



Coastal Contacts Inc.

FOR IMMEDIATE RELEASE

COASTAL REPORTS SECOND QUARTER 2005 RESULTS

HIGHLIGHTS

TSX Venture Symbol : COA

- ▶ Revenue growth of 154% to \$14.85 million in the second quarter over comparable period 2004
- ▶ Year-to-date revenue growth of 115% to \$26.89 million
- ▶ 90,298 new customers added in the second quarter up 107%
- ▶ 65,325 orders shipped to returning customers in the second quarter up 335%
- ▶ Gross Profit of \$4.08 million in the second quarter up 595% (gross margin of 27.45% versus 10.04% in the 2004 comparable period)
- ▶ Earnings of \$436,374 in the second quarter up from a loss of \$590,722
- ▶ Year-to-date earnings of \$679,380 up from a loss of \$639,230
- ▶ Cash provided by operating activities was \$1.11 million in the second quarter
- ▶ Net current assets of \$14.40 million at April 30, 2005

Vancouver, British Columbia - June 15, 2005 - Coastal Contacts Inc. (TSX.V: COA) today reported record financial results for the fiscal year 2005 second quarter, which ended April 30, 2005.

Second quarter revenue grew 154% to \$14.85 million from \$5.84 million in the comparable period of 2004. Year-to-date revenue grew 115% to \$26.89 million compared to \$12.52 million in the first six months of 2004. Net income for the second quarter was \$436,374 compared to a net loss of \$590,722 in the comparable period of fiscal year 2004. Year-to-date income was \$679,380 compared to a net loss of \$639,230 in the first six months of last year.

The Company recorded a 23% increase in revenue compared to revenue of \$12.03 million reported in the first quarter of 2005. Earnings also improved by 80% from the first quarter. Coastal's gross margin for the quarter was 27.45% up from 24.66% in the first quarter of 2005 and up significantly from 10.04% in the comparable period of 2004. The Company acquired 90,298 new customers during the second quarter and shipped 65,325 orders to returning customers.

"Over the past six months we have focused our attention on increasing operational efficiencies, diversifying into new channels and geographies, and driving profitability through strong repeat sales," commented Roger Hardy, Chairman and CEO of Coastal. "We have made solid progress on our strategy."

"The second quarter results are a strong validation of our efforts and we are well positioned with the infrastructure, the people and the processes in place to continue the focus on growing our business and driving profits from our re-order annuity stream," added Coastal's President, Bill Wrixon.

ABOUT COASTAL CONTACTS

With operations and distribution hubs in both North America and Europe, Coastal Contacts is one of the largest and fastest growing vision care service providers in the world. The Corporation's large volume business combined with its cost effective global operations enable it to offer replacement contact lenses to customers worldwide at reduced prices, delivered quickly with strong customer service follow-up. Coastal's direct to consumer model and single product focus combine to create the distinct competitive advantage of a more efficient, customer-focused model for world-wide contact lens distribution.

For Additional Information

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This news release contains certain forward-looking statements that reflect the current views and/or expectations of Coastal Contacts Inc. with respect to its performance, business and future events. Such statements are subject to a number of risks, uncertainties and assumptions. Actual results and events may vary significantly.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following management's discussion and analysis should be read in conjunction with Coastal Contacts Inc.'s ("the Company") audited consolidated financial statements and management discussion and analysis for the year ended October 31, 2004. The Company prepares its consolidated financial statements in accordance with Canadian GAAP. This discussion of our business may include forward looking statements about our future operations, financial results and objectives. These statements are necessarily based on estimates and assumptions that are subject to risks and uncertainties. Our actual results could differ materially from those expressed or implied by such forward looking information due to a variety of factors including, but not limited to, our ability to implement our business strategies, competition, general economic conditions, currency fluctuations, and other risks detailed in our filings with the Canadian securities regulatory authorities. Reference should be made to the section entitled "Risk Factors" contained in the Prospectus dated March 18, 2004 for a detailed description of the risks and uncertainties relating to the business of the Company.

