

**BC FORM 53-901F
SECURITIES ACT
MATERIAL CHANGE REPORT UNDER SECTION 85(1) OF THE SECURITIES ACT**

Item 1. Reporting Issuer

IntraCoastal System Engineering Corporation (the "Issuer")
Suite 540, 220 Cambie Street
Vancouver, BC V6B 2M9

Item 2. Date of Material Change

May 14, 2002

Item 3. Press Release

News Release dated May 14, 2002 was disseminated through Canada Stockwatch and Market News.

Item 4. Summary of Material Change

The Issuer reported that it is partnering with CP Technology of Taiwan to supply the Issuer's utility access device.

Item 5. Full Description of Material Change

The Issuer reported that it is partnering with CP Technology of Taiwan, a designer and supplier of information appliances, by combining its power line communications technology with CP Technologies' SG2100+ gateway. This combination is the basis for the Issuer's utility access device ("UAD"), which utilizes IBM's WebSphere Everyplace Embedded Software and National Semiconductor's Geode™ processor.

The UAD is a key component of the Issuer's utility solution. Streamlining and reducing operating cost is the focus of utilities in North America as deregulation continues. The Issuer's solution provides both automatic meter reading and demand side management capabilities which enable utilities to achieve their cost reduction goals. In addition, the UAD is designed to be an OSGi compliant service gateway allowing for future growth potential which can strengthen the utilities' position as a total services provider.

IBM's WebSphere Everyplace Embedded Software is an open, standards-based device software platform that includes an integrated real-time operating system, Java Virtual Machine, middleware and tools that manage the delivery of content and services to non-traditional devices. In addition, IBM offers server software (WebSphere Everyplace Suite) that can streamline delivery of web-based information and applications, as well as tools to enable service providers to update software on the device over the network without any intervention.

The Issuer has deployed its utility solutions in overseas markets and is now targeting North American utilities. The Issuer's first implementation in North America is with Mason Public Utility District 3 ("Mason") of Washington State. Mason has chosen the Issuer's utility solution as a complementary offering to its high speed internet access

backbone currently being deployed to its customers. Mason is presently conducting field trials of the Issuer's UAD which is proving to be successful.

The Issuer owns a patented proprietary power line communication systems based on spread spectrum as well as narrowband BPSK technologies. These technologies have been under development since 1992. Applications for these technologies include telemetry for automatic meter reading, home networking and command and control applications.

Item 6. Reliance on Section 85(2) of the Act

If the report is being filed on a confidential basis in reliance on Section 85(2) of the Act, state the reasons for that reliance.

Not applicable

Item 7. Omitted Information

Not applicable

Item 8. Senior Officers

James Dodds, President and Chief Operating Officer
Telephone: (604) 717 - 6373

Item 9. Statement of Senior Officer

The foregoing accurately discloses the material change referred to herein.

DATED at Vancouver, British Columbia, the 14th day of May, 2002.

INTRACOASTAL SYSTEM ENGINEERING CORPORATION

Per: “James Dodds”
James Dodds,
President and Chief Operating Officer