

*Interim Consolidated Financial Statements of*

***ABSOLUTE SOFTWARE CORPORATION***

*March 31, 2010 and 2009*

(Unaudited)

# ABSOLUTE SOFTWARE CORPORATION

## Consolidated Balance Sheets

(Expressed in Canadian dollars) (Unaudited)

		As At	
	Notes	March 31, 2010	June 30, 2009
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	(Note 4)	\$ 32,305,510	\$ 56,078,004
Short-term investments	(Note 4)	8,778,040	8,743,861
Accounts receivable, net of allowance for doubtful accounts of \$2,083,000 (2009 - \$2,387,000)		10,931,483	15,570,780
Prepaid expenses and other		1,245,729	974,564
Current portion of deferred contract costs	(Note 5)	3,980,621	3,609,944
Current portion of future income tax assets	(Note 6)	10,681,537	10,646,521
		<b>67,922,920</b>	<b>95,623,674</b>
INVESTMENTS	(Note 4)	24,392,617	4,076,211
DEFERRED CONTRACT COSTS	(Note 5)	3,623,958	3,765,717
PROPERTY AND EQUIPMENT		2,773,598	2,644,275
FUTURE INCOME TAX ASSETS	(Note 6)	11,657,201	11,081,073
INTANGIBLE ASSETS	(Note 3)	16,131,676	127,775
		<b>\$ 126,501,970</b>	<b>\$ 117,318,725</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities		\$ 6,891,303	\$ 6,775,466
Income tax payable	(Note 6)	3,525,000	1,575,000
Current portion of acquisition payable	(Note 3)	1,708,113	-
Current portion of accrued warranty	(Note 7)	5,226,901	5,288,520
Current portion of deferred revenue, net	(Note 8(a))	51,389,272	46,577,880
		<b>68,740,589</b>	<b>60,216,866</b>
ACQUISITION PAYABLE	(Note 3)	3,416,227	-
ACCRUED WARRANTY	(Note 7)	4,992,403	5,963,650
DEFERRED REVENUE, NET	(Note 8(a))	48,217,489	49,278,726
		<b>125,366,708</b>	<b>115,459,242</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	(Note 9(a))	44,460,421	41,988,977
Contributed surplus	(Note 9(b))	28,056,679	26,822,975
Deficit		(71,381,838)	(66,952,469)
		<b>1,135,262</b>	<b>1,859,483</b>
		<b>\$ 126,501,970</b>	<b>\$ 117,318,725</b>

APPROVED ON BEHALF OF THE BOARD:

"John Livingston"

Director

"J Ian Giffen"

Director

See accompanying Notes to the Unaudited Interim Consolidated Financial Statements.

**ABSOLUTE SOFTWARE CORPORATION**  
**Consolidated Statements of Loss and Comprehensive Loss**

Three and nine months ended March 31, 2010 and 2009

(Expressed in Canadian dollars) (Unaudited)

	Notes	Three Months		Nine Months	
		2010	2009	2010	2009
REVENUE		16,591,201	13,651,444	47,475,908	38,887,933
COST OF REVENUE		3,523,676	3,530,115	11,080,155	10,454,544
GROSS MARGIN		13,067,525	10,121,329	36,395,753	28,433,389
EXPENSES					
Sales and marketing		8,005,609	7,639,246	25,327,575	21,559,911
Research and development		2,099,020	1,801,853	5,756,038	5,245,509
General and administration		2,235,811	1,785,137	6,098,036	5,494,231
Investment tax credits		(250,000)	(100,000)	(750,000)	(775,000)
Stock-based compensation		494,747	479,825	1,663,425	15,150,525
		12,585,187	11,606,061	38,095,074	46,675,176
OPERATING INCOME (LOSS)		482,338	(1,484,732)	(1,699,321)	(18,241,787)
OTHER (EXPENSE) INCOME					
Interest and bank charges, net		172,087	268,302	524,947	1,232,878
Foreign exchange (loss) gain		(484,407)	330,708	(2,370,864)	2,296,390
Loss on foreign exchange contracts		-	(286,380)	-	(1,512,500)
Restructuring charges		-	-	-	(989,132)
Unrealized (loss) gain on investment	(Note 4)	(11,935)	163,450	(159,263)	(754,454)
		(324,255)	476,080	(2,005,180)	273,182
INCOME (LOSS) FOR PERIOD BEFORE INCOME TAXES		158,083	(1,008,652)	(3,704,501)	(17,968,605)
INCOME TAX EXPENSE	(Note 6)	(190,000)	(100,000)	(640,000)	(775,000)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		(31,917)	(1,108,652)	(4,344,501)	(18,743,605)
DEFICIT, BEGINNING OF PERIOD		(71,349,921)	(75,992,095)	(66,952,469)	(56,752,618)
ADJUSTMENT RELATED TO SHARE REPURCHASE	(Note 9(d))	-	(6,336,632)	(84,868)	(7,941,156)
DEFICIT, END OF PERIOD		\$ (71,381,838)	\$ (83,437,379)	\$ (71,381,838)	\$ (83,437,379)
BASIC AND DILUTED LOSS PER SHARE		\$ (0.00)	\$ (0.02)	\$ (0.09)	\$ (0.39)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED		46,467,203	46,671,444	46,203,446	47,582,009

