

RESULTS FOR Q1'03 RELATIVE TO GUIDANCE ISSUED AUGUST 14, 2002:

In reporting fourth quarter fiscal 2002 results, Absolute provided guidance of 35% to 50% growth in sales contracts for fiscal 2003 over fiscal 2002. With Q1'03 sales contracts at the highest level in Company history at \$2.31 million, a 111% increase over the same period last year and 34% increase over the prior quarter, Absolute is reaffirming fiscal 2003 guidance of 35% to 50% growth. Sales contracts for Q2'03 are expected to meet the levels obtained in Q1'03 as the Absolute team continues to build key reseller channels and enhance existing services and software.

HIGHLIGHTS:

- Q1'03 sales contracts grew by 111% to \$2.31 million from \$1.09 million in Q1'02, while operating revenue grew over the same period by 13% to \$1.36 million. When compared to the prior quarter, sales contracts grew 34% and operating revenue grew 8%.
- The Company reported a net loss for Q1'03 of \$1.79 million (\$0.09 per share), a 52% increase over the net loss of \$1.18 million (\$0.06 per share) for Q1'02 and a 2% increase over the prior quarter net loss of \$1.76 million (\$0.09 per share).
- Cash used in operations for Q1'03 was \$0.10 million compared to \$1.16 million for the same period in fiscal 2001 and \$1.14 million in the prior quarter.
- Absolute continued to focus on its reseller channel, generating 62% of Q1'03 sales contracts through Dell Computer Corporation ("Dell"), and 11% through other resellers. This compares to 30% through Dell and 23% through other resellers for the same period last year, and 33% and 33% respectively for the prior quarter.
- On August 21, 2002, Absolute announced and began purchases under a Normal Course Issuer Bid that expires on August 20, 2003 or upon purchase of a maximum of 1,314,487 common shares. A total of 147,500 shares have been purchased at an average price of \$0.30 per share.
- Service development milestones during Q1'03, included the enhancement of the ComputracePlus service with Data Delete functionality and the completion of the enterprise software version of both ComputracePlus and AbsoluteTrack.

DEVELOPMENT AND OPERATIONS:

Development and operational activities in the quarter focused on releasing feature improvements for AbsoluteTrack, launching the Data Delete feature enhancement to ComputracePlus, completing enterprise software versions of ComputracePlus and AbsoluteTrack, developing a new encryption service and other computer security and asset management services, and optimizing customer service processes by integrating them with Absolute's customer relationship management (CRM) system.

Development efforts on the next AbsoluteTrack maintenance release commenced during the quarter. It improves efficiency in tracking hardware and software assets with particular emphasis on hardware and software configuration change tracking. The Company's objective is to deliver monthly maintenance releases through the second quarter of fiscal 2003. Customer feedback continues to be positive to date, providing input to drive prioritization of enhanced features and functionality.

Significant progress was achieved in Q1'03 on the next evolution of the online Absolute Customer Center, which is integral to incorporating encryption technology licensed from PC Dynamics into an Absolute branded new data security service. Alpha software releases have been completed and are now being demonstrated to customers for the purpose of qualifying beta customer participation. Absolute anticipates that the new encryption service will be launched in early Q3'03.

Continuing development efforts from Q3'02 and Q4'02, Absolute completed the productization of ComputracePlus and AbsoluteTrack enterprise systems as announced on October 16, 2002. The enterprise systems enable customers to manage Absolute's client/server architecture and communications in-house. Absolute continues to provide recovery services for ComputracePlus customers under the model.

During the quarter, Absolute completed trials for Data Delete which provides ComputracePlus customers with a method of deleting sensitive data from lost or stolen computers. Formally announced on August 14, 2002, Data Delete is available on a "purchase on demand" basis. Data Delete broadens the value of ComputracePlus by providing a method for protecting data in addition to hardware.

During the quarter, Absolute completed the conversion of all operational reporting requirements to streamline the customer service department's use of our CRM system. This continues the implementation of this key management system providing the organization with a common, consolidated view of customer information. The CRM system has already enabled significant improvements in operational efficiency with continued effort this quarter focusing on integrating the software with other company operational systems. This project will result in improved levels of support service to our customer base and will allow the operation to effectively scale to meet anticipated increases in demand from new services and software.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FIRST QUARTER FISCAL 2003 RESULTS:*Sales contracts and operating revenue*

	<u>% Increase</u>	<u>Q1'03</u> (000's)	<u>Q1'02</u> (000's)
Sales contracts	111%	\$2,306	\$1,093
Operating revenue	13%	\$1,363	\$1,210

Sales contracts and operating revenue are key measures for Absolute. Sales contracts are a non-GAAP measure and do not have a standardized meaning prescribed by GAAP and as such a reconciliation to GAAP measures is provided with the discussion of deferred revenue below.

