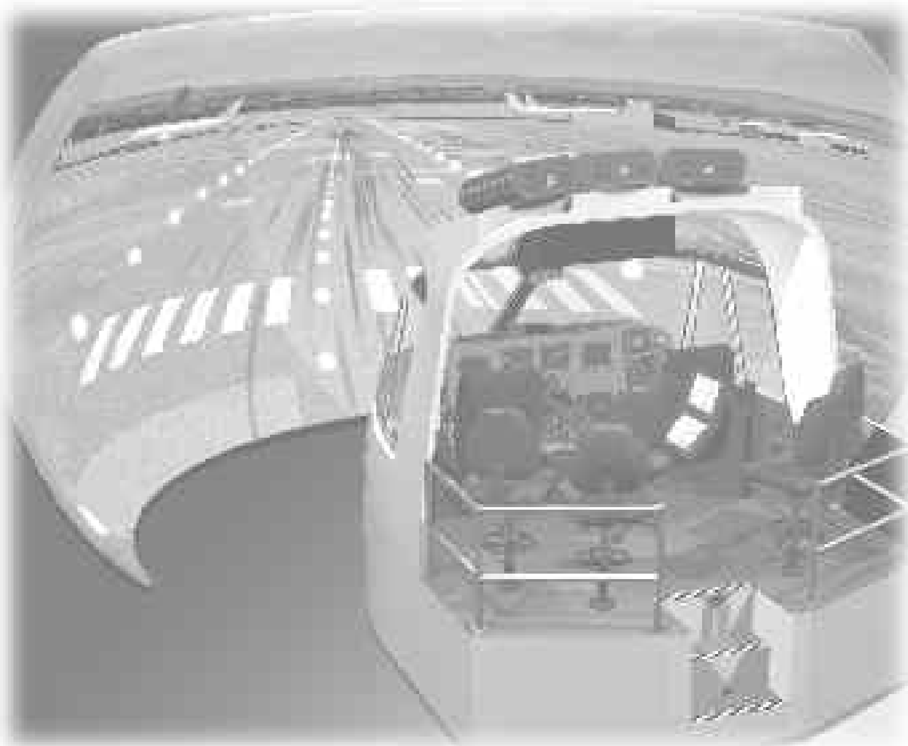
ATLANTIS



Atlantis Systems Corp.

FIRST QUARTER REPORT
31 MARCH 2003

The cover shows an EH101 cockpit procedures trainer currently being built for Westland Helicopters Limited of the United Kingdom. This trainer, for use at the Westland Training Centre in Yeovil, Somerset, is the subject of a $3.5-million contract awarded to Atlantis Systems International in January 2003.

MESSAGE TO SHAREHOLDERS

Atlantis' financial performance in the first quarter of 2003 followed the same positive trends established in 2002, as the Directors and Management continue the process of re-structuring and streamlining the Company. The Company's healthier state is a direct result of the strategy of focusing on those products where Atlantis is most competitive and building on relationships with selected customers to maximise the potential of current projects leading to new contracts for future work. The success of this strategy was demonstrated in the first quarter of 2003, when Atlantis was awarded a second helicopter training system contract by Westland Helicopters Ltd. of the United Kingdom.

For 2003, the Company has a two-part marketing strategy:

- Leveraging its existing technologies into broader product lines, and

- Utilising its core expertise to create new integrated training solutions for the aerospace community.

To implement the first part of this strategy, Atlantis has joined with Boeing to propose derivatives of our current Integrated Maintenance Training System (IMTS) for two major U.S. Navy procurement programmes, either of which may result in significant future contracts.

An exemplification of the second part of the strategy involves Atlantis teaming with a group of leading Canadian aerospace companies to bid on providing Contracted Flight Training Services (CFTS) to the Canadian Department of National Defence. The team, known as Allied Wings, stands a legitimate chance of winning the contract for this multi-year privately funded initiative to provide basic flight training to Canada's defence forces. The CFTS contract has the potential to generate up to $100 million for Atlantis over its 20-year duration, with the bulk of this revenue accruing in the first two years.