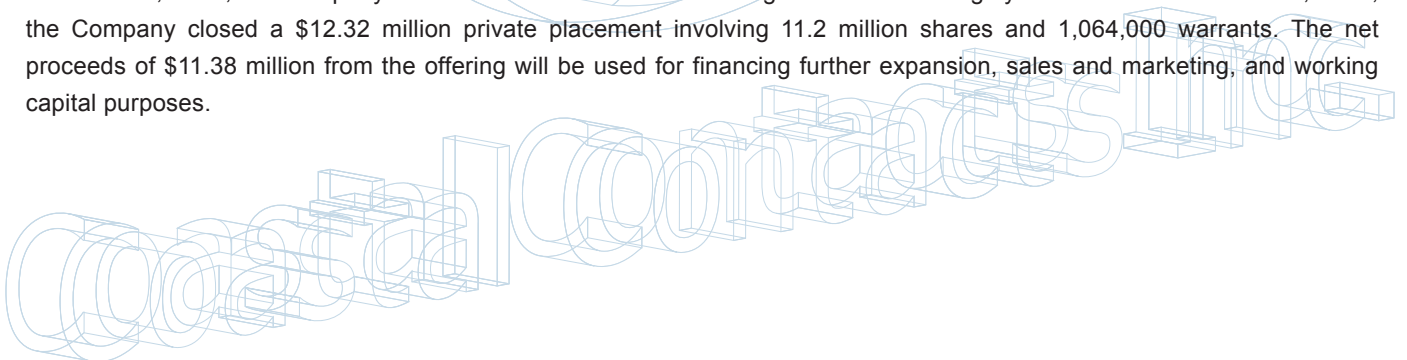
CORPORATE OVERVIEW

With operation and distribution hubs in both North America and Europe, the Company is one of the largest and fastest growing vision care providers in the world. The Company has shipped over one million orders since inception and continues to strengthen the Coastal Contacts brand through the compelling value proposition of savings and convenience. The Company leverages the efficiencies of the internet to bypass middlemen, sell directly to the consumer, and achieve superior management of information and working capital. Management believes that by combining these efficiencies with a singular product focus and multi-national operations, Coastal is able to maintain a competitive advantage in its market.

Since its formation, in October of 2000, the Company has experienced significant growth. The Company's revenue has grown from \$2.5 million in 2001 to \$8.9 million in 2002, an increase of 256% and to \$20.1 million in 2003, for an increase of 127%. Revenue for 2004 was \$31.2 million, an increase of 55%. Revenue in the first six months of 2005 continues to trend upwards at \$26.9 million, an increase of 115%.

The Company has developed a strong annuity sales base from repeat customers which accounted for approximately 42% of total orders for the quarter ended April 30, 2005. With the average customer placing a re-order every nine months, the compounding effect of this annuity stream aids in driving profitable growth.

