

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 31, 2002

Item 3. Press Release

News Release dated July 31, 2002 was disseminated through Canada Stockwatch and Market News.

Item 4. Summary of Material Change

The Issuer reported that revenues for the first half of fiscal year 2002 exceeded revenues for the same period in 2001.

Item 5. Full Description of Material Change

The Issuer reported that revenues for the first half of fiscal year 2002 are \$1,005,200 compared to \$81,410 for the same period in 2001. Expenses for the period were \$919,272, down \$180,450 for the same period in 2001.

Second quarter revenues were primarily composed of recurring orders from existing customers. China accounted for 41% of second quarter revenues while India accounted for 10%, Vietnam 31% and USA 18%.

The operating loss for the second quarter is \$239,234 giving a cumulative 6 months year to date loss of \$382,210, down \$670,170 for the same period in 2001. Gross margins for the first six months of fiscal year 2002 are steady at 52%.

It is expected that third quarter revenues will be down from the second quarter. Expenses are expected to be static and gross profit levels are expected to be slightly lower in the third and fourth quarters.

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 31st day of July, 2002.

INTRACOASTAL SYSTEM ENGINEERING CORPORATION

Per: *“James Dodds”*

James Dodds,
President and Chief Operating Officer