

AUDIOTECH HEALTHCARE CORPORATION
SCHEDULE A: CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2002

CONSOLIDATED BALANCE SHEET
CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
NOTES TO CONSOLIDATED STATEMENTS

AUDIOTECH HEALTHCARE CORPORATION
CONSOLIDATED BALANCE SHEET
June 30, 2002
(Unaudited – prepared by Management)

	June 30 2002	Sep. 30 2001
ASSETS		
CURRENT ASSETS:		
Cash	\$ 663,875	\$ 303,102
Accounts receivable	203,188	210,601
Inventory	48,127	61,599
Prepaid expenses	4,865	6,516
Income taxes refundable	-	2,775
	920,055	584,593
 CAPITAL ASSETS	 360,514	 382,120
 GOODWILL	 948,810	 968,900
	\$2,229,379	\$1,935,613
 LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and accruals	\$ 210,465	\$ 438,281
Customer deposits	23,767	54,125
Income taxes	-	-
Current portion of long-term debt	243,469	138,717
	477,701	631,123
LONG-TERM DEBT	1,061,022	628,167
TOTAL LIABILITIES	1,538,723	1,259,290
 SHAREHOLDERS EQUITY		
SHARE CAPITAL	1,635,840	1,626,840
DEFICIT	(947,638)	(958,920)
FOREIGN EXCHANGE ADJUSTMENT	2,454	8,403
	690,656	676,323
	\$2,229,379	\$1,935,613

APPROVED BY THE DIRECTORS:

"Osvaldo (Ozzie) Iadarola" Director

Daniel P. Allen" Director

AUDIOTECH HEALTHCARE CORPORATION
CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
Period Ended June 30, 2002
(Unaudited – prepared by Management)

	June 30 2002 9 months	June 30 2001 9 months
SALES		
Canada	\$1,454,396	\$1,430,549
United States	825,046	668,792
	2,279,442	2,099,341
COST OF SALES		
Cost of products	821,144	837,127
	1,458,298	1,262,214
GROSS PROFIT		
EXPENSES		
Advertising and promotion	44,799	62,126
Amortization	85,017	84,867
Bad debts	-	75
Corporate development	39,652	91,187
Equipment lease	9,144	10,551
Insurance	14,459	14,352
Interest and bank charges	14,973	15,968
Interest and long-term debt	50,199	25,392
Licences, dues and fees	9,103	10,714
Management salaries	60,218	60,218
Office and sundry	60,814	53,157
Professional filing fees	55,405	58,091
Rent and utilities	181,258	181,412
Repairs and maintenance	10,956	14,657
Telephone and fax	42,294	41,835
Travel	42,613	40,679
Wages and benefits	726,112	793,364
	1,447,016	1,558,645
INCOME (LOSS) FOR THE PERIOD	11,282	(296,431)
DEFICIT, beginning of period	(958,920)	(383,652)
DEFICIT, end of period	\$(947,638)	\$(680,083)
Income (loss), per share, basic	\$0.0008	\$(0.0167)
Income (loss) per share, fully diluted	\$0.0008	\$(0.0147)

AUDIOTECH HEALTHCARE CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Period ended June 30, 2002
(Unaudited – prepared by Management)

	June 30 2002 9 months	June 30 2001 9 months
OPERATING ACTIVITIES:		
Income (loss) for the period	11,282	(296,428)
Non-cash items:		
Amortization	85,017	84,867
	<u>96,299</u>	<u>(211,561)</u>
(Increase) decrease in:		
Accounts receivable	7,413	(109,640)
Inventory	13,472	9,331
Prepaid expenses	1,651	5,883
Increase (decrease) in:		
Accounts payable and accruals	(227,816)	17,388
Customer deposits	(30,358)	(10,834)
Income taxes	2,775	923
Cash provided by (used in) operations	<u>(136,564)</u>	<u>(298,510)</u>
FINANCING ACTIVITIES:		
New borrowing/assumption of debt	862,586	324,275
Debt reduction	(324,979)	(380,079)
Issue of share capital	9,000	362,275
Cash proved by financing	<u>546,607</u>	<u>306,471</u>
INVESTING ACTIVITIES:		
Goodwill	-	(93,000)
Purchase of capital assets	(43,321)	(153,094)
Purchase of long-term investments	-	76,000
Acquisitions	-	(27,889)
Cash used in investing	<u>(43,321)</u>	<u>(197,983)</u>
INCREASE (DECREASE) IN CASH	366,722	(197,983)
EFFECT OF FOREIGN EXCHANGE ADJUSTMENT	(5,949)	(741)
CASH, beginning of period	303,102	488,389
CASH, end of period	<u>663,875</u>	<u>297,626</u>

AUDIOTECH HEALTHCARE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2002
(Unaudited – prepared by Management)

NOTE 1. NATURE OF BUSINESS:

Corporately, our mission is to provide to our clients, shareholders and staff the benefits of our best direction in technology, training and financial administration to our hearing health care clinics so that our professionals can better care for the Hearing Needs of Tomorrow... Today.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant for the Company.

