

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

	September 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,915,732	\$ 6,256,392
Restricted cash	255,000	1,019,423
Accounts receivable	3,971,950	2,969,997
Prepaid expenses and deposits	3,474,477	2,394,627
Prepaid domain name registry and other		
Internet services fees, current portion	24,669,326	22,168,558
Cash held in escrow	1,058,620	-
Deferred tax asset, current portion	1,000,000	1,000,000
	40,345,105	35,808,997
Prepaid domain name registry and other		
Internet services fees, long-term portion	10,559,073	9,511,341
Property and equipment	5,680,675	5,647,532
Deferred financing charges	142,600	-
Deferred tax asset, long-term portion	2,000,000	2,000,000
Intangible assets	22,363,906	18,554,436
Goodwill	17,762,228	12,094,817
Investment	353,737	353,737
Cash held in escrow	-	694,579
	\$ 99,207,324	\$ 84,665,439
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,870,124	\$ 2,867,814
Accrued liabilities	3,038,887	2,567,012
Customer deposits	2,978,559	3,144,119
Promissory note payable, current portion	6,000,000	-
Loan payable, current portion	1,914,242	-
Deferred revenue, current portion	34,853,150	31,658,081
Accreditation fees payable, current portion	479,546	847,325
	51,134,508	41,084,351
Deferred revenue, long-term portion	14,994,772	13,478,525
Accreditation fees payable, long-term portion	181,484	163,988
Promissory note payable, long-term portion	-	6,000,000
Loan payable, long-term portion	7,337,927	-
Deferred tax liability	5,396,000	5,396,000
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; 73,772,502 shares issued and outstanding at September 30, 2007 and 75,978,502 shares issued and outstanding at December 31, 2006	15,250,235	15,395,381
Additional paid-in capital	48,514,852	50,359,906
Deficit	(43,602,454)	(47,212,712)
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Total stockholders' equity	20,162,633	18,542,575
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Total liabilities and stockholders' equity	\$ 99,207,324	\$ 84,665,439
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Tucows Inc.
Consolidated Statements of Operations
(Dollar amounts in U.S. dollars)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
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Net revenues	\$ 17,811,914	\$ 16,864,320	\$ 56,398,012	\$ 47,830,296
Cost of revenues:				
Cost of revenues (*)	12,271,047	10,464,829	35,702,644	30,458,945
Depreciation of property and equipment	995,954	695,624	2,791,050	1,889,799
Amortization of intangible assets	83,060	66,550	210,132	143,628
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Total cost of revenues	13,350,061	11,227,003	38,703,826	32,492,372
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Gross profit	4,461,853	5,637,317	17,694,186	15,337,924
Expenses:				
Sales and marketing (*)	1,712,676	1,706,951	4,537,198	4,738,397
Technical operations and development (*)	1,723,857	1,924,435	5,288,829	6,335,874
General and administrative (*)	1,257,206	1,698,012	3,566,847	4,265,529
Depreciation of property and equipment	68,316	43,025	198,107	125,116
Amortization of intangible assets	322,781	230,291	778,823	436,175
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Total expenses	5,084,836	5,602,714	14,369,804	15,901,091
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Income (loss)				
from operations	(622,983)	34,603	3,324,382	(563,167)
Other income				
(expenses):				
Interest income				
(expense), net	(203,376)	(70,297)	(294,322)	135,256
Other income,				
net	530,583	1,873,420	619,014	2,347,026
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Total other				
income				
(expense)	327,207	1,803,123	324,692	2,482,282
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Income before				
provision for				
income taxes	(295,776)	1,837,726	3,649,074	1,919,115
Provision for				
income taxes	14,816	(96,895)	38,816	(84,895)
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Net income (loss)				
for the period	\$ (310,592)	\$ 1,934,621	\$ 3,610,258	\$ 2,004,010
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Basic earnings				
per common share	\$ (0.00)	\$ 0.03	\$ 0.05	\$ 0.03
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Shares used in				
computing basic				
earnings per				
common share	74,100,911	75,706,078	74,548,903	73,418,358
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Diluted earnings				
per common share	\$ (0.00)	\$ 0.02	\$ 0.05	\$ 0.03
	-----	-----	-----	-----
	-----	-----	-----	-----
Shares used in				
computing diluted				
earnings per				
common share	77,525,973	78,214,560	77,413,998	75,852,576
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(*) Stock-based				
compensation has				
been included in				
expenses as				
follows:				
Cost of				
revenues	\$ 4,100	\$ 2,200	\$ 11,000	\$ 7,700
Sales and				
marketing	\$ 21,400	\$ 23,200	\$ 61,100	\$ 79,200

Technical operations and development	\$	18,900	\$	14,800	\$	62,300	\$	50,800
General and administrative	\$	33,900	\$	21,300	\$	118,100	\$	72,300

Tucows Inc.
Reconciliation of EBITDA and Adjusted Net Income
(Dollar amounts in U.S. dollars)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net income (loss) for the period	\$ (310,592)	\$ 1,934,621	\$ 3,610,258	\$ 2,004,010
Depreciation of property and equipment	1,064,270	738,649	2,989,157	2,014,915
Amortization of intangible assets	405,841	296,841	988,955	579,803
Interest income (expense), net	203,376	70,297	294,322	(135,256)
Provision for income taxes	14,816	(96,895)	38,816	(84,895)
EBITDA	1,377,711	2,943,513	7,921,508	4,378,577
Adjustments to EBITDA (1)				
Change in prepaid domain name registry and other Internet services fees	(795,949)	(1,058,139)	(3,548,500)	(5,229,809)
Change in deferred revenue	834,795	1,506,423	4,711,315	6,702,773
Dividend income	(530,583)	-	(619,014)	-
Transitional costs	244,336	-	244,336	1,278,842
Other income	-	(1,873,420)	-	(2,347,026)
Reversal of contingencies	-	-	(451,249)	-
Subtotal Adjustments to EBITDA	(247,401)	(1,425,136)	336,888	404,780
Adjusted Net Income	\$ 1,130,310	\$ 1,518,377	\$ 8,258,396	\$ 4,783,357

(1) Adjustments to EBITDA

We define Adjusted EBITDA as net income adjusted for depreciation, amortization, interest, taxes and further adjusted for certain cash and non-cash charges.