See accompanying Notes to the Unaudited Interim Consolidated Financial Statements.

# ABSOLUTE SOFTWARE CORPORATION

## Consolidated Statements of Cash Flows

Three and nine months ended March 31, 2010 and 2009

(Expressed in Canadian dollars) (Unaudited)

	Notes	Three Months		Nine Months	
		2010	2009	2010	2009
<b>OPERATING ACTIVITIES</b>					
Net loss for the period		\$ (31,917)	\$ (1,108,652)	\$ (4,344,501)	\$ (18,743,605)
Items not involving cash					
Amortization of property and equipment		355,465	297,161	992,630	792,310
Amortization of intangible assets	(Note 3)	892,823	31,944	1,243,670	95,832
Stock-based compensation		494,747	479,825	1,663,425	15,150,525
Future income taxes	(Note 6)	(40,000)	(800,000)	(2,060,000)	(2,100,000)
Unrealized loss (gain) on investments	(Note 4)	11,935	(163,450)	159,263	754,454
Realized loss on foreign exchange contract		-	471,000	-	887,500
Change in non-cash operating working capital					
Accounts receivable		489,207	(1,065,314)	4,639,297	4,971,250
Prepaid expenses and other		163,803	(11,219)	(271,165)	97,339
Deferred contract costs		6,496	(405,006)	(228,918)	(664,370)
Accounts payable and accrued liabilities		299,149	561,364	89,036	400,816
Income tax payable	(Note 6)	(20,000)	800,000	1,950,000	2,100,000
Accrued warranty		(1,534,029)	399,768	(1,032,866)	2,214,387
Deferred revenue		(846,636)	3,608,586	3,369,839	9,316,183
<b>CASH FROM OPERATING ACTIVITIES</b>		<b>241,043</b>	<b>3,096,007</b>	<b>6,169,710</b>	<b>15,272,621</b>
<b>INVESTING ACTIVITIES</b>					
Property and equipment purchased		(353,239)	(286,013)	(1,104,956)	(1,241,572)
Acquisition of LANrev	(Note 3)	(30,000)	-	(10,284,256)	-
Other asset		-	725,374	-	-
Realized loss on foreign exchange contract		-	(471,000)	-	(887,500)
Proceeds from maturities of short term investments		-	1,749,000	7,311,464	9,980,571
Purchases of short term investments		(84,207)	(6,920,621)	(7,504,905)	(9,131,778)
Proceeds from maturities of investments		-	7,414,000	-	8,375,000
Purchases of investments		(54,854)	(1,570,140)	(20,316,406)	(5,473,198)
<b>CASH (USED IN) FROM INVESTING ACTIVITIES</b>		<b>(522,300)</b>	<b>640,600</b>	<b>(31,899,059)</b>	<b>1,621,523</b>
<b>FINANCING ACTIVITIES</b>					
Repurchase of common shares for cancellation		-	(8,365,219)	(101,250)	(10,637,373)
Issuance of common shares		660,482	439,588	2,058,105	1,506,421
<b>CASH FROM (USED IN) FINANCING ACTIVITIES</b>		<b>660,482</b>	<b>(7,925,631)</b>	<b>1,956,855</b>	<b>(9,130,952)</b>
<b>NET CASH INFLOW (OUTFLOW)</b>		<b>379,225</b>	<b>(4,189,024)</b>	<b>(23,772,494)</b>	<b>7,763,192</b>
<b>CASH AND CASH EQUIVALENTS,</b>					
<b>BEGINNING OF PERIOD</b>		<b>31,926,285</b>	<b>58,412,515</b>	<b>56,078,004</b>	<b>46,460,299</b>
<b>CASH AND CASH EQUIVALENTS,</b>					
<b>END OF PERIOD</b>		<b>\$ 32,305,510</b>	<b>\$ 54,223,491</b>	<b>\$ 32,305,510</b>	<b>\$ 54,223,491</b>

