes.

The regulatory process for pharmaceuticals, which includes preclinical studies and clinical trials of each compound to establish its safety and efficacy, takes many years and requires the expenditure of substantial resources. Moreover, if regulatory approval of a drug is granted, such approval may entail limitations on the indicated uses for which it may be marketed. Failure to comply with applicable regulatory requirements can, among other things, result in suspension of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution. Further, government policy may change, and additional government regulations may be established that could prevent or delay regulatory approvals for our products. In addition, a marketed drug and its manufacturer are subject to continual review. Later discovery of previously unknown problems with the product or manufacturer may result in restrictions on such product or manufacturer, including withdrawal of the product from the market and risk of litigation.

The U.S. Food and Drug Administration (the **FDA**) in the United States and similar regulatory authorities in other countries may deny approval of a new drug application if required regulatory criteria are not satisfied, or may require additional testing. Product approvals may be withdrawn if compliance with regulatory standards is not maintained or if problems occur after the product reaches the market. The FDA and similar regulatory authorities in other countries may require further testing and surveillance programs to monitor the pharmaceutical product that has been commercialized. Non-compliance with applicable requirements can result in fines and other judicially imposed sanctions, including product withdrawals, product seizures, injunction actions and criminal prosecutions.

In addition to our own pharmaceuticals, we may supply active pharmaceutical ingredients and advanced pharmaceutical intermediates for use in our customers' drug products. The final drug products in which the pharmaceutical ingredients and advanced pharmaceutical intermediates are used, however, are subject to regulation for safety and efficacy by the FDA and other jurisdictions, as the case may be. Such products must be approved by such agencies before they can be commercially marketed. The process of obtaining regulatory clearance for marketing is uncertain, costly and time consuming. We cannot predict how long the necessary regulatory approvals will take or whether our customers will ever obtain such approval for their products. To the extent that our customers do not obtain the necessary regulatory approvals for marketing new products, our product sales could be adversely affected.

The FDA and other governmental regulators have increased requirements for drug purity and have increased environmental burdens upon the pharmaceutical industry. Because pharmaceutical drug manufacturing is a highly regulated industry, requiring significant documentation and validation of manufacturing processes and quality control assurance prior to approval of the facility to manufacture a specific drug, there can be considerable transition time between the initiation of a contract to manufacture a product and the actual initiation of manufacture of that product. Any lag time in the initiation of a contract to manufacture product and the actual initiation of manufacture could cause us to lose profits or incur liabilities.

The pharmaceutical regulatory regime in Europe and other countries is, by and large, generally similar to that of the United States. We could face similar risks in these other jurisdictions, as the risks described above.

Our operations and products may be subject to other government manufacturing and testing regulations.

Securing regulatory approval for the marketing of therapeutics by the FDA in the United States and similar regulatory agencies in other countries is a long and expensive process, which can delay or prevent product development and marketing. Approval to market products may be for limited applications or may not be received at all.

The products we anticipate manufacturing will have to comply with the FDA's current Good Manufacturing Practices (**GMP**) and other FDA, and local government guidelines and regulations, including other international regulatory requirements and guidelines. Additionally, certain of our customers may require the manufacturing facilities

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contracted by us to adhere to additional manufacturing standards, even if not required by the FDA. Compliance with GMP regulations requires manufacturers to expend time, money and effort in production, and to maintain precise records and quality control to ensure that the product meets applicable specifications and other requirements. The FDA and other regulatory bodies periodically inspect drug-manufacturing facilities to ensure compliance with applicable GMP requirements. If the manufacturing facilities contracted by us fail to comply with the GMP requirements, the facilities may become subject to possible FDA or other regulatory action and manufacturing at the facility could consequently be suspended. We may not be able to contract suitable alternative or back-up manufacturing facilities on terms acceptable to us or at all.

The FDA or other regulatory agencies may also require the submission of any lot of a particular product for inspection. If the lot product fails to meet the FDA requirements, then the FDA could take any of the following actions: (i) restrict the release of the product; (ii) suspend manufacturing of the specific lot of the product; (iii) order a recall of the lot of the product; or (iv) order a seizure of the lot of the product.

We are subject to regulation by governments in many jurisdictions and, if we do not comply with healthcare, drug, manufacturing and environmental regulations, among others, our existing and future operations may be curtailed, and we could be subject to liability.

In addition to the regulatory approval process, we may be subject to regulations under local, provincial, state, federal and foreign law, including requirements regarding occupational health, safety, laboratory practices, environmental protection and hazardous substance control, and may be subject to other present and future local, provincial, state, federal and foreign regulations.

The biotechnology industry is extremely competitive and we must successfully compete with larger companies with substantially greater resources.

Technological competition in the pharmaceutical industry is intense and we expect competition to increase. Other companies are conducting research on therapeutics involving the Ras pathway as well as other novel treatments or therapeutics for the treatment of cancer which may compete with our product. Many of these competitors are more established, benefit from greater name recognition and have substantially greater financial, technical and marketing resources than us. In addition, many of these competitors have significantly greater experience in undertaking research, preclinical studies and human clinical trials of new pharmaceutical products, obtaining regulatory approvals and manufacturing and marketing such products. In addition, there are several other companies and products with which we may compete from time to time, and which may have significantly better and larger resources than us. Accordingly, our competitors may succeed in manufacturing and/or commercializing products more rapidly or effectively, which could have a material adverse effect on our business, financial condition or results of operations.

We anticipate that we will face increased competition in the future as new products enter the market and advanced technologies become available. There can be no assurance that existing products or new products developed by our competitors will not be more effective, or be more effectively manufactured, marketed and sold, than any that may be developed or sold by us. Competitive products may render our products obsolete and uncompetitive prior to recovering research, development or commercialization expenses incurred with respect to any such products.

We rely on patents and proprietary rights to protect our technology.

Our success will depend, in part, on our ability to obtain patents, maintain trade secret protection and operate without infringing the rights of third parties. We have patents in the United States, Canada and Europe and have filed applications for patents in the United States and under the PCT, allowing us to file in other jurisdictions. See Narrative Description Patent and Patent Application Summary in our AIF. Our success will depend, in part, on our ability to

obtain, enforce and maintain patent protection for our technology in Canada, the United States and other countries. We cannot be assured that patents will issue from any pending applications or that claims now or in the future, if any, allowed under issued patents will be sufficiently broad to protect our technology. In addition, no assurance can be given that any patents issued to or licensed by us will not be challenged, invalidated, infringed or circumvented, or that the rights granted thereunder will provide continuing competitive advantages to us.

