

SCHEDULES B and C

ISSUER DETAILS

| | | | | |
|--|----------------|--|--|------------------------------------|
| NAME OF ISSUER AUDIOTECH HEALTHCARE CORPORATION | | FOR QUARTER ENDED DECEMBER 31, 2003 | DATE OF REPORT Y M D 0 4 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 4 0 2 2 6 |
| DIRECTOR'S SIGNATURE "Grant Robertson" | PRINT FULL NAME Grant Robertson | DATE SIGNED Y M D 0 4 0 2 2 6 |

AUDIOTECH HEALTHCARE CORPORATION
ANNUAL REPORT - FORM 51-901F
DECEMBER 31, 2003

SCHEDULE A: FINANCIAL INFORMATION

See attached consolidated financial statements for the quarter end period ended December 31, 2003.

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. See attached consolidated financial statements for quarter end period ended December 31, 2003.
2. See note 10, attached consolidated financial statements for quarter end period ended December 31, 2003.
3. See note 10, attached consolidated financial statements for quarter end period ended December 31, 2003..
4. a) See Note 7 to the December 31, 2003 financial statements attached as Schedule A.
b) See Note 7 to the December 31, 2003 financial statements attached as Schedule A
c) See Note 7 to the December 31, 2003 financial statements attached as Schedule A
d) Escrow

| Date: | | Per Share | Escrow Sept. 30/03 |
|-----------|---------------------------|-----------|-----------------------|
| 31-Mar-98 | O. Iadarola - performance | \$ 0.20 | 212,500 |
| 31-Mar-98 | O. Iadarola - performance | \$ 0.20 | <u>212,500</u> |
| | | | <u>425,000</u> |

5. List of directors and officers:
Osvaldo Iadarola - President, CEO/Director
Daniel Allen - Vice President, COM/Director
Darryl Walker - 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 month period ended December 31, 2003, should be read in conjunction with the company's consolidated financial statements for the period.

Description of Business

Audiotech owns and operates a network of hearing healthcare clinics located in Western Canada and the Pacific- Northwest United States. Since becoming a public company in 1997, the company has grown through acquisitions and the successful start-up of full-fledged and satellite clinics.

Results of Operations

Revenues for the first quarter of fiscal 2004 were \$777,069, roughly on par with the \$790,947 reported during the same period a year earlier.

Revenues from Audiotech's Canadian operations increased from \$422,369 during the 3 months ended December 31, 2002, to \$442,832 during the first quarter of fiscal 2004. This represents an internal growth rate of 5%.

As anticipated, revenues reported by the company's U.S. operations were negatively impacted by the severe depreciation in the U.S. dollar during 2003. U.S. revenues for the quarter were \$334,237, compared to \$368,578 during the same quarter of fiscal 2003. Management estimates that the slide in the value of the U.S. dollar (versus the Canadian dollar), reduced reported revenues from the company's U.S. clinics by about \$60,000 during the quarter. As a result, the revenues, as reported in Canadian dollars, do not adequately reflect the robust organic growth that was achieved by the U.S. clinic operations during the period.

Statement of Income

| | 3 Months ended December 31 | |
|----------------------------|----------------------------|--------------------|
| | 2003 | 2002 |
| Canadian Revenues | \$ 442,832 | \$ 422,369 |
| U.S. Revenues | 334,237 | 368,578 |
| Total Revenues | \$ 777,069 | \$ 790,947 |
| Net Earnings (Loss) | \$ 8,673 | \$ (20,929) |
| EPS - basic | 0.0007 | (0.0016) |
| EPS - fully-diluted | 0.0006 | (0.0014) |

Earnings before interest, taxes, depreciation, and amortization for the first quarter of fiscal 2004 was \$47,368 or \$0.004 per share.

Materials and freight costs (cost of sales) as a percentage of sales were comparable to the fourth quarter of fiscal 2003, but significantly higher than the long-term average. The increase over historical levels, as previously disclosed, is related to a change in the ratio of business billed through third party insurers versus directly to the consumer, and the impact of exchange rate factors on the company's U.S. operations. Management has taken steps

to improve margins and expects to see some reductions in materials and freight costs as a percentage of sales during the latter half of fiscal 2004.

