

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

	<b>June 30, 2012 (unaudited)</b>	<b>December 31, 2011 (unaudited)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,511,561	\$ 6,408,209
Accounts receivable	4,917,015	3,880,184
Prepaid expenses and deposits	5,853,373	3,961,905
Derivative instrument asset, current portion	97,718	-
Prepaid domain name registry and ancillary services fees, current portion	47,001,530	43,209,033
Income taxes recoverable	634,661	867,093
Total current assets	63,015,858	58,326,424
Derivative instrument asset, long-term portion	-	87,023
Prepaid domain name registry and ancillary services fees, long-term portion	13,105,851	12,600,154
Property and equipment	1,330,274	1,437,564
Deferred financing charges	100	2,300
Deferred tax asset, long-term portion	6,743,137	6,880,377
Intangible assets	16,953,335	17,482,590
Goodwill	18,873,127	18,873,127
Total assets	\$ 120,021,682	\$ 115,689,559
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,547,897	\$ 1,051,115
Accrued liabilities	2,498,804	2,081,968
Customer deposits	4,268,497	4,202,899
Derivative instrument liability, current portion	340,835	781,027
Loan payable, current portion	4,000,000	850,000
Deferred revenue, current portion	57,441,960	52,683,546
Accreditation fees payable, current portion	585,155	555,869
Deferred tax liability, current portion	903,510	880,008
Income taxes payable	166,407	158,258
Total current liabilities	71,753,065	63,244,690
Derivative instrument liability, long-term portion	-	5,479
Deferred revenue, long-term portion	17,018,389	16,492,155
Accreditation fees payable, long-term portion	151,954	156,061
Deferred rent, long-term portion	39,687	26,487
Deferred tax liability, long-term portion	5,289,900	5,345,700
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; 45,484,997 shares issued and outstanding as of June 30, 2012 and 53,497,584 shares issued and outstanding as of December 31, 2011	10,233,628	11,358,959
Additional paid-in capital	35,109,427	40,994,013
Deficit	(19,574,368)	(21,933,985)
Total stockholders' equity	25,768,687	30,418,987
Total liabilities and stockholders' equity	\$ 120,021,682	\$ 115,689,559

**Consolidated Statements of Operations**  
(Dollar amounts in U.S. dollars)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
	(unaudited)		(unaudited)	
Net revenues	\$ 28,152,614	23,045,923	\$ 55,689,920	\$ 45,601,130
Cost of revenues:				
Cost of revenues	20,120,211	16,224,936	39,387,336	31,920,076
Network expenses (*)	1,213,864	1,235,498	2,470,754	2,498,326
Depreciation of property and equipment	155,638	213,089	303,056	449,770
Amortization of intangible assets	35,910	6,430	71,820	25,720
Total cost of revenues	21,525,623	17,679,953	42,232,966	34,893,892
Gross profit	6,626,991	5,365,970	13,456,954	10,707,238
Expenses:				
Sales and marketing (*)	2,065,729	1,771,971	4,250,364	3,796,674
Technical operations and development (*)	1,105,575	1,231,593	2,218,720	2,430,829
General and administrative (*) (note 1)	1,748,402	1,443,773	3,531,855	3,007,547
Depreciation of property and equipment	45,522	45,495	92,937	91,682
Amortization of intangible assets	219,030	277,750	438,060	584,740
Loss (gain) on currency forward contracts (note 1)	383,838	(117,229)	(178,271)	(471,373)
Total expenses	5,568,096	4,653,353	10,353,665	9,440,099
Income from operations	1,058,895	712,617	3,103,289	1,267,139
Other income (expenses):				
Interest (expense) income, net	(54,513)	(8,657)	(95,482)	(20,197)
Other income	20,911	51,648	529,711	374,977
Total other income (expenses)	(33,602)	42,991	434,229	354,780
Income before provision for income taxes	1,025,293	755,608	3,537,518	1,621,919
Provision for income taxes	329,295	189,949	1,177,901	328,314
Net income and comprehensive income for the period	\$ 695,998	\$ 565,659	\$ 2,359,617	\$ 1,293,605
Basic earnings per common share	\$ 0.02	\$ 0.01	\$ 0.05	\$ 0.02
Shares used in computing basic earnings per common share	45,912,459	53,444,841	47,003,016	53,441,276
Diluted earnings per common share	\$ 0.01	\$ 0.01	\$ 0.05	\$ 0.02
Shares used in computing diluted earnings per common share	49,449,430	55,796,435	50,203,163	55,784,998