The patent positions of pharmaceutical and biotechnology firms, including us, are generally uncertain and involve complex legal and factual questions. In addition, it is not known whether any of our current research endeavours will result in the issuance of patents in Canada, the United States, or elsewhere, or if any patents already issued will provide significant proprietary protection or will be circumvented or invalidated. Since patent applications in the United States

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and Canada may be maintained in secrecy until at least 18 months after filing of the original priority application, and since publication of discoveries in the scientific or patent literature tends to lag behind actual discoveries by several months, we cannot be certain that we or any licensor were the first to create inventions claimed by pending patent applications or that we or the licensor were the first to file patent applications for such inventions. Loss of patent protection could lead to generic competition for these products, and others in the future, which would materially and adversely affect our financial prospects for these products and which could have a material adverse effect on our business, financial condition or results of operations.

Similarly, since patent applications filed before November 29, 2000 in the United States may be maintained in secrecy until the patents issue or foreign counterparts, if any, publish, we cannot be certain that we or any licensor were the first creator of inventions covered by pending patent applications or that we or such licensor were the first to file patent applications for such inventions. There is no assurance that our patents, if issued, would be held valid or enforceable by a court or that a competitor's technology or product would be found to infringe such patents.

Accordingly, we may not be able to obtain and enforce effective patents to protect our proprietary rights from use by competitors, and the patents of other parties could require us to stop using or pay to use certain intellectual property, and as such, our competitive position and profitability could suffer as a result.

In addition, we may be required to obtain licenses under patents or other proprietary rights of third parties. No assurance can be given that any licenses required under such patents or proprietary rights will be available on terms acceptable to us. If we do not obtain such licenses, we could encounter delays in introducing one or more of our products to the market while we attempt to design around such patents, or could find that the development, manufacture or sale of products requiring such licenses could be foreclosed. In addition, we could incur substantial costs in defending ourselves in suits brought against us on such patents or in suits in which our attempts to enforce our own patents against other parties.

Our products may fail or cause harm, subjecting us to product liability claims.

Use of our product during current clinical trials may entail risk of product liability. We maintain clinical trial liability insurance; however, it is possible this coverage may not provide full protection against all risks. Given the scope and complexity of the clinical development process, the uncertainty of product liability litigation, and the shrinking capacity of insurance underwriters, it is not possible at this time to assess the adequacy of current clinical trial coverage, nor the ability to secure continuing coverage at the same level and at reasonable cost in the foreseeable future. While we carry, and intend to continue carrying amounts believed to be appropriate under the circumstances, it is not possible at this time to determine the adequacy of such coverage.

In addition, the sale and commercial use of our product entails risk of product liability. We currently do not carry any product liability insurance for this purpose. There can be no assurance that we will be able to obtain appropriate levels of product liability insurance prior to any sale of our pharmaceutical products. An inability to obtain insurance on economically feasible terms or to otherwise protect against potential product liability claims could inhibit or prevent the commercialization of products developed by us. The obligation to pay any product liability claim or a recall of a product could have a material adverse effect on our business, financial condition and future prospects.

We have limited manufacturing experience and intend to rely on third parties to commercially manufacture our products, if and when developed.

To date, we have relied upon a contract manufacturer to manufacture small quantities of REOLYSIN®. The manufacturer may encounter difficulties in scaling up production, including production yields, quality control and quality assurance. Only a limited number of manufacturers can supply therapeutic viruses and failure by the

manufacturer to deliver the required quantities of REOLYSIN® on a timely basis at a commercially reasonable price may have a material adverse effect on us. We have completed a program for the development of a commercial process for manufacturing REOLYSIN® and have filed a number of patent applications related to the process. There can be no assurance that we will successfully obtain sufficient patent protection related to our manufacturing process.

New products may not be accepted by the medical community or consumers.

Our primary activity to date has been research and development and we have no experience in marketing or commercializing products. We will likely rely on third parties to market our products, assuming that they receive regulatory approvals. If we rely on third parties to market our products, the commercial success of such product may be outside of our control. Moreover, there can be no assurance that physicians, patients or the medical community will accept

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our product even if it proves to be safe and effective and is approved for marketing by Health Canada, the FDA and other regulatory authorities. A failure to successfully market our product would have a material adverse effect on our revenue.

Our technologies may become obsolete.

The pharmaceutical industry is characterized by rapidly changing markets, technology, emerging industry standards and frequent introduction of new products. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render our products obsolete, less competitive or less marketable. The process of developing our products is extremely complex and requires significant continuing development efforts and third party commitments. Our failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect our business.

We may be unable to anticipate changes in our potential customer requirements that could make our existing technology obsolete. Our success will depend, in part, on our ability to continue to enhance our existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of our proprietary technology entails significant technical and business risks. We may not be successful in using our new technologies or exploiting our niche markets effectively or adapting our businesses to evolving customer or medical requirements or preferences or emerging industry standards.

We are highly dependent on third party relationships for research and clinical trials.

We rely upon third party relationships for assistance in the conduct of research efforts, pre-clinical development and clinical trials, and manufacturing. In addition, we expect to rely on third parties to seek regulatory approvals for and to market our product. Although we believe that our collaborative partners will have an economic motivation to commercialize our product included in any collaborative agreement, the amount and timing of resources diverted to these activities generally is expected to be controlled by the third party. Furthermore, if we cannot maintain these relationships, our business may suffer.

We have no operating revenues and a history of losses.

To date, we have not generated sufficient revenues to offset our research and development costs and accordingly have not generated positive cash flow or made an operating profit. As of December 31, 2007, we had an accumulated deficit of \$80.5 million and we incurred net losses of \$15.6 million, \$14.3 million, and \$12.8 million, for the years ended December 31, 2007, 2006 and 2005, respectively. As at March 31, 2008, we had an accumulated deficit of \$83.3 million and in the three month period then ended we incurred a net loss of \$3.3 million. We anticipate that we will continue to incur significant losses during 2008 and in the foreseeable future. We do not expect to reach profitability at least until after successful and profitable commercialization of one or more of our products. Even if one or more of our products are profitably commercialized, the initial losses incurred by us may never be recovered.

We may not be able to obtain third-party reimbursement for the cost of our product.

Uncertainty exists regarding the reimbursement status of newly-approved pharmaceutical products and reimbursement may not be available for REOLYSIN®. Any reimbursements granted may not be maintained or limits on reimbursements available from third-party payors may reduce the demand for, or negatively affect the price of, these products. If REOLYSIN® does not qualify for reimbursement, if reimbursement levels diminish, or if reimbursement is denied, our sales and profitability would be adversely affected.

We may need additional financing in the future to fund the research and development of our products and to meet our ongoing capital requirements.

