

SCHEDULES B and C

ISSUER DETAILS

NAME OF ISSUER AUDIOTECH HEALTHCARE CORPORATION		FOR QUARTER ENDED MARCH 31, 2004	DATE OF REPORT Y M D 0 4 0 5 2 8	
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 5 2 8
DIRECTOR'S SIGNATURE "Grant Robertson"	PRINT FULL NAME Grant Robertson	DATE SIGNED Y M D 0 4 0 5 2 8

AUDIOTECH HEALTHCARE CORPORATION
ANNUAL REPORT - FORM 51-901F
MARCH 31, 2004

SCHEDULE A: FINANCIAL INFORMATION

See attached consolidated financial statements for the quarter end period ended March 31, 2004.

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. See attached consolidated financial statements for quarter end period ended March 31, 2004.
2. See note 10, attached consolidated financial statements for quarter end period ended March 31, 2004.
3. See note 7, attached consolidated financial statements for quarter end period ended March 31, 2004..
4. a) See Note 7 to the March 31, 2003 financial statements attached as Schedule A.
b) See Note 7 to the March 31, 2003 financial statements attached as Schedule A
c) See Note 7 to the March 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 discussion and analysis of Audiotech's operating results for the 6 month period ended March 31, 2004, 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 second quarter of fiscal 2004 were \$793,892, a significant increase of 12% over the \$708,726 reported during the same period a year earlier. Revenues for the 6 month period ended March 31, 2004, were \$1,570,961, an increase of 5% over the \$1,499,673 generated during the first two quarters of the prior fiscal year.

Statement of Income

	3 Months ended March 31, 2004		6 Months ended March 31, 2004	
	2004	2003	2004	2003
Canadian Revenues	\$ 506,681	\$ 393,936	\$ 949,573	\$ 816,305
U.S. Revenues	287,151	314,790	621,388	683,368
Total Revenues	\$ 793,892	\$ 708,726	\$ 1,570,961	\$ 1,499,673
Net Earnings (Loss)	37,397	(56,899)	46,070	(77,828)
EPS - basic	\$ 0.0028	\$ (0.0043)	\$ 0.0035	\$ (0.0058)
EPS – fully-diluted	\$ 0.0027	\$ (0.0040)	\$ 0.0033	\$ (0.0055)

Revenues from Audiotech's Canadian operations exhibited very robust growth, rising 29% from \$393,936 during the second quarter of 2003 to \$506,681 for the 3 months ended March 31, 2004. Revenues in Canada were bolstered by the recent expansion of clinic capacity in B.C. and improved results from existing Alberta clinics. It is important to note that the initiatives that led to the majority of this strong internal growth during the quarter, only took effect late in the quarter, and therefore, management expects that Canadian revenues will continue to grow as a result of further contributions from the newly opened Vernon clinic and improved results from the relocated southwest Calgary clinic.

As was the case during the first quarter of fiscal 2004, 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 \$287,151 compared to \$314,790 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 CDN\$40,000 to 50,000 during the quarter. As a result, the revenues, as reported in Canadian dollars, do not adequately reflect the organic growth that was achieved by the U.S. clinic operations during the period. In April 2004, exchange rates

commenced a more positive shift with the Canadian dollar losing some strength against the U.S. greenback. Accordingly, revenues from the company's U.S. operations will be positively impacted.

Earnings before interest, taxes, depreciation, and amortization for the 3 months of ended March 31, 2004 was \$77,896 or \$0.006 per share.

Gross margins were slightly higher than the long-term average despite the negative impact of exchange rate factors on the company's U.S. operations. A recently negotiated volume purchase agreement with a major hearing aid manufacturer as discussed below is expected to have further positive effects on operating margins.

Audiotech was successful in holding operating costs down to the levels achieved as a result of the fiscal 2003 cost reduction program. Total expenses were \$486,297, a modest increase over the \$458,315 in expenses reported during the same quarter in fiscal 2003. The majority of the small increase can be attributed to wages and benefits and increased travel costs, both of which were anticipated.

Audiotech is pleased to report net earnings of \$37,397 or \$0.0028 per share for the second quarter of fiscal 2004, compared to a loss of \$56,899 or \$0.0043 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 earnings during the quarter.

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 March 31, 2004, 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. A total of \$36,816 in long-term debt was repaid during the quarter. As at September 30, 2003, \$114,206 of Audiotech's long-term debt was comprised of interest-free equipment loans from a major North American hearing aid supplier.