The increase in sales contracts over the prior period reflects increased penetration in Absolute's reseller channels. At the beginning of the year, Absolute set a goal that at least 60% of sales are obtained through resellers. For the first quarter of this year, reseller sales are ahead of that pace accounting for 73% of sales contracts, which is up from 53% for the same quarter a year ago and 66% for the immediately preceding quarter. Sales through Dell increased substantially through the quarter accounting for 62% of sales contracts, which is up from 30% a year ago and 33% for the immediately preceding quarter. The success with Dell is encouraging, as the sales team has increased efforts to build up this relationship. Absolute is working toward taking its success with Dell to other resellers as the Company continues to focus on building reseller channels as part of its growth strategy.

The Q1'03 increase in operating revenue is consistent with the 9% sales contract growth in fiscal 2002, raised slightly to 13% on the strength of Q1'03 sales contracts. Sales contract terms have traditionally averaged in the range of 25 to 29 months, and as such, fiscal 2003 operating revenue is directly related to the deferred revenue balances built up from sales contracts over the past three fiscal years, plus a portion of current year sales contracts. Contract terms for Q1'03 were consistent with recent experience averaging 28 months.

Cost of goods sold and gross margin

The gross margin of 59% for Q1'03 improved over the 51% level in the prior quarter, but has decreased relative to the 70% gross margin in Q1'02. The variance in the gross margin is largely determined by the level of maintenance and improvement work on existing services and processes versus research and development work on new services and software undertaken by the development and support team. As expected, the gross margin increased relative to Q4'02 as the development and support team increased efforts on development projects. However, the gross margin remained below the level attained in Q1'02 as increases in operating revenue were not sufficient to offset resources required for completing the first AbsoluteTrack maintenance release, enhancing existing services and integrating back end systems with a CRM system. Contract employees have been used for much of the integration work, resulting in increased consulting expenses, as opposed to permanently increasing the support team cost structure.

Operating expenses

Selling and marketing costs rose to \$1.29 million in Q1'03, a 27% increase over the Q1'02 expense level of \$1.02 million. The increase is primarily due to increased commissions and travel, promotion and marketing costs associated with increasing the sales contract volume. Through leveraging reseller channels, Absolute was able to increase sales contracts without a corresponding increase in sales and marketing employees; employees numbered 35 at September 30, 2001 and 33 at September 30, 2002.

Research and development (R&D) costs of \$0.68 million for Q1'03 were 11% higher than the corresponding quarter last year. The increase relates to payroll and consulting costs associated with upgrading existing services and developing new services for computer security and asset management. In order to support the development initiatives, the number of R&D employees increased from 18 at September 30, 2001 to 24 at September 30, 2002. In addition, more consultants were utilized for specific projects such as the new encryption service. In the corresponding quarter of the prior year, a majority of the development efforts was focused on the AbsoluteTrack service for which Absolute had the expertise in-house.

General and administrative (G&A) costs increased to \$0.48 million, a 5% increase over the \$0.46 million incurred in the same quarter last year. Amortization expense accounts for a majority of the increase, increasing from \$0.06 million in Q1'02 to \$0.08 million in Q1'03 following the purchase of the CRM system last fiscal year.

Interest and other income has decreased 61% to \$0.09 million in Q1'03 from \$0.22 million in the first quarter of fiscal 2002. The decrease is consistent with the decline in the average cash balance for the period and the period over period decline in interest rates. Interest rates in the Q1'02 quarter benefited from bonds purchased in fiscal 2001 that carried a yield in excess of 5%.

The foreign exchange loss increased 62% to \$0.22 million in Q1'03 from \$0.14 million in Q1'02. The increased loss is primarily due to translation of Absolute's growing US dollar deferred revenue balances during a period where there was a decline in the value of the Canadian dollar from US\$0.66 at June 30, 2002 to US\$0.63 at September 30, 2002.

The loss for the period of \$1.79 million (\$0.09 per share) is 52% higher than the \$1.18 million (\$0.06 per share) loss realized in the first quarter of fiscal 2001. The increased loss was expected in light of the declining interest rates, changes in the value of the Canadian dollar, and increased operational costs associated with servicing higher sales contract volumes and developing additional services.