As at December 31, 2007, we had cash and cash equivalents (including short-term investments) of \$25.2 million and working capital of approximately \$22.4 million. As at March 31, 2008, we had cash and cash equivalents (including short-term investments) of \$22.0 million and working capital of approximately \$19.5 million. We anticipate that we may need additional financing in the future to fund research and development and to meet our ongoing capital requirements. The amount of future capital requirements will depend on many factors, including continued scientific progress in our drug discovery and development programs, progress in our pre-clinical and clinical evaluation of drug candidates, time and expense associated with filing, prosecuting and enforcing our patent claims and costs associated with obtaining regulatory approvals. In order to meet such capital requirements, we will consider contract fees, collaborative research and development arrangements, and additional public or private financings (including the incurrence of debt and the issuance

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of additional equity securities) to fund all or a part of particular programs as well as potential partnering or licensing opportunities. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available on terms favorable to us, we may have to reduce substantially or eliminate expenditures for research and development, testing, production and marketing of our proposed product, or obtain funds through arrangements with corporate partners that require us to relinquish rights to certain of our technologies or product. There can be no assurance that we will be able to raise additional capital if our current capital resources are exhausted.

The cost of director and officer liability insurance may increase substantially and may affect our ability to retain quality directors and officers.

We carry liability insurance on behalf of our directors and officers. Given a number of large director and officer liability insurance claims in the U.S. equity markets, director and officer liability insurance has become increasingly more expensive with increased restrictions. Consequently, there is no assurance that we will continue to be offered this insurance or be able to obtain adequate coverage. The inability to acquire the appropriate insurance coverage may limit our ability to attract and maintain directors and officers as required to conduct our business.

We are dependent on our key employees and collaborators.

Our ability to develop the product will depend, to a great extent, on our ability to attract and retain highly qualified scientific personnel and to develop and maintain relationships with leading research institutions. Competition for such personnel and relationships is intense. We are highly dependent on the principal members of our management staff, as well as our advisors and collaborators, the loss of whose services might impede the achievement of development objectives. The persons working with us are affected by a number of influences outside of our control. The loss of key employees and/or key collaborators may affect the speed and success of product development.

We presently carry key man insurance in the amounts of \$1,500,000, \$1,000,000 and \$500,000 for Dr. Thompson, Dr. Coffey and Mr. Ball, respectively.

Our share price may be highly volatile.

Market prices for securities of biotechnology companies generally are volatile. This increases the risk of securities litigation. Factors such as announcements (publicly made or at scientific conferences) of technological innovations, new commercial products, patents, the development of proprietary rights, results of clinical trials, regulatory actions, publications, quarterly financial results, our financial position, public concern over the safety of biotechnology, future sales of shares by us or our current shareholders and other factors could have a significant effect on the market price and volatility of the Common Shares.

We incur some of our expenses in foreign currencies and therefore we are exposed to foreign currency exchange rate fluctuations.

We incur some of our manufacturing, clinical, collaborative and consulting expenses in foreign currencies (primarily the U.S. dollar and the British Pound (**BP**). Over the past few years the Canadian dollar has appreciated relative to the U.S. dollar and the BP thereby decreasing the Canadian dollar equivalent. However, if this trend reverses, our Canadian dollar equivalent costs will increase.

Also, as we expand to other foreign jurisdictions there may be an increase in our foreign exchange exposure.

We earn interest income on our excess cash reserves and are exposed to changes in interest rates.

We invest our excess cash reserves in investment vehicles that provide a rate of return with little risk to principal. As interest rates change the amount of interest income we earn will be directly impacted.

ONCOLYTICS BIOTECH INC.

Oncolytics Biotech Inc. was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on April 2, 1998 as 779738 Alberta Ltd. On April 8, 1998, we amended our articles and changed our name to Oncolytics Biotech Inc. On July 29, 1999, we further amended our articles by removing the private company restrictions and subdividing our 2,222,222 Common Shares issued and outstanding into 6,750,000 Common Shares. On February 9, 2007, we further amended our articles to permit for our shareholder meetings to be held at any place in Alberta or at any other location as determined by our directors.

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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.

OUR BUSINESS

We focus on the discovery and development of oncolytic viruses for the treatment of cancers that have not been successfully treated with conventional therapeutics. Recent scientific advances in oncology, virology, and molecular biology have created opportunities for new approaches to the treatment of cancer. The product we are presently developing may represent a novel treatment for Ras-mediated cancers which can be used as an alternative to existing cytotoxic or cytostatic therapies or as an adjuvant therapy to conventional chemotherapy, radiation therapy, or surgical resections. It could also potentially be used to treat certain cellular proliferative disorders for which no current therapy exists.

Our technologies are based primarily on discoveries in the Department of Microbiology and Infectious Diseases at the University of Calgary in the 1990 s. Oncolytics was formed in 1998 to explore the natural oncolytic capability of the reovirus, a virus that preferentially replicates in cells with an activated Ras pathway.

The lead product being developed by us may represent a novel treatment for certain tumour types and some cellular proliferative disorders. Our lead product is a virus that is able to replicate specifically in, and hence kill, certain tumour cells both in tissue culture as well as in a number of animal models without damaging normal cells.

Our potential product for human use, REOLYSIN[®], is developed from the reovirus. This virus has been demonstrated to replicate specifically in tumour cells bearing an activated Ras pathway. Activating mutations of Ras occur in approximately thirty per cent of all human tumours directly, but considering its central role in signal transduction, activation of the Ras pathway has been shown to play a role in approximately two-thirds of all tumours.

The functionality of REOLYSIN[®] is based upon the finding that tumours bearing an activated Ras pathway are deficient in their ability to activate the anti-viral response mediated by the host cellular protein, Protein Kinase R (**PKR**). Since PKR is responsible for preventing reovirus replication, tumour cells lacking the activity of PKR are susceptible to reovirus infections. As normal cells do not possess Ras activations, these cells are able to thwart reovirus infections by the activity of PKR. In a tumour cell with an activated Ras pathway, reovirus is able to freely replicate and hence kill the host tumour cell. The result of this replication is progeny viruses that are then free to infect surrounding cancer cells. This cycle of infection, replication and cell death is believed to be repeated until there are no longer any tumour cells carrying an activated Ras pathway available.

The following schematic illustrates the molecular basis of how the reovirus kills cancer cells.

For both non-cancer cells and cancer cells with an activated Ras pathway, virus binding, entry, and production of viral genes all proceed normally. In the case of normal cells however, the viral genes cause the activation of the anti-viral response that is mediated by the host cell s PKR, thus blocking the replication of the reovirus. In cells with an activated Ras pathway, the activation of PKR is prevented or reversed by an element of the Ras signal transduction pathway, thereby allowing the replication of the reovirus in these cancer cells. The end result of this replication is the death of the cancer

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cell. The action of the Ras pathway in allowing reovirus replication to ensue can be mimicked in non-cancerous cells by treating these cells with the chemical 2-aminopurine which prevents the activation of PKR.