SUPPLEMENTAL CASH FLOW INFORMATION (Note 10)

See accompanying Notes to the Unaudited Interim Consolidated Financial Statements.

**ABSOLUTE SOFTWARE CORPORATION**  
**Notes to the Interim Consolidated Financial Statements**  
**Three and nine months ended March 31, 2010 and 2009**  
**(Expressed in Canadian dollars) (Unaudited)**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

(a) Basis of presentation:

These unaudited consolidated financial statements present the financial position, results of operations, changes in shareholders' equity and cash flows of Absolute Software Corporation (the "Company") and its subsidiaries. All significant intercompany balances have been eliminated.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to interim financial information and, accordingly, do not include all information and footnote disclosures required for an annual set of financial statements under GAAP. Results for the interim periods presented are not necessarily indicative of the results that may be expected for the year or for any other period. These interim consolidated financial statements are based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements for the year ended June 30, 2009 and should be read in conjunction with those financial statements and notes thereto. Certain comparative figures have been reclassified in order to conform with the current period's presentation.

(b) Deferred revenue and revenue recognition

Deferred revenue is comprised of the remaining deferred revenue balance of Sales Contracts, net of the related deferred warranty costs.

A majority of the Company's revenue is from subscriptions to sales contracts ("Sales Contracts") which are for computer theft recovery and Secure Asset Tracking® services with subscription terms ranging from one to five years. The full value of each Sales Contract is invoiced and receivable (payable within industry standard invoice terms) upon signing the contract, and payment is non-refundable. However, these sales are comprised of multiple elements, including software, monitoring, theft recovery and maintenance services over the term, which are not separable for accounting purposes. As a result, the revenue from these contracts is recorded as deferred revenue on the balance sheet and is amortized to monitoring revenue ratably over the contract term. Amortization of Sales Contracts to revenue commences in the month after sale. A portion of the associated direct costs, such as commissions, are also deferred and expensed ratably over the contract term to match the revenue recognition.

The Company completes a majority of its Sales Contracts through Original Equipment Manufacturers ("OEMs") and reseller partners, the majority of which are in North America. All Sales Contracts are recorded at the net sale amount received by Absolute from the reseller, provided that all significant contractual obligations have been satisfied and collection is reasonably assured. For direct sales, the Sales Contract is recorded at the sale amount to be received direct from the customer.

Foreign denominated Sales Contracts are recorded at the Canadian dollar equivalent based on the average exchange rate in the month the sale occurred. The average U.S. dollar exchange rate for the Company's Sales Contracts was \$1.0970, \$1.0558, and \$1.0356 for the three months ended September 30, December 31, 2009, and March 31, 2010, respectively (Fiscal 2009 - \$1.0445, \$1.2148, and \$1.2507, respectively).

