

*Interim Condensed Consolidated Financial Statements of*

**ABSOLUTE SOFTWARE CORPORATION**

*Three and nine months ended March 31, 2020 and 2019*

(Unaudited)

**ABSOLUTE SOFTWARE CORPORATION**  
**Condensed Consolidated Statements of Financial Position**  
(Expressed in United States dollars) (Unaudited)

	Notes	March 31, 2020	June 30, 2019
<b>ASSETS</b>			
CURRENT			
Cash and cash equivalents		\$ 20,893,776	\$ 18,690,539
Short-term investments	(Note 3)	17,967,636	17,108,226
Trade and other receivables	(Note 4)	17,585,305	22,194,252
Income tax receivable		438,363	707,923
Prepaid expenses and other		2,320,261	3,088,082
Contract acquisition assets – current	(Note 5)	6,113,980	6,592,335
		<b>65,319,321</b>	<b>68,381,357</b>
PROPERTY AND EQUIPMENT		5,913,502	6,156,814
RIGHT OF USE ASSETS	(Note 6)	9,467,471	-
DEFERRED INCOME TAX ASSETS	(Note 11)	22,450,764	22,359,165
CONTRACT ACQUISITION ASSETS	(Note 5)	4,482,107	5,313,496
GOODWILL		1,100,000	1,100,000
		<b>\$ 108,733,165</b>	<b>\$ 103,310,832</b>
<b>LIABILITIES</b>			
CURRENT			
Trade and other payables	(Note 7)	\$ 15,291,728	\$ 19,034,996
Income tax payable		55,625	13,543
Accrued warranty		182,548	450,000
Lease liabilities – current	(Note 8)	1,447,207	-
Deferred revenue – current	(Note 10(b))	74,596,397	76,312,162
		<b>91,573,505</b>	<b>95,810,701</b>
LEASE LIABILITIES	(Note 8)	8,887,429	-
DEFERRED REVENUE	(Note 10(b))	53,012,771	58,115,799
		<b>153,473,705</b>	<b>153,926,500</b>
COMMITMENTS	(Note 15)		
CONTINGENCIES	(Note 16)		
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	(Note 9(b))	81,605,151	76,778,014
Equity reserve		37,126,485	36,744,933
Treasury shares		(263,840)	(359,973)
Accumulated other comprehensive income		(247,861)	-
Deficit		(162,960,475)	(163,778,642)
		<b>(44,740,540)</b>	<b>(50,615,668)</b>
		<b>\$ 108,733,165</b>	<b>\$ 103,310,832</b>

**SUBSEQUENT EVENT (Note 17)**

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

Approved on behalf of the Board on May 11, 2020:

(signed) "Daniel P. Ryan"  
Daniel P. Ryan, Director

(signed) "Lynn Atchison"  
Lynn Atchison, Director

# ABSOLUTE SOFTWARE CORPORATION

## Condensed Consolidated Statements of Operations and Comprehensive Income

Three and nine months ended March 31, 2020 and 2019

(Expressed in United States dollars) (Unaudited)

Notes	Three months ended March 31,		Nine months ended March 31,	
	2020	2019	2020	2019
<b>REVENUE</b>	<b>\$ 26,061,861</b>	\$ 24,883,198	<b>\$ 77,511,964</b>	\$ 73,633,064
<b>COST OF REVENUE</b>	<b>3,383,347</b>	2,917,043	<b>9,638,979</b>	9,385,226
<b>GROSS MARGIN</b>	<b>22,678,514</b>	21,966,155	<b>67,872,985</b>	64,247,838
<b>OPERATING EXPENSES</b>				
Sales and marketing	<b>9,862,801</b>	9,402,454	<b>28,903,325</b>	28,130,718
Research and development	<b>4,932,323</b>	4,709,491	<b>12,857,632</b>	14,201,974
General and administration	<b>3,306,324</b>	2,923,579	<b>10,742,801</b>	10,130,642
Share-based compensation	(Note 9(ii)) <b>1,397,670</b>	1,397,537	<b>3,634,856</b>	3,906,346
	<b>19,499,118</b>	18,433,061	<b>56,138,614</b>	56,369,680
<b>OPERATING INCOME</b>	<b>3,179,396</b>	3,533,094	<b>11,734,371</b>	7,878,158
<b>OTHER INCOME</b>				
Finance income, net	<b>111,499</b>	51,947	<b>352,245</b>	199,275
Interest expense – lease liability	<b>(226,277)</b>	-	<b>(484,205)</b>	-
Foreign exchange gain (loss)	<b>270,775</b>	78,392	<b>217,530</b>	(35,371)
	<b>155,997</b>	130,339	<b>85,570</b>	163,904
<b>NET INCOME BEFORE INCOME TAXES</b>	<b>3,335,393</b>	3,663,433	<b>11,819,941</b>	8,042,062
<b>INCOME TAX EXPENSE</b>	(Note 11) <b>(1,077,000)</b>	(1,152,000)	<b>(3,400,000)</b>	(2,504,000)
<b>NET INCOME</b>	<b>\$ 2,258,393</b>	\$ 2,511,433	<b>\$ 8,419,941</b>	\$ 5,538,062
<b>LOSS ON DERIVATIVES, NET OF TAX</b>	(Note 13) <b>(247,861)</b>	-	<b>(247,861)</b>	-
<b>COMPREHENSIVE INCOME</b>	<b>\$ 2,010,532</b>	-	<b>\$ 8,172,080</b>	-
<b>BASIC INCOME PER SHARE</b>	<b>\$ 0.05</b>	\$ 0.06	<b>\$ 0.20</b>	\$ 0.14
<b>DILUTED INCOME PER SHARE</b>	<b>\$ 0.05</b>	\$ 0.06	<b>\$ 0.19</b>	\$ 0.13
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
BASIC	<b>42,417,785</b>	41,101,229	<b>42,003,168</b>	40,626,709
DILUTED	<b>44,844,730</b>	41,101,229	<b>44,371,228</b>	40,626,709

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

# ABSOLUTE SOFTWARE CORPORATION

## Condensed Consolidated Statement of Changes in Shareholders' Deficiency

(Expressed in United States dollars) (Unaudited)