Inventory:

Inventory is valued at the lower of cost (determined on a specific-item basis) and net realizable value.

Principles of Consolidation:

The consolidated financial statements include the accounts of Audiotech Healthcare Corporation and its subsidiaries:

- Canadian Hearing Care (BC) Inc.
- Canadian Hearing Care (Alberta) Inc.
- Audiology & Hearing Aid Services, Inc.
- Hearing Depot Inc.

Foreign Currency:

The Company's foreign operations are of a self-sustaining nature. Assets and liabilities of foreign operations are translated at the exchange rates in effect at the balance sheet date and revenues and expenses are translated at average exchange rates for the period. Related foreign currency translation adjustments are recorded as a separate component of shareholder's equity until there is a disposition of the Company's investment in the foreign operations. The exchange rate between the Canadian dollar and the US dollar at June 30, 2002 was 1.5162 and averaged 1.5310 for the period October 1, 2001 to June 30, 2002.

Capital Assets and Amortization:

Capital assets are recorded at cost. Amortization is based on the estimated useful life of the assets and is recorded using the following annual rates (1/2 in year of acquisition):

Equipment	20%	declining balance
Automotive equipment	30%	declining balance
Computer equipment	30%	declining balance
Leasehold improvements	20%	straight-line basis

Goodwill and Amortization:

Goodwill is recorded at cost and is amortized using the straight-line basis over 40 years.

Income (loss) Per Share:

Income (loss) per share is calculated using the weighted average number of shares outstanding during the period, which are 13,329,825 (2001 13,012,325).

AUDIOTECH HEALTHCARE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2002
(Unaudited – prepared by Management)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued):

Use of Estimates:

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affects the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses disclosed during reporting periods. The actual amounts could differ from those estimates.

Cost of Goods Sold:

Cost of Goods Sold includes only the cost of the products. All wage costs are listed under "Wages and benefits".

NOTE 3. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash, accounts receivable, and accounts payable and long-term debt. Unless otherwise notes, it is management's opinion that the company is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

NOTE 4. CAPITAL ASSETS:

	Cost	Accumulated Amortization	June 2002 Net	Sep. 2001 Net
Equipment	\$ 719,464	\$ 400,704	\$ 336,743	\$ 318,797
Automotive equipment	-	-	-	517
Computer equipment	60,700	46,083	14,617	14,162
Leasehold Improvements	73,280	28,160	45,120	48,644
	<u>\$ 853,444</u>	<u>\$ 453,316</u>	<u>\$ 360,514</u>	<u>\$ 382,120</u>

NOTE 5. GOODWILL:

	Cost	Accumulated Amortization	June 2002 Net	Sep. 2001 Net
Goodwill	<u>\$1,045,001</u>	<u>\$96,191</u>	<u>\$948,810</u>	<u>\$968,900</u>

AUDIOTECH HEALTHCARE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2002
(Unaudited – prepared by Management)

NOTE 6. LONG-TERM DEBT:

	June 2002	Sept. 2001
Martin and Elsie Jackson, loan repayable in monthly instalments of \$425 including interest at 10% per annum, secured by personal guarantee of the President, due April 1, 2003.	\$ 46,818	\$ 47,265
Martin and Elsie Jackson, loan repayable in monthly instalments of \$540 including interest at 10%, secured by personal guarantee of the President, due February 15, 2003.	60,317	60,827
611210 BC Ltd., loan repayable in monthly instalments of \$792 including interest at 10% per annum, unsecured, due November 2003.	57,091	-
611211 BC Ltd., loan repayable in monthly instalments of \$445 including interest at 10% per annum, unsecured, due November 2003.	42,027	-
Hurricane Ventures Ltd., loan repayable in monthly instalments of \$525 including interest at 10% per annum, unsecured, due August 1, 2003.	48,789	49,833
Pat and Marion Griffin, loan repayable in monthly instalments of \$790 including interest at 10% per annum, unsecured, due August 1, 2003.	74,808	-
Ampton Court Mortgage, loan repayable in monthly instalments of \$560 including interest at 10% per annum, unsecured, due January 1, 2003.	50,000	-
Non-interest bearing equipment loans from a supplier. The loans require thirteen instalments per annum of \$3,935.	211,209	247,648
Advance from a Director, non-interest bearing	15,000	-
Convertible debentures, bearing interest at 10% per annum, paid monthly and convertible at any time until maturity on March 15, 2004. Each convertible debenture is convertible into common shares of the Company at a conversion price of \$0.25 per common share.	179,230	-
Convertible debentures, bearing interest at 10% per annum, Paid monthly and convertible at any time until maturity on June 15, 2003. Each convertible debenture is convertible into common shares of the Company at a conversion price of \$0.25 per common share during the first year and \$0.35 per common Share during the second year.	56,000	56,000

