ABSOLUTE SOFTWARE CORPORATION

Annual Information Form

For the Year Ended June 30, 2012

August 13, 2012

AIF to be read in conjunction with the Audited Consolidated Financial Statements and Management's Discussion and Analysis for the Year Ended June 30, 2012

This Annual Information Form ("AIF") contains certain forward-looking statements, which relate to future events or the Company's future performance, that include terms such as "will", "intend", "anticipate", "could", "should", "may", "might", "expect", "estimate", "forecast", "plan", "potential", "project", "assume", "contemplate", "believe", "shall", "scheduled" and similar terms. These statements involve known and unknown risks, uncertainties and other factors that are beyond the Company's control, which may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this AIF should not be unduly relied upon. These statements speak only as of the date of this AIF or as of the date specified in the documents incorporated by reference into this AIF.

This AIF, and the documents incorporated by reference, contain forward-looking statements pertaining to expectations which include, but are not limited to: (a) a continuing need for laptop and mobile device tracking, data protection, theft management services and lifecycle management solutions; (b) the successful integration of acquired products and technologies; (c) a continuation in computer refresh/replacement cycles; (d) the attainment of certain sales and cash flow targets and company performance; (e) the ability of the Company to successfully execute on its growth strategies, including attracting new distribution partners and successfully launching new products or features and adapting solutions to new platforms; (f) the ability of the Company to successfully compete in an increasingly competitive landscape; (g) continuation of embedded firmware support from its current and anticipated PC OEM partners; (h) the demand for its products continuing to increase; (i) the ability of the Company to access and gain sales traction in international markets and that such markets are growing as anticipated; (j) general market adoption of self-encrypting hard drives; and (k) other expectations, intentions and plans contained in this document that are not historical fact.

The key assumptions underlying the aforementioned forward-looking statements are that: (a) the data security and endpoint lifecycle management markets are converging, and the Company will be able to capitalize on this convergence as a result of an expanded product and feature set; (b) worldwide computer and mobile device shipments will continue to grow, and the Company will benefit from this trend through increased sales as a result of its investments in global sales and marketing and PC OEM partnerships; (c) the Company's investments in future growth of the business will generate returns as the worldwide computer and mobile device markets grow; (d) the Company will be able to continue to add new products and features on a global scale; (e) self-encrypting hard drives will become a popular form of encryption and the OPAL specifications will become a popular standard for self-encrypting drives; and (f) the Company will expand and be able to benefit from its portfolio of intellectual property, including patents. Certain or all of the forgoing assumptions may prove to be incorrect which could negatively impact the Company's business and the anticipated results discussed herein.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control. Such risks and uncertainties include, without limitation: risks associated with increased competition from other producers; the impact of general economic conditions in Canada, the United States and overseas; industry conditions, changes in technology, changes in laws and regulations (including the new intellectual property and privacy and data collection laws and regulations) and changes in how they are interpreted and enforced; changes in federal and provincial tax laws and legislation; the lack of availability of qualified personnel or management; fluctuations in foreign exchange or interest rates; stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof; and obtaining required approvals of regulatory authorities. Readers are cautioned that the foregoing list of risks to the Company's performance is not exhaustive and reference is made to the items under "Risk Factors" in this AIF and the Company's Annual Information Form for the year ended June 30, 2012. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this AIF are made as at the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

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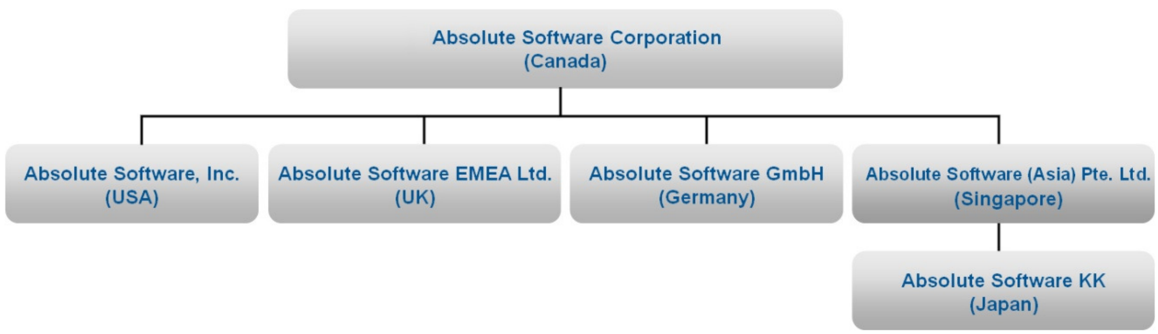
CORPORATE STRUCTURE

Absolute® Software Corporation (“Absolute”, the “Company”, or “we”) was incorporated in 1993 under the predecessor statute of the British Columbia *Business Corporations Act*. Our head office is located at Suite 1600, Four Bentall Centre, 1055 Dunsmuir Street, PO Box 49211, Vancouver, British Columbia, V7X 1K8. Our 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 our material subsidiaries, each of which is wholly owned.



Absolute Software Corporation is the principal operating company. Absolute Software, Inc. is principally a limited distributor sales organization responsible for sales and distribution in the United States. Absolute Software EMEA Ltd. (United Kingdom) is a limited distributor sales organization responsible for sales, distribution and recovery in Europe, the Middle East and Africa (“EMEA”). Absolute Software (Singapore) Pte. Ltd. is a limited distributor sales organization responsible for sales, distribution, and recovery in the Asia Pacific Region. Absolute Software K.K. is a limited sales service organization for Japan. Absolute Technology GmbH (Germany) is responsible for certain research and development activities.

