

Tucows Inc.  
Consolidated Balance Sheets  
(Dollar amounts in U.S. dollars)

	June 30, 2010	December 31, 2009
	(unaudited)	(unaudited)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,067,668	\$ 9,632,394
Accounts receivable	3,385,650	2,822,045
Prepaid expenses and deposits	2,927,409	2,498,922
Derivative instrument asset, current portion	664,765	2,107,825
Prepaid domain name registry and ancillary services fees, current portion	34,476,972	31,596,236
Income taxes recoverable	382,000	674,000
	45,904,464	49,331,422
Derivative instrument asset, long-term portion	-	112,553
Prepaid domain name registry and ancillary services fees, long-term portion	12,676,451	12,126,515
Property and equipment	1,509,105	1,986,768
Deferred financing charges	26,900	41,000
Deferred tax asset, long-term portion	3,664,728	3,907,476
Intangible assets	17,773,663	18,656,353
Goodwill	17,990,807	17,990,807
	\$ 99,546,118	\$104,152,894
<b>Total assets</b>		
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,261,526	\$ 1,547,863
Accrued liabilities	1,857,296	1,889,980
Customer deposits	3,461,557	3,624,317
Derivative instrument liability, current portion	111,875	-
Loan payable, current portion	2,263,004	3,220,125
Deferred revenue, current portion	43,330,579	40,211,766
Accreditation fees payable, current portion	560,369	530,656
Deferred tax liability, current portion	664,728	907,476
	53,510,934	51,932,183
Derivative instrument liability, long-term portion	159,232	15,708
Deferred revenue, long-term portion	16,716,150	16,098,812
Accreditation fees payable, long-term portion	168,224	169,620
Deferred tax liability, long-term portion	4,840,000	4,840,000

Stockholders' equity:		
Preferred stock - no par value, 1,250,000 shares authorized; none issued and outstanding	-	-
Common stock - no par value, 250,000,000 shares authorized; 57,362,611 shares issued and outstanding as of June 30, 2010 and 67,080,353 shares issued and outstanding as of December 31, 2009	12,107,580	14,030,384
Additional paid-in capital	42,468,074	47,287,351
Deficit	(30,424,076)	(30,221,164)
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Total stockholders' equity	24,151,578	31,096,571
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Total liabilities and stockholders' equity	\$ 99,546,118	\$104,152,894
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Tucows Inc.  
Consolidated Statements of Operations  
(Dollar amounts in U.S. dollars)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	----- (unaudited)		----- (unaudited)	
Net revenues	\$ 20,846,598	\$ 20,022,119	\$ 41,291,751	\$ 40,113,543
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Cost of revenues:				
Cost of revenues(*)	15,455,986	14,386,048	30,380,860	28,171,446
Depreciation of property and equipment	253,057	576,419	563,115	969,367
Amortization of intangible assets	74,802	29,199	149,604	58,398
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Total cost of revenues	15,783,845	14,991,666	31,093,579	29,199,211
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Gross profit	5,062,753	5,030,453	10,198,172	10,914,332
Expenses:				
Sales and marketing(*)	1,786,893	1,339,167	3,649,229	2,692,343
Technical operations and development(*)	1,189,937	1,175,355	2,432,950	2,279,494
General and administrative(*)	600,776	1,592,325	1,416,356	3,462,221
Depreciation of property and equipment	43,431	92,363	87,320	174,816
Amortization				

of intangible assets	360,540	360,540	721,080	721,080
Loss (gain) on change in fair value of forward exchange contracts	1,924,985	(1,938,821)	1,811,012	(2,024,164)
Total expenses	5,906,562	2,620,929	10,117,947	7,305,790
(Loss) income from operations	(843,809)	2,409,524	80,225	3,608,542
Other (expenses) income:				
Interest (expense) income, net	(33,727)	2,550,870	(72,895)	2,487,408
Total other (expenses) income	(33,727)	2,550,870	(72,895)	2,487,408
(Loss) income before provision for income taxes	(877,536)	4,960,394	7,330	6,095,950
(Recovery of) provision for income taxes	(105,758)	581,651	210,242	689,076
Net (loss) income for the period	\$ (771,778)	\$ 4,378,743	\$ (202,912)	\$ 5,406,874
Basic (loss) earnings per common share	\$ (0.01)	\$ 0.06	\$ (0.00)	\$ 0.08
Shares used in computing basic (loss) earnings per common share	59,193,180	68,923,313	60,223,815	70,778,950
Diluted (loss) earnings per common share	\$ (0.01)	\$ 0.06	\$ (0.00)	\$ 0.08
Shares used in computing diluted (loss) earnings per common share	59,193,180	69,092,946	60,223,815	70,785,712

