

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

	September 30, 2012 (unaudited)	December 31, 2011 (unaudited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,969,733	\$ 6,408,209
Accounts receivable	4,826,776	3,880,184
Prepaid expenses and deposits	5,216,617	3,961,905
Derivative instrument asset, current portion	468,675	-
Prepaid domain name registry and ancillary services fees, current portion	46,467,392	43,209,033
Income taxes recoverable	434,666	867,093
Total current assets	62,383,859	58,326,424
Derivative instrument asset, long-term portion	-	87,023
Prepaid domain name registry and ancillary services fees, long-term portion	12,734,182	12,600,154
Property and equipment	1,413,952	1,437,564
Deferred financing charges	-	2,300
Deferred tax asset, long-term portion	6,674,517	6,880,377
Intangible assets	16,683,253	17,482,590
Goodwill	18,873,127	18,873,127
Total assets	\$ 118,762,890	\$ 115,689,559

**Liabilities and Stockholders' Equity**

Current liabilities:		
Accounts payable	\$ 1,716,725	\$ 1,051,115
Accrued liabilities	2,219,377	2,081,968
Customer deposits	4,265,716	4,202,899
Derivative instrument liability, current portion	13,011	781,027
Loan payable, current portion	4,000,000	850,000
Deferred revenue, current portion	56,780,763	52,683,546
Accreditation fees payable, current portion	536,377	555,869
Deferred tax liability, current portion	1,090,959	880,008
Income taxes payable	192,716	158,258
Total current liabilities	70,815,644	63,244,690
Derivative instrument liability, long-term portion	-	5,479
Deferred revenue, long-term portion	16,534,807	16,492,155
Accreditation fees payable, long-term portion	148,893	156,061
Deferred rent, long-term portion	47,945	26,487
Deferred tax liability, long-term portion	5,262,000	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; 44,249,184 shares issued and outstanding as of September 30, 2012 and 53,497,584 shares issued and outstanding as of December 31, 2011	10,005,229	11,358,959
Additional paid-in capital	33,887,740	40,994,013
Deficit	(17,939,368)	(21,933,985)
Total stockholders' equity	25,953,601	30,418,987
Total liabilities and stockholders' equity	\$ 118,762,890	\$ 115,689,559

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

Three months ended September 30, 2012 (unaudited)	2011 (unaudited)	Nine months ended September 30, 2012 (unaudited)	2011 (unaudited)
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Net revenues	\$	29,246,069	25,094,056	\$	84,935,989	\$	70,695,186
Cost of revenues:							
Cost of revenues		21,446,084	17,658,648		60,833,420		49,578,724
Network expenses (*)		1,158,885	1,193,669		3,629,639		3,691,995
Depreciation of property and equipment		157,203	159,191		460,259		608,961
Amortization of intangible assets		35,910	23,960		107,730		49,680
Total cost of revenues		22,798,082	19,035,468		65,031,048		53,929,360
Gross profit		6,447,987	6,058,588		19,904,941		16,765,826
Expenses:							
Sales and marketing (*)		2,037,338	1,867,085		6,287,702		5,663,759
Technical operations and development (*)		1,010,949	1,220,953		3,229,669		3,651,782
General and administrative (*) (note 1)		1,486,323	1,611,896		5,018,178		4,619,443
Depreciation of property and equipment		46,981	48,874		139,918		140,556
Amortization of intangible assets		219,030	201,180		657,090		785,920
Loss (gain) on currency forward contracts (note 1)		(615,245)	1,845,550		(793,516)		1,374,177
Total expenses		4,185,376	6,795,538		14,539,041		16,235,637
Income (loss) from operations		2,262,611	(736,950)		5,365,900		530,189
Other income (expenses):							
Interest (expense) income, net		(50,228)	(18,718)		(145,710)		(38,915)
Other income		-	-		529,711		374,977
Total other income (expenses)		(50,228)	(18,718)		384,001		336,062
Income (loss) before provision for income taxes		2,212,383	(755,668)		5,749,901		866,251
Provision for income taxes		577,383	422,592		1,755,284		750,906
Net income (loss) and comprehensive income for the period	\$	1,635,000	\$ (1,178,260)	\$	3,994,617	\$	115,345
Basic earnings (loss) per common share	\$	0.04	\$ (0.02)	\$	0.09	\$	-
Shares used in computing basic earnings (loss) per common share		45,094,678	53,452,205		46,362,261		53,444,959
Diluted earnings (loss) per common share	\$	0.03	\$ (0.02)	\$	0.08	\$	-
Shares used in computing diluted earnings (loss) per common share		48,411,429	53,452,205		49,603,870		55,748,777