Absolute’s fiscal year end occurs on June 30.

BUSINESS OF THE COMPANY

COMPANY DEVELOPMENT AND THREE YEAR HISTORY

Absolute Software Corporation ("Absolute", the "Company", or "we"), including its subsidiaries, is a provider of firmware-persistent endpoint security and management solutions for computers, mobile devices and the data they contain. The Company was founded in 1993 with the vision that businesses and consumers should be able to track, manage and secure their mobile computers regardless of their physical locations. Today, our Absolute Computrace®, Absolute Manage® and Computrace LoJack® for Laptops solutions track, manage and secure more than 5 million computers and mobile devices worldwide.

In 2005 our Computrace® software agent was firmware-embedded for the first time by a PC OEM partner ("PC OEM"). This was a key milestone for the company, as the firmware-based agent enables our software to be highly tamper-resistant, or "persistent" on a computer. This means that our software solutions are able to self-heal in the event that they are disrupted or removed from a computer. As of June 30, 2012, our software was firmware-embedded in PCs and a selection of tablet computers from 18 PC OEMs. We believe that the persistent capability of our software is a key differentiator from other competing products.

In December 2009, we expanded our commercial offering with the purchase of Absolute Manage® (formerly LANrev). Absolute Manage is a computer lifecycle management and mobile device management product that enables IT administrators to perform application and license management, automated patch management, asset inventory and similar essential systems management functions for both their PC and Mac computers as well as iOS (iPad and iPhone), Android® and Windows 7 mobile devices from a single platform. The Absolute Manage technology is complementary to our Computrace technology, and we believe that this acquisition enables compelling cross-selling opportunities within our customer base.

In July 2010 we announced the extension of our Computrace persistence technology to support Absolute Manage. With the incorporation of our persistent technology, our Absolute Manage product is able to self-heal in the event of tampering or accidental removal. We believe that this persistent functionality provides a unique differentiating feature in the marketplace.

Over the past three fiscal years, we have continued to develop our business through product enhancements. Our annual investment in research and development increased from $10.4 million in fiscal 2010 to $11.7 million in fiscal 2012. Significant product enhancements to our product portfolio over this time have included:

- Computrace support for Windows 7 (July 2009)
- Computrace geofencing (September 2009)
- Computrace remote device freeze (October 2009)
- Computrace SMS proactive agent calling (January 2010)
- Absolute Manage support for iOS devices (November 2010)
- Computrace remote file retrieval (December 2010)
- Computrace support for Android devices (May 2011)
- Computrace persistence on Lenovo Thinkpad® devices (July 2011)
- Absolute Manage support for Mac OS X Lion (July 2011)
- Absolute Manage secure document distribution via Absolute Safe (November 2011)
- Absolute Manage support for Android devices (November 2011)

- Computrace theft recovery for Android devices (January 2012)
- Absolute Manage support for Windows Phone 7 (March 2012)
- Absolute Manage automated enrolment for employee-owned devices (May 2012)
- Absolute Manage remote control (May 2012)
- Absolute Manage encryption status reporting (May 2012)
- Computrace end-of-life data delete certificate (June 2012)

These product enhancements have broadened the data security and endpoint management functionality of our products, which we believe increases the appeal and competitive positioning of our products in the marketplace. In addition, these enhancements have extended both Computrace and Absolute Manage product support from computers to other mobile devices such as netbook computers, tablet computers and smart phones. The support of multiple mobile device types and platforms is a key component of our strategy as these devices are becoming increasingly prevalent in the marketplace. Absolute Manage is one of the few lifecycle management vendors that supports PC and Mac computers as well as iOS, Android and Windows Phone 7 devices from a single console.

In April 2010 we purchased the technology assets of FailSafe® and Phoenix Freeze™ from Phoenix Technologies Ltd. This asset acquisition enabled us to enhance our competitive position in the consumer market by integrating certain components of the acquired technology into our Computrace LoJack® for Laptops solution. This acquisition also enabled us to expand our relationships to additional PC OEMs.

During February 2011 we announced the general availability of Absolute Secure Drive to manage self-encrypting hard drives. We believe that an emerging market opportunity exists for the management of self-encrypting drives. Self-encrypting drives are a relatively new technology, and therefore our success in this market will be dependent on the general market adoption of self-encrypting drives as a security solution, among other factors.

A major contributor to the growth of our business has been our partnerships with PC OEMs who embed our technology in the firmware of their computers and who also constitute our primary distribution channels. Our growth has also been facilitated by continually enhanced product offerings, expansion of our sales force in North America, and sales expansion into global markets.

External factors that have contributed to the demand for our solutions and the growth of our business have included: increased adoption of portable computers; increased prevalence of school programs to provision computers to students, particularly in the United States and Australia; increased awareness and concern amongst corporations with regards to the legal, financial and reputational impacts of data losses; the implementation of privacy and data breach notification laws; and increased corporate adoption of mobile devices such as iOS and Android devices.

Over the past three years we have also extended our PC OEM partners. PC OEMs added during this time included Acer (June 2009) and Samsung (January 2011).