**ABSOLUTE SOFTWARE CORPORATION**  
**Notes to the Interim Consolidated Financial Statements**  
**Three and nine months ended March 31, 2010 and 2009**  
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**1. SIGNIFICANT ACCOUNTING POLICIES (continued):**

(c) Intangible assets

Intangible assets acquired in a business combination are recorded at their fair values. Intangible assets with finite useful lives are amortized using the straight line method over the following estimated useful lives:

<b>Asset</b>	
Acquired software	5 years
Customer relationships	5 years

**2. CHANGES IN ACCOUNTING POLICIES**

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "*Business Combinations*". This section establishes the standards for the accounting of business combinations that are equivalent to the business combination accounting standards under International Financial Reporting Standards. Under this section, all assets and liabilities of an acquired business will be recorded at fair value at the acquisition date. The standard also states that acquisition related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This new section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company does not believe the adoption of this section will have a material impact on its consolidated financial statements. The Company did not early adopt this section for its acquisition of LANrev (note 3).

**3. ACQUISITION OF LANREV**

On December 2, 2009, the Company acquired certain assets and operations of Pole Position Software GmbH, a software company specializing in systems management software. Pole Position's sole product is LANrev ("LANrev"), a comprehensive, cross-platform endpoint and computer asset management software solution.

The asset purchase has been accounted for as a business combination, with the Company being identified as the acquirer. The results of the acquired LANrev business are included in the Company's results of operations from the purchase date of December 2, 2009.

The allocation of the purchase price disclosed hereunder has been based upon management's preliminary estimates and certain assumptions with respect to the fair value increment associated with the assets acquired and liabilities assumed. The Company will continue to review information and perform further analysis prior to finalizing the allocation of the purchase price. The actual fair values of the assets and liabilities will be determined as of the date of acquisition and may differ materially from the amounts disclosed below in the preliminary purchase price allocation.

**ABSOLUTE SOFTWARE CORPORATION**  
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**3. ACQUISITION OF LANREV (continued):**

The aggregate purchase price of \$15,408,596 was comprised of cash and 500,000 common shares of the Company, as follows:

Cash	\$ 12,624,043
Common shares	2,568,518
Acquisition costs	216,035
	<u>\$ 15,408,596</u>

Of the above, \$2,555,822 (USD \$2,500,000) and the 500,000 common shares are deferred consideration, with each amount payable in equal one-third installments annually on the first three anniversary dates of the acquisition. The fair value of the common shares to be issued was determined based on the average closing price of the Company's common shares for a reasonable period prior to and following the acquisition date of December 2, 2009. These deferred amounts have been discounted to present value using a discounted cash flow model.

The total purchase consideration has been allocated to the fair values of the assets acquired and liabilities assumed based on management's best estimates and taking into account all available information at the time of the acquisition and at the time of preparation of these interim consolidated financial statements. The purchase consideration has been allocated to the net assets acquired as follows:

Property and equipment	\$ 16,998
Intangible assets	17,247,572
Accrued liabilities	(26,801)
Deferred revenue	(380,317)
Future income taxes	(1,448,856)
	<u>\$ 15,408,596</u>

Details of the acquired intangible assets are as follows:

Acquired software	\$ 16,895,602
Customer relationships	351,970
	<u>\$ 17,247,572</u>

These intangible assets have each been determined to have a useful life of 5 years. In the three and nine months ended March 31, 2010, the Company recorded \$860,880 and \$1,147,840, respectively, of amortization of these acquired intangible assets within cost of revenue.

**ABSOLUTE SOFTWARE CORPORATION**  
**Notes to the Interim Consolidated Financial Statements**  
**Three and nine months ended March 31, 2010 and 2009**  
**(Expressed in Canadian dollars) (Unaudited)**

**4. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The components of the Company's cash and cash equivalents and investments balances are as follows:

	Cost and Recorded Basis			Allocation for Balance Sheet		
	Cost Basis	Unrealized Losses	Recorded Basis	Cash and Cash Equivalents	Short-Term Investments	Long-Term Investments
<b>at March 31, 2010</b>						
Bank balances and term deposits	40,007,723		40,007,723	32,305,510	7,702,213	
Replacement Notes (ABCP)	2,015,033	(1,032,920)	982,113			982,113
Investment Grade Securities	23,500,446		23,500,446		89,942	23,410,504
Marketable securities	2,434,037	(1,448,152)	985,885		985,885	
	<b>67,957,239</b>	<b>(2,481,072)</b>	<b>65,476,167</b>	<b>32,305,510</b>	<b>8,778,040</b>	<b>24,392,617</b>
<b>at June 30, 2009</b>						
Bank balances and term deposits	57,655,453		57,655,453	56,078,004	1,577,449	
Replacement Notes (ABCP)	2,015,033	(1,032,920)	982,113			982,113
Investment Grade Securities	9,115,362		9,115,362		6,021,264	3,094,098
Marketable securities	2,434,037	(1,288,889)	1,145,148		1,145,148	
	<b>71,219,885</b>	<b>(2,321,809)</b>	<b>68,898,076</b>	<b>56,078,004</b>	<b>8,743,861</b>	<b>4,076,211</b>