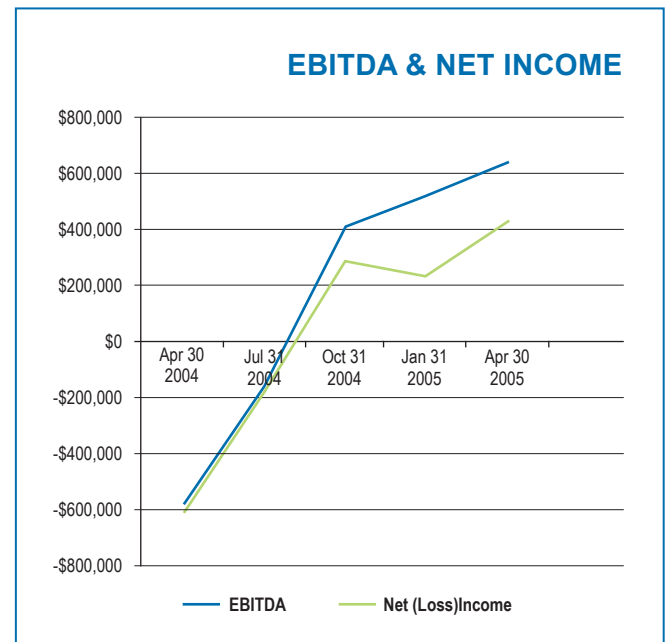
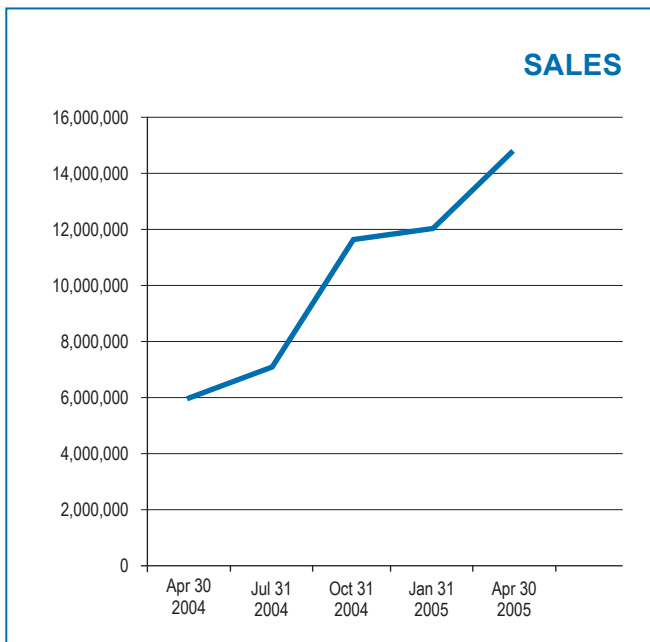
In March 29, 2004, the Company listed on the TSX-Venture Exchange under the trading symbol "COA". On March 10, 2005, the Company closed a \$12.32 million private placement involving 11.2 million shares and 1,064,000 warrants. The net proceeds of \$11.38 million from the offering will be used for financing further expansion, sales and marketing, and working capital purposes.





SELECTED QUARTERLY FINANCIAL INFORMATION

	Quarter ended Apr 30, 2005	Quarter ended Jan 31, 2005	Quarter ended Oct 31, 2004	Quarter ended Jul 31, 2004	Quarter ended Apr 30, 2004	Quarter ended Jan 31, 2004
Sales	\$14,854,904	\$12,036,729	\$11,726,733	\$6,996,983	\$5,842,511	\$6,680,056
Gross Profit	\$4,077,227	\$2,967,965	\$2,451,224	\$1,323,173	\$586,740	\$1,338,218
EBITDA	\$631,331	\$516,396	\$399,370	(\$146,081)	(\$545,995)	(\$20,082)
Net (Loss) Income	\$436,374	\$243,006	\$276,220	(\$176,540)	(\$590,722)	(\$48,508)
Weighted Average # of Shares - Basic	43,123,319	35,777,134	33,874,960	21,235,996	16,901,900	13,005,435
Weighted Average # of shares - Diluted	52,959,221	46,562,596	44,519,450	21,235,996	16,901,900	13,005,435
Basic Earnings (Loss) per Share	\$0.01	\$0.01	\$0.01	(\$0.01)	(\$0.03)	\$0.00
Diluted Earnings (Loss) per Share	\$0.01	\$0.01	\$0.01	(\$0.01)	(\$0.03)	\$0.00



EBITDA is defined as earnings from continuing operations before interest, income taxes, depreciation and amortization. The Company reports its results in accordance with Canadian GAAP; however, although this is a non-GAAP measure, the Company presents EBITDA in its filings because it believes its current and potential investors use EBITDA to make investment decisions about the Company. Investors should not consider EBITDA to be an alternative to net income, nor to cash provided by operating activities nor any other indicator of performance or liquidity which has been determined in accordance with Canadian GAAP. The Company's method of calculating EBITDA may differ from the methods used by other companies.