	Share Capital						
	Number of Common shares	Amount	Equity reserve	Treasury shares	Accumulated Other Comprehensive Loss	Deficit	Total
<b>BALANCE, JUNE 30, 2018</b>	<b>40,224,231</b>	<b>\$ 68,362,445</b>	<b>\$ 36,972,197</b>	<b>\$ (359,973)</b>	-	<b>\$ (161,484,035)</b>	<b>\$ (56,509,366)</b>
Shares issued on options exercised	729,984	4,822,164	(1,076,030)	-	-	-	3,746,134
Shares issued under Employee Share Purchase Plan	90,254	395,372	-	-	-	-	395,372
Shares issued under Phantom Share Unit Plan	19,821	113,570	(113,570)	-	-	-	-
Shares issued under Performance and Restricted Share Unit plan	489,878	2,506,789	(2,506,789)	-	-	-	-
Share-based compensation	-	-	3,025,299	-	-	-	3,025,299
Dividends paid	-	-	-	-	-	(7,404,171)	(7,404,171)
Net income and total comprehensive income	-	-	-	-	-	5,538,062	5,538,062
<b>BALANCE, MARCH 31, 2019</b>	<b>41,554,168</b>	<b>\$ 77,200,340</b>	<b>\$ 36,301,107</b>	<b>\$ (359,973)</b>	-	<b>\$ (163,350,144)</b>	<b>\$ (51,208,670)</b>
Shares issued on options exercised	25,113	151,232	(22,073)	-	-	-	129,159
Shares issued under Performance and Restricted Share Unit plan	66,271	426,441	(426,441)	-	-	-	-
Share-based compensation expense	-	-	892,341	-	-	-	892,341
Dividends paid	-	-	-	-	-	(2,469,586)	(2,469,586)
Net income and total comprehensive income	-	-	-	-	-	2,041,088	2,041,088
<b>BALANCE, JUNE 30, 2019</b>	<b>41,645,552</b>	<b>\$ 76,778,013</b>	<b>\$ 36,744,933</b>	<b>\$ (359,973)</b>	-	<b>\$ (163,778,642)</b>	<b>\$ (50,615,668)</b>
Shares issued on options exercised	259,787	1,862,137	(378,584)	-	-	-	1,483,553
Shares issued under Employee Share Purchase Plan	72,023	369,072	-	-	-	-	369,072
Shares issued under Performance and Restricted Share Unit plan	524,878	2,611,839	(2,709,740)	96,133	-	-	(1,768)
Shares repurchased and cancelled under the Normal Course Issuer Bid	(8,700)	(15,909)	-	-	-	(32,919)	(48,828)
Share-based compensation	-	-	3,469,875	-	-	-	3,469,875
Dividends paid	-	-	-	-	-	(7,568,855)	(7,568,855)
Unrealized loss on derivatives, net	-	-	-	-	(247,861)	-	(247,861)
Net income	-	-	-	-	-	8,419,941	8,419,941
<b>BALANCE, MARCH 31, 2020</b>	<b>42,493,540</b>	<b>\$ 81,605,151</b>	<b>\$ 37,121,485</b>	<b>\$ (263,840)</b>	<b>\$ (247,861)</b>	<b>\$ (162,960,475)</b>	<b>\$ (44,740,540)</b>

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

# ABSOLUTE SOFTWARE CORPORATION

## Condensed Consolidated Statements of Cash Flows

Three and nine months ended March 31, 2020 and 2019  
(Expressed in United States dollars) (Unaudited)

	Notes	Three months ended March 31,		Nine months ended March 31,	
		2020	2019	2020	2019
<b>OPERATING ACTIVITIES</b>					
Net income		\$ 2,258,393	\$ 2,511,433	\$ 8,419,941	\$ 5,538,062
Items not involving cash					
Amortization of property and equipment		844,560	843,439	2,515,754	2,613,898
Amortization of right of use assets	(Note 6)	636,741	-	1,463,414	-
Amortization of contract acquisition assets	(Note 5)	2,021,403	2,314,627	6,374,302	6,839,193
Share-based compensation	(Note 9(i))	1,397,670	1,397,538	3,634,856	3,906,347
Deferred income taxes	(Note 11)	384,797	847,687	(91,599)	555,687
Unrealized gain on short-term investments		(53,716)	-	(252,988)	-
Unrealized foreign exchange gain		(405,906)	-	(349,044)	-
Change in non-cash working capital					
Trade and other receivables		(1,353,255)	(2,798,707)	4,608,948	3,227,118
Income tax receivable		(329,587)	(486,461)	269,559	(479,527)
Prepaid expenses and other		(394,896)	(453,530)	767,821	(233,018)
Contract acquisition assets incurred	(Note 5)	(1,971,869)	(1,469,777)	(5,064,558)	(6,089,497)
Trade and other payables		1,947,603	1,570,568	(1,865,959)	2,308,197
Income tax payable		6,490	15,456	42,082	(367,670)
Accrued warranty		(56,867)	(20,000)	(267,452)	(100,000)
Deferred revenue		(1,196,524)	(3,401,606)	(6,818,793)	(10,932,392)
<b>CASH FROM OPERATING ACTIVITIES</b>		<b>3,735,037</b>	<b>870,667</b>	<b>13,386,284</b>	<b>6,786,398</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of property and equipment		(862,537)	(333,837)	(3,225,099)	(2,214,409)
Proceeds from maturities of short-term investments		11,149,338	-	34,429,338	-
Purchase of short-term investments		(9,453,985)	-	(35,035,761)	-
<b>CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<b>832,816</b>	<b>(333,837)</b>	<b>(3,831,522)</b>	<b>(2,214,409)</b>
<b>FINANCING ACTIVITIES</b>					
Dividends paid	(Note 9(h))	(2,547,049)	(2,487,050)	(7,568,855)	(7,404,171)
Issuance of common shares	(Note 9(b))	704,244	3,143,577	1,760,505	4,014,755
Repurchase of common shares for cancellation		(48,828)	-	(48,828)	-
Payment of lease liabilities	(Note 8)	(452,475)	-	(1,280,202)	-
<b>CASH (USED IN) FROM FINANCING ACTIVITIES</b>		<b>(2,344,108)</b>	<b>656,527</b>	<b>(7,137,380)</b>	<b>(3,389,416)</b>
<b>FOREIGN EXCHANGE EFFECT ON CASH</b>		<b>(281,393)</b>	<b>74,822</b>	<b>(214,145)</b>	<b>(32,681)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,942,352</b>	<b>1,268,179</b>	<b>2,203,237</b>	<b>1,149,892</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>		<b>18,951,424</b>	<b>33,838,701</b>	<b>18,690,539</b>	<b>33,956,988</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		<b>\$ 20,893,776</b>	<b>\$ 35,106,880</b>	<b>\$ 20,893,776</b>	<b>\$ 35,106,880</b>

### SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 12)

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

# ABSOLUTE SOFTWARE CORPORATION

## Notes to the Condensed Consolidated Financial Statements

Three and nine months ended March 31, 2020 and 2019

(Expressed in United States dollars) (Unaudited)

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### 1. NATURE OF OPERATIONS

Absolute Software Corporation (the “Company”) was incorporated under the Company Act (British Columbia) on November 24, 1993. The Company’s principal business activity is the development, marketing, and provision of a cloud-based endpoint visibility and control platform that provides management and security of computing devices, applications and data for enterprise and public sector organizations. The Company’s solutions are anchored to endpoint devices by our patented Persistence technology, which is embedded in the firmware of laptop, desktop and tablet devices by the majority of the world’s largest global computer manufacturers (“PC OEMs”). The Company markets its solutions through PC OEMs, distributors, value added resellers, and directly to its customers, who include corporations, government entities, educational institutions, and consumers. While the majority of the Company’s sales are generated in North America, the Company’s products are also available internationally through resellers in Europe and South Africa, as well as the Asia-Pacific and Latin American regions. The Company’s head office and principal address is Suite 1400, Four Bentall Centre, 1055 Dunsmuir Street, PO Box 49211, Vancouver, British Columbia, Canada, V7X 1K8. The Company trades on the TSX under the symbol ABT.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) *Basis of presentation*

These unaudited interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards applicable to interim financial information, as outlined in International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, and using the accounting policies consistent with those in the audited consolidated financial statements as at and for the year ended June 30, 2019, with the exception of the adoption of new accounting standards (Note 2(e)).

These unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries; however, they do not include all disclosures normally provided in annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements as at and for the year ended June 30, 2019. Interim results are not necessarily indicative of the results expected for the fiscal year.

# ABSOLUTE SOFTWARE CORPORATION

## Notes to the Condensed Consolidated Financial Statements

Three and nine months ended March 31, 2020 and 2019

(Expressed in United States dollars) (Unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *(b) Significant accounting policies*

##### *Leases*

The Company determines if an arrangement is a lease at inception. Leases are included in right of use assets, lease liabilities – current, and lease liabilities on the Company's condensed consolidated statements of financial position.

Right of use assets represent the Company's right to use an underlying asset for the lease term, and the corresponding lease liabilities represent its obligation to make lease payments arising from the lease. Right of use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The right of use asset is reduced for tenant incentives and excludes any initial direct costs incurred. As the Company's leases do not provide an implicit rate, the net present value of future minimum lease payments is determined using the Company's incremental borrowing rate. The Company's incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, in an economic environment where the leased asset is located. The Company's lease terms may include options to extend or terminate the lease. These options are reflected in the right of use asset and lease liability when it is reasonably certain that the Company will exercise the option. The Company reassesses the lease term if and when a significant event or change in circumstances occurs within the Company's control.

Amortization expense of the right of use assets is recognized on a straight-line basis over the lease term, and interest expense is recognized on an effective interest basis based on the incremental borrowing rate.

The Company has lease agreements with lease and non-lease components, which it has elected to combine for all asset classes. In addition, the Company does not recognize right of use assets or lease liabilities for leases with a term of 12 months or less for all asset classes.

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

# ABSOLUTE SOFTWARE CORPORATION

## Notes to the Condensed Consolidated Financial Statements

Three and nine months ended March 31, 2020 and 2019

(Expressed in United States dollars) (Unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Derivative financial instruments and hedge accounting*

The Company enters into derivative financial instruments, such as foreign exchange forward contracts, to manage its exposure to foreign exchange rate risks. The Company does not use derivative financial instruments for speculative purposes.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently measured to their fair value at each reporting date. The Company records all derivative instruments at fair value on the condensed consolidated statements of financial position. The fair value of these instruments is calculated based on notional and exercise values, transaction rates, market quoted currency spot rates and forward rates and therefore fall into Level II of the fair value hierarchy.

The Company designates foreign exchange forward contracts as hedging instruments. Hedges of foreign exchange risk are accounted for as cash flow hedges.

For derivative instruments designated as cash flow hedges, the entire change in the value of the hedging instrument included in the assessment of hedge effectiveness is initially reported as a component of other comprehensive income ("OCI"), net of tax, and subsequently reclassified into income in the same period or periods in which the hedged item affects income.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk. This documentation includes: identification of the specific foreign currency asset, liability or forecasted transaction being hedged; the nature of the risk being hedged; the hedge objective; and the method of assessing hedge effectiveness. If an anticipated transaction is deemed no longer likely to occur, the corresponding derivative instrument is de-designated as a hedge and any associated unrealized gains and losses in OCI are recognized in income at that time.

The Company designates the full change in the fair value of a foreign exchange forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

For any derivative instruments that do not meet the requirements for hedge accounting, or for which hedge accounting is not elected, the changes in fair value of the instruments are recognized in income in the current period and will generally offset the changes in the U.S. dollar value of the associated asset, liability or forecasted transaction.



# ABSOLUTE SOFTWARE CORPORATION

## Notes to the Condensed Consolidated Financial Statements

Three and nine months ended March 31, 2020 and 2019

(Expressed in United States dollars) (Unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) *Significant accounting judgments*

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (Note 2(d)), that has the most significant effect on the amounts recognized in the Company's consolidated financial statements, are related to:

- i) the determination of the functional currency for the Company and its subsidiaries;
- ii) the determination of the ranges of the Standalone Selling Prices of its subscription and support revenues; and
- iii) the determination of the Standalone Selling Price of its professional services revenues.

#### (d) *Key sources of estimation uncertainty*

The preparation of these interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. The interim consolidated financial statements include estimates which, by their nature, are uncertain.

The impacts of such estimates are pervasive throughout the interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the date of the statement of financial position, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, include, but are not limited to, the following:

- the assessment of the carrying values of allowances for unrecoverable accounts receivable and assets;
- the assessment of the Company's incremental borrowing rate related to the recognition of lease liabilities
- the inputs used in accounting for share-based compensation in the statement of operations and comprehensive income;
- the recognition and recoverability of the Company's deferred tax assets; and
- the future impact of the COVID-19 global pandemic.