For the three and nine months ended March 31, 2010, the Company recorded an unrealized (loss) gain in the amount of (\$11,935) and (\$159,263), respectively (fiscal 2009 – \$163,450 and (\$754,454)) on its holdings of marketable securities and replacement notes.

**5. DEFERRED CONTRACT COSTS**

	<b>March 31, 2010</b>	<b>June 30, 2009</b>
Prepaid sales commissions	\$ 7,411,864	\$ 7,185,096
Prepaid royalties	192,715	190,565
Balance at the end of the period	<b>7,604,579</b>	7,375,661
Less: Current portion	<b>(3,980,621)</b>	(3,609,944)
Long term portion	<b>\$ 3,623,958</b>	\$ 3,765,717

**ABSOLUTE SOFTWARE CORPORATION**  
**Notes to the Interim Consolidated Financial Statements**  
**Three and nine months ended March 31, 2010 and 2009**  
**(Expressed in Canadian dollars) (Unaudited)**

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**6. INCOME TAXES**

The Company operates in various tax jurisdictions, and accordingly, the Company's income is subject to varying rates of tax. Losses incurred in one jurisdiction cannot be used to offset income taxes payable in another. The Company's ability to use income tax losses and future income tax deductions is dependent upon the profitable operations of the Company in the tax jurisdictions in which such losses or deductions arise.

For the three and nine months ended March 31, 2010, the Company recorded a current tax expense of \$0.2 million and \$2.7 million, respectively (fiscal 2009 - \$0.9 million and \$2.9 million), and a future income tax recovery of \$40,000 and \$2.1 million, respectively (fiscal 2009 - \$0.8 million and \$2.1 million), based on the expected effective tax rates applicable to the Company's operations for the year ended June 30, 2010. As of March 31, 2010, the Company had total net future tax assets of \$22.3 million (June 30, 2009 - \$21.7 million), primarily related to deferred revenue balances, and current income taxes payable of \$3.5 million (June 30, 2009 - \$1.6 million).

**7. ACCRUED WARRANTY AND GUARANTEE**

The Company offers a service guarantee, or warranty, with certain of its products. Upon signing Sales Contracts that include the service guarantee, the Company records accrued warranty for the estimated cost of potential warranty claims during the term of each contract. The impact of changes in the estimated warranty liability is based on actual experience and expected warranty payment rates are reflected in the warranty accrual. At March 31, 2010, a reduction of the warranty accrual of \$1.6 million was recorded, as recent warranty payout experience was indicative of lower future payout rates than were originally accrued. Of this amount, in the three and nine months ended March 31, 2010, \$1.1 million and \$1.1 million (2009 - \$0.3 million and \$0.8 million) was recorded in cost of revenue in the statement of loss, with the remaining amount recorded against deferred warranty costs within deferred revenue (note 8).

At March 31, 2010 and June 30, 2009, the accrued warranty is as follows:

	<b>March 31, 2010</b>	June 30, 2009
	(1)	(2)
Balance at the beginning of the period	\$ 11,252,170	\$ 11,844,593
Warranty accrual on new sales contracts	526,740	1,077,500
Warranty claims paid	<b>(1,559,606)</b>	(1,669,923)
Balance at the end of the period	<b>10,219,304</b>	11,252,170
Less: Current portion	<b>(5,226,901)</b>	(5,288,520)
Long term portion	<b>\$ 4,992,403</b>	\$ 5,963,650

(1) For nine months ended March 31, 2010.

(2) For twelve months ended June 30, 2009.