AUDIOTECH HEALTHCARE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2002
(Unaudited – prepared by Management)

NOTE 6. LONG-TERM DEBT (continued):

	June 2002	Sept. 2001
Convertible debentures, bearing interest at 10% per annum, paid monthly and convertible at any time until maturity on May 31, 204. Each convertible debenture is convertible into common shares of the Company at a conversion price Of \$0.30 per common share.	415,000	-
Convertible debentures, repaid during the period	-	70,000
611210 BC Ltd., loan, repaid during the period	-	3,700
611211 BC Ltd., loan, repaid during the period	-	3,700
611210 BC Ltd., loan, repaid during the period	-	18,407
611210 BC Ltd., loan, repaid during the period	-	17,015
611210 BC Ltd., loan, repaid during the period	-	24,612
611211 BC Ltd., loan, repaid during the period	-	18,407
611211 BC Ltd., loan, repaid during the period	-	24,612
	1304,49,1	766,834
Less current portion	243,469	138,717
	\$ 1,061,022	\$ 628,117

Principal repayments due in the ensuing 5 years as of
The year-end is as follows:

2002	\$243,469
2003	168,349
2004	63,486
2005	64,739
2006	46,443

NOTE 7. COMMITMENTS:

The Company occupies leased premises in various centres. At September 30, 2001, the future minimum lease payments, under the operating leases are as follows:

		No. Of Premises
2002	\$ 148,896	9
2003	113,277	7
2004	56,285	3
2005	30,420	2
2006	18,714	1
	\$367,592	

It is anticipated that ongoing leases will be negotiated at rates similar to current agreements.

AUDIOTECH HEALTHCARE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2002
(Unaudited – prepared by Management)

NOTE 8. 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	\$ June 30, 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
	<u>30,000</u>	<u>9,000</u>	<u>967,500</u>	<u>394,025</u>
Balance, end of period	<u>13,329,825</u>	<u>\$ 1,635,840</u>	<u>13,299,825</u>	<u>\$ 1,626,840</u>

The Company has the following options outstanding:

	Expiry	Exercise Price	Number
Employees	03 Mar. 2003	\$ 0.20	290,000
Investor Relations	01 May 2003	\$ 0.30	60,000
Investor Relations	01 May 2003	\$ 0.35	60,000
Investor Relations	01 May 2003	\$ 0.40	60,000
Investor Relations	01 May 2003	\$ 0.45	60,000
Director	15 July 2003	\$ 0.27	200,000
Employees	20 Sep. 2004	\$ 0.45	105,000
Directors	24 Feb. 2005	\$ 0.22	225,000
Employee	02 Feb. 2006	\$ 0.50	50,000
Employee	07 Jun. 2007	\$ 0.28	200,000
			<u>1,310,000</u>

The Company has the following warrants outstanding:

22 Nov. 2002	<u>610,000</u>	(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.

AUDIOTECH HEALTHCARE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2002
(Unaudited – prepared by Management)

NOTE 9. INCOME TAXES

The Provision for income taxes is comprised as follows:

	Sep. 2001
Loss before income taxes	\$ (575,326)
Income taxes at statutory Canadian rate of 44.87% (2000 45.52%)	\$ (258,149)
Income tax effect relating to the following items:	
Non-deductible goodwill	3,060
Tax rate variance re foreign subsidiary	(6,312)
Unrealized future income tax benefit	253,420
Non-deductible items	2,192
Other items	5,731
	\$ (58)

NOTE 10. RELATED PARTY TRANSACTIONS:

During the period the Company paid, under normal terms of trade, \$60,218 (June 30, 2001 \$60,218) in management salaries to a director of the Company and \$63,934 (June 30, 2001 \$60,218) in administrative salaries to a director of the Company.

NOTE 11. SEGMENTED INFORMATION:

Operations and identifiable assets by geographic segment are as follows:

	June 2002	June 2001
Revenue:		
Canada	\$1,454,396	\$1,430,549
United States	825,046	668,792
	\$2,279,442	\$2,099,341
Amortization		
Canada	\$ 6,886	\$ 8,353
United States	6,508	3,157
	\$ 13,394	\$ 1,510
Earnings before income taxes		
Canada	\$ (106,383)	\$ (396,140)
United States	117,664	99,709
	\$ 11,281	\$ (296,431)
Total assets:		
Canada	\$2,018,491	\$ 1,867,433
United States	210,888	171,273
	\$2,229,379	\$2,038,706