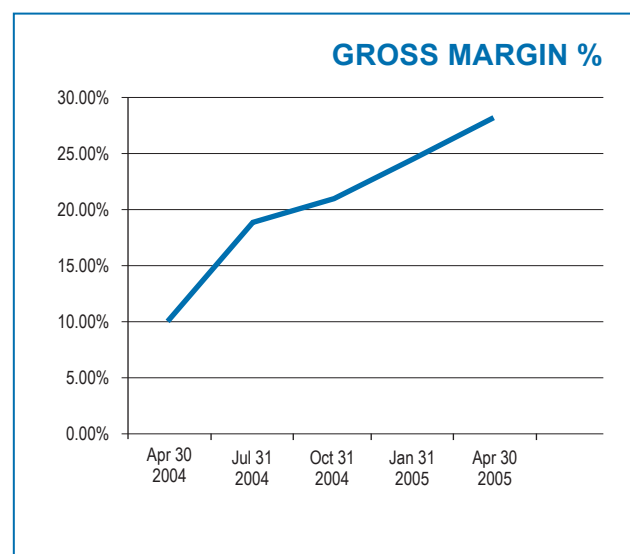
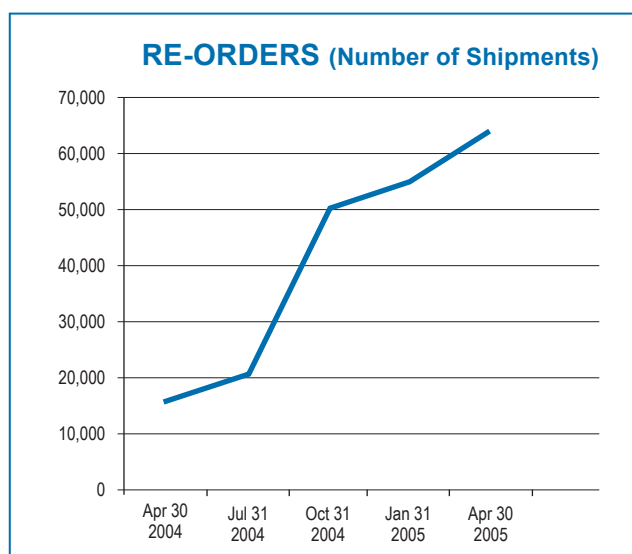
SELECTED QUARTERLY FINANCIAL INFORMATION

	Quarter ended Apr 30, 2005	Quarter ended Jan 31, 2005	Quarter ended Oct 31, 2004	Quarter ended Jul 31, 2004	Quarter ended Apr 30, 2004	Quarter ended Jan 31, 2004
Income (Loss) before Income Taxes	\$481,070	\$311,297	\$160,003	(\$176,540)	(\$590,722)	(\$48,508)
Amortization	\$172,225	\$174,398	\$151,689	\$14,749	\$19,707	\$9,153
Interest on Long-Term Debt	\$22,984	\$35,704	\$27,678	\$15,710	\$25,020	\$19,273
Interest Income	(\$44,948)	(\$5,003)	-	-	-	-
EBITDA	\$631,331	\$516,396	\$339,370	(\$146,081)	(\$545,995)	(\$20,082)

RESULTS OF OPERATIONS

Quarter End April 30, 2005

Sales for the second quarter ended April 30, 2005 were \$14,854,904 an increase of \$9,012,393 or 154 % over the same quarter in 2004. Total order volume for the quarter was 155,623 orders, an increase of 97,069 orders or 166% over the same quarter in 2004. There were 65,325 orders shipped to returning customers (re-orders), an increase of 50,294 orders or 335% over the second quarter of 2004. In the second quarter ending April 30, 2005, there were 90,298 orders shipped to new customers, an increase of 46,775 orders or 107% over the same quarter in 2004. This increase in orders from existing customers reflects the growing annuity aspect of the Company's business model. In addition, for the quarter ended April 30, 2005, the Company saw an increase of more than 8% in the average US dollar order as compared to the same quarter in 2004. The impact of this increase was offset somewhat by the increase in value of the Canadian dollar during the year. The second quarter of 2005 also included sales from its wholly owned subsidiary, Lensway AB.