**ABSOLUTE SOFTWARE CORPORATION**  
**Notes to the Interim Consolidated Financial Statements**  
**Three and nine months ended March 31, 2010 and 2009**  
**(Expressed in Canadian dollars) (Unaudited)**

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**8. DEFERRED REVENUE**

(a) Deferred revenue is comprised of invoiced Sales Contracts from current and prior periods that have yet to be recognized as revenue, net of the deferred portion of any related warranty accruals (“deferred warranty cost”). Both balances are amortized ratably over the term of the related Sales Contracts, with the deferred revenue portion amortized to revenue and the deferred warranty costs being amortized to cost of revenue.

The following table provides a breakdown of the net deferred revenue balances at March 31, 2010 and June 30, 2009:

	<u>March 31, 2010</u>	<u>June 30, 2009</u>
Deferred Revenue from Sales Contracts (see 8(b))	\$ 105,879,736	\$ 103,210,166
Deferred Warranty costs	<b>(6,272,975)</b>	<b>(7,353,560)</b>
Deferred Revenue	<b>99,606,761</b>	95,856,606
Less: Current portion	<b>(51,389,272)</b>	<b>(46,577,880)</b>
Long term portion	<b>\$ 48,217,489</b>	<b>\$ 49,278,726</b>

(b) The following table provides a reconciliation of the deferred revenue balances to invoiced Sales Contracts and revenue:

	<u>March 31, 2010</u>	<u>June 30, 2009</u>
	(1)	(2)
Balance, beginning of period	\$ 103,210,166	\$ 87,846,477
Add: Sales Contracts during the period	<b>50,341,020</b>	71,873,919
Add: Acquired from LANrev (Note 3)	<b>380,317</b>	-
Less: Revenue recognized during the period	<b>(47,475,908)</b>	<b>(53,218,894)</b>
Less: Other adjustments	<b>(575,859)</b>	<b>(3,291,336)</b>
Balance, end of period	<b>\$ 105,879,736</b>	\$ 103,210,166
Less: Current portion	<b>(54,902,381)</b>	<b>(50,504,028)</b>
Long term portion	<b>\$ 50,977,355</b>	\$ 52,706,138

(1) For nine months ended March 31, 2010.

(2) For twelve months ended June 30, 2009.

Sales Contracts represent invoiced subscriptions to the Company’s solutions, and are considered a key metric for evaluating Company sales and operational performance.

**ABSOLUTE SOFTWARE CORPORATION**  
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**Three and nine months ended March 31, 2010 and 2009**  
**(Expressed in Canadian dollars) (Unaudited)**

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**9. SHAREHOLDERS' EQUITY**

**(a) Issued and outstanding**

	Number of Shares	Number of Warrants	Amount
Common shares			
Balance at June 30, 2009	45,694,350	400,000	\$ 41,988,977
Shares issued on options exercised (c)	546,227	-	1,501,531
Shares issued under Employee Share Purchase Plan ("ESPP")	231,098	-	786,895
Shares repurchased and cancelled during the period under the Normal Course Issuer Bid (d)	(20,000)	-	(16,982)
Shares issued on warrants exercised	200,000	(200,000)	200,000
<b>Balance March 31, 2010</b>	<b>46,651,675</b>	<b>200,000</b>	<b>\$ 44,460,421</b>

**(b) Contributed surplus**

	As at March 31, 2010	June 30, 2009
Contributed surplus, beginning of period	\$ 26,822,975	\$ 11,938,462
Stock-based compensation expense recorded on options and ESPP *	1,663,425	15,792,738
Transfer to share capital on exercise of options and warrants *	(429,721)	(908,225)
<b>Contributed surplus, end of period</b>	<b>\$ 28,056,679</b>	<b>\$ 26,822,975</b>

\* For nine months ended March 31, 2010 and 12 months ended June 30, 2009.

**(c) Stock options**

On December 12, 2009, the shareholders of the Company approved an amendment to the Company's Employee Share Option Plan (the "Plan") whereby the maximum number of shares issuable was reduced from 15% to 12% of the Company's outstanding and issued share capital. Accordingly, the maximum number of shares issuable under the Plan at March 31, 2010 was 5,598,201.

