ABSOLUTE SOFTWARE CORPORATION

Annual Information Form

August 25, 2009

AIF to be read in conjunction with the Audited Consolidated Financial Statements and Management Discussion and Analysis for the Year Ended June 30, 2009

Certain statements in this Annual Information Form constitute forward-looking statements that involve risks and uncertainties. These forward-looking statements relate to, among other things, a continuing, or increased need for data protection and theft recovery services in difficult economic times, the attainment of certain subscription targets and company performance, the increased adoption, or attach rates, of the Company's data protection and theft deterrence products, the ability of the Company to achieve its targets for Sales Contracts and Cash from Operating Activities, the ability of the Company to successfully execute on its growth strategies, including attracting new distribution partners, continuation of embedded firmware support from its current and anticipated PC OEM partners, the demand for its products continuing to increase, stable currency valuations and a sufficiently stable and healthy global economic and business environment, and other expectations, intentions and plans contained in this press release that are not historical fact. When used in this Annual Information Form, the words "plan," "expect," "believe," and similar expressions generally identify forward-looking statements. These statements reflect current expectations. They are subject to a number of risks and uncertainties, including, but not limited to, changes in technology and general market conditions. In light of the many risks and uncertainties, readers should understand that Absolute Software Corporation cannot offer assurance that the forward-looking statements contained in this Annual Information Form will be realized.

TABLE OF CONTENTS:

	Page
Company Overview	3
Business of the Company	4
History and Development of the Business	4
Sales Contracts Performance	5
Sales Contracts and Revenue Recognition	7
Products	8
The Market Opportunity	9
Computrace Technology Platform	10
Future Solutions	10
Sales and Marketing	11
Research and Development	12
Customers	13
Intellectual Property Rights	13
Competition	15
Facilities	16
Employees	16
Risk Factors	16
Dividend Policy	16
Capital Structure	17
Market for Securities	18
Directors and Officers	19
Ownership of Securities	21
Legal Proceedings	21
Transfer Agents and Registrars	21
Interests of Experts	21
Audit Committee Disclosure	22
Additional Information	23
Appendix 1: Audit Committee Charter	24

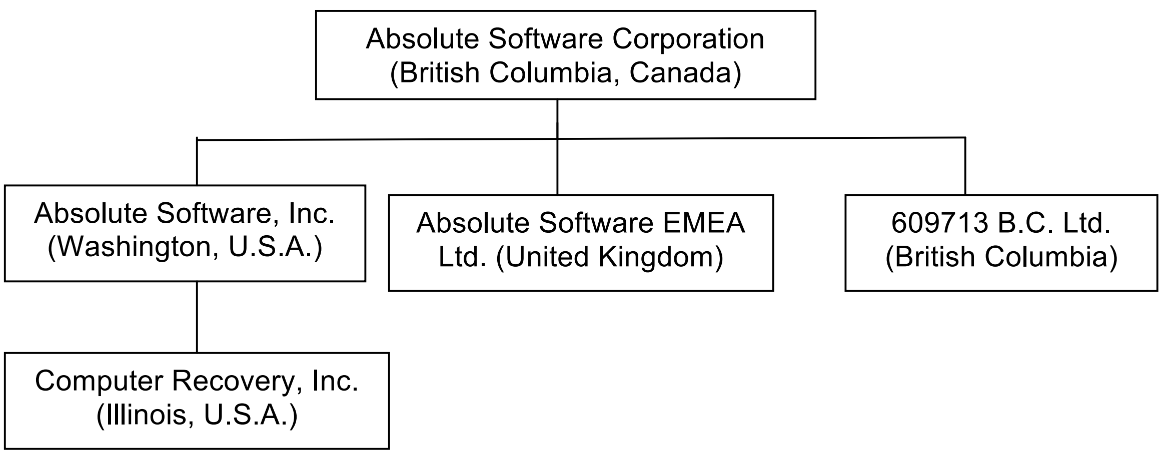
COMPANY OVERVIEW

Absolute® Software Corporation (“Absolute” or the “Company”) helps organizations overcome the security risks and asset management challenges associated with the remote, mobile and desktop computing environment. The Company’s patented Computrace® technology platform allows Absolute’s products to be delivered in a Software-as-a-Service (“SaaS”) model over the Internet or as licensed software installed at the customer’s site. Customers include corporations, educational institutions, healthcare and government organizations, and individual consumers who use these products to secure and manage their computing assets.

Absolute’s mission is to be the industry standard for computer theft recovery, data protection and secure asset tracking, and ultimately to become recognized as a world leader in security solutions for computers and other connected devices.

Absolute was incorporated in 1993 under the predecessor statute of the British Columbia *Business Corporations Act*. Its head office and principal place of business is located at Suite 1600, Four Bentall Centre, 1055 Dunsmuir Street, PO Box 49211, Vancouver, British Columbia, V7X 1K8. Absolute has sales offices in major cities throughout North America. Absolute’s registered office is located at 1600 – 1055 W. Georgia Street, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7.

The following chart sets out the ownership and the jurisdiction of incorporation of Absolute and all of its material subsidiaries, each of which are wholly owned.



Absolute Software Corporation is the principal operating company, responsible for research and development, customer support, marketing, sales (outside the United States and EMEA (Europe, Middle East and Africa) region), fulfilment and administration. Absolute Software, Inc. is a limited distributor sales organization responsible for sales and distribution in the United States. Computer Recovery, Inc. was established to manage the company’s theft recovery and recovery guarantee operations. Absolute Software EMEA Ltd. (United Kingdom) is a limited distributor sales organization responsible for sales, distribution and recovery in EMEA. 609713 B.C. Ltd. is an inactive holding company.

BUSINESS OF THE COMPANY

History and Development of the Business

The Company has been tracking computers in a SaaS model since 1994. In 1997, Absolute utilized its Computrace service to facilitate its first software-aided recovery of a stolen computer. Today, Absolute draws on its years of experience and the same core technology to help organizations overcome not only the security risks associated with their computers and the data they contain, but also their growing compliance and asset management challenges. Absolute's vision is to leverage its core technology and partner advantages to become the global leader in tracking, managing and protecting computers and the data stored on them.

During the past three fiscal years ended June 30, 2009, 2008, and 2007, Absolute has been focused on growing its business through embedding its technology in the firmware of major leading personal computer ("PC") manufacturers ("OEMs"), expanding its distribution channels, enhancing its products, protecting and increasing its intellectual property portfolio (including its patents), expanding into global markets and increasing its market penetration in key U.S. markets.

Over 90% of Sales Contracts were generated in the U.S. market in each of the last three fiscal years. Absolute intends to leverage its U.S. successes and distribution partners to expand globally, and has begun to focus on this initiative. It has an office in the U.K. and has developed or is developing partnerships in other parts of the world such as Latin America, Australia, Japan and South Africa. In addition, Absolute rolled out global support pursuant to a global "white label" tracking and recovery service recently established with a major OEM, which is part of its global expansion plans.

In addition, while Absolute's services were originally developed for laptop, desktop and server computers, in June 2008, the Company launched services for handheld "smart mobile" devices and in May 2009 launched netbook computer versions of its products. These efforts have been aimed at moving Absolute toward achieving its mission of being a world leader in security solutions for computing devices.

From a technology perspective, the PC OEMs have adopted Absolute's Computrace technology as a standard and have embedded it in the firmware of their portable computers. This is an essential collaboration for Absolute as the embedded support enhances the persistence (ability to survive unauthorized or un-intentional attempts to remove it) of its software. In turn, this gives Absolute's customers the confidence that its management and security solutions will be there whenever they need them. This is a key value proposition and differentiator for Absolute.