Liquidity and Financial Resources

Cash used in operations improved to \$0.10 million in Q1'03 from \$1.16 million in Q1'02. The increase is a result of focusing on Dell's July 31, 2002 quarter end to provide early quarter sales success, and prompt receivable collection to convert sales contracts to cash in a timely manner.

Absolute continues to maintain a strong balance sheet and is well positioned to finance its growth and development objectives. As at September 30, 2002, Absolute had cash, cash equivalent, and short-term investment balances totaling \$11.90 million (\$0.61 per share), compared to \$12.09 million (\$0.62 per share) at June 30, 2002. Absolute continues to hold excess cash resources in investment grade bonds and investment certificates.

Absolute's deferred revenue balance has grown on the strength of Q1'03 sales contracts. With an average term of 28 months, the Q1'03 sales contracts will be recognized as monitoring revenue on a straight-line basis and, together with sales contracts from prior periods, will determine the rate of increase in monitoring revenue. The change in the deferred revenue balance for the period is explained in the following table.

Deferred Revenue (000's):	
Open balance, June 30, 2002	\$7,375
Q1'03 sales contracts	2,306
Q1'03 operating revenue	(1,363)
Foreign exchange and other adjustments	253
<hr/> Closing balance, September 30, 2002	<hr/> \$8,571

OUTLOOK:

Absolute has just completed a strong quarter with a record level of sales contracts, reduced cash burn rate and increased reseller sales. The Company is still on track to meet its sales growth target of 35% to 50% for fiscal 2003. The development team is making solid progress on new service offerings, which are expected to be released early in the new year. The cash burn rate is likely to increase, as the receivable balance is not as high coming into the quarter. Overall expenditures are expected to be in line with first quarter levels and as a result the net loss should be lower provided there are no material foreign exchange losses.

Regards,



John Livingston
Chief Executive Officer

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements that involve risks and uncertainties. These forward-looking statements relate to, among other things, plans and timing for the introduction or enhancement of our services and products, and other expectations, intentions and plans contained in this quarterly report that are not historical fact. When used in this quarterly report, the words "plan," "expect," "believe," and similar expressions generally identify forward-looking statements. These statements reflect our 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 you should understand that we cannot assure you that the forward-looking statements contained in this quarterly report will be realized.

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The TSX Venture Exchange has neither approved nor disapproved of the information contained in this news release.

FINANCIAL STATEMENTS:

ABSOLUTE SOFTWARE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Expressed in Canadian Dollars)

	Three Months Ended	
	September 30,	2001
	(unaudited)	(unaudited)
Cash provided by (used in) operations:		
Loss for the year	\$ (1,794,737)	\$ (1,177,832)
Items not involving cash:		
Amortization	80,104	58,240
Interest and foreign exchange on loans to employees	(8,984)	(32,089)
Changes in non-cash operating working capital:		
Accounts receivable	345,197	205,757
Prepaid expenses and deposits	12,296	17,442
Investment tax credit receivable	-	30,000
Accounts payable and accrued liabilities	72,063	(228,077)
Deferred revenue	1,196,654	(35,313)
	(97,407)	(1,161,872)
Cash provided by (used in) investing:		
Property and equipment purchased	(46,677)	(75,494)
Disposition (acquisition) of short-term investments	(4,446,128)	4,093,009
	(4,492,805)	4,017,515
Cash provided by (used in) financing:		
Common shares repurchased	(39,543)	(55,976)
	(39,543)	(55,976)
Increase (decrease) in cash and cash equivalents	(4,629,755)	2,799,667
Cash and cash equivalents, beginning of period	6,640,302	6,615,998
Cash and cash equivalents, end of period	\$ 2,010,547	\$ 9,415,665

ABSOLUTE SOFTWARE CORPORATION
CONSOLIDATED BALANCE SHEETS
 (Expressed in Canadian Dollars)

	As at	
	September 30,	June 30,
	2002	2002
	(unaudited)	(audited)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,010,547	\$ 6,640,302
Short term investments	9,894,304	5,448,176
Accounts receivable	1,367,521	1,712,718
Current portion of loans to directors and employees (Note 2)	-	108,571
Prepaid expenses and deposits	156,193	168,489
	13,428,565	14,078,256
Loans to directors and employees (Note 2)	615,374	497,819
Capital assets	881,700	915,127
	\$ 14,925,639	\$ 15,491,202
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 870,783	\$ 798,720
Current portion of deferred revenue	4,736,202	4,094,080
	5,606,985	4,892,800
Deferred revenue	3,834,972	3,280,440
	9,441,957	8,173,240
Shareholders' equity		
Share capital (Note 3(i))	37,552,002	37,808,075
Contributed surplus (Note 3(ii))	1,259,239	1,042,709
Deficit	(33,327,559)	(31,532,822)
	5,483,682	7,317,962
	\$ 14,925,639	\$ 15,491,202