Gross profit for the quarter ended April 30, 2005 was \$4,077,227, an increase of \$3,490,487 or 595% over the quarter ended April 30, 2004. Gross profit was 27.5 % of sales in the second quarter of 2005 as compared to 10.0% for the second quarter of 2004. Second quarter gross margin improvement was driven by several factors.



RESULTS OF OPERATIONS

Firstly, the acquisition of Lensway AB which traditionally has higher margins than the Company's North American operations was included in the results of the Company in the second quarter of 2005. Secondly, purchasing was improved by consolidating large volume orders from both the Company and Lensway AB. The additional purchasing power afforded to the Company through the Lensway AB acquisition should continue to create opportunities for improved purchasing. Finally, in response to the continued weakening of the US dollar, the Company continued a strategy adopted in the beginning of the prior fiscal year of shifting the vast majority of its purchasing to US based suppliers to hedge against the weak US dollar. The success of this strategy is evidenced by the Company's continued gross margin improvement, from 10.0% in the second quarter of 2004, to 18.9% in the third quarter, to 20.9 % in the fourth quarter of 2004, 24.7% in the first quarter of 2005 and 27.5% in the second quarter of 2005. In addition, some variable costs such as labor, while variable, scale at a slower rate than the increase in sales, contributing to a higher gross margin.

Selling, General and Administrative (SG&A) cost represented 22.5% of sales for the quarter ended April 30, 2005 compared to 19.4% in the second quarter of 2004. While general and administrative expenses only increased by 1% over the same quarter in 2004, selling expenses as a percentage of sales increased by 1.9% over the same quarters. The increase in general and administrative expenses in the second quarter of 2005 was due to an increase in salaries associated with the Company's purchase of Lensway AB in July 2004. The increase in selling expenses over the second quarter of 2004 was due primarily to the production and running of television ads by Lensway AB in February, 2005.

Stock-based compensation of \$98,043 for the second quarter ended April 30, 2005 includes \$18,043 resulting from the Company's issuance of an employee stock option plan in October 2004, \$59,000 associated with 252,840 options issued to Lensway AB employees in the current quarter and a further \$21,000 non cash stock-based compensation expense was incurred as a result of 54,000 options issued to Directors of the Company.

EBITDA for the quarter ended April 30, 2005 was \$631,331, compared to a loss of \$545,995 for the same quarter in 2004, representing an increase in EBITDA of \$1,177,326. This improvement is predominantly due to a 154% increase in sales, a 17.5% increase in gross margin percentage as a percentage of sales and a 335% increase in sales to returning customers. Sales to returning customers are more profitable given that the incremental market expense of securing re-orders is immaterial.

Amortization for the quarter ended April 30, 2005 increased by \$152,518 to \$172,225 as compared to \$19,707 for the same quarter in the previous year. This increase was due to increased capital expenditures in computer hardware and website creation in the year ended October 31, 2004 resulting in increased amortization. In addition, as part of the purchase of Lensway AB in July, 2004, \$2,083,333 was allocated to the value of the Lensway AB development customer list. In the second quarter, there was \$104,166 in amortization associated with this list, as compared to nil in the second quarter of 2004.

Interest expense for the quarter ended April 30, 2005 was \$22,894 as compared to \$25,020 in the comparable quarter for 2004, a decrease of \$2,126. This change was a result of Coastal Contacts having paid off one of its debt facilities with Van City Capital, offset by interest charges relating to Lensway AB's credit facility.

Interest income for the quarter ended April 30, 2005 was \$44,948 as compared to nil for the corresponding quarter in 2004. This interest income represents interest earned on the funds raised through a private placement in March 2005.