Absolute is now shipping embedded in the firmware of an estimated 80 million computers worldwide every year. The following table lists the 12 PC OEMs who are currently providing embedded support for Computrace:

Embedded Support Added by Fiscal Year		
Fiscal 2005 to Fiscal 2007	Fiscal 2008	Fiscal 2009
Dell Fujitsu (US) HP Lenovo Motion Computing Panasonic Toshiba (US) Gateway	GammaTech General Dynamics Itronix GeTac	Acer ASUS Fujitsu Technologies (EMEA) Intel (Classmate Computer)

Absolute generates approximately 85% of its total sales through its PC OEM partners using various sales and marketing programs and its direct sales force to help identify and close the sales opportunities. The OEM's are essentially resellers of Absolute's products to thousands of end customers, so management does not consider any one of the partner OEM contracts to be a material contract.

In February 2007, Absolute achieved a milestone of one million computers under subscription. At June 30, 2009 Absolute's subscriber base stood at 4.1 million customer computers.

While this subscriber growth reflects the cumulative result of the Company's growth strategies, one continuing macro trend is worth specific mention. In 2002, the State of California enacted Senate Bill 1368 that requires notification to individuals if their personal information may have been compromised. More U.S. States add this type over legislation every year, and by June 2009, 45 U.S. States had enacted similar breach notification legislation. There is also other similar legislation affecting companies worldwide. Much of this legislation requires organizations to publicly notify third parties, including employees, customers and patients, whose personal information may have been compromised through a data security breach of any kind.

The implication of these types of regulations is exacerbated by the adoption of mobile computing which makes tracking the computers and protecting any private information extremely challenging. A list of reported data breaches is available at www.privacyrights.org, which shows that over 260 million personal data records have been compromised in the U.S. since 2005, and that approximately 40% of these incidences were from lost or stolen computers. This privacy legislation, and high profile media coverage of suspected privacy breaches, has significantly increased media and public awareness of data and identity theft, and has helped organizations and individuals to understand that they must protect their physical computing assets in order to protect their data. As a result, Absolute believes this has been a key contributor to increases in demand for Absolute's computer security and management solutions.

Sales Contracts Performance

Throughout this document Absolute refers to "**Sales Contracts**" (invoiced sales) as a revenue measure and **Cash from Operating Activities** as a profitability measure. Sales Contracts are a non-standard measure under Generally Accepted Accounting Principals ("GAAP"). Absolute considers these measures to be its key performance metrics since substantially all Sales Contracts in each quarter are deferred on the balance sheet, while the majority of the related costs are expensed in that same quarter. Refer to the Sales Contracts and Revenue section below for more details. As a result, Absolute highlights its Sales Contract performance each reporting period, and measures its performance against this metric.

Fiscal 2009 Sales Contracts decreased 1% (13% in U.S. dollars) to $71.9 million, compared to $72.5 million last year, and increased 53% (70% in U.S. dollars) compared to $47.3 million in fiscal 2007. The reduction from fiscal 2008 is primarily due to the consumer business, which posted a 36% sales decline (43% in U.S. dollars). Conversely, commercial sales (corporate, healthcare, education and government institutions) posted a 9% increase (a decrease of 5% in U.S. dollars).

The following table shows Sales Contracts by commercial and consumer customers:

(in Millions)	**Fiscal 2009**	Fiscal 2008*	Fiscal 2007
Commercial Customers	**$ 61.8**	$ 56.5	$ 37.8
Consumer Customers	**10.1**	16.0	9.5
Total Sales Contracts	**$ 71.9**	$ 72.5	$ 47.3
Closing Subscriber Base	**4.1**	3.3	1.6

* In F2009, a $2.1 million adjustment was made to deferred revenue for reversal of F2008 Sales Contract. See “Deferred Revenue, net” for a discussion of this adjustment.

Commercial Customer Sales Performance:

Despite the challenging economic conditions of fiscal 2009, Absolute’s Commercial sales grew 9% compared to fiscal 2008 and of 64% compared to fiscal 2007. However, the commercial growth was less than Absolute had expected at the beginning of fiscal 2009. Absolute believes this is primarily due to the global economic slowdown which negatively impacted sales through delayed purchase decisions for new commercial customers, and delayed computer refresh cycles for existing customers. The result was that new commercial customer sales of $9.3 million declined 34% (41% in U.S. dollars) from $13.9 million in fiscal 2008, and that existing commercial sales, while growing 23%, generated a reduced expiring subscription ratio as shown in the following table:

	Fiscal 2009	Fiscal 2008	Fiscal 2007
Sales to existing commercial customers	$52.5M	$42.6M	$25.0M
Percent of total sales	73%	59%	52%
Total subscriptions sold in units	993,000	991,000	470,000
Total subscriptions expiring in period in units			
Expiring Subscription Ratio	501,000	382,000	189,000
	2.0: 1	2.6 : 1	2.5: 1

Absolute closely monitors the ratio of existing customer sales and renewals compared to total subscriptions expiring in the period as a measure of customer satisfaction and renewal rates. In addition, applying this ratio to the 661,000 commercial subscriptions that are expiring in fiscal 2010 gives it an estimation of the existing customer sales opportunity for the coming year. In fiscal 2009, Absolute believes that the reduced ratio is due to customer efforts to delay computer refresh cycles in the weak economy, and to workforce reductions. Additionally, the ratio was also impacted by a 67,000 unit financial institution customer that filed for bankruptcy in fiscal 2009.

In terms of market vertical performance, the commercial verticals were impacted by the economic downturn at the beginning of this fiscal year. However, public sector sales (healthcare, education and government) rebounded during the year likely due to government stimulus spending. As a result, public sector sales increased 13% (decreased 29% in U.S. dollars) in fiscal 2009 compared to fiscal 2008. Corporate customer sales did not rebound to the same extent, and increased 4% (decreased 9% in U.S. dollars) for the year compared to fiscal 2008.

Consumer Sales Performance:

The 36% decline (43% in U.S. dollars) in consumer customer sales in fiscal 2009 was primarily due to changes in a bundling program with one of Absolute's PC OEM partners. The program involved the PC OEM including a term of Absolute's Computrace LoJack for Laptops offering automatically with certain laptop and extended warranty bundles. Sales from this program declined 54% in fiscal 2009 and represented 48% of total consumer sales, down from 66% in fiscal 2008 and 67% in fiscal 2007. This was primarily due to the economic downturn and a change in the PC OEM's consumer distribution strategy.

Outside of this particular program, Absolute's consumer business was flat (down 12% in U.S. dollars) in fiscal 2009 due to the general economic weakness, and due to a retail partner filing for bankruptcy mid way through fiscal 2008. However, Absolute exited fiscal 2009 with a more diversified consumer business and an improved retail presence through channels such as: Apple Stores, Digital River, Best Buy, Costco, McAfee and other PC OEMs. In addition, the consumer product was launched in the Pan-European region in June 2009. Most of these programs remain at early stages of development, but have shown promise for the future.

International Sales Performance:

By the end of fiscal 2009, Absolute was generating sales in all major international regions of the world (EMEA, LTAM, and APAC) and Absolute believes it is poised to begin accelerating growth. However, Absolute considers all of the regions outside of North America to be in a market development phase. A majority of international sales to date have been to commercial customers. In fiscal 2009, regions outside North America generated 4% of Sales Contracts, up from 3% the prior year.