(Note 1) The Company accounts for the fair value of currency forward contracts within the consolidated Balance Sheet as a derivative financial asset or liability and the corresponding change in fair value is recorded in the consolidated Statement of Operations. In prior periods, the Company recorded the realized gain or loss upon settlement of the currency forward contracts in "General and administrative expenses" and recorded the unrealized gain or loss in "Loss (gain) on change in fair value of forward contracts". The Company has determined that both of these amounts are more appropriately classified in expenses as "Loss (gain) on currency forward contracts" and as a result a gain of \$0.3 million for the three months ended June 30, 2011 and a gain of \$0.8 million for the six months ended June 30, 2011, has been reclassified from "General and administrative expense" to "Loss (gain) on currency forward contracts" respectively. As a result of this reclassification, there was no change to previously reported net income (loss), income from operations, net revenues, gross profit, reported cash flows or the amounts recorded in the consolidated Balance Sheets.

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

Network expenses	\$ 6,329	\$ 5,349	\$ 12,375	\$ 11,362
Sales and marketing	\$ 20,149	\$ 19,127	\$ 42,931	\$ 44,460
Technical operations and development	\$ 15,047	\$ 11,394	\$ 27,890	\$ 27,102
General and administrative	\$ 21,571	\$ 17,529	\$ 42,365	\$ 44,805

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

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>(unaudited)</b>		<b>(unaudited)</b>	
Cash provided by (used in):				
Operating activities:				
Net income for the period	\$ 695,998	\$ 565,659	\$ 2,359,617	\$ 1,293,605
Items not involving cash:				
Depreciation of property and equipment	201,160	258,584	395,993	541,452
Amortization of deferred financing charges	700	3,700	2,200	8,100
Amortization of intangible assets	254,940	284,180	509,880	610,460
Deferred income taxes	(107,146)	-	104,942	-
Deferred rent	5,931	7,019	13,200	13,964
Acquisition of domain names	-	-	(3,664)	-
Disposal of domain names	7,301	7,896	23,039	21,091
Gain on disposition of intangible assets	-	-	(508,800)	-
(Gain) loss on currency forward contracts	245,477	193,157	(456,366)	305,861
Stock-based compensation	63,096	53,399	125,561	127,730
Changes in non-cash operating working capital:				
Accounts receivable	(22,102)	104,241	(1,036,831)	(1,128,564)
Prepaid expenses and deposits	(783,370)	(702,002)	(1,891,468)	(1,223,649)
Prepaid fees for domain name registry and ancillary services fees	(1,378,771)	(1,749,343)	(4,298,194)	(3,749,582)
Income taxes recoverable/payable	(378,492)	25,000	240,581	160,000
Accounts payable	(308,892)	(50,074)	605,077	203,823
Accrued liabilities	255,254	65,095	524,165	381,567
Customer deposits	(191,402)	(166,270)	65,598	(257,703)
Deferred revenue	1,460,816	1,938,868	5,284,648	4,257,267
Accreditation fees payable	(16,775)	(14,391)	25,179	21,792
Net cash provided by operating activities	3,723	824,718	2,084,357	1,587,214
Financing activities:				
Proceeds received on exercise of stock options	219,000	-	349,712	3,460
Repurchase of common stock	(1,591,743)	-	(7,485,190)	-
Proceeds received on loan payable	-	-	4,000,000	-
Repayment of loan payable	(311,667)	(478,560)	(850,000)	(957,121)
Net cash used in financing activities	(1,684,410)	(478,560)	(3,985,478)	(953,661)
Investing activities:				
Additions to property and equipment	(174,054)	(162,068)	(504,327)	(491,026)
Proceeds on disposition of intangible assets	-	-	508,800	-
Net cash provided by (used in) investing activities	(174,054)	(162,068)	4,473	(491,026)
(Decrease) increase in cash and cash equivalents	(1,854,741)	184,090	(1,896,648)	142,527
Cash and cash equivalents, beginning of period	6,366,302	4,164,166	6,408,209	4,205,729
Cash and cash equivalents, end of period	\$ 4,511,561	\$ 4,348,256	\$ 4,511,561	\$ 4,348,256
Supplemental cash flow information:				
Interest paid	\$ 54,655	\$ 8,718	\$ 95,831	\$ 20,307
Supplementary disclosure of non-cash investing activity:				
Property and equipment acquired during the period not yet paid for	\$ 42,343	\$ 67,068	\$ 42,343	\$ 67,068