

SCHEDULES B and C

ISSUER DETAILS

NAME OF ISSUER AUDIOTECH HEALTHCARE CORPORATION		FOR QUARTER ENDED DECEMBER 31, 2002	DATE OF REPORT Y M D 0 3 0 2 2 7	
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 2 7
DIRECTOR'S SIGNATURE "Grant Robertson"	PRINT FULL NAME Grant Robertson	DATE SIGNED Y M D 0 3 0 2 2 7

AUDIOTECH HEALTHCARE CORPORATION
ANNUAL REPORT - FORM 51-901F
DECEMBER 31, 2002

SCHEDULE A: FINANCIAL INFORMATION

See attached consolidated financial statements for the Quarter End period ended December 31, 2002

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. See attached consolidated financial statements for Quarter End period ended December 31, 2002.
2. During the period, the Company paid, under normal terms of trade, \$20,073 (December 2001 \$20,073) in management salaries to a director of the Company and \$21,550 (December 2001 \$20,073) in administrative salaries to a director of the Company.

3. 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	\$ Dec.31 2002	Number of Shares	\$ Sept. 2002
Balance, beginning of period	13,299,825	\$ 1,626,840	13,229,825	\$ 1,626,840
Issued during the year:				
Issued on Private Placement for cash	-	-	-	-
Issued on options	-	-	30,300	9,000
	-	-	30,300	394,025
Balance, end of period	13,329,825	\$ 1,635,840	13,329,825	\$ 1,635,840

SCHEDULE B: SUPPLEMENTARY INFORMATION Continued

The Company has the following options outstanding:

	Expiry	Exercise Price	Dec. 31 2002	September 2002
Employees	03-Mar-03	\$ 0.20	285,000	285,000
Private Placement	01-May-03	\$ 0.30	60,000	60,000
Private Placement	01-May-03	\$ 0.35	60,000	60,000
Private Placement	01-May-03	\$ 0.40	60,000	60,000
Private Placement	01-May-03	\$ 0.45	60,000	60,000
Directors	15-Jul-03	\$ 0.27	200,000	200,000
Employees	20-Sep-04	\$ 0.45	80,000	80,000
Directors	24-Feb-05	\$ 0.22	225,000	225,000
Employees	02-Feb-06	\$ 0.50	50,000	50,000
Employees	09-Jun-07	\$ 0.28	200,000	200,000
			<u>1,280,000</u>	<u>1,280,000</u>

The Company has no warrants outstanding at December 31, 2002 (September 2002, 610,000) (1)

(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 December 31, 2002 financial statements attached as Schedule A.
- b) See Note 8 to the December 31, 2002 financial statements attached as Schedule A
- c) See Note 8 to the December 31, 2002 financial statements attached as Schedule A
- 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:

Oswaldo 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 3 months ended December 31, 2002, should be read in conjunction with the company's consolidated financial statements for the period.

Results of Operations

Audiotech achieved record revenues of \$790,947 for the first quarter of fiscal 2003, an increase of 10% from the \$720,229 in revenues posted during the same quarter of fiscal 2002. Revenues from the company's US operations, which were primarily responsible for this growth, surged an impressive 54%. Audiotech's revenue growth in Canada was subdued due to the current need for additional audiology staff.

Despite abnormally high corporate development expenses, which are not expected to recur, operating earnings (EBITDA*) for the quarter were \$22,834. Management is pleased that the corporation continues to generate positive cash flow from operations due in large part to cost reductions achieved during fiscal 2002 and further revenue growth.

Statement of Income

	3 Months ended December 31	
	2002	2001
Canadian Revenues	\$ 422,369	\$ 481,312
U.S. Revenues	368,578	238,917
Total Revenues	\$ 790,947	\$ 720,229
Gross Profit	487,942	463,350
EBITDA*	22,834	44,296
Net Earnings (Loss)	(20,929)	3,933
EPS	(0.0008)	0.0003

* earnings before interest, taxes, depreciation and amortization

Gross margins during the 3 month period ended December 31, 2002, were 61.7%. While down from the 64.3% posted during the same quarter in fiscal 2002, the gross margin percentage compares favorably with the corporation's long-term average. Nevertheless, management anticipates cost of sales as a percentage of revenues to decline during the remaining quarters of fiscal 2003, thereby resulting in higher gross margins.

General and administrative expenses totaled \$508,871 during the 3 month period ended December 31, 2002, an increase of 9% from the \$459,417 during the same period in fiscal 2002. The increase is largely attributed to a significant increase in interest costs related to the corporation's long-term debt financing as well as certain non-recurring corporate development expenses. Wages and benefits also increased as the corporation boosted its staff levels to accommodate the growth of its Idaho operations.

The corporation reported a small loss of \$20,929 during the quarter as compared to a profit of \$3,933 during the same quarter last year.

Management's outlook for profitability for the remainder of fiscal 2003 remains favorable. Audiotech repaid approximately \$125,000 in long-term debt during the first quarter, thereby reducing future interest costs. Furthermore, substantial reductions in corporate development costs are anticipated during the remaining 3 quarters of the fiscal year.

It should be noted that as outlined in its fiscal 2002 year end Management Discussion & Analysis Report, that Audiotech has adopted 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, goodwill is only expensed in the event of an impairment in value rather than on the basis of a subjective percentage per accounting period. Goodwill was previously amortized on a straight-line basis over 40 years. No impairments in value of the goodwill assets were recorded during the current quarter.

Liquidity and Financial Resources

As at September 30, 2002, Audiotech had a cash balance of \$494,856, including term deposits in the amount of \$140,000, compared to \$613,817 as at the beginning of fiscal 2003.

As noted above, the corporation repaid approximately \$125,000 in long-term debt during the quarter. The debt repayment was financed through a corresponding reduction of the company's term deposits.

Approximately \$183,000 of Audiotech's current 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 10%. Management's objective for fiscal 2003 is to substantially reduce, or if market conditions are amenable, to eliminate the company's long-term debt remains. This will have a positive impact on profitability by reducing interest costs.

No material capital purchases were made during the quarter.

Future Outlook

Management continues to examine acquisitions and 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.

With the expected reductions to several key expense categories during the remainder of fiscal 2003, management is confident that Audiotech will have a profitable fiscal year.