LIQUIDITY AND CAPITAL RESOURCES

Current income tax expense of \$55,105 for the quarter ended April 30, 2005 as compared to nil for the corresponding quarter in 2004 represents taxes payable on income earned by Lensway AB.

Future income tax recovery of \$10,409 for the quarter ended April 30, 2005 is primarily a result of the reversal of the future income tax liability recognized in the purchase price allocation for the acquisition of Lensway AB in 2004.

Net income for the quarter ended April 30, 2005 was \$436,374 or \$0.01 per fully diluted share as compared to a loss of \$590,722 or \$0.03 per share in the same quarter of the preceding year. As stated above, this net income improvement of \$1,027,096 was predominantly due to a 154% increase in sales, a 17.5% increase in gross margin percentage as a percentage of sales and a 335% increase in sales to returning customers.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically funded its growth through a combination of funds generated from operations, borrowings and equity. Working capital requirements generally precede the realization of sales on a monthly basis. The Company uses funds generated from operations and borrowings to increase inventory levels in anticipation of future sales realization. The Company's supply arrangements have historically required the Company to pay cash upon delivery of inventory. As a result, the Company was generally unable to rely on standard trade credit arrangements in purchasing its inventory, which would ordinarily permit the net amount due to be paid within 30 days of shipment of ordered merchandise. In addition, in order to help ensure sufficient supply, the Company generally carried a higher level of inventory than if it were able to purchase directly from contact lens manufacturers. In May 2004, the Company signed an agreement with Johnson and Johnson Eye Care Division, allowing the Company to obtain credit terms and operate its inventory in a more efficient manner. Subsequently the Company has also received credit terms from CIBA Vision and Baush & Lomb.

Cash provided by operating activities was \$1,142,601 in the second quarter of 2005, as compared to cash used in operating activities of \$1,258,100 for the second quarter in the preceding year. The improvement in cash from operations of \$2,400,701 resulted primarily from the Company having net income of \$436,374 in the quarter ended April 30, 2005 compared to a loss of \$590,722 for the similar quarter in 2004. Amortization, a non cash expense also accounted for \$172,225 in the second quarter of 2005 as compared to \$19,707 in the second quarter of 2004, resulting in a non cash increase in expenditure of \$152,518. In the second quarter of 2005, the Company was also able to leverage its suppliers to a greater extent, resulting in an increase in cash of \$1,771,649 when compared to the second quarter of 2004. These increases in cash provided by operating activities was offset by an increase of \$377,729 in accounts receivable in the second quarter of 2005 as compared to the same quarter in 2004.

Cash used in investing activities for the quarter ended April 30, 2005 was \$11,855,395 as compared to \$4,969,490 used in investing activities in the second quarter of 2004. Primary sources of cash usage in the second quarter of 2005 were the purchase of short-term investments of \$11,662,227, the acquisition of property, equipment and leaseholds of \$93,172 and the acquisition of intangible assets, primarily in website development of \$87,884. The comparable period in 2004 saw the purchase of short-term investments of \$4,800,000 and total acquisition of property, equipment, leaseholds and intangible assets of \$35,475 and \$44,628 respectively.

**RESULTS OF OPERATIONS**

Cash provided by financing activities was \$11,419,713 in the quarter ended April 30, 2005 as compared to cash provided by financing activities of \$5,497,235 in the same quarter of the preceding year. Cash provided by financing activities for the quarter ended April 30, 2005 was primarily a result of the issuance of shares through the exercise of options and warrants and in a private placement on March 10, 2005 resulting in proceeds of \$12,680,369 before share issue costs of \$939,329. This increase in cash was offset by a reduction of the Company's overdraft balance of \$159,704 and repayment on the Company's long term debt of \$161,623. Cash provided by financing activities in the same quarter of 2004 was due to a net influx of \$5,280,420 resulting from a private placement, offset by repayments on the Company's long term debt of \$39,931.