# ABSOLUTE SOFTWARE CORPORATION

## Notes to the Condensed Consolidated Financial Statements

Three and nine months ended March 31, 2020 and 2019

(Expressed in United States dollars) (Unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) *Adoption of Accounting Standards*

*Standards adopted in the year ended June 30, 2020*

#### IFRS 16 – “Leases” (“IFRS 16”)

In January 2016, the IAB issued IFRS 16, which outlines the accounting for lease arrangements. Generally, IFRS 16 eliminates a lessees’ classification of leases and introduces a single lessee accounting model. The most significant effect of the new standard is the lessee’s recognition of the initial present value of unavoidable future lease payments as right of use assets and lease liabilities on the statement of financial position. Leases with durations of 12 months or less, and leases for low-value assets, are both exempted from the standard.

The total expense recognized over the term of a lease will be unaffected by IFRS 16. However, it results in the recognition of amortization of the right of use asset and of interest expense, as opposed to operating lease expense previously being recognized as a period cost in the statement of operations. As a result, the timing of lease expense recognition is accelerated for leases which were previously accounted for as operating leases.

Effective July 1, 2019, the Company adopted IFRS 16 in its condensed consolidated financial statements using the modified retrospective method, with the cumulative effect of initially applying the new standard recognized in retained earnings on that date. Comparative figures were not adjusted.

Upon adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of International Accounting Standard (“IAS”) 17, “Leases”. These liabilities are measured at the present value of the remaining fixed lease payments, discounted using the Company’s incremental borrowing rate as at July 1, 2019. The weighted average incremental borrowing rate applied to lease liabilities recognized in the condensed consolidated balance sheet on July 1, 2019 was 5.48%.

The associated right of use assets were primarily measured as if the standard had been applied since the commencement date of the lease, but discounted using the Company’s incremental borrowing rate at the date of initial application. Certain right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any tenant incentives and direct costs incurred relating to the lease recognized in the balance sheet as at July 1, 2019.

# ABSOLUTE SOFTWARE CORPORATION

## Notes to the Condensed Consolidated Financial Statements

Three and nine months ended March 31, 2020 and 2019

(Expressed in United States dollars) (Unaudited)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the Company has not reassessed contracts that were identified as leases under the previous accounting standard (IAS 17 and International Financial Reporting Interpretations Committee (“IFRIC”) Interpretation 4, “Determining Whether an Arrangement Contains a Lease”;
- the Company has applied a single discount rate to a portfolio of leases with reasonably similar underlying characteristics;
- the Company has excluded initial direct costs in the measurement of the right-of-use asset on transition;
- the Company accounted for real estate operating leases with a remaining lease term of less than 12 months as at July 1, 2019 as short-term leases; and
- the Company has used hindsight in determining the lease term where the lease contracts contain options to extend or terminate the lease.

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

	<b>As previously reported – June 30, 2019</b>	IFRS 16 transition adjustments	<b>Balance – July 1, 2019</b>
<b>Assets</b>			
Right of use assets	-	\$ 8,917,373	<b>\$ 8,917,373</b>
<b>Liabilities</b>			
Trade and other payables	<b>\$ 19,034,996</b>	\$ (782,256)	<b>\$ 18,252,740</b>
Lease liabilities - current	-	1,601,223	<b>1,601,223</b>
Lease liabilities	-	8,098,428	<b>8,098,428</b>

The following table reconciles the change in lease liabilities upon transition at July 1, 2019:

Operating lease commitments, June 30, 2019	<b>\$ 5,988,145</b>
Adjustments as a result of the inclusion of renewal option(s)	<b>9,685,221</b>
Effect of discounting using the Company’s incremental borrowing rate	<b>(5,973,715)</b>
Balance, July 1, 2019	<b>9,699,651</b>
Less: current portion	<b>(1,601,223)</b>
	<b>\$ 8,098,428</b>

# ABSOLUTE SOFTWARE CORPORATION

## Notes to the Condensed Consolidated Financial Statements

Three and nine months ended March 31, 2020 and 2019

(Expressed in United States dollars) (Unaudited)

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### 3. SHORT-TERM INVESTMENTS

The Company's short-term investments are comprised of the following:

	<u>March 31, 2020</u>	<u>June 30, 2019</u>
Investment grade securities	\$ 17,607,804	\$ 16,738,329
Term deposits	359,832	369,897
	<u>\$ 17,967,636</u>	<u>\$ 17,108,226</u>

The Company's investment grade securities include Canadian and U.S. government and agency securities, including treasury bills; as well as corporate bonds and certificates of deposit.

### 4. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables are comprised of the following:

	<u>March 31, 2020</u>	<u>June 30, 2019</u>
Trade receivables	\$ 17,075,242	\$ 22,098,804
Other receivables	1,090,820	383,402
Allowance for doubtful accounts	(580,757)	(287,954)
	<u>\$ 17,585,305</u>	<u>\$ 22,194,252</u>

At March 31, 2020, 5% of the Company's accounts receivable balance is over 90 days past due (June 30, 2019 – 1%). As at March 31, 2020, 33%, 28%, and 23% (June 30, 2019 – 40%, 27%, and 15%) of the receivable balances are owing from three OEM and distributor partners.

# ABSOLUTE SOFTWARE CORPORATION

## Notes to the Condensed Consolidated Financial Statements

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### 5. CONTRACT ACQUISITION ASSETS

The following table provides a reconciliation of contract acquisition assets for the nine months ended March 31, 2020 and 2019:

	Nine months ended March 31,	
	2020	2019
Balance, beginning of period	\$ 11,905,831	\$ 12,216,130
Contract acquisition costs incurred	5,064,558	6,089,497
Amortization	(6,374,302)	(6,839,193)
Balance, end of period	10,596,087	11,466,434
Less: current portion	(6,113,980)	(6,494,160)
	<u>\$ 4,482,107</u>	<u>\$ 4,972,274</u>

### 6. RIGHT OF USE ASSETS

The following table provides a reconciliation of right of use assets for the nine months ended March 31, 2020:

Balance, July 1, 2019	8,917,373
Additions and adjustments	2,013,512
Amortization	(1,463,414)
Balance, end of period	<u>\$ 9,467,471</u>

### 7. TRADE AND OTHER PAYABLES

The Company's trade and other payables are comprised of the following:

	March 31, 2020	June 30, 2019
Payroll and employee benefits	\$ 5,955,565	\$ 7,201,658
Trade payables	5,207,686	6,540,760
Deferred share units	2,068,428	2,209,246
Customer deposits	926,711	1,044,892
Accrued liabilities	617,397	961,929
Foreign exchange forward contracts	247,861	-
Sales taxes payable	268,080	294,255
Lease inducements (note 2(e))	-	782,256
	<u>\$ 15,291,728</u>	<u>\$ 19,034,996</u>

# ABSOLUTE SOFTWARE CORPORATION

## Notes to the Condensed Consolidated Financial Statements

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### 8. LEASE LIABILITIES

The following table provides a reconciliation of lease liabilities for the nine months ended March 31, 2020:

Balance, July 1, 2019	\$ 9,699,651
Additions and adjustments to lease liabilities	2,264,253
Payments on lease liabilities	(1,280,202)
Unrealized foreign exchange gain on lease liabilities	(349,066)
Balance, end of period	<u>10,334,636</u>
Less: current portion	(1,447,207)
	<u>\$ 8,887,429</u>

### 9. SHARE CAPITAL

(a) *Authorized*

100,000,000 common shares, no par value

(b) *Issued and outstanding*

During the nine months ended March 31, 2020, the Company issued 259,787 common shares on exercise of employee stock options for total proceeds of \$1,483,553. An amount of \$378,584 related to the original fair value of the options was transferred from equity reserve to common shares upon exercise.