During the past three years we have also expanded our sales headcount in order to increase our penetration into the North American market and to expand our go-to-market capability outside of North America. Our sales headcount has increased 29% from 125 at June 30, 2009 to 161 at June 30, 2012. During this time, our total worldwide sales have increased 34%, from $66.1

million in fiscal 2010 to $88.7 million in fiscal 2012. In addition, since fiscal 2010, sales originating from outside of North America have increased from 6% to 12% of total sales.

DESCRIPTION OF THE BUSINESS

Absolute provides software solutions for the security and management of computers and mobile computing devices. Our mission is to be the leader in computer endpoint security and management, and we differentiate ourselves with cross platform and device support, patented Computrace persistence technology, and investigative response services.

Our products are used by our customers to help reduce IT costs; prove regulatory compliance; respond to computer loss or theft; and to gain visibility and control over their endpoint devices. These customers include educational institutions, corporations, healthcare and government organizations, and individual consumers.

Our primary security product offering is Absolute Computrace, a software-as-a-service ("SAAS") solution, which provides commercial customers with the ability to track their computer and mobile device inventories on or off the corporate network, prove software license compliance and protect data through functions such as locating devices, remotely locking devices, deleting sensitive information, conducting remote forensics and recovering stolen devices. Computrace provides foundational support for activities related to governance, risk and compliance for the endpoint. Our consumer version of this product is called Computrace LoJack for Laptops, which was awarded the Editor's Choice award from PC Magazine in August 2011.

We also offer Absolute Manage, our lifecycle management and mobile device management solution. Absolute Manage enables IT administrators to perform functions such as application and license management, software distribution, automated patch management, remote imaging, power management, encryption status reporting and other essential systems management functions for both their PC and Mac computers.

Absolute Manage also includes mobile device management, mobile application management and secure document distribution for iOS (iPhone and iPad), Android, and Windows Phone 7 devices. This system can be configured to help customers manage both corporate and employee-owned devices that connect to the corporate network.

The growth in market opportunity for our products is driven largely by the increased adoption of portable computers and mobile devices such as tablet computers, Ultrabooks and smart phones. This opportunity arises in part because these devices are susceptible to loss or theft, and enterprises and consumers are concerned with the protection of sensitive or confidential data resident on those devices, as well as the recovery of the actual devices. Enterprises are also concerned about the identification of individuals responsible for a theft so that they can mitigate against the risks of future asset losses or data breaches.

The growth in market opportunity is also driven by the increasing diversity of computer and mobile device types and platforms entering the enterprise. This proliferation is leading to increased management challenges and administrative costs for IT departments. This has led to an opportunity for endpoint lifecycle management and mobile device management solutions, such as Absolute Manage, that are designed to manage multiple mobile devices and platforms from a single console and to secure the corporate data resident on those devices, regardless of whether they are corporate or employee owned.

Our core Computrace technology is embedded at the point of manufacture in the firmware of laptop, netbook, desktop, Ultrabook and tablet computers from most of the world's leading PC manufacturers ("PC OEMs", see Partner Ecosystem below). As a result of this embedded position, Absolute's Computrace and Absolute Manage products are highly tamper-resistant, or "persistent". This means that these solutions are able to self-heal in the event that the software agent is disrupted. This is a key competitive advantage for mobile computing, as devices without the ability to self-heal are virtually impossible to track or manage when the software agent is disrupted. With sensitive or confidential data at risk on these devices and the stringent data privacy regulations and internal policies with which organizations must comply, we believe that our products have a distinct competitive advantage in the marketplace.

Our Computrace products also provide data protection, investigation and recovery services that are unique in the market, enabling customers to take immediate action whenever they lose control of a device. These services, which are a significant part of our core value proposition and competitive advantage, include: data delete, device freeze, persistent device messaging, remote file retrieval, location identification, end of life data delete, remote forensics and theft recovery services. Importantly, the forensics and recovery services are managed by our investigations and recovery services team, which includes former law enforcement professionals who work in concert with current law enforcement personnel. We believe our approach is the only viable way to provide such services while also ensuring that privacy rights are protected.

We also offer Absolute Secure Drive, which enables customers to remotely manage self-encrypting hard drives. Self-encrypting drives remain a relatively new technology, and therefore our success in this market will be dependent on the general market adoption of self-encrypting drives as a security solution, and our ability to become a preferred provider of self-encryption products, among other factors.

We believe the addressable market for our solutions to be large and growing, with every computer sold worldwide representing a potential customer. Within this market, the growth in sales of portable computers and Mac computers continues to outpace sales growth for traditional desktop PC computers. These are trends which closely align with the competitive advantages of our solutions. In addition, sales of mobile devices such as tablets and smart phones are growing at an extremely rapid rate and form a growing market for our mobile product solutions.

We believe that there is a natural trend for the endpoint data protection and computer lifecycle management markets to merge, and we are integrating our existing products and developing new products to capitalize on this trend. Additionally, we believe that the proliferation of diverse mobile device types and platforms in the marketplace is creating a need amongst enterprise IT professionals to manage and secure these devices using a unified management and security console; our product strategy is aimed at serving this market need. The ultimate aim of these initiatives is to increase market adoption and revenue per customer, while leveraging our sales, distribution and technology platforms.

Opportunities for growth are available from selling our solutions to new customers within North America and internationally, as well as selling additional product lines and expanding current product deployments within our existing customer base.

