

SCHEDULES B and C

ISSUER DETAILS

NAME OF ISSUER AUDIOTECH HEALTHCARE CORPORATION		FOR QUARTER ENDED JUNE 30, 2003	DATE OF REPORT Y M D 0 3 0 8 2 9	
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 8 2 9
DIRECTOR'S SIGNATURE "Grant Robertson"	PRINT FULL NAME Grant Robertson	DATE SIGNED Y M D 0 3 0 8 2 9

AUDIOTECH HEALTHCARE CORPORATION
ANNUAL REPORT - FORM 51-901F
JUNE 30, 2003

SCHEDULE A: FINANCIAL INFORMATION

See attached consolidated financial statements for the Quarter End period ended June 30, 2003

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. See attached consolidated financial statements for Quarter End period ended June 30, 2003.
2. During the period, the Company paid, under normal terms of trade, \$60,218 (June 30, 2002 \$60,218) in management salaries to a director of the Company and \$67,912 (June 30, 2002 \$63,934) 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 2003	Number of Shares	\$ Sep. 2002
Balance, beginning of period	13,329,825	\$ 1,635,840	13,299,825	\$ 1,626,840
Issued during the year:				
Issued on Private	-	-	-	-
Placement for cash				
Issued on options	-	-	30,300	9,000
	-	-	30,300	9,000
Balance, end of period	13,329,825	\$ 1,635,840	13,329,825	\$ 1,635,840

The Company has the following options outstanding:

	Expiry	Exercise Price	Number
Director	15 July 2003	\$ 0.27	200,000
Employees	20 Sep. 2004	\$ 0.45	70,000
Directors	24 Feb. 2005	\$ 0.22	225,000
Employee	02 Feb. 2006	\$ 0.50	50,000
Employee	09 Jun. 2007	\$ 0.28	200,000
			<u>745,000</u>

The Company has no warrants outstanding:

SCHEDULE B: SUPPLEMENTARY INFORMATION Continued

- 4. a) See Note 8 to the June 30, 2003 financial statements attached as Schedule A.
- b) See Note 8 to the June 30, 2003 financial statements attached as Schedule A
- c) See Note 8 to the June 30, 2003 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:
 - 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 9 months ended June 30, 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, and now operates a total of 14 clinics.

Results of Operations

Audiotech achieved revenues of \$2,319,323 for the 9 month period ended June 30, 2003, up slightly from the \$2,279,442 reported during the same period in fiscal 2002 despite the negative impact of the stronger Canadian dollar which reduces revenues (reported in Canadian dollars) from the company's U.S. operations. Revenues for the third quarter of fiscal 2003 were \$819,650, roughly on par with sales during the comparable period a year earlier (see comparison chart below).

Revenues from the company's U.S. operations continued their aggressive growth pace during the third quarter of fiscal 2003, setting an all-time quarterly record of \$383,466 (third quarter of fiscal 2002: \$327,321). Management anticipates this robust growth to continue and likely accelerate as a result of the projected opening of a new clinic in Idaho in fiscal 2004. Audiotech has been successful in bolstering its clinic staff in the U.S. to facilitate the anticipated rise in patient volume.

During the third quarter, Audiotech's revenue growth in Canada continued to be stagnated by the need for additional audiology staff. There is presently an industry-wide shortage of hearing care professionals, particularly newly trained audiologists emerging from universities. Management is pleased to report that it is presently negotiating with several audiologists and other hearing care professionals who have expressed an interest in joining the company's Canadian operations. It is anticipated that additions to our professional staff will enable us to resume our growth trend in Canada. Management is also pleased to report that, as anticipated, the performance of Audiotech's Alberta operations improved significantly during the third quarter as a result of new marketing initiatives and a further emphasis on cost control.

Statement of Income

	3 Months ended June 30		9 Months Ended June 30	
	2003	2002	2003	2002
Canadian Revenues	\$ 436,184	\$ 503,215	\$ 1,252,489	\$ 1,454,396
U.S. Revenues	383,466	327,321	1,066,834	825,046
Total Revenues	\$ 819,650	\$ 830,536	\$ 2,319,323	\$ 2,279,442
Gross Profit	506,728	521,582	1,396,086	1,458,298
Net Earnings	87,207	1,737	9,379	11,282
EPS - basic	0.0065	0.0001	0.0007	0.0008

Gross margins during the 3 month period ended June 30, 2003, were 61.8%, a substantial increase over the 56.6% recorded during the prior quarter, and only slightly lower than the 62.8% posted during the third quarter of fiscal 2002. The return of gross margins to historical levels was a result of an improved product mix and more favorable pricing structures recently negotiated with certain hearing aid suppliers. Management expects gross margins to remain strong in upcoming quarters.

General and administrative expenses continue to decline, totaling only \$419,845 during the quarter ended June 30, 2003, a decrease of almost 20% over the same quarter in fiscal 2002. Expenses have declined every quarter since management initiated its aggressive cost reduction program during the latter half of fiscal 2002, despite a significant increase in interest costs related to the corporation's long-term debt financing. Cost reductions have been achieved in virtually every major cost category. Management anticipates that general and administrative expenses will stabilize or decline further on a percentage of revenue basis.

Audiotech achieved net earnings of \$87,207 or \$0.0065 per share for the quarter ended June 30, 2003, up from a profit of \$1,737 during the same quarter a year earlier. The earnings during the quarter were sufficient to more than offset the small loss during the prior two quarters, resulting in a profit for the first three quarters of fiscal 2003. Earnings before interest, taxes, depreciation, and amortization for the quarter was a record \$126,635, an increase of 139%.

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 June 30, 2003, Audiotech had a cash balance of \$409,979, including term deposits in the amount of \$40,000, compared to \$613,817 as at the beginning of fiscal 2003.

During the third quarter of fiscal 2003, Audiotech continued to retire its long-term debt. A total of \$47,838 in long-term debt was repaid during the quarter, net of new borrowings. The \$118,881 in new borrowings was used to refinance existing debt on a long-term basis. A total of \$249,470 in debt has been retired during the first three quarters of fiscal 2003. The debt repayments have been financed through a reduction in the company's term deposits and from operating cash flow / earnings.

Management's objective for fiscal 2003 and 2004 remains 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. \$156,393 of Audiotech's present 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 interest rate of 10% per annum. Subsequent to the balance sheet date (June 30, 2003), two expiring loans totaling \$117,603 were refinanced on a long-term basis. Included in the current portion of long-term debt as at June 30, 2003, was \$583,914 in convertible debentures maturing in March and May 2004. Management has already received positive indications from a majority of the holders of debentures that they will be renewing their debentures for an additional period under similar terms. 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 \$20,809 were made during the latest 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. clinic base.

No share issuances have been made to date during fiscal 2003.

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 recent financial performance 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. Accordingly, management is confident that Audiotech's earnings and operating cash flow will remain strong in upcoming quarters.