During the nine months ended March 31, 2020, the Company issued 72,023 common shares pursuant to its employee share purchase plan for total proceeds of \$369,072.

During the nine months ended March 31, 2020, the Company issued 524,878 common shares pursuant to its Performance and Restricted Share Unit ("PRSU") Plan with a fair value of \$2,709,740.

During the nine months ended March 31, 2019, the Company issued 729,984 common shares on exercise of employee stock options for total proceeds of \$3,746,134. An amount of \$1,076,030 related to the original fair value of the options was transferred from equity reserve to common shares upon exercise.

During the nine months ended March 31, 2019, the Company issued 90,254 common shares pursuant to its employee share purchase plan for total proceeds of \$395,372.

During the nine months ended March 31, 2019, the Company issued 19,821 common shares pursuant to its Phantom Share Unit Plan with a value of \$113,570.

# ABSOLUTE SOFTWARE CORPORATION

## Notes to the Condensed Consolidated Financial Statements

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### 9. SHARE CAPITAL (Continued)

During the nine months ended March 31, 2019, the Company issued 489,878 common shares pursuant to its Performance and Restricted Share Unit (“PRSU”) Plan with a value of \$2,506,789.

On September 26, 2019, the Company received approval from the TSX to commence a Normal Course Issuer Bid (the “Bid”) on October 1, 2019 that enables the Company to purchase and cancel up to 2,663,275 of its common shares or return such shares to treasury. The Bid allows for the purchase of up to 27,956 common shares on a daily basis until September 30, 2020, except where purchases are made in accordance with “block purchases” exemptions under applicable TSX policies. Prior to October 1, 2019, the Company purchased and cancelled shares under previously approved Normal Course Issuer Bids (together, the “Bids”).

Under the Bid, during the nine months ended March 31, 2020, the Company repurchased and cancelled 8,700 common shares for a total cost of \$48,828 (2019 – \$nil). On cancellation of the common shares, the difference between the purchase price and the average book value of the common shares were recorded as a deficit, which amounted to \$32,919 (2019 – \$nil).

#### (c) *Stock Option Plan*

The Company’s share-based compensation plans include an Employee Stock Option Plan (“Option Plan”).

In 2001, the Company’s Board of Directors adopted the Option Plan (as amended in 2007, 2009, 2015 and 2018). Under the Option Plan, the maximum number of common shares reserved for issuance is limited to 12% of the number of common shares outstanding, less the amount that are issuable under the Phantom Share Unit Plan, the Performance and Restricted Share Unit Plan, and the Employee Share Purchase Plan (note 9(f)). On this basis, at March 31, 2020, the maximum number of common shares available under the Option Plan was 2,459,343 (June 30, 2019 – 3,325,110), of which 1,639,816 remained available for grant thereunder.

Terms and conditions of options granted under the Option Plan are determined solely by the Board of Directors. Under the Option Plan, the exercise price of each option equals the last closing market price of the Company’s common shares before the grant date. The term of option grants may not exceed 7 years from the date of grant of the option. Options are generally granted with a four year vesting period (25% vesting on each anniversary date).

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### 9. SHARE CAPITAL (Continued)

The following table summarizes activity under the Option Plan for the nine months ended March 31, 2020 and 2019:

	Nine months ended March 31,			
	2020		2019	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Outstanding, beginning of period	1,151,213	\$ 7.83	2,310,376	\$ 7.21
Granted	-	-	250,000	8.74
Exercised	(257,537)	7.71	(729,984)	6.87
Forfeited	(60,724)	7.50	(408,829)	7.03
Expired	(13,425)	7.04	(265,173)	8.17
Outstanding, end of period	819,527	\$ 7.90	1,155,850	\$ 7.60

#### (d) Performance and Restricted Share Unit Plan

The Company's share-based compensation plans also include a Performance and Restricted Share Unit ("PRSU") Plan. Under the PRSU Plan, the Company may issue Performance Share Units ("PSU"s) and Restricted Share Units ("RSU"s).

In 2016, the Company's shareholders ratified the PRSU Plan (as amended in 2018). Under the PRSU Plan, the maximum number of common shares reserved for issuance is limited to 12% of the number of common shares outstanding, less the amount that are issuable under the Option Plan, the Employee Share Purchase Plan (note 9(f)), and the Phantom Share Unit Plan. On this basis, at March 31, 2020, 3,929,698 (June 30, 2019 – 3,754,154) common shares were eligible for grant under the PRSU Plan, of which 1,639,816 remained available for grant thereunder.

In addition, the Company has a Market-based PRSU Plan ("Market PRSU Plan"). Shares issued pursuant to the Market PRSU Plan will be acquired, at the Company's election, under the terms of permissible share buyback mechanisms, including the Company's Normal Course Issuer Bid, and will not be issued from treasury. At March 31, 2020, none of the outstanding PSUs or RSUs were issued pursuant to the Market PRSU Plan.

Terms and conditions of PSUs and RSUs granted are determined by the Board of Directors.



# ABSOLUTE SOFTWARE CORPORATION

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Three and nine months ended March 31, 2020 and 2019

(Expressed in United States dollars) (Unaudited)

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### 9. SHARE CAPITAL (Continued)

#### *Performance Share Units*

Under the PRSU Plan, PSUs are issued to eligible persons and generally vest after a three year period (100% cliff vesting on the third anniversary date). The number of PSUs that ultimately vest is based on an Adjustment Factor, as determined by the Board of Directors at the date of grant, and can range from 0% to 200% of the number of units initially granted. The expiry date of the PSU grants is December 31 of the year in which the tranche vests, however, the expiry date of certain historical grants was December 31 of the tenth year from the date of grant.