RECENT DEVELOPMENTS

REOLYSIN® Development since the First Quarter of 2008

Clinical Trial Program

Clinical Trials Results

In June 2008, we announced that interim results of our Phase II study of intravenous REOLYSIN® in patients with sarcomas metastatic to the lung were presented at the American Society of Clinical Oncology annual meeting. The presentation, entitled *A Phase II Study of Intravenous REOLYSIN (Wild-type Reovirus) in the Treatment of Patients with Bone and Soft Tissue Sarcomas Metastatic to the Lung* was delivered by Dr. Monica Mita, the study principal investigator and her team at the Institute of Drug Development, the Cancer Therapy and Research Center at the University of Texas Health Science Center, San Antonio, Texas.

The interim results demonstrated that the treatment has been well tolerated to date, with 8 of 16 evaluable patients experiencing stable disease for periods ranging from two to more than ten, 28-day cycles. As previously announced by Oncolytics, the third patient treated in the study was demonstrated to have stable disease by RECIST criteria for more than six months as measured by CT scan. A PET scan taken at the same time showed that any residual mass was metabolically inert.

In April 2008, we completed patient enrolment in the dose escalation portion and reported positive interim results from our U.K. clinical trial to evaluate the anti-tumour effects of systemic administration of REOLYSIN® in combination with paclitaxel and carboplatin in patients with advanced cancers including head and neck, melanoma, lung and ovarian.

Four of the first eight patients treated in the study to date have a diagnosis of carcinoma of the head and neck. All three head and neck patients evaluated to date have had excellent clinical and radiological responses without appreciable toxicity. Preliminary assessment after recruitment of the first two cohorts has suggested that patients with head and neck carcinomas may represent a group of patients in whom the combination of carboplatin/paclitaxel and REOLYSIN® is active.

In the first cohort, the patient with head and neck cancer received 8 cycles of treatment (the maximum allowed) and achieved a clinical complete response. In the second cohort, the two patients with head and neck cancers with widespread disseminated disease have each received six cycles of treatment to date and both have achieved significant partial responses. Two of the three patients, including the patient with the clinical complete response, had previously received cisplatin/5-FU treatment and all three had previously received radiotherapy.

The trial has two components. The first is an open-label, dose-escalating, non-randomized study of REOLYSIN® given intravenously with paclitaxel and carboplatin every three weeks. Standard dosages of paclitaxel and carboplatin were delivered to patients with escalating dosages of REOLYSIN® intravenously. The second component of the trial includes the enrolment of a further 12 patients at the maximum dosage of REOLYSIN® in combination with a standard dosage of paclitaxel and carboplatin.

Eligible patients include those who have been diagnosed with advanced or metastatic solid tumours such as head and neck, melanoma, lung and ovarian cancers that are refractory (have not responded) to standard therapy or for which no

curative standard therapy exists. The primary objective of the trial is to determine the Maximum Tolerated Dose, Dose-Limiting Toxicity, recommended dose and dosing schedule and safety profile of REOLYSIN® when administered in combination with paclitaxel and carboplatin. Secondary objectives include the evaluation of immune response to the drug combination, the body's response to the drug combination compared to chemotherapy alone and any evidence of anti-tumour activity.

Clinical Trials Approved to Commence

In May 2008, we announced that we received a letter of approval from the U.K. Medicines and Healthcare Products Regulatory Agency for our Clinical Trial Application to begin a Phase II clinical trial using intravenous administration of REOLYSIN® in combination with paclitaxel and carboplatin in patients with advanced head and neck cancers. The principal investigator is Dr. Kevin Harrington of The Institute of Cancer Research and The Royal Marsden NHS Foundation Trust.

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This trial is a 14 patient, single arm, open-label, dose-targeted, non-randomized, multi-centre trial of REOLYSIN[®] given intravenously in combination with a standard dosage of paclitaxel and carboplatin. Patients with a variety of advanced cancers, including head and neck cancers, will continue to be treated in the ongoing U.K. combination paclitaxel and carboplatin trial.

Eligible patients include those with advanced or metastatic head and neck cancer that are refractory to standard therapy or for which no curative standard therapy exists. The primary objective of the Phase II trial is to measure tumour responses and duration of response, and to describe any evidence of antitumour activity. The secondary objective is to determine the safety and tolerability of REOLYSIN[®] when administered in combination with paclitaxel and carboplatin to patients with advanced or metastatic head and neck cancer.

Clinical Trials Actively Enrolling

In June 2008, we announced that we commenced patient enrolment in the Phase II clinical trial described above under Clinical Trials Approved to Commence using intravenous administration of REOLYSIN[®] combination with paclitaxel and carboplatin in patients with advanced head and neck cancers.

In May 2008, we announced that we had begun patient enrolment in a clinical trial using intravenous administration of REOLYSIN[®] in combination with cyclophosphamide, a chemotherapeutic agent as well as immune modulator, in patients with advanced cancers. The Principal Investigators are Dr. James Spicer of King's College in London, Dr. Johann de Bono and Dr. Kevin Harrington of The Royal Marsden NHS Foundation Trust and The Institute of Cancer Research, London, and Professor Hardev Pandha of the Royal Surrey County Hospital NHS Trust, Surrey and Mount Alvernia Hospitals.

The trial is an open-label, dose-escalating, non-randomized trial of REOLYSIN[®] given intravenously with escalating doses of cyclophosphamide. A standard dose of REOLYSIN[®] is administered intravenously over five consecutive days, while an intravenous dose of cyclophosphamide is administered three days before REOLYSIN[®] treatment and continues through the course of the treatment cycle. The total number of patients studied will depend on the number of dose levels tested, but it is anticipated to be approximately 30 patients.

Eligible patients include those who have been diagnosed with advanced or metastatic solid tumours including pancreatic, lung and ovarian cancers that are refractory (have not responded) to standard therapy or for which no curative standard therapy exists. The primary objectives of the trial include determining the Minimum Effective Immunomodulatory Dose of cyclophosphamide to obtain successful immune modulation. Secondary objectives include determining the safety profile of the combination and gathering any evidence of anti-tumour activity.

Manufacturing Program

In May 2008, we announced that we had successfully transferred GMP production for REOLYSIN[®] at the 40-litre batch size to SAFC Pharma[™], a Division of Sigma-Aldrich Corporation. This follows the successful scale-up from 20 litres to 40 litres announced by us last year.

