

SCHEDULES B and C

ISSUER DETAILS

NAME OF ISSUER AUDIOTECH HEALTHCARE CORPORATION		FOR QUARTER ENDED SEPTEMBER 30, 2002	DATE OF REPORT Y M D 0 3 0 2 0 6	
ISSUER ADDRESS 760 – 175 Second Ave.				
CITY Kamloops	PROVINCE BC	POSTAL CODE V2C 5W1	ISSUER FAX NO. (250) 372-3859	ISSUER PHONE NO. (250) 372-5847
CONTACT PERSON Osvaldo Iadarola		CONTACT POSITION President	CONTACT PHONE NO. (250) 372-5847	
CONTACT E-MAIL ADDRESS info@audiotech.org		WEBSITE ADDRESS www.audiotech.org		

CERTIFICATE

The three schedules required to complete this Quarterly Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Quarterly Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE "Osvaldo Iadarola"	PRINT FULL NAME Osvaldo Iadarola	DATE SIGNED Y M D 0 3 0 2 0 6
DIRECTOR'S SIGNATURE "Grant Robertson"	PRINT FULL NAME Grant Robertson	DATE SIGNED Y M D 0 3 0 2 0 6

AUDIOTECH HEALTHCARE CORPORATION
ANNUAL REPORT - FORM 51-901F
SEPTEMBER 30, 2002

SCHEDULE A: FINANCIAL INFORMATION

See attached consolidated financial statements for the Year end period ended September 30, 2002.

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. See attached consolidated financial statements for Year end period ended September 30, 2002.

During the year, the Company paid, under normal terms of trade, \$80,291 (2001 \$80,291) in management salaries to a director of the Company and \$85,484 (2001 \$80,291) in administrative salaries to a director of the Company.

During the year, the Company paid, under normal terms of trade, \$10,750 in interest to Ampton Court Mortgage Corporation, a company controlled by a director of Audiotech Healthcare Corporation.

2. **SHARE CAPITAL:**

Authorized:

Unlimited number of first preferred shares
Unlimited number of second preferred shares
Unlimited number of common shares

Issued:

Common Shares	Number of Shares	\$ Sept. 2002	Number of Shares	\$ Sept. 2001
Balance, beginning of period	13,299,825	\$ 1,626,840	12,332,325	\$ 1,232,815
Issued during the year:				
Issued on Private Placement for cash	-	-	800,000	343,000
Issued on options	30,000	9,000	167,500	51,025
	30,000	9,000	967,500	394,025
Balance, end of period	13,329,825	\$ 1,635,840	13,299,825	\$ 1,626,840

SCHEDULE B: SUPPLEMENTARY INFORMATION Continued

The Company has the following options outstanding:

	Expiry	Exercise Price	September 2002	September 2001
Directors	19-Mar-02	\$ 0.35	-	35,000
Directors	17-May-02	\$ 0.50	-	35,000
Investor Relations	01-May-02	\$ 0.40	-	35,000
Investor Relations	01-May-02	\$ 0.35	-	200,000
Investor Relations	01-May-02	\$ 0.30	-	27,500
Employees	03-Mar-03	\$ 0.20	285,000	290,000
Investor Relations	01-May-03	\$ 0.30	60,000	-
Investor Relations	02-May-03	\$ 0.35	60,000	-
Investor Relations	03-May-03	\$ 0.40	60,000	-
Investor Relations	04-May-03	\$ 0.45	60,000	-
Directors	15-Jul-03	\$ 0.27	200,000	200,000
Employees	20-Sep-04	\$ 0.45	80,000	125,000
Directors	24-Feb-05	\$ 0.22	225,000	225,000
Employees	02-Feb-06	\$ 0.50	50,000	50,000
Employees	07-Jun-07	\$ 0.28	200,000	-
			<u>1,280,000</u>	<u>1,222,500</u>

The Company has the following warrants outstanding:

	<u>2002</u>	<u>2001</u>
20-Mar-02	-	110,000.00
04-Jun-02	-	190,000
22-Nov-02	610,000 (1)	610,000
		<u>910,000.00</u>
	<u>610,000</u>	

(1) Each whole warrant is convertible into one common share at an exercise price of \$0.60 per common share for the first twelve months and at an exercise price of \$0.70 after twelve months but prior to expiry on November 22, 2002.

4. a) See Note 8 to the September 30, 2002 financial statements attached as Schedule A.
- b) See Note 8 to the September 30, 2002 financial statements attached as Schedule A
- c) See Note 8 to the September 30, 2002 financial statements attached as Schedule A

SCHEDULE B: SUPPLEMENTARY INFORMATION Continued

d) Escrow

Date:		Per Share	Escrow Sept. 30/02
31-Mar-98	O. Iadarola - performance	\$ 0.20	212,500
31-Mar-98	O. Iadarola - performance	\$ 0.20	<u>212,500</u>
			<u><u>425,000</u></u>

5. List of directors and officers:
- Osvaldo Iadarola - President, CEO/Director
 - Daniel Allen - Vice President, COM/Director
 - Darlene Iadarola - Corporate Secretary
 - Dr. Gerry Mill - Director
 - Grant Robertson - Director
 - Glen Martin - Director

AUDIOTECH HEALTHCARE CORPORATION

Schedule C - MANAGEMENT DISCUSSION AND ANALYSIS

Management's discussions and analysis of Audiotech's operating results for the year ended September 30, 2002, should be read in conjunction with the company's consolidated financial statements for the period.

Results of Operations

At the end of fiscal 2001, management established a number of objectives for fiscal 2002, most notably, the reduction of general, administrative and operating costs through the elimination of duplicated services at the head office level, and a renewed focus on the profitability and efficiency at individual clinics. Management is pleased to report that the cost cutting measures undertaken during late fiscal 2001 and early fiscal 2002 have had a considerable positive impact on profitability as anticipated.