Management will continue its efforts to achieve further efficiencies in the Company's internal business processes. The successful delivery of the Naval Tactical Team Trainer for Saudi Arabia and the progress of other major projects beyond the higher-risk preliminary design phases has allowed Management to more accurately forecast the resources required to fulfil its 2003 objectives. This should also result in a further reduction in the cost of sales.

Highlights of the Quarter:

- A second contract with Westland Helicopters was signed in January. Valued at over $3.5 million, the contract is for the supply of an EH101 helicopter Cockpit Procedures Trainer (CPT) for installation at Westland's own training facility in the U.K. This is a direct outcome of Atlantis' earlier contract with Westland, signed in April of last year, which covered the development of a CPT for the CH-149 Cormorant version of the EH101, used by Canada in

Search and Rescue service. Based upon its established relationship with Westland, Atlantis is currently pursuing further opportunities for its CPT technology.

- In March, the Naval Tactical Team Trainer system was shipped to the customer's training facility in Jubail, Saudi Arabia. On-site installation of the system is planned for the second quarter, with testing and final acceptance to be completed by the end of 2003.

- Development continued on the Integrated Maintenance Training System (IMTS) for the Canadian and Australian forces. IMTS revenues of $4.1 million were realised during the first quarter and this programme will continue to contribute to the Company's earnings into 2004. As noted above, additional opportunities for IMTS technology are currently being pursued.

- Preliminary work was completed on the Boeing E-6B TACAMO Integrated Avionics Trainer for the U.S. Navy.

- Development of the VR-Sim helicopter pilot training simulator continues, and further opportunities for this technology are currently being pursued.

- The Company's Intelligent Traffic Systems (ITS) division based in Hayward, California was sold to SRC Technologies, Inc. for net proceeds of $1.0 million. The sale of this non-core asset contributed to an improved working capital position and streamlined Atlantis' corporate structure.

Shaping Atlantis Systems Corp. into a company focused on its core businesses is a continuing process. Recent results show that this process is well advanced in achieving a more efficient and more profitable operation. The Board and Management of Atlantis are confident that the positive trends established in 2002 will accelerate throughout 2003, as we continue our drive to provide increased value to our shareholders.

Neil Raymond

R. Neil Raymond
Chairman of the Board

May 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

OVERVIEW

The following is a discussion of the material factors influencing the interim operating results and financial condition of Atlantis Systems Corp. (the "Company"), as at, and for, the three-month period ended March 31, 2003. All figures are in Canadian dollars unless otherwise specified. This document should be read in conjunction with the Interim Consolidated Financial Statements of the Company and notes thereto as at, and for, the three-month period ended March 31, 2003 and the Company's Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Operating Results as at, and for, the year ended December 31, 2002.

RESULTS OF OPERATIONS

Sales for the quarter ended March 31, 2003 are $7,118,000 consisting of sales of $6,651,000 (93% of consolidated sales) from Atlantis Systems International Inc. ("ASI") and sales of $467,000 (7% of consolidated sales) from Denbridge Digital Group ("DDG").

The Company reported a net income of $262,000 ($0.02 per share) for the three-month period ended March 31, 2003. During the first quarter, DDG's Intelligent Traffic Systems (ITS) division was sold for net proceeds of $1,005,000. Since this division was carried on the Company's books at zero cost, the entirety of these net proceeds has been recorded as a gain on the Statement of Operations ($0.07 per share). This offset an operating loss of $96,000 ($0.01 per share) by that division and a loss of $708,000 ($0.05 per share) by DDG's Vessel Traffic System (VTS) division. ASI reported net income of $161,000 ($0.01 per share).

Management continues to focus on achieving profitability, and has imposed many cost-saving initiatives to enhance the Company's earnings capability. In April 2003, the Company implemented further restructuring initiatives, including a comprehensive review of staffing levels and associated overheads. These changes should result in savings of in excess of $2,000,000 per year. As part of the restructuring, it is the Board's and Management's intention to continue to divest non-core assets.