Sales Contracts and Revenue Recognition

Absolute sells its solutions in a SaaS model in which customers acquire subscriptions to Absolute's software based services for a limited license term. Once subscriptions are purchased, customers are able to deploy Absolute's Computrace software agent on their computers which then contact Absolute's monitoring centers on an established schedule during the term to enable the services purchased. With 4.1 million computers under subscription and with 15 years of experience in delivering in the SaaS model, Absolute believes that it has one of the largest SaaS customer bases and most developed SaaS business models in the market today.

In addition, Absolute believes the SaaS business model to be optimal for delivering security software solutions as it enables improved response to certain customer needs and ensures Absolute can consistently deliver a high degree of service to the customer. From a financial perspective, the SaaS model improves the visibility of revenue streams, increases recurring cash flows and Absolute believes will maximize profitability over time.

However, the accounting treatment for the SaaS model under Canadian GAAP results in a significant deferral of revenue and profitability generated from subscriptions, despite the cash flow it generates. As a result, SaaS companies are generally evaluated by market professionals based on Sales Contracts (invoiced sales or the "bookings" increase in deferred revenue) and cash flow performance as opposed to revenue and net earnings. Accordingly, Absolute believes that an understanding of this non-GAAP measurement is important in order to evaluate Absolute's performance.

Subscriptions to Absolute's solutions are invoiced up-front for the full amount of the purchased term (which varies from one to five years) with non-refundable payment received on standard invoice terms. The customer pays the same amount on renewal of the contract, or on purchase of a new subscription. The full value invoiced is deferred on the balance sheet and recognized ratably over the contract term. Absolute refers to these subscriptions as Sales Contracts, which are not a standardized measure prescribed under Canadian GAAP. Sales Contracts are a component of deferred revenue and are calculated by adding revenue to the change in deferred revenue (see Note 9 of the Notes to the Consolidated Financial Statements).

As Sales Contracts have traditionally averaged around 30 months in term, there is a significant lag between revenue recognition and the timing of the sales contract and non-refundable cash inflows. In general, only 15-20% of Sales Contracts in any given fiscal year are also recognized as revenue in the same fiscal year. Conversely, a majority of Absolute's operating expenses in each fiscal year are incurred to generate the Sales Contracts for the period. Therefore, in periods of increasing sales and investment, the net loss will increase despite returning increasing operating cash flow. As a result, Absolute focuses on Sales Contracts and Cash from Operating Activities as the key performance metrics for the Company. Absolute believes these metrics provide for the most meaningful evaluation of the business, while revenue and operating income, or loss, provide a lagging indication of performance.

Products

The following table provides a list of Absolute's commercial and consumer solutions. All of them are delivered in a SaaS model via Cloud Computing. The customer simply deploys Absolute's client software to activate Computrace in the firmware and they can immediately begin realizing the benefits. There is no need for servers or complicated deployment schedules. Most of these solutions will also be available with Intel's Anti-Theft technology as the chipsets become pervasive in the market.

Product	Description
Commercial Solutions	
ComputraceComplete	Full Asset Tracking, Delete, Theft Recovery and $1,000 Service Guarantee (North America only)
ComputraceOne	Full Asset Tracking, Delete and Theft Recovery (outside North America only)
Computrace for Netbooks (New in 2009)	Full Asset Tracking, Delete and Limited Theft Recovery
ComputracePlus	Delete, Theft Recovery and Basic Asset Tracking
Computrace Data Protection	Full Asset Tracking and Delete
Absolute Track	Full Asset Tracking
Consumer Solutions	
Computrace LoJack for Laptops - Standard	Theft Recovery
Computrace LoJack for Laptops – Premium (New in 2009)	Theft Recovery, Delete, $1,000 Service Guarantee
Computrace LoJack for Laptops – EMEA (New in 2009)	Theft Recovery and Delete for European marketplace
Handheld Solutions	
Computrace Mobile (New in 2009)	Full Asset Tracking and Delete for Blackberry and Windows Mobile

One advantage of Absolute's SaaS business model is that as Absolute enhances the features of its products, all customers can immediately obtain access to the new features over the Internet. In addition to the new products added in fiscal 2009, some examples of recently added features include multi-lingual support, computer mapping using GPS and Wi-Fi geo-location, computer disable and lock, Intel Anti-Theft integration and post theft file retrieval, all of which enable customers to better control and product their mobile assets and data.

In the coming year, Absolute expects to continue adding new products and features, particularly in the area of end-point asset management and data protection on a global scale. Some of these are expected to be available as part of existing products, and some as separately charged products and modules.

The added features and capability are focused on the compliance aspects of end-point management and protection. Absolute's mission is to continually enhance its offerings so they become and remain a must-have component of the computing experience.

The Market Opportunity

Absolute has traditionally focused on its computer theft recovery, data protection and secure asset tracking products, and has developed distribution channels to address this market, primarily within North America. Given the proliferation of mobile and laptop computers and increase in communications technologies, including e-commerce for critical business functions, Absolute believes that information technology ("IT") security is, and will continue to be, a major area of focus for consumers and for businesses of all sizes.

Absolute believes the addressable market for its solutions to be large and growing, with every computer sold worldwide being a potential customer. This applies to both commercial and consumer customers which currently represent 86% and 14% of Absolute's sales respectively (fiscal 2008 – 78% and 22%). Accordingly, Absolute is capitalizing on the current economic climate to continue with priority investments in its worldwide go-to-market platform and product offerings. Absolute believes this investment is prudent in light of its success to-date and the compelling market need for its solutions.

Absolute estimates its current attach rates (number of subscriptions sold divided by estimated number of portable computers shipped over the same period) in North America to be 5%. This is up from 4% last year, excluding subscriptions from a consumer bundle program with a PC OEM. However, Absolute is currently achieving attach rates of approximately 12% with its largest computer manufacturer partner ("PC OEM") to their North American laptop shipments, and has been implementing programs with its other PC OEMs to replicate this success. Absolute believes this provides an indication of potential long-term attach rates in the broader market. Accordingly, its objective now and over the next few years is to make the right investments to realize on these potential attach rates globally. As of June 2009, IDC estimates computer shipments will be as follows over the next three years:

- Worldwide computer shipments are expected to go from approximately 280 million in 2009 to approximately 420 million by 2013.
- Portable computers are expected to increase from approximately 50% of worldwide shipments in 2009 to approximately 70% by 2013.
- Markets outside North America are expected to represent over 80% of computer shipments by 2013, compared to less than 75% today.

In addition to its efforts to penetrate the global market Absolute is also adding to its product suite with new solutions for asset management and data protection. The aim of these initiatives is to increase market adoption and revenue per subscription, while increasing the leverage of its sales, distribution and technology platform.

Security concerns in the U.S. market relate both to the protection of the physical computer and to the protection of key business information available on, or accessible through, the computer. Awareness of security issues is expected to increase among consumer groups as well as among businesses, as the use of electronic technologies by both these groups continues to grow, and as regulatory bodies continue to stipulate requirements for increased protection of data. At present, there are 45 states in the U.S. that have legislated data breach notification laws, and the Privacy Rights Clearinghouse estimates that more than 260 million records containing sensitive personal information have been involved in security breaches since 2005, of which approximately 40% were reported to have come from lost or stolen computers.

Absolute also believes there is a market opportunity to provide software-based solutions to assist organizations in tracking the location of their computer assets within the organization and managing the data on, and the operation of, those computers. Absolute's solutions can be used as a tool to assist in IT asset management, and with ensuring compliance with corporate and external regulations and policies.

Absolute's software solutions are developed to address customer needs in the computer security and asset management markets. Absolute believes that there is a natural trend for these markets to merge, and has developed the products and channels to capitalize on this trend.

Computrace Technology Platform

There are three main components of Absolute's SaaS technology infrastructure – the Network Operating Center (NOC), the Computrace Agent, and client applications.