The following table summarizes PSU activity under the PRSU Plan for the nine months ended March 31, 2020 and 2019:

	Nine months ended March 31,	
	2020	2019
	Number of units	Number of units
Outstanding, beginning of period	312,404	49,692
Granted	440,281	249,610
Exercised	(18,910)	-
Forfeited	(116,061)	(5,503)
Outstanding, end of period	<u>617,714</u>	<u>293,799</u>

# ABSOLUTE SOFTWARE CORPORATION

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### 9. SHARE CAPITAL (Continued)

#### *Fair values – Performance Share Units*

The total fair value of PSUs granted under the PRSU Plan in the nine months ended March 31, 2020 was \$3,414,143 (2019 - \$1,197,624). The weighted average grant date fair value of PSUs granted during the nine months ended March 31, 2020 was \$7.90 (2019 - \$4.83). At March 31, 2020, none of the outstanding PSUs had vested.

In the nine months ended March 31, 2020, the Adjustment Factor related to the PSUs granted was related to the achievement of company-specific performance targets. The fair value of the PSUs granted was estimated on the grant date using a Monte Carlo simulation model, taking into account the fair value of the Company's common shares on the date of grant, potential future dividends accruing to the PSU holder's benefit, and encompassing a wide range of possible future Company performance conditions.

In the nine months ended March 31, 2019, the Adjustment Factors related to the PSUs issued granted were related to market-based performance conditions and, in some cases, to company-specific performance conditions. The fair value of the PSUs granted was estimated on the grant date using a Monte Carlo simulation model, taking into account the fair value of the Company's common shares on the date of grant, potential future dividends accruing to the PSU holder's benefit, and encompassing a wide range of possible future market and Company performance conditions.

#### *Restricted Share Units*

Under the PRSU Plan, RSUs are issued to eligible persons and generally vest over a three year period (33.3% vesting on each anniversary date). The expiry date of the RSU grants is generally December 31 of the year in which the tranche vests.

The following table summarizes RSU activity under the PRSU Plan for the nine months ended March 31, 2020 and 2019:

	Nine months ended March 31,	
	2020	2019
	Number of units	Number of units
Outstanding, beginning of period	1,282,298	1,111,359
Granted	1,112,451	951,343
Released	(506,958)	(489,878)
Forfeited	(215,623)	(164,265)
Outstanding, end of period	1,672,168	1,372,559

# ABSOLUTE SOFTWARE CORPORATION

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### 9. SHARE CAPITAL (Continued)

#### *Fair values – Restricted Share Units*

The total fair value of RSUs granted under the PRSU Plan in the nine months ended March 31, 2020 was \$6,891,806 (2019 - \$5,411,624). The weighted average grant date fair value of RSUs granted during the nine months ended March 31, 2020 was \$6.36 (2019 - \$6.10). At March 31, 2020, 30,463 of the outstanding RSUs had vested.

The fair value of the RSUs granted was estimated on the grant date using the fair value of the Company's common shares on the date of grant and potential future dividends accruing to the RSU holder's benefit.

#### *(e) Deferred Share Unit Plan*

The Company's share-based compensation plans also include a Deferred Share Unit ("DSU") Plan. The DSU Plan is a cash-settled share based compensation plan.

In 2016, the Company's shareholders ratified the DSU Plan. Terms and conditions of DSUs granted are determined by the Board of Directors.

Under the DSU Plan, DSUs are issued to eligible persons and generally vest over a one year period (25% per three months). DSUs are not eligible for redemption until the unitholder ceases to be an eligible person. The term of the DSU grants is coterminous with the date the unitholder ceases to be an eligible person.

The following table summarizes activity under the DSU Plan for the nine months ended March 31, 2020 and 2019:

	<b>Nine months ended March 31,</b>	
	<b>2020</b>	2019
	<b>Number of units</b>	Number of units
Outstanding, beginning of period	<b>340,862</b>	351,418
Granted	<b>82,320</b>	79,425
Released	<b>(48,312)</b>	(89,580)
Forfeited	-	(3,625)
Outstanding, end of period	<b>374,870</b>	337,638

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### 9. SHARE CAPITAL (Continued)

#### *Fair values – Deferred Share Units*

The total fair value of DSUs granted under the DSU Plan in the nine months ended March 31, 2020 was \$448,953 (2019 - \$476,700). The weighted average grant date fair value of DSUs granted during the nine months ended March 31, 2020 was \$6.08 (2019 - \$6.81). The fair value owing was marked to market at March 31, 2020, and as a result, at that date, the total liability carried within Accounts Payable and Accrued Liabilities related to the DSU Plan was \$2,068,428 (June 30, 2019 - \$2,209,246).

#### *(f) Employee Share Ownership Plan and Share Purchase Plan*

The Company's share-based compensation plans also include an Employee Share Ownership Plan (the "Ownership Plan").

In the nine months ended March 31, 2020, the Company's shareholders ratified the Ownership Plan. Previous to December 31, 2019, the Company had a Employee Share Purchase Plan (the "Purchase Plan"), which was adopted in 2004.

The terms of the Ownership Plan allow employees to purchase up to 350,000 common shares from treasury at a 15% discount from the market price. Each employee can allocate an annual maximum of CAD\$15,000 per year to the purchase of common shares through two, six month offering periods per year. The Ownership Plan became effective January 1, 2020, and on that date, the Purchase Plan lapsed.

The terms of the Purchase Plan were largely consistent with those of the Ownership Plan, however, the maximum number of common shares issuable under the Purchase Plan was limited to 2,000,000 common shares. In addition, each employee could allocate an annual maximum of \$10,500 (in either U.S. dollars or Canadian dollars, depending on the employee's country of domicile). During the nine months ended March 31, 2020, 72,023 common shares (2019 – 90,254 common shares) were issued from treasury under the Purchase Plan at a weighted average price of \$5.12 (2019 - \$4.38) per share. Subsequent to the issuance of common shares related to the six month offering period ended December 31, 2019, no further common shares will be issued pursuant to the Purchase Plan.

As a result, at March 31, 2020, 350,000 common shares were available for grant under the Ownership Plan.

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### 9. SHARE CAPITAL (Continued)

#### (g) Phantom Share Unit Plan

The Company's share-based compensation plans previously included a Phantom Share Unit ("PhSU") Plan. The PhSU Plan lapsed on December 8, 2017, and as such, at March 31, 2020, there are no common shares eligible for grant under this plan, and there were no outstanding PhSUs.