In the first quarter of 2003, the Company announced the award of a $3.5 million contract to supply a Cockpit Procedures Trainer (CPT) for the IDS (Integrated Display System) variant of the AgustaWestland EH101 helicopter. This is the second EH101 CPT contract awarded to Atlantis. In April 2002, Atlantis was chosen by Westland to develop a CPT for the helicopter's EIS (Electronic Instrumentation System) variant for the Canadian Forces. The CPT will be deployed in Westland's training centre in Yeovil, Somerset, England to familiarise aircrew with the physical layout and functional operation of the revised IDS variant of the EH101, similar to the version Westland is currently supplying to the governments of Portugal and Denmark. Delivery of the CPT is scheduled for late 2003.

ASI's backlog at March 31, 2003 was $28.9 million.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2003, the Company had a working capital deficiency of $10,490,000. The major components of this deficiency include deferred revenue of $6,540,000, which has no current cash impact, and accrued costs on percentage of completion of $4,276,000, which will have a longer term cash impact, and will be funded by programme-generated cash flows. Improving this situation continues to be a top priority of the Board and Management. There are a number of individual components to the working capital deficiency:

- $976,000 relates to the NTTT project that is nearing completion but which involves a significant holdback. The financing of this component of the deficiency is being facilitated by the administrative and business services of the Canadian Commercial Corporation, a Canadian government Crown Corporation. This programme was delayed during the fourth quarter of 2002 and the first quarter of 2003 as a result of the war in Iraq. This programme is now scheduled for completion in the fourth quarter of 2003, at which time the holdback will be paid and the project financing will be repaid. The deficiency will be paid from profitability generated from current contracts.

- $1,645,000 comprises promissory notes primarily owing to Innovium Capital Corp. ("Innovium") which is a shareholder of the Company and with whom the Company shares three common directors. Innovium has indicated that it is not currently seeking repayment.

- $6,540,000 relates to the deferred revenues on the F/A-18 and CH-149 Cormorant contracts. Deferred revenue represents the difference between revenue invoiced to the customer and revenue reflected in the financial statements. The revenue invoiced to the customer is established with the customer based upon the Company achieving established engineering contract milestones. Revenue recognised on the financial statements represents the simple ratio of direct labour expended to the total estimated contract labour. As the contracts proceed, the accounting revenue will exceed contract invoicing and the deferred revenue will be eliminated. This item therefore does not represent a cash obligation.

- Excluding the NTTT contract as discussed above, the accrued costs on percentage completion represent $2,188,000 of the working capital deficiency. This represents costs accrued in the financial statements in order to match expected contract costs with the accounting revenue recognised. During a typical long-term contract, these costs are accrued during the early stages of a programme (engineering and design phases), and spent during the final stages of the programme (assembly and training phases).

- The balance of the working capital is a surplus of $1,008,000. The main component of the remaining working capital balance is inventory at $1,386,000, with two fully commissioned commercial flight simulators representing a large portion of this amount.

On March 27, 2003, the Company announced that it had closed the sale of its Intelligent Traffic Systems (ITS) division based in Hayward, California to SRC Technologies, Inc. ("SRC" - formerly Connectivity, Inc.), a Florida-based wireless communications company. The sale of this non-core asset streamlines the Company's corporate structure and contributes to improving its working capital position by $694,000.

Bank indebtedness was $4,027,000 at March 31, 2003. The Board and Management continue to seek an expanded banking relationship to include all aspects of the Company's operations. The Company focuses on cash management with any expenditures of a capital nature and longer term development efforts being funded through profitability.

As at March 31, 2003, the Company had 13,987,008 shares outstanding.

OUTLOOK

The Company will continue to focus on the military sector, as reflected in the F/A-18 maintenance trainer, the E-6 trainer upgrade, the CH-149 Cormorant Cockpit Procedures Trainer (CPT), and other key programmes. Prospects for further sales in the military sector are excellent. The selection of Atlantis in 2002 as the supplier to the Canadian and Australian forces of Integrated Maintenance Training Systems for the F/A-18, with a total contract value of over $30,000,000, puts the Company in an advantageous position to win follow-on contracts of equal or greater value. Selection of the Company in 2002 to supply the CPT for the CH-149 Cormorant Search and Rescue helicopter has enabled Atlantis to establish a strategic relationship with the helicopter manufacturer (AgustaWestland), ensuring Atlantis' participation as a CPT supplier in other international sales the manufacturer is pursuing. The potential of this relationship was demonstrated in January 2003, when Atlantis won a contract to provide a CPT for use in training helicopter pilots at the Westland Helicopters Training Facility in Yeovil, England.