ABSOLUTE SOFTWARE CORPORATION
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Cash and cash equivalents, end of period	\$ 2,010,547 \$	9,415,665

ABSOLUTE SOFTWARE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Expressed in Canadian Dollars)

For the Three Months Ended September 30, 2002

1. Significant accounting policies

The Company has followed the same accounting policies and methods of application in the preparation of these interim consolidated financial statements as were used in the audited consolidated financial statements for the year ended June 30, 2002.

2. Loans to Directors and Employees

During the quarter, the maturity date for US dollar loans with a carrying value of C\$108,571 was extended from October 7, 2002 to January 7, 2004. Accordingly, the carrying value has been reclassified from current assets. No other terms were changed.

3. Share Capital

(i) Issued Common Shares:	Number of Shares	Amount
Balance at June 30, 2002	19,637,033	\$ 37,808,075
Common shares repurchased at average cost to September 30, 2002	(133,000)	(256,073)
Balance at September 30, 2002	19,504,033	\$ 37,552,002

(ii) Normal course issuer bid: During the three months ended September 30, 2002, the Company repurchased 133,000 of its common shares at an average of \$0.30 per share in accordance with the normal course issuer bid approved on August 21, 2002. All of the purchased common shares are cancelled, and share capital is reduced at the imputed per share value, with the difference between the actual amount paid credited to contributed surplus. Subsequent to September 30, 2002, a further 14,500 shares were repurchased under the bid at an average price of \$0.28 per share.

Contributed surplus

Balance at June 30, 2002	\$ 1,042,709
Add: imputed value of common shares repurchased	256,073
Less: common shares repurchased at cost	(39,543)
Balance at September 30, 2002	\$ 1,259,239

4. Segmented Disclosures

The Company carries on business in the computer security monitoring industry and all sales are made in this segment. Business is conducted in the United States, Canada and internationally through resellers in South Africa and the United Kingdom.

Segmented Revenues for the three months ended September 30, 2002:

	United States	Canada	International	Total
Monitoring revenue	\$ 1,162,790	\$ 152,269	\$ 17,810	\$ 1,332,870
Installation services, licensing and other	29,855	-	-	29,855
	\$ 1,192,645	\$ 152,269	\$ 17,810	\$ 1,362,725

Segmented Revenues for the three months ended September 30, 2001:

	United States	Canada	International	Total
Monitoring revenue	\$ 978,483	\$ 172,027	\$ 27,093	\$ 1,177,603
Installation services, licensing and other	31,916	-	-	31,916
	\$ 1,010,399	\$ 172,027	\$ 27,093	\$ 1,209,519

5. Earnings Per Share

As the Company recorded a loss for the three month period ended September 30, 2002 and 2001, there is no difference between the basic and diluted earnings per share. At September 30, 2002 there were 516,000 (725,000 at September 30, 2001) potentially dilutive stock options and warrants when compared to the period average stock price.

OFFICERS AND SENIOR MANAGEMENT

John Livingston

President & Chief Executive Officer

Peter Scott

Executive Vice President & Chief Financial Officer

Phil Gardner

Chief Technology Officer

Michael Anfield

Vice President, Recovery Services

Rob Chase

Vice President Finance & Corporate Controller

Bob Chow

Vice President Sales

Ben Haidri

Vice President Business Development & Marketing

Don Hughes

Area Vice President Channel Sales

Fred McConnell

Vice President Development & Operations

Mark St. Quintin

Vice President Product Management

Leo Raffin

Corporate Secretary

BOARD OF DIRECTORS

John Livingston

Chairman, President &
Chief Executive Officer
Absolute Software
Vancouver, BC

Christian Cotichini

Vancouver, BC

Terry Libin

Calgary, AB

Ian Reid

Vancouver, BC

Peter Scott

Executive Vice President &
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LEGAL COUNSEL

Lang Michener
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COMMON SHARES

Absolute Software common shares are traded on the TSX Venture Exchange (TSX-VEN) under the trading symbol ABT.