Yields at the 40-litre scale should provide sufficient doses to support future development plans leading to registration and also anticipated early stage commercial requirements. Development work to support further scale-up to the 100-litre level is currently underway.

Collaborations

In April 2008, we announced that Prof. Alan Melcher and his research group at St. James' s University Hospital in Leeds, U.K. published the results of their work with reovirus in the May 1, 2008 online issue of The Journal of Immunology. The paper is entitled Reovirus Activates Human Dendritic Cells to Promote Innate Antitumor Immunity.

The researchers studied the ability of reovirus to activate human dendritic cells (**DC**), key regulators of both innate and adaptive immune responses. The data demonstrated that reovirus directly activates human DC, which in turn stimulate innate killing of cancer cells by natural killer and T cells, suggesting a novel potential role for T cells in oncolytic virus-induced local tumor cell death. Combined with the virus' s ability to directly kill cancer cells, the researchers concluded that reovirus recognition by DC may enhance the efficacy of reovirus as a therapeutic agent.

In April 2008, we announced that Prof. Alan Melcher and his research group at St. James' s University Hospital in Leeds, U.K. published the results of their work in the April 10 online issue of Gene Therapy. The paper is entitled Inflammatory Tumour Cell Killing by Oncolytic Reovirus for the Treatment of Melanoma.

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The investigators showed that reovirus effectively kills and replicates in both human melanoma cell lines and freshly resected tumours. They demonstrated that reovirus melanoma killing is more potent than, and distinct from, chemotherapy or radiotherapy-induced cell death. They concluded that reovirus is suitable for clinical testing in melanoma.

In April 2008, we announced that an oral presentation by Dr. Chandini Thirukkumaran of the Tom Baker Cancer Centre, Calgary, entitled "Targeting Multiple Myeloma with Oncolytic Viral Therapy" was presented at the American Association for Cancer Research (AACR) Annual Meeting in April.

The presentation covered preclinical work using reovirus as a purging agent during autologous (harvested from the patient themselves) hematopoietic stem cell transplants for multiple myeloma. The results demonstrated that up to 70% of multiple myeloma cell lines tested showed reovirus sensitivity and reovirus induced cell death mediated through apoptosis.

The investigators concluded that this preclinical data supports initiating a Phase I purging trial using reovirus against multiple myeloma.

In April 2008, we announced that a poster presentation by Dr. Anders Kolb of the Nemours Center for Childhood Cancer Research entitled "Radiation in Combination with Reolysin for Pediatric Sarcomas" was presented at AACR.

The poster covers preclinical work using reovirus in combination with radiation in mice implanted with pediatric rhabdomyosarcoma and Ewing's sarcoma tumours. The results demonstrated that the combination of reovirus and radiation significantly enhanced efficacy compared to either treatment alone in terms of tumour regression and event-free survival.

USE OF PROCEEDS

Unless otherwise indicated in an applicable Prospectus Supplement relating to an offering of Securities, we will use the net proceeds we receive from the sale of Securities for general corporate purposes, which may include our clinical trial program and our manufacturing activities in support of such program. The amount of net proceeds to be used for any purpose will be described in the applicable Prospectus Supplement.

CAPITALIZATION

On March 31, 2008, we had 41,180,748 Common Shares issued and outstanding. Since March 31, 2008, we have issued no Common Shares pursuant to the exercise of stock options and no warrants have expired. As at June 16, 2008, we have 41,180,748 Common Shares issued and outstanding. After giving effect to the exercise of all our Common Share purchase warrants and options, we would have 49,271,241 Common Shares issued and outstanding as at June 16, 2008.

PRIOR SALES

On October 29, 2007, we issued 60,000 Common Shares on the exercise of 60,000 options at an exercise price of \$0.85 per Common Share. We granted options to acquire an aggregate of 1,050 Common Shares at an exercise price of \$2.35 per Common Share and options to acquire an aggregate of 431,493 Common Shares at an exercise price of \$2.22 per Common Share on October 30, 2007 and December 12, 2007, respectively. No other Common Shares or securities exchangeable or convertible into Common Shares have been issued during the twelve month period preceding the date of this Prospectus.

DESCRIPTION OF SHARE CAPITAL

Authorized Capital

Our authorized capital consists of an unlimited number of Common Shares.

Common Shares

The holders of our Common Shares are entitled to one vote per share at meetings of shareholders, to receive such dividends as declared by us and to receive our remaining property and assets upon dissolution or wind up. Our Common Shares are not subject to any future call or assessment and there are no pre-emptive, conversion or redemption rights attached to such shares.

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DESCRIPTION OF SUBSCRIPTION RECEIPTS

The following description of the terms of Subscription Receipts sets forth certain general terms and provisions of Subscription Receipts in respect of which a Prospectus Supplement may be filed. The particular terms and provisions of Subscription Receipts offered by any Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in the Prospectus Supplement filed in respect of such Subscription Receipts.

Subscription Receipts may be offered separately or in combination with one or more other Securities. The Subscription Receipts will be issued under a subscription receipt agreement. A copy of the subscription receipt agreement will be filed by us with the applicable securities commission or similar regulatory authorities after it has been entered into by us and will be available electronically at www.sedar.com.

Pursuant to the subscription receipt agreement, original purchasers of Subscription Receipts will have a contractual right of rescission against Oncolytics, following the issuance of the underlying Common Share or other securities to such purchasers upon the surrender or deemed surrender of the Subscription Receipts, to receive the amount paid for the Subscription Receipts in the event that this Prospectus and any amendment thereto contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days from the closing date of the offering of Subscription Receipts.

The description of general terms and provisions of Subscription Receipts described in any Prospectus Supplement will include, where applicable:

the number of Subscription Receipts offered;

the price at which the Subscription Receipts will be offered;

if other than Canadian dollars, the currency or currency unit in which the Subscription Receipts are denominated;

the procedures for the exchange of the Subscription Receipts into Common Shares or other securities;

the number of Common Shares or other securities that may be obtained upon exercise of each Subscription Receipt;

the designation and terms of any other Securities with which the Subscription Receipts will be offered, if any, and the number of Subscription Receipts that will be offered with each Security;

the terms applicable to the gross proceeds from the sale of the Subscription Receipts plus any interest earned thereon;

the material tax consequences of owning the Subscription Receipts; and

any other material terms, conditions and rights (or limitations on such rights) of the Subscription Receipts.

We reserve the right to set forth in a Prospectus Supplement specific terms of the Subscription Receipts that are not within the options and parameters set forth in this Prospectus. In addition, to the extent that any particular terms of the

Subscription Receipts described in a Prospectus Supplement differ from any of the terms described in this Prospectus, the description of such terms set forth in this Prospectus shall be deemed to have been superseded by the description of such differing terms set forth in such Prospectus Supplement with respect to such Subscription Receipts.