The Company's technology developed for the military has the potential to be adapted for future commercial applications, underscoring the Company's commitment to leadership in both market sectors. The Company's advantage is its ability to modify its product line and adjust to current realities with high fidelity systems that meet market needs, are reasonably priced, and are delivered in a timely fashion.

BUSINESS RISK FACTORS

The future of the Company depends on being able to secure sufficient working capital financing.

ATLANTIS SYSTEMS CORP.
CONSOLIDATED BALANCE SHEETS
As at March 31, 2003 (unaudited)
(with comparative balances as at December 31, 2002)

		2003		2002
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**4,000**	$	21,000
Accounts receivable *(note 3)*		**6,974,000**		8,817,000
Unbilled revenue		**528,000**		88,000
Income taxes receivable		**172,000**		191,000
Inventory		**1,386,000**		2,890,000
Deferred development costs		**1,798,000**		534,000
Current portion of mortgage receivable		**250,000**		250,000
Other assets		**112,000**		--
		11,224,000		12,791,000
Non-current assets				
Capital assets, net		**1,040,000**		1,107,000
Goodwill		**11,735,000**		11,735,000
Mortgage receivable		**331,000**		326,000
Investment (*note 4*)		**310,000**		--
		13,416,000		13,168,000
	$	**24,640,000**	$	25,959,000
LIABILITIES				
Current liabilities				
Bank indebtedness *(note 5)*	**$**	**4,027,000**	$	6,363,000
Accounts payable and accrued liabilities		**4,929,000**		7,141,000
Accrued costs on percentage completion		**4,276,000**		4,356,000
Accrued dividends on special shares		**113,000**		92,000
Line of credit		**184,000**		193,000
Promissory notes		**1,645,000**		1,579,000
Deferred revenue		**6,540,000**		3,571,000
		21,714,000		23,295,000
Special shares -- series 2		**800,000**		800,000
SHAREHOLDERS' EQUITY				
Common shares		**74,958,000**		74,958,000
Contributed surplus		**3,105,000**		3,105,000
Deficit		**(75,937,000)**		(76,199,000)
		2,126,000		1,864,000
	$	**24,640,000**	$	25,959,000

On behalf of the Board:

Vanessa Morgan
Director

Jamie Macintosh
Director

The accompanying notes are an integral part of this consolidated balance sheet.

ATLANTIS SYSTEMS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
For the three months ended March 31, 2003 (unaudited)
(with comparative balances for the three months ended March 31, 2002, unaudited)

		2003		2002
Revenue from commercial operations	**$**	**7,118,000**	$	8,631,000
Cost of sales		**5,982,000**		6,962,000
Gross margin		**1,136,000**		1,669,000
Other income		**17,000**		3,000
	$	**1,153,000**	$	1,672,000
Expenses				
General and administrative		**886,000**		808,000
Selling, marketing, research and development		**616,000**		855,000
Operating income (loss) before interest, taxes, and depreciation		**(349,000)**		9,000
Depreciation and amortization		**64,000**		79,000
Interest expense and financing cost		**330,000**		85,000
Operating loss before the undernoted		**(743,000)**		(155,000)
Provision for current income taxes		**--**		(20,000)
Gain on sale of ITS division (*note 4*)		**1,005,000**		--
Net Income (loss)	**$**	**262,000**	$	(175,000)
Deficit, beginning of period		**(76,199,000)**		(75,078,000)
Deficit, end of year period	**$**	**(75,937,000)**	$	(75,253,000)
Net Income (loss) per common share *(note 6)*		**$0.02**		($0.01)

The accompanying notes are an integral part of this consolidated statement.