Globalization

In developing the market for our solutions, we have focused primarily on North America from where we have historically generated the majority of our sales. However, we believe that extending our market reach globally offers significant long-term growth opportunities, especially since international computer and mobile device shipments are expected to grow at much faster rates than those in North America. As a result, we are continuing to invest in our overseas operations in Europe, the Asia-Pacific region and Latin America.

We have offices in Vancouver, Canada; Austin, USA; Reading, UK; and Nuremburg, Germany; and expect to open an office in Kuala Lumpur, Malaysia in F2013. We also service additional geographies through our remote sales force and through our partner network. Our products and customer support services are available in over ten languages. We have sales distribution agreements with nine PC OEMs and a number of other in-country resellers in Europe ("EMEA"), Asia-Pacific and Latin America.

In fiscal 2012 ("F2012"), sales outside of North America grew 32% and represented 12% of our total Sales Contracts, compared to 10% in fiscal 2011 ("F2011"). While our investments in our overseas operations have started to drive growth, we believe that we are still in the formative stages of our international expansion, and therefore we expect that our international sales performance will be subject to variability.

Partner Ecosystem

Our partner ecosystem is an essential component of our business strategy. Our primary partners are PC OEMs who are both key collaborative technology partners and key distribution partners. We generate approximately 80% of our total sales through our PC OEM partners using various sales and marketing programs combined with co-engagement from our direct sales force to help identify and close sales opportunities.

From a technology perspective, our PC OEM partners have adopted our Computrace technology as a standard and have embedded it in the firmware of laptop, netbook, desktop, Ultrabook and tablet computers. This is an important collaboration for us, as the embedded support enhances the persistence (ability to survive unauthorized or unintentional removal attempts) of our software. This is a key value proposition and differentiator for Absolute. The persistence position was limited to devices with Windows operating systems until August 2011 when we announced the first Android device (the Lenovo Thinkpad tablet) to ship with persistence enabled. The following table lists the PC OEMs who are currently providing embedded support for Computrace:

Acer (since 2009)	Intel (Classmate Computer) (since 2009)
ASUS (since 2009)	Lenovo (since 2005)
Dell (since 2005)	Motion Computing (since 2006)
Fujitsu (since 2006)	NEC Personal Products (since 2010)
GammaTech (since 2008)	OQO, Inc. (since 2007)
General Dynamics Itronix (since 2008)	Panasonic (since 2006)
Getac (since 2008)	Samsung (since 2011)
HP (since 2005)	Toshiba (since 2006)
IEI Technology (since 2009)	Xplore Technologies (since 2008)

We also have relationships with leading technology companies, including Apple®, Microsoft®, Intel® and Qualcomm®, as well as various resellers. Our consumer solutions are also distributed through various retail and online partners and via our website: www.lojackforlaptops.com.

Solutions and Technology

Computrace

Computrace is a Software-as-a-Service ("SaaS") based security solution for endpoint data protection, tracking, investigative services and device recovery services, which enables customers to centrally secure and track their IT assets within a single web-based interface, the Absolute Customer Center. IT assets can be remotely managed and secured to ensure and prove that endpoint IT compliance processes are properly implemented and enforced. A Computrace module is embedded into the firmware of many computers at the factory by our OEM partners or can be installed on the hard drive of the computer or device by the manufacturer or end customer. Once the Computrace Agent is installed onto the hard drive, it activates the Computrace module embedded in the firmware and maintains daily contact with the Absolute Monitoring Center (hosted by Absolute). If the hard drive Agent is tampered with, the module in the firmware rebuilds it, making it persistent and ensuring Computrace is highly tamper-resistant. By logging into the Absolute Customer Center, IT administrators receive detailed data from each device, enabling them to monitor their devices (on or off their internal networks), knowing where they are, who is using them and what types of software and other applications reside on them. They can also perform security and event management ("SIEM") functions, such as managing device security settings, establishing alerts for events when a corporate security policy is compromised and securely deleting all hard drive contents prior to decommissioning a device. In the event of an emergency situation, customers can take protective measures, such as locating the device, remotely locking the device, deleting sensitive information, conducting forensic investigations, retrieving important files and supporting the recovery of stolen devices. Computrace is offered in several variations (for example, with or without managed theft recovery) and is available for laptop, desktop and Ultrabook PCs and Macs. Our consumer version of this product is branded as Computrace LoJack for Laptops.

Our Computrace and LoJack for Laptops products are primarily delivered in a SaaS model. The customer deploys our client software, activates Computrace in the firmware or as software, and can immediately begin realizing the benefits through our web-based console. Additionally, a small number of Computrace customers, whose internal policies prohibit their computers from accessing third-party servers, have purchased our Computrace product using an on-premise model.

There are three main components to Absolute's Computrace 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 consoles via a secure web portal in order to initiate commands, monitor and track their computing devices.

The Computrace BIOS Agent is a stealthy and persistent software communication technology that occupies little space and operates in the background without end-user interruption. The BIOS Agent is cross-platform and is capable of being deployed on, and integrated into, the firmware of many computing devices. Once a customer activates the service, the BIOS Agent installs a software agent on the device hard drive, and will self-heal and reinstall the software agent if it is removed or tampered with.

Client applications include software developed by Absolute and other third-party software. 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. 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 the Absolute Investigations and Recovery Services Team.