DESCRIPTION OF WARRANTS

The following description of the terms of Warrants sets forth certain general terms and provisions of Warrants in respect of which a Prospectus Supplement may be filed. The particular terms and provisions of Warrants offered by any Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in the Prospectus Supplement filed in respect of such Warrants. Warrants may be offered separately or in combination with one or more other Securities.

The description of general terms and provisions of Warrants described in any Prospectus Supplement will include, where applicable:

the designation and aggregate number of Warrants offered;

the price at which the Warrants will be offered;

if other than Canadian dollars, the currency or currency unit in which the Warrants are denominated;

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the designation and terms of the Common Shares that may be acquired upon exercise of the Warrants;

the date on which the right to exercise the Warrants will commence and the date on which the right will expire;

the number of Common Shares that may be purchased upon exercise of each Warrant and the price at which and currency or currencies in which that amount of securities may be purchased upon exercise of each Warrant;

the designation and terms of any Securities with which the Warrants will be offered, if any, and the number of the Warrants that will be offered with each Security;

the date or dates, if any, on or after which the Warrants and the related Securities will be transferable separately;

the minimum or maximum amount, if any, of Warrants that may be exercised at any one time;

whether the Warrants will be subject to redemption or call, and, if so, the terms of such redemption or call provisions; and

any other material terms, conditions and rights (or limitations on such rights) of the Warrants.

We reserve the right to set forth in a Prospectus Supplement specific terms of the Warrants that are not within the options and parameters set forth in this Prospectus. In addition, to the extent that any particular terms of the Warrants described in a Prospectus Supplement differ from any of the terms described in this Prospectus, the description of such terms set forth in this Prospectus shall be deemed to have been superseded by the description of such differing terms set forth in such Prospectus Supplement with respect to such Warrants.

DESCRIPTION OF DEBT SECURITIES

The following description sets forth certain general terms and provisions of the Debt Securities and is not intended to be complete. The particular terms and provisions of the Debt Securities and a description of how the general terms and provisions described below may apply to the Debt Securities will be included in the applicable Prospectus Supplement. The following description is subject to the detailed provisions of the applicable Trust Indenture. Accordingly, reference should also be made to the applicable Trust Indenture, a copy of which will be filed by us with the securities commission or similar regulatory authority in each of the provinces of British Columbia, Alberta, Manitoba and Ontario after it has been entered into by us and will be available electronically at www.sedar.com.

The Debt Securities will be issued under one or more indentures (each, a **Trust Indenture**), in each case between ourselves and a financial institution authorized to carry on business as a trustee (each, a **Trustee**).

Debt Securities may be offered separately or in combination with one or more other Securities. We may, from time to time, issue debt securities and incur additional indebtedness other than through the issuance of Debt Securities pursuant to this Prospectus.

General

The Debt Securities may be issued from time to time in one or more series. We may specify a maximum aggregate principal amount for the Debt Securities of any series and, unless otherwise provided in the applicable Prospectus Supplement, a series of Debt Securities may be reopened for issuance of additional Debt Securities of such series.

Any Prospectus Supplement for Debt Securities supplementing this Prospectus will contain the specific terms and other information with respect to the Debt Securities being offered thereby, including:

the designation, aggregate principal amount and authorized denominations of such Debt Securities;

any limit upon the aggregate principal amount of such Debt Securities;

the currency or currency units for which such Debt Securities may be purchased and the currency or currency units in which the principal and any interest is payable (in either case, if other than Canadian dollars);

the issue price (at par, at a discount or at a premium) of such Debt Securities;

the date or dates on which such Debt Securities will be issued and delivered;

the date or dates on which such Debt Securities will mature, including any provision for the extension of a maturity date, or the method of determination of such date(s);

the rate or rates per annum (either fixed or floating) at which such Debt Securities will bear interest (if any) and, if floating, the method of determination of such rate;

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the date or dates from which any such interest will accrue and on which such interest will be payable and the record date or dates for the payment of such interest, or the method of determination of such date(s);

if applicable, the provisions for subordination of such Debt Securities to other indebtedness of the Corporation;

the Trustee under the Trust Indenture pursuant to which such Debt Securities are to be issued;

any redemption term or terms under which such Debt Securities may be defeased whether at or prior to maturity;

any repayment or sinking fund provisions;

any events of default applicable to such Debt Securities;

whether such Debt Securities are to be issued in registered form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;

any exchange or conversion terms and any provisions for the adjustment thereof;

if applicable, our ability to satisfy all or a portion of any redemption of such Debt Securities, any payment of any interest on such Debt Securities or any repayment of the principal owing upon the maturity of such Debt Securities through the issuance of securities by us or of any other entity, and any restriction(s) on the persons to whom such securities may be issued;

the provisions applicable to the modification of the terms of the Trust Indenture; and

any other specific material terms or covenants applicable to such Debt Securities.

We reserve the right to include in a Prospectus Supplement specific terms pertaining to the Debt Securities which are not within the options and parameters set forth in this Prospectus. In addition, to the extent that any particular terms of the Debt Securities described in a Prospectus Supplement differ from any of the terms described in this Prospectus, the description of such terms set forth in this Prospectus shall be deemed to have been superseded by the description of such differing terms set forth in such Prospectus Supplement with respect to such Debt Securities.

Ranking

The Debt Securities will be direct unsecured obligations of Oncolytics. The Debt Securities will be senior or subordinated indebtedness of Oncolytics as described in the applicable Prospectus Supplement. If the Debt Securities are senior indebtedness, they will rank equally and rateably with all other unsecured indebtedness of Oncolytics from time to time issued and outstanding which is not subordinated. If the Debt Securities are subordinated indebtedness, they will be subordinated to senior indebtedness of Oncolytics as described in the applicable Prospectus Supplement, and they will rank equally and rateably with other subordinated indebtedness of Oncolytics from time to time issued and outstanding as described in the applicable Prospectus Supplement. We reserve the right to specify in a Prospectus Supplement whether a particular series of subordinated Debt Securities is subordinated to any other series of subordinated Debt Securities.

Registration of Debt Securities

Debt Securities in Book Entry Form

Debt Securities of any series may be issued in whole or in part in the form of one or more global securities (each a **Global Security** and together **Global Securities**) registered in the name of a designated clearing agency (a **Depository**) or its nominee and held by or on behalf of the Depository in accordance with the terms of the applicable Trust Indenture. The specific terms of the depository arrangement with respect to any portion of a series of Debt Securities to be represented by a Global Security will, to the extent not described herein, be described in the Prospectus Supplement relating to such series.