The following table summarizes activity under the PhSU Plan for the nine months ended March 31, 2019:

	<u>Nine months ended March 31, 2019</u> <u>Number of units</u>
Outstanding, beginning of period	19,292
Granted	533
Released	(19,821)
Forfeited	(4)
Outstanding, end of period	<u>-</u>

The total fair value of PhSUs granted under the PhSU Plan in the nine months ended March 31, 2019 was \$3,317. The weighted average grant date fair value of PhSUs granted during the nine months ended March 31, 2019 was \$6.22.

#### (h) Dividends

In the nine months ended March 31, 2020, the Company declared three quarterly dividends of CAD\$0.08 per share on its common shares, amounting to \$7,568,855. The dividends were paid in cash to shareholders on August 29, 2019, November 29, 2019 and February 28, 2020.

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### 9. SHARE CAPITAL (Continued)

#### (i) Share-based compensation

The Company's share-based compensation for the three and nine months ended March 31, 2020 and 2019 was comprised as follows:

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2020	2019	2020	2019
Restricted share units	\$ 1,016,826	\$ 776,309	\$ 2,572,870	\$ 2,525,806
Performance share units	363,522	125,270	728,661	263,984
Stock option plan	43,661	(49,477)	127,374	158,292
Employee share purchase and ownership plans	13,641	17,455	40,971	70,580
Deferred share unit plan	(39,980)	527,980	164,980	881,046
Phantom share unit plan	-	-	-	6,638
	<b>\$ 1,397,670</b>	<b>\$ 1,397,537</b>	<b>\$ 3,634,856</b>	<b>\$ 3,906,346</b>

The Company's share-based compensation was attributable to the following areas for the three and nine months ended March 31, 2020 and 2019:

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2020	2019	2020	2019
Cost of revenue	\$ 116,882	\$ 82,232	\$ 262,621	\$ 215,178
Sales and marketing	645,268	272,479	1,591,896	981,241
Research and development	336,384	254,343	837,927	865,777
General and administration	299,136	788,483	942,412	1,844,150
	<b>\$ 1,397,670</b>	<b>\$ 1,397,537</b>	<b>\$ 3,634,856</b>	<b>\$ 3,906,346</b>

#### (j) Treasury shares

During 2017, the Company acquired 104,567 treasury shares for a total cost of \$499,443. The treasury shares are presented as a component of shareholder's deficiency. The treasury shares were purchased in order to fund the Company's Market PRSU Plan (note 9(d)). In the nine months ended March 31, 2020, 14,722 treasury shares were used to settle RSUs released pursuant to the Market PRSU Plan. As a result, at March 31, 2020, the Company held 60,942 treasury shares with a value of \$263,840.

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### 10. REVENUE

(a) *Disaggregated revenue*

The table below provides a disaggregation of our overall revenues for the three and nine months ended March 31, 2020 and 2019:

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2020	2019	2020	2019
Cloud Services	\$ 24,068,921	\$ 23,047,908	\$ 71,516,823	\$ 67,859,797
Managed professional services	1,054,026	902,462	3,068,504	2,660,672
	<b>25,122,947</b>	23,950,370	<b>74,585,327</b>	70,520,469
Professional services	97,430	95,117	309,957	543,133
Other	841,484	837,711	2,616,680	2,569,462
	<b>\$ 26,061,861</b>	\$ 24,883,198	<b>\$ 77,511,964</b>	\$ 73,633,064

(b) *Deferred revenue*

The following table provides a reconciliation of deferred revenue balances to invoiced billings and revenue for the nine months ended March 31, 2020 and 2019:

	Nine months ended March 31,	
	2020	2019
Balance, beginning of period	\$ 134,427,961	\$ 139,186,686
Billings	70,693,171	62,700,672
Revenue recognized	(77,511,964)	(73,633,064)
Balance, end of period	127,609,168	128,254,294
Less: current portion	(74,596,397)	(74,423,687)
	<b>\$ 53,012,771</b>	\$ 53,830,607

In the nine months ended March 31, 2020, revenue recognized included \$62,912,018 (2019 – \$60,488,117) that was included in deferred revenue at the beginning of the period.

# ABSOLUTE SOFTWARE CORPORATION

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### 10. REVENUE (Continued)

The Company's deferred revenue is scheduled to be recognized in the years ended June 30, as follows:

2020	\$ 24,661,076
2021	59,110,910
2022	27,423,298
2023	12,323,929
2024	3,616,408
2025	473,547
	<u>\$ 127,609,168</u>

### 11. INCOME TAXES

The Company operates in various tax jurisdictions, and accordingly, the Company's income is subject to varying rates of tax. Losses incurred in one jurisdiction cannot be used to offset income taxes payable in another. The Company's ability to use income tax losses and deferred income tax deductions is dependent upon the profitable operations of the Company in the tax jurisdictions in which such losses or deductions arise. The Company's interim tax provisions are estimated based on the expected effective tax rates applicable to the Company's operations for the year ended June 30, 2020.

The Company's income tax expense was comprised as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2020	2019	2020	2019
Current income tax expense	\$ (684,000)	\$ (22,000)	\$ (1,123,000)	\$ (1,937,000)
Deferred income tax expense	(393,000)	(1,130,000)	(2,277,000)	(567,000)
	<u>\$ (1,077,000)</u>	<u>\$ (1,152,000)</u>	<u>\$ (3,400,000)</u>	<u>\$ (2,504,000)</u>



# ABSOLUTE SOFTWARE CORPORATION

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### 11. INCOME TAXES (Continued)

Income tax expense for the three and nine months ended March 31, 2020 and 2019 differs from that calculated by applying statutory rates for the following reasons:

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2020	2019	2020	2019
Income before income taxes	\$ 3,335,556	\$ 3,663,433	\$ 11,820,104	\$ 8,042,062
Combined Federal and Provincial income tax rate	27.00%	27.00%	27.00%	27.00%
Tax expense at statutory rate	(900,600)	(989,127)	(3,191,428)	(2,171,357)
Permanent differences	(33,987)	(171,154)	(217,987)	(361,409)
Foreign income tax effected at lower rates	36,577	55,695	85,777	76,180
Impact on deferred income tax assets of changes in foreign exchange rates	(58,000)	-	(23,000)	-
Income applied to previously unrecognized tax assets	(569)	-	736	-
Amounts under provided for in prior years	(120,421)	(47,414)	(54,098)	(47,414)
Total income tax expense	\$ (1,077,000)	\$ (1,152,000)	\$ (3,400,000)	\$ (2,504,000)

At March 31, 2020, the Company had total net deferred tax assets of \$22,450,764 (June 30, 2019 - \$22,359,165), primarily related to deferred revenue balances, current income tax receivable of \$438,363 (June 30, 2019 - \$707,923), primarily related to tax instalments paid, and current taxes payable of \$55,625 (June 30, 2019 - \$13,543) in other foreign jurisdictions. In the three and nine months ended March 31, 2020 and 2019, the Company's current tax payable is partially offset by estimated investment tax credit ("ITC") receivable balances. The ITCs were credited against research and development expenses, as the credit is generated by certain eligible scientific research and development expenditures ("SRED").