Absolute Manage

Absolute Manage is our endpoint lifecycle and mobile device management technology. It allows IT administrators to remotely manage their PC and Mac computers from within a single console. Absolute Manage includes an administrator server and individual agents that are installed on each device. Agent calls occur throughout the day and provide data from each computer. IT administrators use this data to monitor and manage their computer inventories. They can implement actions directly from the administrator server interface to remotely perform actions such as automated patch management, computer imaging, asset inventory, power management and encryption status reporting.

Our Absolute Manage product, which was acquired through our acquisition of LANrev in fiscal 2010, is currently deployed on-premise by our customers using a lightweight deployment model. An Absolute Manage deployment consists of a server, an administrator's console, and an agent which can be automatically installed on all managed machines. Unlike many of its competitors, Absolute Manage does not require extensive onsite infrastructure. The Absolute Manage product is completely cross-platform, meaning that the server, administrator's console and agents can be installed on either PC or MAC platforms.

Mobile Device Management, Mobile Application Management and Mobile Document Distribution

Our mobile device management, mobile application management and secure mobile document distribution offerings (collectively, "MDM") extend our Absolute Manage solutions to alternative mobile devices such as tablets and smart phones. Our MDM solutions are available for devices with Apple iOS, Android, and Windows Phone 7 operating systems. This is a rapidly growing segment of the IT management and security market, which is being driven by the proliferation of mobile device types and platforms as well as the need to support employee-owned devices within the enterprise. As one of the few vendors that offers a single solution that supports Windows and Mac computers as well as these alternative devices, we believe our solutions have a distinct competitive advantage in the market.

Absolute Secure Drive

Absolute Secure Drive enables IT managers to manage self-encrypting hard drives that meet OPAL (an industry standard released in 2009 by the Trusted Computing Group) and Drive Trust (a standard released by Seagate) specifications. With Absolute Secure Drive, IT administrators can easily set up and administer self-encrypting drives on each computer in their deployment from a single united console.

Competition

We have historically had few direct competitors in our services for computer data protection and theft management services. Most competitors have been small operators with limited resources to widely commercialize their offerings. However, concurrent with the increased proliferation and adoption of mobile devices over recent years, we have seen increased competition, primarily in the consumer market for laptop computer tracking. Based on our proprietary technology, technology persistence, patent protection, managed theft recovery approach and PC OEM relationships, we believe that our products maintain a competitive advantage in the marketplace.

In the data and device security market, we also compete indirectly with data security companies that offer encryption solutions such as Safeboot (from McAfee), Utimaco (from Sophos), Checkpoint and Symantec, among others. Our Computrace solutions are generally purchased as a complement to these solutions.

Our endpoint lifecycle management solution, Absolute Manage, competes in a market where there is a greater level of established competition. In this market, we compete with products such as Altiris (from Symantec), LANDesk, Kace (from Dell) and BigFix (from IBM), among others. The primary advantages of our solution include our firmware persistent technology, cross-platform capability (PC, Mac, Apple iOS, Android, and Windows Phone 7 support) and lower deployment and ongoing administrative and infrastructure costs as compared to solutions offered by our primary competitors.

In addition, there is another subset of competitors with MDM, our solution to allow organizations to manage their iOS, Android, and Windows Phone 7 devices. There are a number of competitors in this space, including Airwatch, Good Technology, Mobile Iron, and Boxtone. The primary advantages of our solutions are that we allow organizations to manage desktop, laptop, tablet, Ultrabook and smartphone devices from a single console, across multiple operating systems (Windows, Mac, iOS, Android, and Windows Phone 7) and with unparalleled reliability due to our persistence capability.

With the February 2011 launch of Absolute Secure Drive, we have entered the market for the management of self-encrypting hard drives. This is a relatively new and emerging market but there are few established competitors. We currently view Wave and WinMagic as competitors in this market and expect other entrants to this market in the future.

Future Solutions

In the future, we expect to continue adding new product features, particularly in the areas of endpoint lifecycle management and mobile device support. We also intend to advance the integration of our Computrace and Absolute Manage products to create a single management console from which our customers can view data and initiate actions from either system. The introduction of new features and functionality may come from one, or a combination of, internal development, outsourced development, partnering and licensing, or technology acquisitions.

Subscription Business Model

We sell the majority of our solutions under a subscription model in which customers acquire subscriptions to software-based services for a limited license term. From a financial perspective, this subscription model improves the predictability and visibility of revenue streams, enables recurring cash flows and is expected to maximize profitability over time.

The accounting treatment for the subscription model results in a significant deferral of revenue and profitability generated from pre-paid subscriptions, despite the cash flow it generates in the current reporting period. As a result, we believe that cash flow from operating activities is an important indicator of profitability and performance.

Subscriptions to Absolute's solutions are fully invoiced up-front for the purchased term (which varies from one to five years) on ordinary invoice and payment terms. Once received, payments are normally non-refundable. The amount invoiced is recorded at the foreign exchange rate in effect at the time of sale in deferred revenue on the statement of financial position and is recognized ratably as revenue over the contract term.

We also sell a portion of our Absolute Manage licenses on a perpetual license basis. In these scenarios, customers are invoiced up-front for the cost of the license as well as an annual maintenance and support services fee. From an accounting perspective, perpetual licenses are generally recognized as revenue at the time of delivery (assuming other criteria are met), while annual maintenance and support fees are accounted for in the same manner as subscription license fees. During F2012, the perpetual licenses were not a significant portion of our overall sales; however we expect that the proportion of perpetual licenses may increase over time as sales of the Absolute Manage product increase.