The NOC is hosted by Absolute in one of three North American locations. It accepts encrypted communications from activated Computrace Agents, provides instructions, scripts and client applications to the client and manages the services. Customers are able to access their management console via a secure web portal in order to manage, monitor and track their computing devices.

The Computrace Agent is a stealthy and persistent software communication technology that occupies little space and operates in the background without end-user interruption. The Agent is only 27kb in size and is installed on the device hard drive once a customer activates the service. The Agent is also cross-platform and is capable of being deployed on, and integrated into, the firmware of any computing device.

Client applications include software developed by Absolute and other third-party software. The applications are able to be deployed remotely via the NOC and Computrace Agent communication protocol. The required applications are delivered only when needed. For example, Absolute's forensic investigative tools are only deployed once a computer is reported stolen and the tools are only accessible by Absolute's Investigative Recovery Team. In this manner, Absolute keeps these powerful tools in the hands of experts and protects its customers' privacy during normal usage, and Absolute also minimizes the disk space used by its solutions.

The client applications include a variety of Absolute's powerful tools, including asset tracking and policy management applications, data delete capability, and forensic investigative tools (keystroke loggers, IP address trackers, Wi-Fi and GPS locators, remote access technology, etc.).

Future Solutions

Absolute intends to continue to evaluate the market for software-based computer and handheld device security and asset management services and to identify those that have the best commercial value. Absolute's customers, distribution partners and market researchers will continue to play a key role in this process. Absolute expects to be able to deliver future services integrated within the Computrace Technology Platform either through in-house development, or through partnering with other technology providers.

The order and pace of introducing other solutions based on the Computrace Technology Platform will be a function of several factors. These factors include customer demand, development time required, and product introduction strategy.

Sales and Marketing

Absolute's primary distribution strategy is to generate sales growth through computer OEMs. Today, this includes Dell, Lenovo, HP, MPC, Toshiba, Fujitsu, Panasonic, Motion Computing, Apple, Itronix, Gamma Tech, Getac and ASUS Computers and others are expected to be added as the Company continues its global expansion. In addition, Absolute's distribution channels include value added resellers, system integrators, distributors (Synnex, Navarre, etc.), encryption vendors and on-line and brick-and-mortar retailers.

Absolute supports these channels via a direct sales, channel development, business development and marketing teams. These teams represent approximately 40% of Absolute's total headcount of 301 employees on June 30, 2009, compared to 248 employees on June 30, 2008 and to 169 employees June 30, 2007. Management believes that such teams are essential for maximizing sales through Absolute's distribution channels. For fiscal 2010, Absolute plans to continue expanding the sales and marketing team further in order to execute on its sales growth targets

These sales and marketing teams work closely with channel partners to identify and close opportunities in efforts to expand the Company's market penetration and opportunity pipeline. Their responsibilities include strategic technology and sale program development with PC OEM partners and other software vendors, logistics management, training, event coordination, advertising and special promotions, and day-to-day in-field sales cycle management with end customers as subject matter experts.

Sales and marketing programs cover customers of all sizes, from individual users through to large corporate and government organizations. As a result, Absolute's sales are diversified across a broad range of customers with 14% of fiscal 2009 sales (22% in fiscal 2008 and 20% in fiscal 2007) coming from consumer customers and 86% from enterprise customers (78% in fiscal 2008 and 80% in fiscal 2007).

Absolute's largest PC OEM partner has generated approximately 40% of its total sales contracts over the last three years. In order to further diversify its revenue stream, Absolute continues to pursue opportunities through all OEM channels. Other OEM channels have also begun to expand in the past three years, and are expected to provide increased channel diversification for future periods. For example, Absolute's second strongest PC OEM partner's share of total sales contracts increased from 13% in 2008 to 16% in 2009. Absolute generates approximately 85% of its total sales through its PC OEM partners using various sales and marketing programs and its direct sales force to help identify and close the sales opportunities.

While Absolute's sales are predominantly generated through its OEM partners, management does not generally consider this to be an issue of customer concentration as OEM partners are not the end user customers buying and using the products. Further, no single customer makes up a material component of Absolute's sales. However, in fiscal 2007, Absolute launched a consumer bundle program with a PC OEM whereby they were bundling Computrace Lojack For Laptops in nearly one-third of their consumer laptop sales. In this case, the OEM was purchasing Absolute's product to be a component of its product and therefore exercises a great degree of control over purchases of Absolute's products by its customers. In effect, then, Absolute considers this OEM to be the customer in this case and for this to be the first case of a true concentration of sales for Absolute. In fiscal 2007, this program generated 13% of total Sales Contracts, in fiscal 2008 it represented approximately 14% and in fiscal 2009 it represented approximately 7%. The sales volume under, and dependency on, the program began to reduce in the last half of fiscal 2008, and it is expected to generate less than 10% of sales again in fiscal 2010.

Research and Development

Absolute recognizes that a capable product development team is essential for carrying out the business strategy of enhancing and expanding the capabilities of its core technology and services. Absolute has assembled a team of developers, engineers and other staff that it believes are capable of executing on the Company's product roadmap. The team included 73 employees at June 30, 2009, compared to 61 at June 30, 2008 and 38 at June 30, 2007.

Fiscal 2009 was a year of significant investment in the business for Absolute. The increased investment supported several new product launches in fiscal 2009 and the globalization of Absolute's product offerings. At the beginning of fiscal 2009, Absolute supported one language and had sales distribution outside North America with one PC OEM in Europe ("EMEA"). Absolute's products and customer support are now available in multiple languages and its international market reach has extended globally. Through Absolute's efforts in fiscal 2009, it now has sales distribution agreements with six PC OEMs and a number of other in-country resellers in EMEA, and has also started adding sales capability in Asia Pacific ("APAC") and Latin America ("LTAM").

This investment has begun to pay dividends with both awareness and adoption increasing globally. For example, in June 2009 Absolute announced a new customer in the Asia Pacific region, who intends to purchase its tracking and data protection solution with up to 250,000 new netbooks. The number of units being protected makes this Absolute's largest customer deployment. The Company is seeing similar opportunities in other international regions that are rolling out large netbook deployments.

Absolute also has a team of operational staff responsible for customer and technical support, recovery and maintaining the Company's IT infrastructure. This team also plays a role in maintenance and development of Absolute's solutions, and included 37 employees at June 30, 2009, compared to 30 at June 30, 2008 and 23 at June 30, 2007.

Customers

Absolute has built a diversified customer base with approximately 4.1 million paid subscriptions including those from corporations, government agencies, educational institutions and individuals. Absolute serves customers in diverse industries, which helps mitigate the impact on Absolute of cyclical changes in any one industry or market.

The Company generates a majority of its sales contracts in North America, though it also has had an international presence through partners in South Africa, Europe, Latin America and Australia. Sales outside North America currently account for less than 5% of Absolute's total sales contracts, and is an area Absolute believes presents a significant growth opportunity.

Intellectual Property Rights and Patents

Absolute relies on a combination of copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions and other similar measures to protect its proprietary information and technology. In addition, Absolute has received 16 issued patents for its technology and has 34 new patent applications in process. The patents cover a broad range of electronic devices and communication technologies. Computrace is a registered trademark of Absolute Software Corporation in Canada, the United States and the United Kingdom.

