

SCHEDULES B and C

ISSUER DETAILS

NAME OF ISSUER AUDIOTECH HEALTHCARE CORPORATION		FOR QUARTER ENDED JUNE 30, 2002	DATE OF REPORT Y M D 0 2 0 8 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 2 0 8 2 7
DIRECTOR'S SIGNATURE "Grant Robertson"	PRINT FULL NAME Grant Robertson	DATE SIGNED Y M D 0 2 0 8 2 7

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

SCHEDULE A: FINANCIAL INFORMATION

See attached consolidated financial statements for the Quarter end period ended June 30, 2002.

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. See attached consolidated financial statements for the Quarter end period ended June 30, 2002.
2. 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.

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	\$ 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>

SCHEDULE B: SUPPLEMENTARY INFORMATION Continued

The Company has the following warrants outstanding:
 22 Nov. 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 June 30, 2002 financial statements attached as Schedule A.
- b) See Note 8 to the June 30, 2002 financial statements attached as Schedule A.
- c) See Note 8 to the June 30, 2002 financial statements attached as Schedule A
- d) Escrow

DATE		Per share	Escrow Sep 28/01
03/31/98	O. Iadarola - performance	0.20	212,500
03/31/98	D. Iadarola - performance	0.20	212,500
			<u>425,000</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 9 months ended June 30, 2002, should be read in conjunction with the company's consolidated financial statements for the period.

Description of Business

Audiotech is one of North America's fastest growing hearing healthcare providers. Since obtaining its public listing in April 1998, Audiotech has expanded its clinic network, and now operates and manages a total of thirteen hearing care clinics in British Columbia, Alberta, and Idaho.

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.

The corporation reported revenues of \$2,279,442 and an operating profit of \$96,299* for the first 9 months of fiscal 2002. Revenues for the quarter ended June 30, 2002 reached a record of \$830,536, an increase of 19% over the same period a year earlier, as a result of further organic growth at existing clinics.

The company's Idaho operations contributed substantially to revenue growth, posting revenues of \$825,046 for the first 9 months of fiscal 2002, an increase of more than 23% over the results achieved during the same period in fiscal 2001. The strong internal growth of the company's Idaho operations, particularly during the third quarter, is attributed to 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. In light of this success, management is currently expanding its recruiting efforts to enhance Audiotech's service capacity in key markets in Canada. 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.

Geographic Breakdown of Revenues in Canadian Dollars (9 Months Ended June 30):

REVENUES	2002	2001	
Canada	\$ 1,454,396	\$ 1,430,549	+ 2%
U.S.	825,046	668,792	+ 23%

Total	2,279,442	2,099,341	+ 9%
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Statement of Income

	9 months ended June 30		3 months ended June 30	
	2002	2001	2002	2001
Revenues	\$ 2,279,442	\$ 2,099,341	\$ 830,536	\$ 700,856
Gross Profit	1,458,298	1,262,214	521,582	459,332
Operating Earnings*	96,299	(211,561)	34,794	(25,682)
Net Income	11,281	(296,431)	1,736	30,302
EPS	0.001	(0.017)	0.001	(0.003)

* cash flow from operations (earnings before amortization)

As a result of improved efficiencies, cost of sales as a percentage of revenues declined significantly, resulting in a considerable increase in gross margins to 64.0% from only 60.1% during the same period last year, and only 58.5% during the same period in fiscal 2000.

Management was successful in sustaining the cost reduction program originally initiated in late fiscal 2001. General and administrative expenses totaled \$1,361,999 during the 9 month period ended June 30, 2002, a decrease of 8% from the \$1,473,778 during the same period in fiscal 2001 despite significantly higher interest costs related to its long-term debenture financing. Major cost reductions were achieved in a number of categories including corporate development (includes start-up costs associated with e-commerce operations in fiscal 2001) and wages. These cost reductions were accomplished without affecting service levels at our clinics.

As a result of the revenue growth to date in fiscal 2002, significantly improved operating margins, and reduced general and administrative expenses, Audiotech reported a net profit of \$11,281 or \$0.001 per share for the 9 months ended June 30, 2002, compared to a loss of \$296,431 or \$0.017 per share during the first 9 months of fiscal 2001, an improvement of \$307,712. Audiotech achieved positive operating cash flow from operations (earnings before amortization) of \$96,299 for the 9 months ended June 30, 2002. Management is confident that the trend towards increasing profitability will continue.

The company is currently reviewing recent changes in Canadian Generally Accepted Accounting Policies (GAAP) in respect of the expensing of goodwill amortization. In particular, the company's audit committee is considering the early adoption of a new accounting policy whereby goodwill is only expensed in the event of an impairment in value rather than on the basis of a subjective percentage per accounting period. In the event that the company chooses to adopt this new disclosure policy for fiscal 2002, the company's reported net earnings for the first nine months of fiscal 2002 would rise significantly. In accordance with GAAP, it is anticipated that this new accounting policy will be adopted for fiscal 2003.

Liquidity and Financial Resources

No acquisitions were undertaken during the third quarter of fiscal 2002, however, management continues to advance negotiations with a number of parties in accordance with its acquisition / consolidation strategy. During the quarter, the company continued to bolster its working capital in preparation for additional acquisitions.

As at June 30, 2002, Audiotech had a cash balance of \$663,875 compared to \$324,691 as at March 31, 2002, with which to pursue acquisitions and to fund further growth initiatives. During the first 9 months of fiscal 2002, the corporation raised a total of \$862,586 in new borrowings and repaid a total of \$324,979 in existing debt, resulting in a net increase in debt financing of \$537,607 of which \$371,467 was raised during the third quarter. An additional \$9,000 was raised through the issuance of common shares upon the exercise of stock options. Capital purchases of clinical equipment totaling \$43,321 were made during the 9 month period ended June 30, 2002. Approximately \$190,000 of Audiotech's long-term debt is comprised of interest-free loans from a major North American hearing aid supplier. These loans are reduced over time by the application of the company's bulk purchasing discounts towards the principal balance.

As a result of the positive operating cash flow to date in fiscal 2002, and new financing obtained since the beginning of the fiscal year, the company's working capital position at the end of the third quarter improved significantly as compared to the end of fiscal 2001 (September 30, 2001). Working capital stood at \$442,354 at the end of the reporting period, a further improvement over the end of the previous quarter, and up from a deficit of \$45,628 nine months earlier. While management is comfortable that Audiotech's current working capital position is sufficient to carry out its business plan, the corporation may undertake additional equity or debt financing or refinancing of certain shorter-term debt during the fourth quarter of fiscal 2002 to further bolster working capital in preparation for additional acquisitions.

Future Outlook

Management is optimistic about the corporation's outlook for growth during the remainder of fiscal 2002 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. Our cost reduction initiatives have clearly been successful as demonstrated by the major turnaround in the corporation's operating cash flow and the achievement of a profit for the first 9 months of fiscal 2002. As expected, suitable new acquisition opportunities in the healthcare sector are again becoming more plentiful. Audiotech has emerged from the difficult markets of 2000/2001 in a healthy position to move forth with its acquisition / consolidation business strategy. Management looks forward to announcing its progress in this regard as significant milestones are achieved.