A Global Security may not be transferred, except as a whole between the Depository and a nominee of the Depository or as between nominees of the Depository, or to a successor Depository or nominee thereof, until it is wholly exchanged for Debt Securities in certificated non-book-entry form in accordance with the terms of the applicable Trust Indenture. So long as the Depository for a Global Security, or its nominee, is the registered owner of such Global Security, such Depository or such nominee, as the case may be, will be considered the sole owner or holder of the Debt Securities represented by such Global Security for all purposes under the applicable Trust Indenture and payments of principal of and interest, if any, on the Debt Securities represented by a Global Security will be made by us to the Depository or its nominee.

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Subject to such exceptions, if any, as may be provided for in the Trust Indenture and described in the applicable Prospectus Supplement, owners of beneficial interests in a Global Security will not be entitled to have the Debt Securities represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of such Debt Securities in certificated non-book-entry form, will not be considered the owners or holders thereof under the applicable Trust Indenture and will be unable to pledge Debt Securities as security. The laws of some states in the United States may require that certain purchasers of Debt Securities take physical delivery of such Debt Securities in definitive form.

Principal and interest payments, if any, on the Debt Securities represented by a Global Security registered in the name of a Depository or its nominee will be made to such Depository or its nominee, as the case may be, as the registered owner of such Global Security. Neither Oncolytics, the Trustee nor any paying agent for such Debt Securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in such Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Oncolytics, any underwriters, dealers or agents and any Trustee identified in an accompanying Prospectus Supplement, as applicable, will not have any liability or responsibility for: (i) records maintained by the Depository relating to beneficial ownership interests in the Debt Securities held by the Depository or the book-entry accounts maintained by the Depository; (ii) maintaining, supervising or reviewing any records relating to any such beneficial ownership interests; or (iii) any advice or representation made by or with respect to the Depository and contained in this Prospectus or in any Prospectus Supplement or Trust Indenture with respect to the rules and regulations of the Depository or at the direction of Depository participants.

The applicable Prospectus Supplement will identify the applicable Depository for any Debt Securities represented by a Global Security.

Debt Securities in Registered Form

Debt Securities of any series may be issued in whole or in part in registered form as provided in the applicable Trust Indenture.

In the event that the Debt Securities are issued in certificated non-book-entry form, principal and interest, if any, will be payable, the transfer of such Debt Securities will be registerable and such Debt Securities will be exchangeable for Debt Securities in other denominations of a like aggregate principal amount at the office or agency maintained by us. Payment of principal and interest, if any, on Debt Securities in certificated non-book-entry form may be made by check mailed to the address of the holders entitled thereto.

Subject to the foregoing limitations, Debt Securities of any authorized form or denomination issued under the applicable Trust Indenture may be transferred or exchanged for Debt Securities of any other authorized form or denomination or denominations, any such transfer or exchange to be for an equivalent aggregate principal amount of Debt Securities of the same series, carrying the same rate of interest and same redemption and other provisions as the Debt Securities so transferred or exchanged. Exchanges of Debt Securities of any series may be made at the offices of the applicable Trustee and at such other places as we may from time to time designate with the approval of the applicable Trustee and may be specified in the applicable Prospectus Supplement. Unless otherwise specified in the applicable Prospectus Supplement, the applicable Trustee will be the registrar and transfer agent for any Debt Securities issued in certificated non-book-entry form under the applicable Trust Indenture.

DESCRIPTION OF UNITS

We may issue Units comprised of one or more of the other Securities described in this Prospectus in any combination. Each Unit will be issued so that the holder of the Unit is also the holder of each Security included in the Unit. Thus, the holder of a Unit will have the rights and obligations of a holder of each included Security. The unit agreement, if any, under which a Unit is issued may provide that the Securities included in the Unit may not be held or transferred separately, at any time or at any time before a specified date.

The particular terms and provisions of Units offered by any Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in the Prospectus Supplement filed in respect of such Units.

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The particular terms of each issue of Units will be described in the related Prospectus Supplement. This description will include, where applicable:

the designation and aggregate number of Units offered;

the price at which the Units will be offered;

if other than Canadian dollars, the currency or currency unit in which the Units are denominated;

the terms of the Units and of the Securities comprising the Units, including whether and under what circumstances those securities may be held or transferred separately;

the number of Securities that may be purchased upon exercise of each Unit and the price at which and currency or currency unit in which that amount of Securities may be purchased upon exercise of each Unit;

any provisions for the issuance, payment, settlement, transfer or exchange of the Units or of the Securities comprising the Units; and

any other material terms, conditions and rights (or limitations on such rights) of the Units.

We reserve the right to set forth in a Prospectus Supplement specific terms of the Units that are not within the options and parameters set forth in this Prospectus. In addition, to the extent that any particular terms of the Units described in a Prospectus Supplement differ from any of the terms described in this Prospectus, the description of such terms set forth in this Prospectus shall be deemed to have been superseded by the description of such differing terms set forth in such Prospectus Supplement with respect to such Units.

MARKET FOR SECURITIES

Our outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange under the trading symbol **ONC** and on the NASDAQ Capital Market under the trading symbol **ONCY**. The following table sets forth the market price ranges and the aggregate volume of trading of the Common Shares on the Toronto Stock Exchange and NASDAQ Capital Market for the periods indicated:

Period	Toronto Stock Exchange				NASDAQ Capital Market			
	High (\$)	Low (\$)	Close (\$)	Volume (Shares)	High (U.S.\$)	Low (U.S.\$)	Close (U.S.\$)	Volume (Shares)
2007								
May	2.39	2.12	2.19	880,135	2.17	1.98	2.06	1,026,481
June	2.55	2.05	2.15	755,603	2.47	1.92	2.08	1,746,620
July	2.21	1.68	1.91	1,512,581	2.08	1.59	1.79	1,296,480
August	1.95	1.54	1.62	514,617	1.85	1.50	1.55	592,767
September	1.90	1.42	1.90	1,046,083	1.90	1.44	1.89	1,172,901
October	2.46	1.67	2.30	2,614,255	2.53	1.75	2.44	2,470,044
November	2.65	2.10	2.28	600,779	2.77	2.08	2.29	1,038,246
December	2.38	1.67	1.70	355,628	2.38	1.67	1.72	795,031

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January	2.04	1.66	1.95	538,887	2.04	1.69	1.93	622,530
February	2.26	1.82	1.90	564,976	2.27	1.85	1.94	588,210
March	2.01	1.70	1.83	376,635	2.02	1.70	1.84	618,300
April	2.50	1.78	1.96	1,159,535	2.46	1.76	1.94	1,138,020
May	2.18	1.60	2.15	6,683,183	2.21	1.62	2.15	897,410
June (1-13)	2.40	2.00	2.14	452,450	2.39	2.01	2.08	692,140

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PLAN OF DISTRIBUTION

We may sell Securities to or through underwriters, dealers, placement agents or other intermediaries and also may sell Securities directly to purchasers or through agents, subject to obtaining any applicable exemption from registration requirements.

