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

July 2, 2002

Item 3. Press Release

News Release dated July 2, 2002 was disseminated through Canada Stockwatch and Market News.

Item 4. Summary of Material Change

The Issuer reported that it intends to raise $750,000 by way of a non-brokered private placement issuance of 5,000,000 units priced at $0.15 each. The Issuer also reported that it had closed its private placement of 2,468,000 special warrants priced at $0.13 each.

Item 5. Full Description of Material Change

The Issuer reported that it intends to raise $750,000 by way of a non-brokered private placement issuance of 5,000,000 units priced at $0.15 each. Each unit is convertible into one common share of the Company plus one half of one non-transferable share purchase warrant (the "Warrant"). Each whole Warrant will entitle the holder to acquire, for a period of two years from the closing date, one additional share at $0.20 if exercised during the first year and at $0.30 if exercised during the second year. A commission will be paid with respect to this private placement in cash and/or securities at the discretion of the Company. The net proceeds will be used to purchase inventory, finance ongoing installations, and for general working capital. The closing of the private placement will follow receipt of TSX Venture Exchange approval.

The Issuer also reported that it had completed its private placement announced on April 16, 2002, raising $320,840 through the issue of 2,468,000 special warrants. A finders fee of 91,280 special warrants was issued in connection with this private placement. The hold period applicable to 2,452,280 special warrants expires on October 13, 2002 and the hold period applicable to the remaining 107,000 special warrants expires on October 18, 2002. The private placement special warrants are exercisable into units at no additional cost. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share for $0.20 during the first year and $0.30 during the second year.

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**

Edison Ho, Chief Financial 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 2nd day of July, 2002.

INTRACOASTAL SYSTEM ENGINEERING CORPORATION

Per: *"Edison Ho"*

Edison Ho,
Chief Financial Officer