**ABSOLUTE SOFTWARE CORPORATION**  
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**(Expressed in Canadian dollars) (Unaudited)**

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**9. SHAREHOLDERS' EQUITY (continued):**

During the nine month period ended March 31, 2010, changes in the total share options outstanding were as follows:

Share options outstanding, beginning of period	4,127,127
Granted	370,700
Exercised	(546,227)
Forfeited	(210,725)
Expired	(15,750)
<b>Outstanding, end of period</b>	<b>3,725,125</b>
Weighted average exercise price at March 31, 2010	\$ 4.93
Weighted average term remaining at March 31, 2010	2.8
Number of options exercisable at March 31, 2010	1,370,796
Weighted average price of exercisable options	\$ 4.57

**(d) Normal course issuer bid**

On November 6, 2009, Absolute received approval from the TSX for a Normal Course Issuer Bid (the "Bid") that enables Absolute to purchase and cancel up to 3,337,617 of its common shares. The Bid allows for the purchase on a daily basis of up to 20,475 shares per day until November 5, 2010, except where purchases are made in accordance with "block purchases" exemptions under applicable TSX policies. No repurchases were made in the three months ended March 31, 2010. For the nine months ended March 31, 2010, Absolute purchased 20,000 shares under the Bid for a total purchase price of \$101,250. All repurchased shares have been cancelled.

On repurchase of the shares, the difference between the purchase price and the average book value of the common shares is recorded in accumulated deficit. At March 31, 2010, this amounted to \$84,268 based on an average common share book value on issuance of \$16,982.

**(e) Potentially dilutive shares**

For the three and nine months ended March 31, 2010, the Company excluded 1,501,181 and 1,344,287 options to purchase common shares, respectively, from diluted loss per share as their effect would have been anti-dilutive (fiscal 2009 – 1,221,495 and 2,233,430).

**10. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>March 31,</b>	<b>June 30,</b>
	<b>2010</b>	<b>2009</b>
Cash	\$ 12,882,040	\$ 13,516,317
Cash equivalents	19,423,470	42,561,687
	<b>\$ 32,305,510</b>	<b>\$ 56,078,004</b>

**ABSOLUTE SOFTWARE CORPORATION**  
**Notes to the Interim Consolidated Financial Statements**  
**Three and nine months ended March 31, 2010 and 2009**  
**(Expressed in Canadian dollars) (Unaudited)**

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**10. SUPPLEMENTAL CASH FLOW INFORMATION (continued):**

	<b>Three Months Ended March 31,</b>		<b>Nine Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Income taxes paid	\$ -	\$ -	\$ 237,367	\$ 111,121
Interest paid	\$ -	\$ -	\$ -	\$ -

**Non-cash investing and financing activities**

	<b>Three Months Ended March 31,</b>		<b>Nine Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Accrued purchase price payable	\$ -	\$ -	\$ 5,124,340	\$ -

**11. SEGMENTED INFORMATION**

The Company carries on business in the computer endpoint management and security industry and all sales are made in this segment. Geographic revenue information is based on the location of the customer invoiced. Long-lived assets include fixed assets and intangible assets.

	<b>Three months ended March 31,</b>		<b>Nine months ended March 31,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Revenue				
United States	\$ 15,275,115	\$ 12,708,519	\$ 44,080,685	\$ 36,210,973
Canada and International	1,316,086	942,925	3,395,223	2,676,960
Total	\$ 16,591,201	\$ 13,651,444	\$ 47,475,908	\$ 38,887,933

	<b>March 31,</b>	<b>June 30,</b>
	<b>2010</b>	<b>2009</b>
Long Lived Assets		
Canada	\$ 18,183,239	\$ 2,275,579
United States and International	722,035	496,471
Total	\$ 18,905,274	\$ 2,772,050

**12. SUBSEQUENT EVENTS**

On April 8, 2010, the Company acquired the technology assets of FailSafe® and Phoenix Freeze™ from Phoenix Technologies Ltd. Absolute intends to integrate certain components of the acquired technology into its products to extend its data protection and theft recovery capabilities. Under the terms of the asset purchase agreement, Absolute paid US\$6.9 million in cash.