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and during the loss carry-forward periods. Management considers the scheduled reversal of deferred tax assets and liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry-forward period.

The Company's operations are conducted in a number of countries with complex tax legislation and regulations pertaining to the Company's activities. Any reassessment of the Company's tax filings by the tax authorities may result in material adjustments to net income or loss, deferred tax assets and operating loss carry-forwards.

# ABSOLUTE SOFTWARE CORPORATION

## Notes to the Condensed Consolidated Financial Statements

Three and nine months ended March 31, 2020 and 2019

(Expressed in United States dollars) (Unaudited)

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### 12. SUPPLEMENTAL CASH FLOW INFORMATION

#### *Composition of cash and cash equivalents*

	<u>March 31, 2020</u>	<u>June 30, 2019</u>
Cash	\$ 17,437,900	\$ 10,118,438
Cash equivalents	3,455,876	8,572,101
	<u>\$ 20,893,776</u>	<u>\$ 18,690,539</u>

#### *Other cash flow information*

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>March 31,</u>		<u>March 31,</u>	
	<u>2020</u>	2019	<u>2020</u>	2019
Cash paid for income taxes	\$ 450,000	\$ 304,463	\$ 679,323	\$ 1,244,523
Cash received from income taxes	-	9,773	256,778	75,568
Cash paid for interest	226,277	36,703	484,205	98,360
<i>Non-cash investing and financing activities</i>				
Accrued purchases of property and equipment, net	\$ (272,646)	\$ 31,700	\$ 952,652	\$ 942,756
Additions to ROU asset and lease liability, net	250,741	-	250,741	-

# ABSOLUTE SOFTWARE CORPORATION

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(Expressed in United States dollars) (Unaudited)

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### 13. FINANCIAL INSTRUMENTS

The fair value and notional amount of derivative financial instruments outstanding are comprised of the following:

	Derivative Liabilities	
	March 31, 2020	June 30, 2019
Fair value of derivatives designated as cash flow hedges	\$ 247,861	-
Notional amount	\$ 4,084,720	-

During the three and nine months ended March 31, 2020, \$69,895 (March 31, 2019 - \$nil) in hedging losses have been recognized in operating expenses. The fair values of derivative liabilities are measured using Level 2 fair value inputs. Derivative liabilities are included in trade and other payables.

#### (a) Foreign exchange

The Company enters into foreign exchange forward contracts to minimize its exposure to foreign exchange rate risks. These contracts have been designated as cash flow hedges. The maturity dates of these instruments range from April 2020 to June 2020. As at March 31, 2020, the net unrealized loss on these forward contracts was \$247,861 (June 30, 2019 – nil). Unrealized losses were recorded in trade and other payables and OCI. As at March 31, 2020, the Company estimates that 100% of net unrealized losses on these forward contracts will be reclassified into income (loss) within the next 3 months.

For the three and nine months ended March 31, 2020, a loss of \$247,861 relating to the effective portion was recognized in OCI and there was nil reclassified from OCI into income relating to the effective portion.

#### (b) Credit risk

The Company is exposed to credit risk on derivative financial instruments arising from the potential for counterparties to default on their contractual obligations. The Company mitigates this risk by limiting counterparties to highly rated financial institutions and by continuously monitoring their creditworthiness. The Company's exposure to credit loss and market risk will vary over time as a function of currency exchange rates. The Company measures its counterparty credit exposure as a percentage of the total fair value of the applicable derivative instruments. Where the net fair value of derivative instruments with any counterparty is negative, the Company deems the credit exposure to that counterparty to be \$nil. As at March 31, 2020, the Company had a credit risk exposure to counterparties with outstanding or unsettled foreign exchange derivative instruments of \$nil on a notional amount of \$4,084,720 relating to derivative assets (June 30, 2019 – \$nil).

# ABSOLUTE SOFTWARE CORPORATION

## Notes to the Condensed Consolidated Financial Statements

Three and nine months ended March 31, 2020 and 2019

(Expressed in United States dollars) (Unaudited)

### 14. SEGMENTED INFORMATION

#### *Entity wide disclosures*

Geographic revenue information is based on the location of the customer invoiced. Long-lived assets include non current contract acquisition assets, property and equipment, right of use assets and goodwill.

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2020	2019	2020	2019
<b>Revenue</b>				
United States	\$ 22,247,881	\$ 21,775,757	\$ 66,437,257	\$ 64,464,352
Rest of world	3,286,472	2,606,812	9,524,774	7,687,115
Canada	527,508	500,629	1,549,933	1,481,597
	<b>\$ 26,061,861</b>	<b>\$ 24,883,198</b>	<b>\$ 77,511,964</b>	<b>\$ 73,633,064</b>

	March 31, 2020	June 30, 2019
<b>Long-lived assets</b>		
Canada	\$ 12,467,655	\$ 7,940,003
United States and rest of world	8,495,425	4,630,307
	<b>\$ 20,963,080</b>	<b>\$ 12,570,310</b>

### 15. COMMITMENTS

The Company's minimum payments required under operating leases for equipment and business service agreements, for the years ended June 30, are as follows as at March 31, 2020:

2020	\$ 485,632
2021	544,234
2022	293,766
2023	2,875
	<b>\$ 1,326,507</b>

# ABSOLUTE SOFTWARE CORPORATION

## Notes to the Condensed Consolidated Financial Statements

Three and nine months ended March 31, 2020 and 2019

(Expressed in United States dollars) (Unaudited)

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### 16. CONTINGENCIES

Due to the nature of the Company's business, products, and patent portfolio, the Company is involved in assertions and claims as both the initiating party and, from time to time, as a respondent to such claims. 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 which are believed to be material to the Company's financial performance, liquidity, or financial condition.

### 17. SUBSEQUENT EVENT

#### *Quarterly dividend*

On April 20, 2020, the Company declared a quarterly dividend of CAD\$0.08 per share on its common shares, payable in cash on May 29, 2020 to shareholders of record at the close of business on May 8, 2020.