(\*) Stock-based compensation has been included in expenses as follows:

Cost of revenues	\$ 5,574	\$ 3,367	\$ 9,202	\$ 8,367
Sales and marketing	\$ 25,545	\$ 15,057	\$ 41,231	\$ 29,957
Technical operations and development	\$ 18,264	\$ 11,121	\$ 32,845	\$ 21,721
General and administrative	\$ 51,890	\$ 53,193	\$ 74,624	\$ 71,893

Tucows Inc.  
Consolidated Statements of Cash Flows  
(Dollar amounts in U.S. dollars)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	(unaudited)		(unaudited)	
Cash provided by (used in):				
Operating activities:				
Net (loss) income for the period	\$ (771,778)	\$ 4,378,743	\$ (202,912)	\$ 5,406,874
Items not involving cash:				
Depreciation of property and equipment	296,488	668,782	650,435	1,144,183
Amortization of deferred financing charges	6,700	9,700	14,100	20,100
Amortization of intangible assets	435,342	389,739	870,684	779,478
Gain on disposal of investment in Afilias	-	(2,010,395)	-	(2,010,395)
Disposal of domain names	4,434	974	12,006	1,947
Unrealized loss (gain) in the fair value of forward contracts	1,924,985	(1,938,821)	1,811,012	(2,024,164)
Stock-based compensation	101,273	82,738	157,902	131,938
Changes in				

non-cash operating working capital:				
Accounts receivable	311,895	252,927	(563,605)	(264,066)
Prepaid expenses and deposits	(66,785)	(310,655)	(428,487)	(889,223)
Prepaid fees for domain name registry and ancillary services fees	(815,103)	(496,502)	(3,430,672)	(2,621,901)
Income taxes recoverable/ payable	(24,000)	750,216	292,000	835,398
Accounts payable	(385,999)	561,228	(199,430)	380,407
Accrued liabilities	94,120	(125,130)	(32,684)	3,643
Customer deposits	(433,559)	161,969	(162,760)	(147,533)
Deferred revenue	531,558	249,615	3,736,151	2,712,991
Accreditation fees payable	(36,080)	(34,302)	28,317	44,305
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Net cash provided by operating activities	1,173,491	2,590,826	2,552,057	3,503,982
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Financing activities:				
Proceeds received on exercise of stock options	10,308	25,422	14,809	25,422
Repurchase of common stock	(1,702,520)	-	(6,914,792)	(1,811,179)
Repayment of loan payable	(478,560)	(1,203,560)	(957,121)	(1,682,121)
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Net cash used in financing activities	(2,170,772)	(1,178,138)	(7,857,104)	(3,467,878)
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Investing activities:				
Cost of domain names acquired	-	-	-	(5,900)
Additions to property and equipment	(116,947)	(102,770)	(259,679)	(145,010)
Proceeds on disposal of investment in Afilias	-	2,110,395	-	2,110,395
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Net cash (used in) provided				

by investing activities	(116,947)	2,007,625	(259,679)	1,959,485
(Decrease) increase in cash and cash equivalents	(1,114,228)	3,420,313	(5,564,726)	1,995,589
Cash and cash equivalents, beginning of period	5,181,896	4,002,743	9,632,394	5,427,467
Cash and cash equivalents, end of period	\$ 4,067,668	\$ 7,423,056	\$ 4,067,668	\$ 7,423,056
Supplemental cash flow information:				
Interest paid	\$ 33,521	\$ 62,508	\$ 72,797	\$ 128,029
Supplementary disclosure of non-cash investing activity:				
Property and equipment acquired during the period not yet paid for	\$ 6,687	\$ 250,734	\$ 6,687	\$ 250,734