Total expenses were \$417,179, a substantial decrease of 18% over the \$508,871 in expenses reported during the same quarter in fiscal 2003. Cost reductions were again achieved in virtually every expense category with the exception of insurance, professional filing fees, and travel, which saw small increases. Rent, utilities, and general overhead costs decreased as a result of both cost reduction measures employed by clinic operators and at the corporate level, and due to lower expenses reported from U.S. operations due to the strong Canadian dollar.

Interest on long-term debt decreased from \$24,139 to \$20,858 as a result of debt repayments made in fiscal 2003. Management expects that interest costs associated with long-term debt will decrease as a result of further debt reductions expected in fiscal 2004.

Audiotech is pleased to report a small profit of \$8,673 or \$0.0007 per share for the first quarter of fiscal 2004, compared to a loss of \$20,929 or \$0.0017 per share during the same period in fiscal 2003. The significant improvement is due in large part to a major turn around in the profitability of the company's Canadian clinics. Both the Canadian and U.S. operations produced positive operating cash flow during the quarter (earnings before amortization).

In accordance with the corporation's goodwill valuation policies, management has evaluated the carrying value of the goodwill of each of its operating business units as at December 31, 2003, and found that no impairments requiring amortization or write-off of goodwill exist, and accordingly, none were recorded during the current fiscal period.

Liquidity and Financial Resources

As at December 31, 2003, Audiotech had a cash balance of \$358,272, including term deposits in the amount of \$15,673, compared to \$355,548 as at the beginning of fiscal 2004.

As has been indicated previously, management's objective for fiscal 2004 is 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 going forward by reducing interest costs. \$24,201 in long-term debt was repaid during the first quarter. No additional financings were undertaken.

As at September 30, 2003, \$126,011 of Audiotech's long-term debt was comprised of interest-free loans from a major North American hearing aid supplier

Included in long-term debt as at December 31, 2003, was \$578,338 in convertible debentures maturing in March and May 2004. Canadian Generally Accepted Accounting Principals (GAAP) require that this amount be recorded entirely as current liabilities despite the fact that the company has received positive indications and commitments from a majority of the holders of the debentures that they intend to renew their debentures for an additional long-term period under similar terms. Had these amounts been included in long-term debt as opposed to the current portion thereof, the current portion of long-term debt balance would have amounted to only \$63,070. Similarly, the total current liabilities would have totaled \$430,917 instead of \$1,047,421. Accordingly, management is very confident that existing cash resources and operating cash flow will be sufficient to meet all debt repayment obligations as well as the corporation's accelerated debt retirement goals and growth plans.

Capital purchases of clinic equipment totaling \$6,816 were made during the quarter. These purchases were made in the normal course of clinic operations. No major capital purchases are planned in upcoming quarters, however, minor capital investments will be made in conjunction with the expansion of its U.S. and Canadian clinic base.

No share issuances were made during the quarter.

Future Outlook

In light of the success of the company's cost reduction program and continued growth, management continues to examine acquisitions and other transactions and initiatives to maximize shareholder value. It is management's opinion that Audiotech's share price does not reflect the underlying value of its operations. Accordingly, the board of directors is currently reviewing various alternatives to create increased awareness in the financial community of the company's assets and growth plans.

Management is optimistic that the addition of further professional staff in Canada and the planned expansion of its U.S. clinic base in fiscal 2004 will continue to fuel revenue growth. While the state of the U.S./Canadian dollar exchange rate places some constraints on revenue growth from our Idaho clinics which have been performing very well, U.S.-based capital investments including the opening of new clinic operations or the acquisition of existing clinics have become substantially more affordable. Accordingly, we anticipate the announcement of the opening of a new U.S. clinic very shortly.

In Canada, the addition of new audiological staff is expected to permit us to resume opening new clinics and expanding the patient base of existing clinics. In addition, a renewed focus on improving our product sales mix is expected to increase operating margins. An announcement with respect to the opening of a new clinic and the expansion of capacity at existing clinics is eminent.

With our cost structure vastly improved over prior years, Audiotech should see further growth in profitability in upcoming quarters.