During the second quarter, several major initiatives were undertaken with respect to the refinancing of the remaining long-term debt under more favorable terms.

On April 8, 2004, subsequent to the balance sheet date, Audiotech completed a convertible debenture financing in the amount of \$659,000. The convertible debentures bear interest at a rate of 10 per cent per annum and mature three years from the date of issue. Of the proceeds derived from the financing, \$409,029 represented the renewal of expired or expiring debentures. The remaining \$249,971 was received from existing debenture holders who increased their investment, or from new investors. The debentures are convertible, at the option of the debenture holder, at any time before the maturity date at a conversion price

of 20 cents of debt per share during the initial year, 22 cents of debt per share during the second year, and 25 cents of debt per share during the third and final year of the debenture term. Hypothetically, if all debenture holders elected to convert all of their debt into shares during the initial year of the debenture term, the company's issued and outstanding share capital would thereby be increased by 3,295,000 shares.

In total, approximately \$581,000 of the proceeds of the debenture financing were immediately used to discharge all of Audiotech's obligations under matured or maturing convertible debenture debt (including the \$409,029 in renewals from holders of the maturing debentures and about \$24,803 that had been repaid prior to March 31, 2004). The balance will be used to enhance general corporate working capital and to finance possible future acquisitions and other growth initiatives.

Given that \$409,029 of the convertible debentures as indicated on the financial statements as at March 31, 2004 was re-financed with the same debenture holders under identical terms subsequent to the balance sheet date, and the maturity of the re-financed debentures extends beyond 12 months, \$409,029 of the convertible debenture obligations as at March 31, 2004, have not been included under the "current portion of long-term debt." It is important to note that all of the remaining debentures were paid out subsequent to the balance sheet date and replaced by long-term (3 year) debentures and therefore, working capital has been further enhanced.

While Audiotech remains committed to further reducing long-term debt during the remainder of fiscal 2004 and beyond, the transactions recently completed by the company have greatly improved its working capital position. The company completed the quarter in a positive working capital position. 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.

Also subsequent to the balance sheet date, Audiotech entered into a multifaceted agreement with a major hearing aid manufacturer. Under the agreement, the hearing aid manufacturer provided Audiotech with an initial advance from a term credit facility in the amount of \$250,000. The loan bears interest at 5.5% per annum. \$100,000 of the proceeds have been applied to the reduction of outstanding promissory notes (a further \$58,000 in promissory notes were repaid subsequent to the balance sheet date from general working capital). These promissory notes bore interest at 10%, therefore, future interest costs have been reduced substantially. The remainder of the proceeds will be used for marketing and for expansion either through new clinic openings or acquisitions. The agreement also includes provisions for volume purchase discounts which management believes will result in further enhancements to operating margins. Further, the manufacturer has agreed to contribute a portion of its sales revenue under the volume purchasing agreement to a co-operative marketing fund. The intent of this fund is to assist Audiotech in expanding its market share, and consequently, to expand sales of the manufacturer's hearing aids in Western Canada. It is management's opinion that the marketing fund will enable the company to expand its marketing efforts and sales without a commensurate increase in costs. It is anticipated that initial contributions as a result of the volume purchasing program and co-operative marketing fund will be realized during the second half of fiscal 2004.

"This agreement marks the beginning of a new win-win relationship for Audiotech and one of our key suppliers. We expect a material contribution to our bottom line as a result of this agreement, while at the same time, our supplier will benefit by capturing a larger proportion

of the market share in Western Canada,” commented Osvaldo (Ozzie) Iadarola, Audiotech President & CEO.

Capital purchases of clinic equipment totaling \$23,974 were made during the quarter to facilitate the opening of the new clinics in Blackfoot, Idaho, and Vernon, B.C. Minor future capital investments will be made in conjunction with the expansion of its U.S. and Canadian clinic base as was done in the most recent quarter.

No share issuances were made during the quarter.

Future Outlook

Management is optimistic that the recent addition of further professional staff in Canada, the opening of the Vernon and Blackfoot clinics in March 2004, and the relocation of the southwest Calgary clinic in April 2004, will continue to fuel revenue growth in upcoming quarters. Audiotech intends to continue to grow its clinic base in both Canada and the U.S. through both acquisitions and start-ups, and the expansion of its existing clinics as opportunities arise.

With our cost structure vastly improved over prior years, the positive shift in exchange rates, a new volume purchasing agreement with a major hearing aid manufacturer, and further organic revenue growth forecasted, management expects further gains in profitability in upcoming quarters.