ATLANTIS SYSTEMS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2003 (unaudited)
(with comparative balances for the three months ended March 31, 2002, unaudited)

		2003		2002
Cash flows provided by (used in):				
Operations				
Net income (loss)	**$**	**262,000**	$	(175,000)
Items not affecting cash:				
Depreciation and amortization		**64,000**		79,000
Accrued interest on special shares		**21,000**		37,000
Future income taxes		**--**		19,000
Gain on sale of ITS division		**(1,005,000)**		--
	$	**(658,000)**	$	(40,000)
Net change in non-cash working capital (*note 8*)		**4,181,000**		(1,000)
	$	**3,523,000**	$	(41,000)
Investing				
Capital assets		**3,000**		(3,000)
Deferred development costs, net		**(1,264,000)**		--
	$	**(1,261,000)**	$	(3,000)
Financing				
Increase in common share capital (share issue costs)		**--**		(8,000)
Bank indebtedness		**(2,336,000)**		(101,000)
Promissory notes		**66,000**		275,000
Line of credit		**(9,000)**		--
		(2,279,000)		166,000
Net (decrease) increase in cash and cash equivalents		**(17,000)**		122,000
Cash and cash equivalents, beginning of period		**21,000**		217,000
Cash and cash equivalents, end of period	**$**	**4,000**	$	339,000
Supplemental information				
Interest paid	**$**	**72,000**	$	24,000
Income taxes paid		**--**		1,000
Conversion of special shares into common shares		**--**		700,000

The accompanying notes are an integral part of this consolidated statement.

ATLANTIS SYSTEMS CORP.
2003 NOTES TO INTERIM (UNAUDITED) CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian dollars unless otherwise indicated

Atlantis Systems Corp. ("Atlantis" or the "Company") is a TSX-listed entity continued under the laws of Canada. The Company has two principal operating subsidiaries: Atlantis Systems International Inc. ("ASI") is an internationally recognised developer and supplier of simulation-based training systems for flight crew training, aircraft maintenance training, and other high-tech applications and Denbridge Digital Limited ("Denbridge Digital") is a high technology company that designs, manufactures, and installs vessel traffic surveillance and management systems for marine and air traffic control applications.

1. INTERIM CONSOLIDATED FINANCIAL STATEMENT PREPARATION

The disclosures in these interim financial statements do not meet all disclosure requirements of Canadian generally accepted accounting principles for annual financial statements. These interim financial statements should be read in conjunction with the annual financial statements of the Company and the notes thereto.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles used for the annual financial statements for the year ended December 31, 2002. There have been no changes to the Company's accounting policies since December 31, 2002.

3. CONCENTRATION OF CREDIT RISK

The Company has contracts with many customers, however, as of March 31, 2003 one customer represents 77% (78% in 2002) of the accounts receivable and 58% of sales (37% in 2002).

4. SALE OF ITS SUBSIDIARY

On March 19, 2003, the Company completed the sale of its Intelligent Traffic Systems (ITS) division, Denbridge Digital, Ltd., based in Hayward California to SRC Technologies, Inc. (“SRC”- formerly Connectivity, Inc.), a Florida-based wireless communications company, for US $440,000 of convertible preferred shares and the assumption of US $560,000 of net liabilities. The preferred shares will be secured against the assets of the ITS division. The agreement calls for the preferred shares to be redeemed for 440,000 publicly-traded common shares of SRC on the fifth anniversary of the closing. These shares are recorded on the financial statements at $310,000.

The sale of the ITS division resulted in a net increase of working capital of $694,000, due to the assumption of the ITS division liabilities by SRC.

5. BANK INDEBTEDNESS

At March 31, 2003 and December 31, 2002, ASI had the following bank indebtedness:

	March 31, 2003	December 31,2002
Operating line of credit	**$ 43,000**	$ 690,000
Demand loan	**3,984,000**	5,673,000
	$4,027,000	$6,363,000

The operating line of credit is authorised at $1,000,000, bears interest at the bank's prime rate plus 7% per annum, and is due on demand. As at March 31, 2003, the bank's prime rate was 4.75%.