As part of its confidentiality procedures, Absolute has a policy of entering into non-disclosure and confidentiality agreements with its directors, employees, consultants, and corporate alliance members. Despite these efforts to protect Absolute's proprietary rights, unauthorized parties may attempt to copy or otherwise obtain the use of its products or technology that Absolute considers proprietary and third parties may attempt to develop similar technology independently. Absolute pursues registration and protection of its trademarks primarily in the United States, although it does seek protection elsewhere in selected key markets. Increasingly global coverage is expected to be sought with the global expansion of its business. Effective protection of intellectual property rights may be unavailable or limited in some countries. The laws of some countries do not protect proprietary rights to the same extent as in the United States and Canada. There can be no assurance that protection of Absolute's proprietary rights will be adequate or that its competitors will not independently develop similar technology.

Absolute continues to build, license and enforce its patent portfolio in computer theft recovery and secure asset tracking. The patented Computrace technology is designed to provide customers with persistent and reliable communications over which multiple security and management services can be delivered with predictability and without end-user interruption. These features are becoming increasingly important due to current trends toward computer security, particularly as it pertains to regulatory compliance and data protection.

In calendar 2005, Absolute began licensing and protecting its patent portfolio. Several competitors have taken licenses to Absolute's patent portfolio, and are paying license fees to Absolute for this right. Absolute has also initiated certain legal actions to protect its patents and continues to assert its rights against other recent entrants into the field which appear to be infringing upon its patents. As with many companies in the technology field, enforcing patents and other intellectual property rights has become a part of the normal course of Absolute's business, and management believes that appropriate enforcement efforts are a prudent means of strengthening its position in order to lessen or prevent future infringement by third parties, as well as creating an additional incidental revenue stream in the process.

Absolute have initiated action with respect to assertions and claims of patent infringement. There are three cases currently pending.

Absolute's first case is Absolute Software, Inc. v. Stealth Software, Inc., pending in the United States District Court for the Southern District of Texas, Case No. H-05-1416. As a result of a counterclaim in that suit, Absolute is also defendant to a patent infringement claim. Management and its expert advisors believe that the counterclaim is without merit, and accordingly no provision or contingency has been recorded in the financial statements. The hearing to determine the meaning of the patent terms (commonly known as a "Markman hearing" or as a "claim construction hearing") was held in 2007. Claim construction hearings are frequently conducted in U.S. patent cases because the determination of the proper meaning of the patent terms is a question of law that needs to be decided by a judge before a jury can decide whether the patent claims have been infringed by the accused product or process. A court appointed special master (i.e. an individual appointed by the court to assist the court in determining the proper meaning of the patent claims) has since produced claim construction recommendations, which the court accepted in June 2009. Based on the accepted Markman ruling, Absolute will likely submit motions for summary judgment of infringement of its patents and non-infringement and invalidity of Stealth asserted patent, which if granted, will clarify many issues concerning infringement and validity. Depending upon the outcome of the summary judgment motions, the court may set a date for jury trial.

Absolute also has a patent infringement action pending in the United States District Court for the Southern District of New York against Brigadoon Software, Inc., Case No. 05 CV 3273. The case was stayed pending the Texas court's claim construction ruling in the Stealth litigation referenced above. Now that the Texas court has issued the claim construction ruling, the stay will be lifted and the New York court will resume the case in the coming months.

Finally, Absolute has a patent infringement action pending in the United States District Court for the Western District of Texas against World Computer Security Corporation and Front Door Software Corporation, Case No. 1:09 CV 00142. In response to Absolute's complaint, the defendants filed a motion to dismiss for lack of jurisdiction or alternatively to transfer venue. Absolute's opposition to the motion is due in August 2009, after which the court will determine whether to proceed with the action and/or transfer venue.

While Absolute believes that it will prevail in these three cases, the outcome, time to resolution and impact on its business and patent portfolio, if any, cannot be determined at this time. The actual resolution of any matter before the courts, whether at a final or interlocutory stage, may differ materially as a result of future rulings issued by such courts; therefore, as additional information becomes available, management continually re-assesses the potential liability relating to pending litigation, if any. Refer to the 'risks and uncertainties" section of this MD&A for further information.

As Absolute continues to innovate beyond its current product offerings, Absolute expects to continue to expand its portfolio of intellectual property (including patents) as it has done in the past. Absolute expects further licensing and enforcement activities to occur as a result of expanding this portfolio. Absolute's patents may provide an additional revenue stream for Absolute. However, management considers the key strategic value to be in securing Absolute's industry leadership position.

Competition

Since inception, Absolute has had few direct competitors in the computer theft recovery and anti-theft space. Most competitors have been small operators with limited resources to widely commercialize their offerings. Based on Absolute's proprietary technology and patent protection, several of those competitors have taken licenses to its patents and now pay it royalties on their sales, or have ceased offering the potentially infringing offerings, or have abandoned their own applications and become resellers or referral partners of Absolute's solutions.

While Absolute is the creator, innovator and leader in the theft recovery market category, the Company believes the lack of direct competition has also kept general awareness and adoption rates at low levels. In the past year, several direct competitors have entered the market, some of whom have better resources and market positioning than prior competitors, thus raising the level of competition. This has increased pricing pressure and has required increased investments in certain areas to defend Absolute's leadership position. However, management believes this has also helped to increase awareness of the category and in turn, has increased the total addressable market for its solutions.

While competition has emerged, competitors have yet to capture a material share of the market and Absolute believes its competitive position remains solid. Absolute's PC OEM partnerships, embedded position, proven track record, subscriber base, patent portfolio, growing global footprint and talented theft recovery and customer service teams combine to form a sustainable competitive advantage. These advantages have helped to build its leadership position, and it believes they will enable Absolute to stay in this leadership role as the category grows to its potential.

Absolute relies on a number of strategies and advantages to mitigate the impact of competition in its core business. Absolute considers its competitive advantages to include its:

- 4.3 million subscriber base, leader and first to market position;
- Proven recovery success and forensic investigations theft recovery team as a key differentiator as no other company in the market has established such a capability;
- Persistent technology and embedded firmware support from the world's leading PC OEMs;
- Patent portfolio directly related to post-theft recovery and asset tracking capabilities.
- Product designs that provide maximum security with minimal cost and overhead implications;
- LoJack brand name for its consumer products, which is a well recognized and powerful brand in the United States; and
- Sales and marketing teams and their established sales experience and relationships with the world's leading PC OEMs and directly with end customers.

Facilities

Absolute leases 26,166 square feet of office space in Vancouver, British Columbia, 1,164 square feet of office space in the U.K., and 7,500 square feet in Austin, Texas. The Vancouver lease expires in November 2013 and the Austin lease expires in September 2014. The lease in Austin was signed in fiscal 2009 along with a month to month facility rental in Amsterdam. In July 2009 a one year lease was signed for a small office in Tokyo.

Employees

As at June 30, 2009, Absolute had a total of 301 employees, excluding independent contractors and temporary employees. Each employee executes a confidentiality and non-disclosure agreement as part of the terms of their employment. None of Absolute's employees are represented by a labour union, nor are they subject to a collective bargaining agreement. Absolute has never experienced a work stoppage, and management believes its employee relations to be favourable. Human resources strategy and management are a key area for the Company as it continues to grow and accordingly has begun to add full-time dedicated HR resources to help with its employee relations, staffing and recruitment objectives.

Risk Factors

The Company is selling and developing products and services for new and emerging markets and as a result faces a number of risks and uncertainties. These risks and uncertainties are described in the Fiscal 2009 Management Discussion and Analysis filed at www.absolute.com and at www.sedar.com, and are incorporated herein by reference.

DIVIDEND POLICY

Absolute does not currently pay dividends on its Common shares. The actual timing, payment and amount of dividends paid by the Company in the Common shares, if any, will be determined by the Board of Directors from time to time, subject to applicable laws and based upon the cash flow, results of operations and financial condition of Absolute, the need for funds to finance ongoing operations and such other business considerations as the Board of Directors considers relevant.