We refer to our total invoiced sales (also known as bookings) in a period as our total "Sales Contracts". As our term Sales Contracts average approximately 26 months in term, there is a significant lag between revenue recognition and the timing of the Sales Contract and our receipt of non-refundable cash flows. In general, only 15-25% of total Sales Contracts reported for any given fiscal year are also recognized as revenue in the same fiscal year. Conversely, a majority of our operating expenses in each fiscal period are incurred to generate Sales Contracts for that period. As a result, in times of rapid growth in the business, IFRS earnings will often decrease or losses increase, while operating cash flow accelerates. Accordingly, we focus on Cash from Operating Activities as the key profitability metric for the Company. We believe this metric provides a meaningful evaluation of the future of the business, while revenue and operating income (loss) provide a lagging indication of performance.

Seasonality

Absolute’s strongest quarters, as related to our Sales Contracts, tend to be the first and fourth quarter of each fiscal year. This is primarily due to strong activity in the education sector, one of our key markets, during those quarters. The first fiscal quarter also benefits from increased U.S. federal government activity as well as increased consumer market activity related to students returning to school.

Sales and Marketing

Our primary distribution strategy is to generate sales growth through our PC OEM partners. See “Description of the Business” in this AIF for a current list of PC OEM partners. In addition, our distribution channels include value added resellers, system integrators, distributors (Synnex, Navarre, etc.), and online and traditional retailers.

Absolute supports these channels via direct sales, channel development, business development and marketing teams. These teams represent 157 people (2011 – 140), or 42% of Absolute’s total headcount of 374 employees on June 30, 2012 (2011 – 337). We believe that such teams are essential for maximizing sales through our distribution channels. For fiscal 2013, we plan to add additional sales personnel in certain territories that have demonstrated continued above average performance in order to continue to execute on our sales growth targets.

Our sales and marketing teams work closely with our channel partners to identify and close opportunities in efforts to expand the Company’s market penetration and opportunity pipeline. The responsibilities of these teams include strategic technology and sales 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. Absolute’s sales are diversified across a broad range of customers with 92% of fiscal 2012 sales (F2011 – 86%) coming from commercial customers in the corporate, education, healthcare, and state and local government verticals, and 8% of fiscal 2012 sales (F2011 – 14%) generated from consumer customers.

Our largest PC OEM partner has generated approximately 44% of our total Sales Contracts over the last three years (48% for the three years ended June 30, 2011). In order to further diversify our revenue stream, we continue 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, our second and third strongest PC OEM partners’ share of total sales contracts increased from 31% in F2010 to 36% in F2012.
In F2012, we generated approximately 80% of our total sales through our PC OEM partners using various sales and marketing programs and our direct sales force to help identify and close the sales opportunities.

Research and Development and Operations

We recognize that a capable product development team is essential for carrying out our business strategy of enhancing and expanding the capabilities of our core technology and services. To that extent, we have assembled a team of developers, engineers and other staff that we believe is capable of executing on the Company's product roadmap.

We also have a team of operational staff responsible for customer and technical support, recovery and maintaining the Company's hosting service infrastructure. This team also plays a role in maintenance and development of our solutions.

Customers

We have a diversified customer base with more than 5 million paid subscriptions under management, from corporations, government agencies, educational institutions and individual consumers. Currently, educational institutions and corporations form our two largest vertical customer markets. We do not have reliance on any single end customer.

Intellectual Property Rights and Patents

We rely on a combination of patents, copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions and other similar measures to protect our proprietary information and technology. We have received 23 issued patents for our technology and have 113 new patent applications in process. These patents cover a broad range of software and communication technologies as well as multiple geographies.

Computrace is a registered trademark of Absolute Software Corporation in Canada, the United States and the United Kingdom. We pursue registration and protection of its trademarks primarily in the United States, although we do seek protection elsewhere in selected key markets. In addition, we license the use of the name LoJack from LoJack Corp. under a branding agreement.

As part of our confidentiality procedures, we have a policy of entering into non-disclosure and confidentiality agreements with our directors, employees, consultants, customers and partners. Despite these efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain the use of our products or technology that we consider proprietary and third parties may attempt to develop similar technology independently. Additionally, as we expand our global presence, 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 our competitors will not independently develop similar technology.

Several competitors have taken licenses to our patent portfolio, and are paying license fees to us for this right. We have also initiated certain legal actions to protect our patents and continue to assert our rights against other recent entrants into the field that appear to be infringing upon our 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 we believe that appropriate enforcement efforts are a prudent means of strengthening our position in order to lessen or prevent future infringement by third parties, as well as creating an additional incidental revenue stream in the process.

From time to time the Company is involved in assertions and claims of patent infringement as both the initiating party and, from time to time, as a respondent to such claims. Currently, the Company is, or recently was in the case of Stealth,party to the following patent-related matters:

- Absolute Software Corporation and Absolute Software, Inc. v. Stealth Signal, Inc., and Computer Security Products, Inc. ("Stealth") in the United States District Court for the Southern District of Texas, Case No. H-05-1416. In May 2012, the claim of patent infringement made against Stealth by the Company was settled in the Company's favour by way of a settlement and stipulated judgment. Stealth Signal satisfied the judgment by granting Absolute an option to acquire all of the assets of Stealth at no additional cost. Stealth also agreed to begin the steps to dissolve the company within 60 days. The monetary damages in the final judgment have not been recorded as an asset as the Company believes Stealth has no material assets. Accompanying the monetary damages was an injunction permanently restraining and enjoining Stealth from making, using, offering to sell, selling or importing into the United States products infringing the Company's patents.
- We have 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 outcome of our earlier filed case against Stealth Signal in the Southern District of Texas. Now that the case against Stealth Signal is resolved, we will so advise the New York court and ask to lift the stay and resume the case in the coming months.
- We have 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 our complaint, the defendants filed a motion to dismiss for lack of jurisdiction or alternatively to transfer venue, which we successfully opposed. The claim construction hearing took place on November 22, 2010. We are still awaiting the court's claim construction ruling.