The corporation generated record revenues of \$2,989,160 and earnings before interest, taxes, depreciation, and amortization (EBITDA) of \$147,193 for the year ended September 30, 2002. This represents an improvement in operating earnings (EBITDA) of \$573,129 or almost \$0.05 per share over fiscal 2001.

It is important to note that despite the operating cost reductions, the company was able to maintain revenues at or above the record levels achieved in fiscal 2001. Revenues derived from the company's Canadian operations of \$1,855,175 were on par with those achieved during fiscal 2001 as management focused on expense reduction and creating operating efficiencies at existing clinics as opposed to acquiring or developing new operations. South of the border, Audiotech continues to generate growth and record revenues. The company's Idaho operations contributed revenues of \$1,133,985 during the 12 month period ended September 30, 2002, an increase of 23% over the prior fiscal year. This growth resulted from the increased utilization of the Rexburg clinic made possible by the hiring of an additional audiologist to meet local demand, and improved effectiveness of the clinic's marketing program.

Statement of Income

	Year ended September 30	
	2002	2001
Canadian Revenues	\$ 1,855,175	\$ 1,887,114
U.S. Revenues	1,133,985	923,399
Total Revenues	\$ 2,989,160	\$ 2,810,513
Gross Profit	1,925,644	1,654,079
EBITDA*	147,193	(425,936)
Net Loss	(47,428)	(575,268)
EPS	(0.004)	(0.044)

* earnings before interest, taxes, depreciation and amortization

As a result of improved efficiencies, cost of sales as a percentage of revenues declined very significantly, resulting in a substantial increase in gross margins to 64.4% from only 58.9% during fiscal 2001.

As noted above, management was successful in sustaining the cost reduction program originally initiated in late fiscal 2001. General and administrative expenses totaled \$1,862,668 during the 12 month period ended September 30, 2002, a decrease of 9% from the \$2,028,338 during the same period in fiscal 2001 despite significantly higher interest costs related to its long-term debt financing. Major cost reductions were achieved in a number of categories including corporate development, professional and filing fees, advertising, and wages. Audiotech was also successful in turning around its e-commerce subsidiary, HearingDepot.com, by both increasing revenues and dramatically reducing operating. HearingDepot.com currently generates an operating profit and is experiencing significant revenue growth. As noted previously, all cost reductions were accomplished without affecting service levels at our clinics.

As a result of the revenue growth in fiscal 2002, significantly improved operating margins, and reduced general and administrative expenses, Audiotech reported a net loss after non-cash amortization expenses of only of \$47,428 or \$0.004 per share for the year ended September 30, 2002, compared to a loss of \$575,268 or \$0.044 per share during fiscal 2001, an impressive turn around of \$527,840. Audiotech achieved positive cash flow from operations (earnings before amortization, disposal of assets, and taxes) of \$62,976 during the period. Management is confident that the trend towards increasing profitability will continue. Further cost reductions are anticipated in several key expense categories including corporate development, and interest on long-term debt. Furthermore, Audiotech will be adopting a new accounting policy for the recognition and recording of goodwill amortization pursuant to a new disclosure policy recently pronounced by the Canadian Institute of Chartered Accountants. Under this new policy, which will take effect in fiscal 2003, goodwill is only expensed in the event of an impairment in value rather than on the basis of a subjective percentage per accounting period. It is management's opinion that at present, there are no impairments in the value of Audiotech's goodwill that would result in a charge against earnings under the new policy during fiscal 2003. As a result, amortization or expensing of goodwill is not anticipated during fiscal 2003, resulting in an overall expense savings of more than \$25,000.

Liquidity and Financial Resources

As at September 30, 2002, Audiotech had a cash balance of \$613,817, including term deposits in the amount of \$320,000, compared to \$303,102 as at the beginning of fiscal 2002. During the first 9 months of fiscal 2002, the corporation raised a total of \$847,586 in new borrowings and repaid a total of \$342,039 in existing debt, resulting in a net increase in debt financing of \$505,547. An additional \$9,000 was raised through the issuance of common shares upon the exercise of stock options. Capital purchases of clinical equipment totaling \$46,624 were made during the fiscal year.

Approximately \$200,000 of Audiotech's long-term debt is comprised of interest-free loans from a major North American hearing aid supplier. The remaining debt consists primarily of convertible debentures and loans bearing interest at an average interest rate of slightly more than 10%. Management has set an objective for fiscal 2003 to substantially reduce, or if market conditions are amenable, to eliminate the company's long-term debt. This will have a positive impact on profitability by reducing interest costs. Since October 1, 2002, more than \$200,000 in long-term debt has already been retired. The repayment of this debt was funded internally through the company's term deposits.

Future Outlook

No acquisitions were undertaken during fiscal 2002, however, management continues to advance negotiations with a number of parties in accordance with its acquisition / consolidation strategy. Management is also examining other transactions and initiatives to maximize shareholder value.

Audiotech is also aggressively seeking new Audiologists to join its clinical staff to further enhance its service capacity at its busiest Canadian clinics and its Idaho operations. There is currently a shortage of newly graduated audiologists across North America, however, based on its favorable industry reputation, competitive compensation package, and its strong financial footing, management believes Audiotech is better positioned than the majority of its competitors to attract qualified applicants.

Management is optimistic about the corporation's outlook for growth during fiscal 2003 and beyond. Shifting demographic trends and emerging hearing aid technologies continue to create new opportunities for Audiotech. We are confident that we have positioned the company to take full advantage of these opportunities. Management looks forward to announcing its progress in this regard as significant milestones are achieved.