CAPITAL STRUCTURE

The authorized capital of the Company consists of 100,000,000 Common shares and unlimited Preferred shares. As at June 30, 2009, 45,694,350 Common shares and no preferred shares were issued and outstanding.

The holders of Common shares are entitled to one vote for each share held on all matters to be voted on by such shareholders and, subject to any rights and priorities of the holders of Preferred shares, are entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available for such purposes. In the event of the dissolution, liquidation, winding-up or other distribution of the assets of Absolute, such holders are entitled to receive on a pro-rata basis all of the assets of Absolute remaining after payment of all of Absolute's liabilities, subject to the rights of holders of Preferred shares. The Common shares carry no pre-emptive or conversion rights.

The Preferred shares are issuable in series and the Board of Directors is entitled to determine the designation, preferences, rights, conditions, restrictions, limitations and prohibitions to be attached to each series of such shares. The Preferred shares are entitled to priority over the Common shares with respect to the payment of dividends and distributions in the event of the dissolution, liquidation or winding-up of Absolute. The holders of Preferred shares are entitled to receive notice of any meeting of the shareholders of Absolute and to attend and vote thereat, except as otherwise provided in the rights and restrictions attached to the shares by the Board.

Absolute has an option plan (the "Option Plan"), which was established in 2000 to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The Option Plan is a rolling plan whereby the number of options is increased to 15% of outstanding common shares during the three year period following the Extraordinary General Meeting the Company held on June 8, 2007 (the "EGM"). Further information with respect to the Option Plan is contained under "Amendment of Share Option Plan – General Terms of terms of the Option Plan" in the Information Circular distributed in connection with the EGM and is incorporated herein by reference.

The number of common shares issuable pursuant to options granted under the Option Plan, once vested, is 4,127,127 as at June 30, 2009. This number represents approximately 9% of the outstanding common shares as at that date. At June 30, 2009, there were 1,006,700 vested options.

During fiscal 2006, the Company issued 1,000,000 common share purchase warrants in connection with a 10 year branding agreement entered into with LoJack Operating Company L.P. whereby the Company acquired the rights to use the "LoJack®" brand name for its consumer theft recovery products. Each warrant is exercisable for one common share at an exercise price of \$1.00 per share. The warrants vest 20% per year on June 30, 2006, 2007, 2008, 2009 and May 31, 2010. All unexercised warrants expire the earlier of 2 years after the vesting date, June 30, 2010 or termination of the agreement. As of June 30, 2009, 600,000 of the warrants have been exercised.

MARKET FOR SECURITIES

The Company's Common shares are listed and posted for trading on the Toronto Stock Exchange (TSX) under the ticker symbol ABT. Absolute completed its initial public offering on the TSX Venture Exchange in March 2000, and graduated to the TSX in December 2005. CIBC Mellon Trust Company acts as the Transfer Agent and Registrar for Absolute's Common shares, and the register of transfers is maintained through its Vancouver and Toronto offices. A total of 47,249,500 Common shares were traded during the period July 1, 2008 to June 30, 2009, at daily closing prices ranging from $3.09 per share to $13.30 per share. This is down from 62,730,400 Common shares traded in the prior fiscal year with closing prices ranging from $10.22 to $19.92 per share.

The monthly share prices and share trading data for fiscal 2009 is as follows:

Month	**High**	**Low**	**Volume**
July 2008	$11.99	$10.44	3,167,500
August 2008	$13.30	$11.01	3,713,700
September 2008	$13.50	$7.98	5,784,900
October 2008	$8.21	$3.07	11,167,000
November 2008	$4.17	$2.62	4,113,000
December 2008	$3.68	$2.82	2,741,600
January 2009	$4.69	$3.08	3,459,600
February 2009	$3.91	$3.29	4,527,800
March 2009	$4.00	$3.37	2,373,600
April 2009	$5.21	$3.56	1,833,500
May 2009	$5.38	$4.70	1,937,700
June 2009	$5.72	$4.81	2,429,600

On November 6, 2008, Absolute received approval from the TSX for a Normal Course Issuer Bid ("Bid) to purchase and cancel up to 4,174,122 of its shares. The Bid allows for the purchase on a daily basis of up to 123,878 shares until March 31, 2009 and 61,939 shares per day until November 5, 2009, except where purchases are made in accordance with "block purchases" exemptions under applicable TSX policies. As of June 30, 2009, Absolute had purchased 3,257,000 shares (3,257,000 at August 24, 2009) under its Bid.

DIRECTORS AND OFFICERS (all share data as of August 25, 2009)

The Directors of the Company are John Livingston (Chairman and Chief Executive Officer), Phil Gardner (Chief Technology Officer) and three outside directors; J. Ian Giffen, Terry Libin and Ian Reid. The Company has three committees of the board comprised only of the three outside directors. The committees are the Audit Committee, the Compensation Committee and the Strategic Planning Committee. The term of office for all directors of Absolute expires at the fiscal 2009 annual general meeting.

The outside Directors of the Company are:

J. Ian Giffen. Mr. Giffen joined Absolute as a Director in December 2008 and is also Chairman of the Audit Committee. Ian is a resident of Toronto, Ontario, and his principal occupation is as an advisor and/or director to technology companies and investment funds. His current director positions include MKS Inc. RuggedCom Inc. and The Descartes Systems Group Inc. (Chairman). Since 1996, Ian has advised a number of private venture investment funds and has served on the boards of a number of public and private companies including Macromedia, Inc. (from 1997 - 2005 until it was sold to Adobe Systems Inc. for $4 billion), Certicom Inc, DPS Inc., MGI Software Inc., Delano Technology Inc., Financial Models Inc., 724 solutions Inc., Sierra Systems Inc., Open Text Corporation Inc., Algorithmics Inc. and Changepoint Inc.. Ian is a Chartered Accountant and has a Bachelor of Arts degree in Business Administration from the University of Strathclyde in Glasgow.

Terry Libin. Mr. Libin joined Absolute as a director in January 1996. Mr. Libin is a resident of Calgary, Alberta, and during the past five years, his principal occupation has been as President of Highfield Development Ltd. (a privately owned real estate development company). Mr. Libin holds 820,600 Common shares in the Company.

Ian Reid. Mr. Reid joined Absolute as a director in January 2000, and is also Chairman of the Compensation Committee. Mr. Reid is a resident of Vancouver, BC. He was a founder of Sierra Systems Group and its Chief Financial Officer until 1999. During the past five years, his principal occupation has been as President of Rastus Holdings Ltd. (a business holding company). Mr. Reid returned to Sierra Systems Group as a director in 2002 and as Interim Chief Executive Officer in 2004 to 2005. Mr. Reid holds 174,900 Common shares in the Company. Mr. Reid was also a director and Chairman of the Audit and Mergers and Acquisitions Committees of Gemcom Software International Inc. until its sale in July 2008.

The Senior Officers of the Company are:

John Livingston, Chairman of the Board, President and Chief Executive Officer. Mr. Livingston, a Vancouver, BC resident, has served as Absolute's Chairman, President and Chief Executive Officer since October 1995. Prior to joining Absolute, he was a faculty member of the School of Business at the British Columbia Institute of Technology. In addition, Mr. Livingston was the founder and manager of a computerized reservation service and a record production company. Mr. Livingston holds 1,979,270 Common shares in the Company.