The net amount of cash we collected for domain registrations and other Internet services paid for the full term at the time of activation and deferred amounted to \$1,162,815 for the nine months ended September 30, 2007 compared to \$1,472,964 for the nine months ended September 30, 2006.

For the three and nine months ended September 30, 2007, we incurred \$244,336 of transitional costs in connection with our acquisition of Innersie Inc.

For the nine months ended September 30, 2006, we incurred \$1.3 million of transitional costs in connection with our acquisition of the Hosted Messaging assets of Critical Path. In addition, during the nine months ended September 30, 2006, we received \$2.3 million in connection with settlements related to patents we acquired in the merger with Infonautics in 2001.

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

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Cash provided by (used in):				
Operating activities:				
Net income (loss) for the period	\$ (310,592)	\$ 1,934,621	\$ 3,610,258	\$ 2,004,010
Items not involving cash:				
Depreciation of property and equipment	1,064,270	738,649	2,989,157	2,014,915
Amortization of intangible assets	405,841	296,841	988,955	579,803
Unrealized change in the fair value of forward exchange contracts	(61,673)	145,177	(1,164,114)	(50,725)
Stock-based compensation	78,300	61,500	252,500	210,000
Change in non-cash				

operating				
working				
capital:				
Interest				
receivable	-	5,027	-	39,574
Accounts				
receivable	87,922	(2,100,231)	(975,729)	(4,262,944)
Prepaid				
expenses and				
deposits	875,841	388,487	(161,669)	367,608
Prepaid fees				
for domain				
name registry				
and other				
Internet				
services fees	(795,949)	(1,058,139)	(3,548,500)	(5,229,809)
Deferred				
financing				
charges	(142,600)	-	(142,600)	-
Accounts				
payable	(161,037)	(2,213,494)	(906,624)	857,048
Accrued				
liabilities	218,368	135,838	651,189	1,202,952
Customer				
deposits	204,906	6,534	(165,560)	574,791
Deferred				
revenue	834,795	1,506,423	4,711,315	6,702,773
Accreditation				
fees payable	(34,255)	19,402	(350,283)	(89,434)
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Cash provided by				
(used in)				
operating				
activities	2,264,137	(133,365)	5,788,295	4,920,562
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Financing				
activities:				
Proceeds				
received on				
exercise of				
stock options	17,912	43,550	204,255	98,960
Repurchase of				
shares	-	-	(2,446,955)	-
Repayment of				
promissory note				
payable	-	(2,122,930)	-	(2,122,930)
Proceeds				
received on				
loan payable,				
net of				
repayments	9,252,169	-	9,252,169	-
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Cash provided by				
(used in)				
financing				
activities	9,270,081	(2,079,380)	7,009,469	(2,023,970)
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Investing				
activities:				

Cost of domain names acquired	-	-	(18,425)	-
Additions to property and equipment	(200,213)	(787,824)	(3,093,366)	(4,079,249)
Decrease in investment in short-term investments	-	-	-	1,771,569
Decrease (increase) in restricted cash - being margin security against forward exchange contracts	255,000	159,623	764,423	(202,835)
Acquisition of Mailbank.com Inc., net of cash acquired	-	(655,830)	-	(6,486,732)
Acquisition of Hosted Messaging Assets from Critical Path Inc., net of cash acquired	-	(1,037,303)	(90,050)	(7,456,788)
Acquisition of Boardtown Corporation, net of cash acquired	-	(22,700)	(4,900)	(22,700)
Acquisition of Innerwise Inc., net of cash acquired	(10,332,065)	-	(10,332,065)	-
Increase in cash held in escrow	(1,058,620)	1,563,999	(364,041)	(221,012)
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Cash used in investing activities	(11,335,898)	(780,035)	(13,138,424)	(16,697,747)
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Increase (decrease) in cash and cash equivalents	198,320	(2,992,780)	(340,660)	(13,801,155)
Cash and cash equivalents, beginning of period	5,717,412	6,539,713	6,256,392	17,348,088
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Cash and cash equivalents, end of period	\$ 5,915,732	\$ 3,546,933	\$ 5,915,732	\$ 3,546,933
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Supplemental cash flow information:				
Interest paid	\$ 274,368	\$ -	\$ 484,368	\$ -

Supplementary
disclosure of
non-cash investing
activity:

Capital assets
acquired during
the period not
yet paid for

\$	293,205	\$	-	\$	293,205	\$	-
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Common stock
issued on the
acquisition of
Mailbank.com

Inc.	\$	-	\$	-	\$	-	\$	2,877,070
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Promissory notes
issued on the
acquisition of
Mailbank.com

Inc.	\$	-	\$	-	\$	-	\$	8,122,930
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Loan taken on
the
acquisition of

Innerwise Inc.	\$	9,571,209	\$	-	\$	9,571,209	\$	-
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