(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 September 30, 2011 and a gain of \$1.1 million for the nine months ended September 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	\$	5,979	\$	5,808	\$	18,354	\$	17,170
Sales and marketing	\$	24,116	\$	22,695	\$	67,047	\$	67,155
Technical operations and development	\$	15,600	\$	13,020	\$	43,490	\$	40,122
General and administrative	\$	120,676	\$	79,364	\$	163,041	\$	124,169

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

	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash provided by:				
Operating activities:				

Net income (loss) for the period	\$	1,635,000	\$	(1,178,260)	\$	3,994,617	\$	115,345
Items not involving cash:								
Depreciation of property and equipment		204,184		208,065		600,177		749,517
Amortization of deferred financing charges		100		3,000		2,300		11,100
Amortization of intangible assets		254,940		225,140		764,820		835,600
Deferred income taxes		228,169		(18,400)		333,111		(18,400)
Deferred rent		8,258		5,310		21,458		19,274
Acquisition of domain names		-		-		(3,664)		-
Disposal of domain names		15,142		8,816		38,181		29,907
Gain on disposition of intangible assets		-		-		(508,800)		-
(Gain) loss on currency forward contracts		(698,781)		2,152,243		(1,155,147)		2,458,104
Stock-based compensation		166,371		120,887		291,932		248,617
Changes in non-cash operating working capital:								
Accounts receivable		90,239		448,692		(946,592)		(679,872)
Prepaid expenses and deposits		636,756		299,673		(1,254,712)		(923,976)
Prepaid fees for domain name registry and ancillary services fees		905,807		(995,565)		(3,392,387)		(4,745,147)
Income taxes recoverable/payable		226,304		158,467		466,885		318,467
Accounts payable		43,173		(539,199)		648,250		(335,376)
Accrued liabilities		(279,427)		(119,997)		244,738		261,570
Customer deposits		(2,781)		168,352		62,817		(89,351)
Deferred revenue		(1,144,779)		684,204		4,139,869		4,941,471
Accreditation fees payable		(51,839)		(16,194)		(26,660)		5,598
Net cash provided by operating activities		2,236,836		1,615,234		4,321,193		3,202,448
Financing activities:								
Proceeds received on exercise of stock options		14,186		10,685		363,898		14,145
Repurchase of common stock		(1,630,643)		-		(9,115,833)		-
Proceeds received on loan payable		-		-		4,000,000		-
Repayment of loan payable		-		1,210,960		(850,000)		253,839
Net cash used in financing activities		(1,616,457)		1,221,645		(5,601,935)		267,984
Investing activities:								
Additions to property and equipment		(162,207)		(138,909)		(666,534)		(629,935)
Acquisition of EPAG Domainservices Inc., net of cash acquired		-		(2,392,461)		-		(2,392,461)
Proceeds on disposition of intangible assets with no book value		-		-		508,800		-
Net cash provided by (used in) investing activities		(162,207)		(2,531,370)		(157,734)		(3,022,396)
(Decrease) increase in cash and cash equivalents		458,172		305,509		(1,438,476)		448,036
Cash and cash equivalents, beginning of period		4,511,561		4,348,256		6,408,209		4,205,729
Cash and cash equivalents, end of period	\$	4,969,733	\$	4,653,765	\$	4,969,733	\$	4,653,765
Supplemental cash flow information:								
Interest paid	\$	50,511	\$	18,890	\$	146,342	\$	39,197
Supplementary disclosure of non-cash investing activity:								
Property and equipment acquired during the period not yet paid for	\$	167,998	\$	124,979	\$	167,998	\$	124,979