Phil Gardner, Director and Chief Technology Officer. Mr. Gardner, a Woodberry, Minnesota resident, joined Absolute as Chief Technology Officer in 1997. He was elected to the Board of Directors in December, 2007. Before joining Absolute, he was a senior software architect at

Quarterdeck Corporation ("Quarterdeck") where he was responsible for developing its flagship product QEMM, a software application to manage computer memory. He also assisted in the co-ordination of Quarterdeck's in-house technical and field support, quality assurance and software development. Mr. Gardner holds 1,052,888 Common shares in the Company.

Rob Chase, Chief Financial Officer. Mr. Chase, a Vancouver, BC resident, joined Absolute in July 2000 as Director of Finance and Corporate Controller, and was promoted to Vice President Finance & Corporate Controller in April 2002, Vice President, Finance (acting Chief Financial Officer) in April 2003, and Chief Financial Officer on July 1, 2004. Prior to joining Absolute, Mr. Chase obtained his Chartered Accountant designation in 1994 while working with Deloitte & Touche, and worked with Arthur Anderson and Towers Perrin prior to joining Absolute. Mr. Chase holds 643,101 shares in the Company.

Carter McCrary, Chief Operating Officer. Mr. McCrary, an Austin, Texas resident, joined absolute in December 2007 and brings more than 20 years of experience in sales, marketing and operations to Absolute Software. Mr. McCrary most recently served as Area Vice President and General Manager – Americas Transactional Group with computer manufacturer, Dell, Inc. Having spent 11 years with Dell, he led a sales team of 1,200 Dell employees across seven sites in five countries. Prior to joining Dell, he founded and served as president of Digital Axis – a Value Added Reseller of computer products and consulting services. Mr. McCrary holds 4,448 shares in the Company.

Richard Cohen, Senior Vice President, Business Development. Mr. Cohen, a Miami, Florida resident, joined Absolute as a sales director in November 2002, and was promoted to Vice President, Sales in June 2003, Senior Vice President, Worldwide Sales in August 2007 and Senior Vice President, Business Development in June 2008. Before joining Absolute, he spent six years as a senior sales manager for Dell, where he ran a $400 million per year financial vertical. Mr. Cohen holds 568,403 Common shares in the Company.

John Sarantakes, Vice President, North American Sales. Mr. Sarantakes, a resident of Austin, Texas, joined Absolute in April 2008 and is responsible for leadership and strategic direction of the company's North American inside and field-based sales organization. Mr. Sarantakes brings 15 years experience leading sales teams in the high-tech industry. Most recently he was Area Sales Director at Dell where he was responsible for a $1.4 billion business. Mr. Sarantakes holds 7,658 shares in the Company.

Mark Grace, Vice President,Consumer Business. Mr. Grace, an Austin, Texas resident, leads the go-to-market strategy from Absolute's Computrace Lojack for Laptops line of consumer products and is responsible for sales, business development and the partner ecosystem across the product line. Mr. Grace joined Absolute in March 2008. A 20-year veteran of the consumer high-tech industry, Mr. Grace most recently spent 10 years with Dell where he held executive leadership positions including heading up the Dell Direct Retail division. Prior to joining Dell, Mr. Grace led several initiatives for Tandy Corporation. Mr. Grace does not hold any shares in the Company.

Gareth Mason, Vice President, Services Delivery. Mr. Mason, a Vancouver, BC resident, joined Absolute in June 2006 and is responsible for the customer-related and operational aspects of its business. In the three years prior to joining Absolute, Mr. Mason held similar positions at Pivotal Corporation and he has also gained extensive international experience running software operations in North America, Europe and Asia. Mr. Mason does not hold any shares in the Company.

Jim MacCallum, Vice President, Finance. Mr. MacCallum, a West Vancouver, resident, joined Absolute in May 2007 as Director, Finance and was promoted to Vice President, Finance in January 2008. Prior to joining Absolute, Mr. MacCallum held controller level positions with PMC-Sierra and Cisco Systems. Mr. MacCallum obtained his Chartered Accountant designation in 1995 with KPMG. Mr. MacCallum holds 4,860 shares in the Company.

Bill Pound, Vice President, Global Corporate Development. Mr. Pound, a resident of Toronto, Ontario, joined Absolute in September 2007 and oversees Absolute's international operations. Mr. Pound has 25 years of experience facilitating international business and developing strategies to move new products into foreign markets. As a Canadian Trace Commissioner for 18 year, Mr. Pound supported the business development efforts of hundreds of companies in Europe, Latin America and the Middle East. Prior to joining Absolute, Mr. Pound managed a consulting group to help companies with their global expansion strategies. Mr. Pound does not hold any shares in the Company.

OWNERSHIP OF SECURITIES

As of the date hereof, according to the records and knowledge of the Company, I.G. Investment Management, Ltd. owned approximately 7,202,150 Common shares representing 15% of the outstanding Common shares. There are no other persons or corporations that beneficially own, directly or indirectly, or exercises control or direction over, shares carrying more than 10% of the voting rights attached to all outstanding shares of Absolute. The directors and senior officers of the Company collectively owned 5,242,128 Common shares of Absolute, or 11% of the outstanding Common shares as at August 25, 2009.

LEGAL PROCEEDINGS

See Intellectual Property Rights and Patents Section.

TRANSFER AGENT AND REGISTRAR

The transfer agent for the Common Shares is CIBC Mellon Trust Company.

INTEREST OF EXPERTS

Names of Experts

The financial statements of the Company for the year ended June 30, 2009 have been audited by Deloitte and Touche LLP.

Interests of Experts

Deloitte and Touche LLP are the external auditors for the Company and have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

AUDIT COMMITTEE DISCLOSURE

Multilateral Instrument 52-110 of the Canadian Securities Administrators ("MI52-110") requires Absolute to disclose annually in its Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor. The information required is as follows:

The Audit Committee's Charter

The audit committee has a charter as attached in Schedule "A". The text of the audit committee's charter is also available from the Chief Financial Officer of Absolute at Suite 1600 – 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1K8, telephone no. (604) 730-9851.

Composition of the Audit Committee

The members of the audit committee are J. Ian Giffen (Chairman), Terry Libin and Ian Reid. Each member of the audit committee is independent and financially literate.

A member of the audit committee is independent if the member has no direct or indirect material relationship with the Company. A material relationship means a relationship which could, in the view of the Company's board of directors, reasonably interfere with the exercise of a member's independent judgement.

A member of the audit committee is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company.

Audit Committee Oversight

During the most recently completed financial year, all recommendations of the audit committee with respect to financial reporting, and to nomination or compensation of the Company's external auditor were adopted by the board.

Pre-Approval Policies and Procedures

For non-audit services during fiscal 2009, the audit committee has pre-approved the chairman of the committee to authorize such services to a maximum of $15,000. The audit committee must approve any engagements for non-audit services beyond this amount.

External Auditor Service Fees Fees billed or to be billed by the Company's external auditor for the fiscal years ended June 30, 2009 and 2008 are expected to be as follows:

	Amount billed during	
	Fiscal 2009	Fiscal 2008
Audit Fees (1)	$ 102,500	$ 55,500
Audit-Related Fees (2)		
Tax Fees (3)	25,000	16,500
Total fees	$ 127,500	$ 72,000

(1) "Audit Fees" include fees necessary to perform the annual audit of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of security filings and statutory audits and quarterly reviews.

(2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

ADDITIONAL INFORMATION

Additional information, including information with respect to the directors and officers of the Company and their remuneration and indebtedness, options to purchase securities, interests in material transactions and securities authorized for issuance under share option and employee share purchase plans, where applicable, will be contained in the Company's information circular for its annual meeting to be held on or about December 15, 2009. Additional financial information, including information with respect to risk factors, is provided in the Company's audited consolidated financial statements and management discussion and analysis for the years ended June 30, 2009 and 2008 and is incorporated by reference. Copies of the comparative financial statements and management discussion and analysis are also available on-line at www.absolute.com and www.sedar.com. The information circular for fiscal 2009 will be filed on SEDAR once completed, and the fiscal 2008 information circular is currently available.