The distribution of Securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, or at prices related to such prevailing market prices to be negotiated with purchasers and as set forth in an accompanying Prospectus Supplement.

In connection with the sale of Securities, underwriters may receive compensation from us or from purchasers of Securities for whom they may act as agents in the form of discounts, concessions or commissions. Underwriters, dealers, placement agents or other intermediaries that participate in the distribution of Securities may be deemed to be underwriters and any discounts or commissions received by them from us and any profit on the resale of Securities by them may be deemed to be underwriting discounts and commissions under applicable securities legislation.

If so indicated in the applicable Prospectus Supplement, we may authorize dealers or other persons acting as our agents to solicit offers by certain institutions to purchase the Securities directly from us pursuant to contracts providing for payment and delivery on a future date. These contracts will be subject only to the conditions set forth in the applicable Prospectus Supplement or supplements, which will also set forth the commission payable for solicitation of these contracts.

The Prospectus Supplement relating to any offering of Securities will also set forth the terms of the offering of the Securities, including, to the extent applicable, the initial offering price, the proceeds to us, the underwriting discounts or commissions, and any other discounts or concessions to be allowed or reallocated to dealers. Underwriters with respect to any offering of Securities sold to or through underwriters will be named in the Prospectus Supplement relating to such offering.

Holders of Warrants resident in the United States who acquire Common Shares pursuant to the exercise of Warrants in accordance with their terms and under this Prospectus and any applicable Prospectus Supplement may have a right of action against the Corporation for any misrepresentation in this Prospectus or any applicable Prospectus Supplement. However, the existence and enforceability of such a right of action is not without doubt. By contrast, holders of Warrants resident in Canada who may acquire Common Shares pursuant to the exercise of Warrants in accordance with their terms and who will be deemed to acquire such Common Shares under applicable Canadian prospectus exemptions, will not have any such right of action.

Under agreements which may be entered into by us, underwriters, dealers, placement agents and other intermediaries who participate in the distribution of Securities may be entitled to indemnification by us against certain liabilities, including liabilities under applicable securities legislation. The underwriters, dealers, placement agents and other intermediaries with whom we enter into agreements may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

Any offering of Subscription Receipts, Debt Securities, Warrants or Units will be a new issue of securities with no established trading market. Unless otherwise specified in the applicable Prospectus Supplement, the Subscription Receipts, Debt Securities, Warrants or Units will not be listed on any securities exchange. **Unless otherwise specified in the applicable Prospectus Supplement, there is no market through which the Subscription Receipts, Debt Securities, Warrants or Units may be sold and purchasers may not be able to resell Subscription Receipts, Debt**

Securities, Warrants or Units purchased under this Prospectus or any Prospectus Supplement. This may affect the pricing of the Subscription Receipts, Debt Securities, Warrants or Units in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. Certain dealers may make a market in the Subscription Receipts, Debt Securities, Warrants or Units, as applicable, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any dealer will make a market in the Subscription Receipts, Debt Securities, Warrants or Units or as to the liquidity of the trading market, if any, for the Subscription Receipts, Debt Securities, Warrants or Units.

Subject to applicable securities legislation, in connection with any offering of Securities under this Prospectus, the underwriters, if any, may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. These transactions, if commenced, may be discontinued at any time.

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Notwithstanding the filing of this Prospectus, our short form base shelf prospectus dated February 15, 2007 and the related prospectus supplement dated February 16, 2007 (collectively, the **2007 Base Shelf Prospectus**) will remain in full force and effect and continue to qualify the Common Shares issuable to U.S. residents on exercise of the Common Share purchase warrants issued in connection with our Unit offering under a short form prospectus dated February 14, 2007 (the **2007 Unit Offering**) until such time as the 2007 Base Shelf Prospectus expires in accordance with applicable securities laws. In the event that the 2007 Base Shelf Prospectus expires prior to the exercise of all the Common Shares purchase warrants issued to U.S. residents in connection with the 2007 Unit Offering, we may use this Prospectus to qualify the remaining Common Shares issuable to U.S. residents on the exercise of Common Share purchase warrants issued in connection with the 2007 Unit Offering. If such a determination is made, the applicable prospectus supplement will set out the relevant facts to qualify such Common Shares. We may also use this Prospectus to qualify Common Shares issuable to U.S. residents on the exercise of future Common Share purchase warrants issued by us.

CERTAIN INCOME TAX CONSIDERATIONS

The applicable prospectus supplement may describe certain Canadian federal income tax consequences which may be applicable to a purchaser of Securities offered thereunder, and may also include a discussion of certain United States federal income tax consequences to the extent applicable.

LEGAL MATTERS

Unless otherwise specified in the Prospectus Supplement, certain legal matters relating to the offering of the securities will be passed upon for us by Bennett Jones LLP and Dorsey & Whitney LLP. In addition, certain legal matters in connection with any offering of securities will be passed upon for any underwriters, dealers or agents by counsel to be designated at the time of the offering by such underwriters, dealers or agents with respect to matters of Canadian and United States law.

The partners and associates of Bennett Jones LLP, as a group, and the partners and associates of Dorsey & Whitney LLP, as a group, each beneficially own, directly or indirectly, less than 1% of our securities.

AUDITOR

Our financial statements as at December 31, 2007 and 2006 incorporated by reference into this Prospectus have been audited by Ernst & Young LLP, independent auditors, as indicated in their report dated February 15, 2008 and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said report. Ernst & Young LLP has been our auditor since inception in 1998.

DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

The following documents have been filed with the SEC as part of the registration statement of which this Prospectus is a part insofar as required by the SEC's Form F-10:

the documents listed under Documents Incorporated by Reference in this Prospectus;

the consent of our auditors Ernst & Young LLP;

the consent of our Canadian counsel Bennett Jones LLP;

powers of attorney from our directors and officers; and

Form F-X Appointment of Agent for Service of Proceeds and Undertaking.

PURCHASERS STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus, the accompanying prospectus supplement relating to securities purchased by a purchaser and any amendment thereto. The legislation further provides a purchaser with remedies for rescission or damages if the prospectus, the accompanying prospectus supplement relating to securities purchased by a purchaser or any amendment contains a misrepresentation or are not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation in the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.