The demand loan is authorised at $5,755,000, is used to provide financing under the Canadian Commercial Corporation's "Progress Payment Program", and bears interest at the bank's prime rate plus 1% per annum.

Expressed in Canadian dollars unless otherwise indicated

The operating line of credit and demand loan ("bank indebtedness") are collateralized by a general assignment of accounts receivable, a general security agreement covering all personal and real property presently owned or acquired in the future, a $4,000,000 floating charge debenture over all business assets, and an assignment of fire and other perils insurance.

6. INCOME (LOSS) PER SHARE

Basic loss per share figures are calculated using the weighted average number of common shares outstanding during the quarter of 13,987,008 (12,564,467 in 2002). Diluted loss per share information for 2003 and 2002 has not been presented as potential conversions are anti-dilutive.

7. SEGMENTED INFORMATION

The Company's operations are conducted in Canada, the United Kingdom, the United States, and Barbados. The results of the operations and the amounts invested in these segments are as follows:

	ASI		Denbridge Digital		Corporate	
In thousands of Canadian dollars for the quarters ended March 31st	**2003**	2002	**2003**	2002	**2003**	2002
Revenue						
Canada	**$ 6,651**	$ 7,900	**$ --**	$ --	**$ --**	$ --
United Kingdom	**--**	--	**452**	731	**--**	--
United States	**--**	--	**15**	--	**--**	--
Barbados	**--**	--	**--**	--	**--**	--
Net Earnings (Loss)						
Canada	**161**	242	**(48)**	(105)	**993**	(126)
United Kingdom	**--**	--	**(708)**	(100)	**--**	--
United States	**--**	--	**(96)**	(19)	**--**	--
Barbados	**--**	--	**(40)**	(67)	**--**	--
Depreciation & Amortization						
Canada	**57**	73	**--**	--	**--**	--
United Kingdom	**--**	--	**--**	7	**--**	--
United States	**--**	--	**--**	--	**--**	--
Barbados	**--**	--	**--**	--	**--**	--
Capital Expenditures, net						
Canada	**(10)**	8	**--**	--	**--**	--
United Kingdom	**--**	--	**6**	(5)	**--**	--
United States	**--**	--	**--**	--	**--**	--
Barbados	**--**	--	**--**	--	**--**	--

Expressed in Canadian dollars unless otherwise indicated

	ASI		Denbridge Digital		Corporate	
In thousands of Canadian dollars as at March 31st 2003 and December 31st 2002	**2003**	2002	**2003**	2002	**2003**	2002
Total Identifiable Assets						
Canada	**11,076**	11,689	**--**	--	**11,698**	11,740
United Kingdom	**--**	--	**1,866**	2,444	**--**	--
United States	**--**	--	**--**	86	**--**	--
Barbados	**--**	--	**--**	--	**--**	--

8. CONSOLIDATED CASH FLOW CHANGES IN OPERATING ASSETS AND LIABILITIES OTHER THAN CASH

	March 31, 2003	March 31, 2002
Accounts receivable	**$ 1,836,000**	$ 572,000
Unbilled revenue	**(440,000)**	(3,078,000)
Inventory	**1,485,000**	97,000
Mortgage receivable	**(5,000)**	(5,000)
Accounts payable and accrued liabilities	**(1,472,000)**	(2,363,000)
Accrued costs on percentage of completion	**(80,000)**	2,786,000
Other current assets and liabilities	**(112,000)**	45,000
Deferred revenue	**2,969,000**	1,945,000
	$ 4,181,000	$ (1,000)

9. RELATED PARTY TRANSACTIONS

During the first quarter of 2003 and 2002, the Company had three common directors with, and received certain management services from, Innovium Capital Corp. ("Innovium"). During 2002, Innovium advanced money on an unsecured demand basis.

During the first quarter of 2003, Innovium billed the Company $33,000 ($33,000 in 2002) for costs incurred on the Company's behalf. This has been reflected in accounts payable as at March 31, 2003 and December 31, 2002.

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Atlantis Systems Corp.
1 Kenview Boulevard
Brampton, Ontario
Canada, L6T 5E6

Tel: 905-792-1981
www.AtlantisSC.com