The company's consolidated financial statements for the year ended June 30, 2009 were audited by Deloitte & Touche LLP.

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

MANDATE

The purpose of the Audit Committee is to assist the Board of Directors' oversight of (a) the integrity of the Company's financial statements, (b) the Company's compliance with legal and regulatory requirements, (c) the independent auditor's qualifications and independence and (d) the performance of the Company's audit. The Audit Committee will also supervise the preparation of all reports, including reports to shareholders, required under applicable law.

In performing its duties, the Audit Committee will maintain effective working relationships with the Board of directors, management, and the external auditors. To effectively perform his or her role, each Audit Committee member will obtain an understanding of the detailed responsibilities of Audit Committee membership as well as the Company's business, operations and risks.

MEMBERSHIP

The Audit Committee will consist of at least three directors appointed by the Board. The membership of the Audit Committee will be guided by the applicable law and corporate governance recommendations of Multilateral Instrument 52 – 110 and any successors (MI).

Independence

No director who is an employee of the Company or any of its subsidiaries, affiliates or auditors may serve on the Audit Committee until three years after the termination of his or her employment. All members of the Audit Committee must satisfy the definition of independence contained in the MI.

Expertise of Audit Committee Members

Each member of the Audit Committee must be, or will become within a reasonable period of time after appointment, financially literate. At least one member of the Audit Committee will have accounting or related financial management expertise. The Board of Directors will interpret the qualifications of financial literacy and financial management expertise in its business judgment within the guidance provided by the MI and will determine whether a director meets these qualifications.

MEETINGS

The Audit Committee will meet in accordance with a schedule established each year by the Board, and at other times as determined by the Audit Committee. The Audit Committee will meet at least quarterly with the Company's management and with internal auditors (or those personnel responsible for the internal audit) and, at least annually, with the external auditor in separate executive sessions. A quorum of the Audit Committee is the attendance in person or by teleconference of at least two thirds of the members of the Audit Committee; where two thirds does not result in a whole number, the resulting number shall be rounded up to the next whole number.

ROLES AND RESPONSIBILITIES

Internal Control

- Oversee, in consultation with the external auditors, the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company;

- Ensure that the external auditors keep the Audit Committee informed about fraud, illegal acts, deficiencies in internal control and certain other matters;

- Review and approve any related party transactions;

- Review, as and when appropriate, whether management is setting the appropriate tone through its communication to company employees on the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;

- Consider the extent to which internal (if any) and external auditors should review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown; and

- Gain an understanding of the extent which internal control recommendations made by external auditors have been implemented by management.

Financial Reporting

General

- Review significant accounting and reporting issues, with particular note regarding the process for identifying the principal risks to accuracy of financial reporting and any changes of a material nature to the characterization of entries and accounts;

- Ensure that the Audit Committee reviews and, where appropriate, recommends approval to the Board of all press releases relating to financial information such as financial statements and the Management Discussion and Analysis, projections or material otherwise involving information derived from the financial reports or the analytic reporting thereof, as Well as financial information and guidance provided to analysts and rating agencies;

- Review with the external auditors their proposed audit adjustments and any audit problems or difficulties and management's response thereto;

- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements and critical accounting policies, and understand their impact on the financial statements;

- Ask management and the external auditors about significant risks and exposures and the plans to minimize such risks, and

- Ensure that disclosure in the Management Discussion & Analysis is balanced and fully responsive.

Annual and Interim Financial Statements

- Review the financial statements and determine whether they are complete and consistent with the information known to the Audit Committee members, and assess whether the financial statements reflect appropriate accounting principles;

- Meet with management and the external auditors to review the annual financial statements and the results of the audit;

- Meet with management and, if necessary, the external auditors to review the interim financial statements;

- Review the annual and interim financial statements as the case may be and make recommendations thereon to the Board;

- Pay particular attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;

- Focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses, warranty, professional liability, litigation reserves, and other commitments and contingencies;

- Periodically obtain explanations from management on whether:

    - Actual financial results for a period varied significantly from budgeted or projected results;

    - Changes in financial ratios and relationships in the financial statements are consistent with changes in the Company's operations and financing practices;

    - Generally accepted accounting principles have been consistently applied;

    - There are any actual or proposed changes in accounting or financial reporting practices;

    - There are any significant or unusual events or transactions;

    - The Company's financial and operating controls are operating effectively;

    - The Company has compiled with the terms of loan agreements or security indentures;

- Understand how management develops and summarizes quarterly financial information and the extent to which the external auditors review quarterly financial information; and

- Ensure appropriate review of accounting practices that relate to transfer pricing.

External Auditors

- Review the external auditor's proposed audit scope and approach;
- Oversee the work of the external auditors;
- Review with the external auditor the quality, not just the acceptability, of the Company's accounting principles as applied to critical accounting policies and practices, alternative treatments of financial information that have been discussed with management and any other material communications with management;
- Review and confirm the independence of the external auditors, including a review of the cost and nature of all non-audit services provided, all relationships between the Company and themselves and the auditors' assertion of their independence in accordance with professional standards;
- Establish hiring policies for partners and employees or former partners and employees of the present and any former external auditors;
- Retain and terminate the external auditor (subject to any applicable Board or shareholder approvals) and recommend to the Board the compensation for the external auditors;
- Pre-approve all non- audit services provided by the external auditor in excess of 5% of the annual billings by the auditor to the Company. Pre-approval requirements may be met where the Committee establishes detail policies as to each service to be pre-approved and the Committee is informed of such services at its next meeting. The Audit Committee may delegate this authority to one of the committee members, but not to management, provided the non-audit services in question are presented to the Committee at its next meeting;
- Have the external auditor provide the Audit Committee with a summary of any investigation by governmental or professional authorities within the preceding five years, respecting any audits of the Company carried out by the external auditor, and any steps taken to deal with any issues raised by the inquiry or investigation; and
- If conducted, have the external auditor advise the Audit Committee on the results of any quality-control review or peer review of the audit of the Company.

Other Responsibilities

- Ensure that significant findings and recommendations made by management or the external auditors are received and discussed on a timely basis;
- If necessary, review the policies and procedures in effect for considering officers' expenses and perquisites;
- Perform other oversight functions as requested by the full Board, such as appropriateness of staff and systems in the financial department;
- Establish procedures for the receipt, retention and treatment of complaints and the confidential anonymous submission by employees of concerns about accounting, internal accounting controls or audit matters;
- Meet periodically with management to review the Company's major financial risk exposures and to review relevant insurance coverage; and
- Review and update this Charter, subject to the approval of the Board.

Reporting Responsibilities

- Regularly update the Board of Directors about Audit Committee activities and make appropriate recommendations; and
- Maintain minutes of all meetings.

Compliance with Laws and Regulations

- Periodically obtain updates from management regarding material compliance with applicable laws and regulations;
- Review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statement;
- Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- Review the findings of any examinations by regulatory agencies such as the British Columbia Securities Commission.

RESOURCES AND AUTHORITY OF THE AUDIT COMMITTEE

The Audit Committee has the authority, and will be provided with all resources that it reasonably requires, to discharge its responsibilities. The Audit Committee may, as appropriate, engage at the expense of the Company outside auditors, independent legal counsel, and other experts or consultants for compensation that the Audit Committee deems appropriate. The Audit Committee may communicate directly with the internal or external auditors.