

SCHEDULES B and C

ISSUER DETAILS

NAME OF ISSUER AUDIOTECH HEALTHCARE CORPORATION		FOR QUARTER ENDED JUNE 30, 2004	DATE OF REPORT Y M D 0 4 0 8 3 0	
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 8 3 0
DIRECTOR'S SIGNATURE "Grant Robertson"	PRINT FULL NAME Grant Robertson	DATE SIGNED Y M D 0 4 0 8 3 0

AUDIOTECH HEALTHCARE CORPORATION
ANNUAL REPORT - FORM 51-901F
JUNE 30, 2004

SCHEDULE A: FINANCIAL INFORMATION

See attached consolidated financial statements for the quarter end period ended June 30, 2004.

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. See attached consolidated financial statements for quarter end period ended June 30, 2004.
2. See note 10, attached consolidated financial statements for quarter end period ended June 30, 2004.
3. See note 7, attached consolidated financial statements for quarter end period ended June 30, 2004..
4. a) See Note 7 to the June 30, 2003 financial statements attached as Schedule A.
b) See Note 7 to the June 30, 2003 financial statements attached as Schedule A
c) See Note 7 to the June 30, 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 9 month period ended June 30, 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

Audiotech achieved record revenues of \$965,954 for the third quarter of fiscal 2004 (3 months ended June 30, 2004), an increase of 18% of the revenues posted during the corresponding quarter in fiscal 2003, and 22% over the revenues generated during the second quarter ended March 31, 2004.

The increase in revenues can be attributed to strong growth at the company's Canadian clinic operations as a result of recent marketing efforts, the hiring of additional audiology staff, and the opening of the new clinic in Vernon, B.C. Revenues at Audiotech's Canadian operations surged more than 44% to \$629,278 during the third quarter, up from \$436,184 posted during the same quarter a year earlier. Canadian revenues also compare favorably with the second quarter of the current fiscal year, showing an increase of more than 24%.

Revenues from the company's U.S. operations remained strong, but as has been the case for all of fiscal 2004, were negatively impacted by the severe depreciation of the U.S. dollar over the past 12-15 months. As measured in U.S. dollars, the U.S. clinic operations continued to post significant organic growth, however, after conversion to Canadian dollars for consolidated financial reporting, revenues showed a small decrease of 12% over the same quarter a year earlier. On a more positive note, revenues from the U.S. clinics for the third quarter of fiscal 2004 of \$336,676 increased 17% over the quarter ended March 31, 2004. The recently opened Blackfoot, Idaho, clinic is expected to begin contributing more significantly to U.S. clinic sales in upcoming quarters.

For the first three quarters of fiscal 2004, Audiotech generated total revenues of \$2,536,915, an increase of roughly 10% over the same period of fiscal 2003. Had the Canadian dollar not appreciated so strongly against the U.S. greenback during the past 12-15 months, a significantly higher growth rate would have been reported.

Statement of Income

	3 Months ended June 30, 2004		9 Months ended June 30, 2004	
	2004	2003	2004	2003
Canadian Revenues	\$ 629,278	\$ 436,184	\$ 1,578,851	\$ 1,252,489
U.S. Revenues	336,676	383,466	958,064	1,066,834
Total Revenues	\$ 965,954	\$ 819,650	\$ 2,536,915	\$ 2,319,323
Net Earnings (Loss)	1,309	87,207	47,379	9,379
EPS - basic	\$ 0.0001	\$ 0.0065	\$ 0.0036	\$ 0.0007
EPS – fully-diluted	\$ 0.0001	\$ 0.0062	\$ 0.0034	\$ 0.0007

Gross margins during the third quarter were on par with the long-term average at 58.5%, but below the exceptional 61.8% posted during the same quarter in fiscal 2003. The change in gross margins over the same quarter a year earlier is attributed to a different sales mix of private sales and third party sales (billed to a third party insurer).

As expected, operating costs increased to \$563,684 during the quarter as a result of additional overhead and wages associated with newly-opened clinics, and higher marketing costs. There were also several one-time costs associated with the new clinic start-ups as well as the relocation of one of the company's Calgary, Alberta, clinics. All cost increases were in line with expectations and internal forecasts. Due to the accounting treatment of the recently renewed convertible debentures, as recommended by its auditor, Audiotech has recorded a provision of \$15,250 during the third quarter representing the amortization of the debenture discount. This is a non-cash expense. This is reported as a separate line item under "other expenses" on the income statement. This accounting policy and transaction is discussed further below.

Earnings before interest, taxes, depreciation, and amortization for the 3 months of ended June 30, 2004 was \$55,105 or \$0.004 per share.

Despite the start-up costs associated with the new clinic start-ups, the negative impact of the U.S. dollar's depreciation on its U.S. clinic operations, and the recording of the debenture discount amortization during the quarter, Audiotech remained profitable during the quarter. Management expects profitability to increase as newly opened clinics begin to contribute additional revenues and as the benefits of marketing initiatives undertaken during the third quarter are realized (there is generally a 30-60 day lag between the release of new advertising, and the realization of revenues). At the end of the quarter, the company had a record level of deferred revenue (customer deposits received for hearing aids purchased but not yet delivered or fitted to the patient) for which sales revenue will be recorded during the fourth 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 June 30, 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

During the 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, 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.

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.

In accordance with Generally Accepted Accounting Principals (GAAP), convertible debentures include both a debt and equity component. The equity component of the convertible debentures is estimated using the Black-Scholes model for convertible securities/options valuation and is based on the 3-year average volatility of Audiotech's stock price, the average exercise price of the debenture conversion over their 3 year life, and a risk-free interest rate of 2.46%. As a result, \$183,000 has been recorded as other paid in capital (equity) on the balance sheet as opposed to long term debt. This amount will be amortized at a rate of \$15,250 per quarter, a provision for which is included in the current period as a non-cash expense. It is management's opinion that the use of a 3 year average volatility calculation for the determination of the equity component of the debentures, as recommended by the company's auditors, may not be the most appropriate. Accordingly, it has engaged the audit committee to review this calculation with the auditors to determine if another period might be more appropriate. Any resulting adjustments will be reported during the fourth quarter.

Also during the quarter, 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 on April 15, 2004. The loan bears interest at 5.5% per annum. \$158,000 of the proceeds have been applied to the reduction of outstanding promissory notes. 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.

As at December 31, 2003, Audiotech had a cash balance of \$571,793, including term deposits in the amount of \$15,673, compared to \$355,548 as at the beginning of fiscal 2004. As a result of the above-noted financings, Audiotech's working capital position has improved dramatically from a deficit of roughly \$380,000 as at September 31, 2003, to a surplus of \$341,000 at the end of the third quarter of fiscal 2004.

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 \$7,646 were made during the quarter. The audit committee has been engaged to review the company's accounting policies with respect to the amortization of clinic equipment which to date has been depreciated on a declining balance basis at a rate of 20% per annum. This equipment typically has a far longer life and residual value than is currently estimated by this level of depreciation. Accordingly, the audit committee will be considering a change to the amortization rate that more accurately reflect the actual rate of depreciation of this equipment. Any adjustments that are necessary will be reported during the fourth 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. Further announcements with respect to growth initiatives are expected in September 2004.

With our cost structure vastly improved over prior years, the recent 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.