The Company's management believes Absolute will prevail in these cases, however, the potential outcome, timing, and impact on the Company's business and patent portfolio is not determinable at this time.

As we continue to innovate and expand beyond our current product offerings, we expect to continue to expand our portfolio of intellectual property (including patents). We expect further licensing and enforcement activities to occur as a result of expanding this portfolio, as we see these activities as assisting in securing an industry leadership position for Absolute.

Facilities

Absolute maintains the following leases of office space:

Location	Square Feet under lease	Expiry Date
Vancouver, Canada	26,000	November 2018
Austin, U.S.	7,500	September 2014
Reading, U.K.	3,000	May 2013

In addition, Absolute plans to open an office in Kuala Lumpur, Malaysia, during F2013.

Employees

As at June 30, 2012, Absolute had a total of 374 employees, (compared to 337 at June 30, 2011 and 350 at June 30, 2010), excluding independent contractors and temporary employees. It is our policy that each employee executes a confidentiality and non-disclosure agreement as part of the terms of his or her 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 labour-related work stoppage, and management believes its employee relations to be favourable.

At June 30, 2012, our 374 employees were comprised as follows:

Function	Number of employees
Monitoring and Theft Recovery	88
Sales and Marketing	157
Research and Development	95
General, administration and IT	34

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 2012 Management's 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 on 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 20,000,000 Preferred shares. As at June 30, 2012, 43,757,803 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 Employee Stock Option Plan (the "Option Plan") in order 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 available for grant thereunder is limited, since December 2009, at 12% of number of Common shares issued and outstanding. At June 30, 2012, the maximum number of Common shares available under the Option Plan was 5,250,936, of which 4,399,389 were outstanding and 1,611,025 were exercisable.

Absolute also maintains an Employee Share Purchase Plan ("Purchase Plan"). The Purchase Plan allows employees to purchase up to 2,000,000 Common shares from treasury at a 15% discount from the market price. During 2012, 175,102 Common shares (2011 – 184,987 Common shares) were issued from treasury under the Purchase Plan at a weighted average price of $3.41 (2011 - $3.36) per share.

Further information with respect to the Option Plan and the Purchase Plan is contained in the Information Circular distributed in connection with the Company's Annual General Meeting held on December 15, 2011, which is incorporated herein by reference.

A total of 166,668 Common shares are to be issued to the selling shareholders of LANrev prior to June 30, 2013.

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. A total of 18,295,000 Common shares were traded during the period July 1, 2011 to June 30, 2012, (representing an average daily trading volume of 72,888), at daily closing prices ranging from $3.21 per share to $6.78 per share. This is down from 20,344,800 Common shares traded in the prior fiscal year when closing prices ranged from $3.00 to $4.88 per share.

The monthly share prices and share trading data for fiscal 2012 are as follows:

Month	High	Low	Volume
July 2011	$ 4.30	$ 3.75	446,600
August 2011	4.35	3.21	456,400
September 2011	4.18	3.68	449,400
October 2011	5.14	3.76	1,352,600
November 2011	5.25	4.19	3688,800
December 2011	4.95	4.28	1,179,000
January 2012	4.94	4.07	1,545,600
February 2012	5.96	4.51	4,538,300
March 2012	6.50	5.38	2,790,600
April 2012	6.78	6.15	2,268,200
May 2012	6.75	5.28	1,541,900
June 2012	5.76	5.05	1,037,600

On December 21, 2011, the Company received approval from the TSX for a Normal Course Issuer Bid that enables the Company to purchase and cancel up to 3,067,322 of its common shares. The Bid allows for the purchase on a daily basis of up to 7,647 common shares until December 22, 2012, except where purchases are made in accordance with "block purchases" exemptions under applicable TSX policies. Prior to November 19, 2011, the Company purchased and cancelled shares under a previously approved Normal Course Issuer Bid (together, the "Bids").

Under the Bids, the Company repurchased 1,003,500 common shares for a total cost of $4,112,067 (2011 – 3,797,020 common shares for a cost of $14,191,302).

DIRECTORS AND OFFICERS

The Directors of the Company are John Livingston (Chairman and Chief Executive Officer), Phil Gardner (Chief Technology Officer) and four outside directors; J. Ian Giffen, Terry Libin, Ian Reid, and Daniel Ryan. The Company has four committees of the board, each comprised of four outside directors, except the Audit Committee which is comprised of three outside directors. The committees are the Audit Committee, the Compensation Committee, the Strategic Planning Committee and the Governance and Nominating Committee. The term of office for all directors of Absolute expires at the fiscal 2012 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. He is a resident of Toronto, Ontario, and his principal occupation is as an advisor and/or director to technology companies and investment funds. Since 1996, Mr. Giffen 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.), The Descartes Systems Group Inc., Certicom Inc., DPS Inc., MGI Software Inc., MKS Inc., Mosaid Inc. , Delano Technology Inc., Financial Models Inc., 724 Solutions Inc., Sierra Systems Group Inc., Ruggedcom Inc . and Open Text Corporation Inc. Mr. Giffen is a Chartered Accountant with a designation in Corporate Finance.

Terry Libin. Mr. Libin joined Absolute as a director in January 1996 and is also Chairman of the Strategic Committee and the Governance and Nominating Committee. 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).

Ian Reid. Mr. Reid joined Absolute as a director in January 2000, and is also the Lead Director and 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. Mr. Reid returned to Sierra Systems Group Inc. as a director in 2002 and as Interim Chief Executive Officer from 2004 to 2005. During the past five years, his principal occupation has been as President of Rastus Holdings Ltd. (a business holding 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. He is also a director of Recombo Inc.

Daniel P. Ryan. Mr. Ryan joined Absolute as a Director in June 2011. Mr. Ryan is a resident of Greenwood, Minnesota, and his principal occupation is as the CEO of RedBrick Health Corporation. Mr. Ryan was previously the President and CEO of Secure Computing Corporation, an executive vice president with McAfee, Inc., president and COO of Stellent, Inc., and a senior vice president at Oracle Corporation.

The Senior Officers of the Company are:

John Livingston, Chairman of the Board, Director, 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.

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 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.

Errol Olsen, Chief Financial Officer. Mr. Olsen, a Vancouver, BC resident, joined Absolute as Chief Financial Officer in July 2010. He previously served as Chief Financial Officer at Inetco Systems Inc. and Explorer Software Inc. Mr. Olsen's extensive technology experience also includes senior finance roles at Pivotal Corporation and Infowave Software Inc. Mr. Olsen obtained his Chartered Accountant designation in 1994 while working at KPMG LLP, where he worked with a portfolio of private and public companies as a manager in the audit and advisory services group.

Rob Chase, Chief Operating 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, Chief Financial Officer on July 1, 2004, and Chief Operating Officer on July 12, 2010. Mr. Chase obtained his Chartered Accountant designation in 1994 while working with Deloitte & Touche LLP, and also worked with Arthur Andersen and Towers Perrin prior to joining Absolute.

John Sarantakes, Senior Vice President, 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 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 management of a $1.4 billion business.

Mark Grace, Vice President, Global Consumer, Asia Pacific, and Latin America. Mr. Grace, an Austin, Texas resident, leads the go-to-market strategy for 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.

Stephen Midgley, Vice President, Global Marketing. Mr. Midgley, a Vancouver, BC resident, joined Absolute in November 2007. Mr. Midgley oversees all aspects of marketing at Absolute Software including marketing communications, channel marketing, product marketing and the company's presence on the Web. From 2005 until 2007, Mr. Midgley served as Senior Director, Global Web Marketing and Operations at business intelligence vendor Business Objects and as Director, Global Web Marketing from 2003 to 2005. In these roles, Mr. Midgley led the worldwide online branding effort and developed the Internet as a primary marketing channel. His diverse marketing career also includes senior marketing positions with Inovera Solutions and Citizens Bank of Canada.

OWNERSHIP OF SECURITIES

As of the date hereof, according to the records and knowledge of the Company, GCIC Ltd. owned approximately 4,485,600 Common shares representing 10.25% 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 executive officers of the Company collectively owned 4,769,123 Common shares of Absolute, representing approximately 11% of the outstanding Common shares as at June 30, 2012.

LEGAL PROCEEDINGS

For a description of patent-related legal proceedings, see the Intellectual Property Rights and Patents Section of this AIF.

By virtue of the nature of the Company's business and products, the Company is involved in other legal matters which arise from time to time in the ordinary course of the Company's business. The Company believes that any such claims currently existing are without merit and intends to vigorously defend any such assertions. At this time, there are no legal matters of this type which are believed to be material to the Company's results of operations, liquidity, or financial condition.

TRANSFER AGENT AND REGISTRAR

The transfer agent for Absolute's Common shares is Canadian Stock Transfer Company Inc.

INTEREST OF EXPERTS

Names of Experts

The financial statements of the Company for the year ended June 30, 2012 have been audited by Deloitte & Touche, LLP.

Interests of Experts

Deloitte & 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

National Instrument 52-110 of the Canadian Securities Administrators requires Absolute to disclose annually in AIF 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 includes 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.

See "Directors and Officers" in this AIF for a description of the relevant education and experience of each audit committee member that is relevant to the performance of his responsibilities as an audit committee member.

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 2012, the audit committee pre-approved the chairman of the committee to authorize such services to a maximum of $10,000 per quarter. 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, 2012 and 2011 are expected to be as follows:

	Amount billed during	
	Fiscal 2012	Fiscal 2011
Audit Fees(1)	$ 183,400	$ 137,500
Audit-Related Fees(2)	-	-
Tax Fees(3)	50,318	12,644
Total fees	$ 233,718	$ 150,144

(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 13, 2012. 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, 2012 and 2011 and is incorporated by reference. Copies of the comparative financial statements and management discussion and analysis are also available online at www.absolute.com and www.sedar.com. The information circular for fiscal 2012 will be filed on SEDAR once completed, and the fiscal 2011 information circular is currently available.

The company's consolidated financial statements for the year ended June 30, 2012 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.