SELECTED SIX MONTH FINANCIAL INFORMATION

UNAUDITED	6 months ended, April 30, 2005	6 months ended, April 30, 2005
Sales	\$26,891,633	\$12,522,567
Gross Profit	\$7,045,193	\$1,799,014
EBITDA	\$1,147,727	(\$566,073)
Net (Loss) Income	\$679,380	(\$639,230)
Weighted Average # of Shares - Basic	39,375,483	14,940,061
Weighted Average # of shares - Fully Diluted	48,696,904	14,940,061
Basic Earnings (Loss) per Share	\$0.02	(\$0.04)
Diluted Earnings (Loss) per Share	\$0.01	(\$0.04)

RESULTS OF OPERATIONS**Six Months Ended April 30, 2005**

Sales for the six months ended April 30, 2005 were \$26,891,633 an increase of \$14,369,066 or 115% over the same six month period in 2004. Total Order Volume for the six months ended April 30, 2005 was 279,784 orders, an increase of 155,846 orders or 126% over the six months ended April 30, 2004. There were 119,912 orders shipped to returning customers (re-orders), an increase of 87,576 or 271% over the same six month period ended April 30, 2004. In the six months period ending April 30, 2005, there were 159,872 orders shipped to new customers, an increase of 68,270 orders or 75% over the corresponding six month period in 2004. This increase in orders from existing customers reflects the growing annuity aspect of the Company's business model. In addition, for the six months ended April 30, 2005, the Company saw an increase of more than 9% in the average US dollar order as compared to the six month period in 2005. The impact of this increase was offset somewhat by the increase in value of the Canadian dollar during the year. The Canadian dollar was at \$1.23 at April 30, 2005 compared to \$1.34 at April 30, 2004. The six months ended April 30, 2005 also included sales from its wholly owned subsidiary, Lensway AB.

Gross profit for the six months ended April 30, 2005 was \$7,045,193, an increase of \$5,246,179 or 292% over the same six month period ended April 30, 2004. Gross profit was 26.2% of sales for the six months ended April 30, 2005 as compared to 14.4% for the same six month period ended April 30, 2005. As stated above in explanations for the quarterly gross profit, the gross margin improvement of 11.8% was driven by several factors. Firstly, the acquisition of Lensway AB which traditionally has higher margins than the Company's North American operations was included in the results of the Company for the first six months of 2005. Secondly, purchasing was improved by consolidating large volume orders from both the Company and Lensway AB.



RESULTS OF OPERATIONS

The additional purchasing power afforded to the Company through the Lensway AB acquisition should continue to create opportunities for improved purchasing. Finally, in response to the continued weakening of the US dollar, the Company continued a strategy adopted at the beginning of the prior fiscal year of shifting the vast majority of its purchasing to US based suppliers to hedge against the weak US dollar. The success of this strategy is evidenced by the Company's continued gross margin improvement, from 10.0% in the second quarter of 2004 to 27.5% in the second quarter of 2005. In addition, some variable costs such as labor, while variable, scale at a slower rate than the increase in sales, contributing to a higher gross margin.

Selling, General and Administrative (SG&A) expenses represented 21.5% of sales for the six months ended April 30, 2005 as compared to 18.1% of sales for the same six month period in 2004. The increase in general and administrative expenses was due primarily to foreign exchange and salaries related to the acquisition of Lensway AB. While the Company has naturally hedged its US dollar revenue by purchasing through US based suppliers, the Company is impacted by accounting rules which result in timing differences at the end of each quarter. While the Company recognizes revenue upon shipping, usually within two days of receiving the funds, the Company does not pay its suppliers for thirty to sixty days from date of receipt of goods. As a result of this difference in timing the Company was exposed to non cash foreign exchange losses for the six months ended April 30, 2005. The Company also saw an increase in salaries of \$654,050 in the first six months of 2005 as compared to the same period in 2004. This increase was directly associated with the Company's purchase of Lensway AB in July 2004. Selling expenses as a percentage of sales remained relatively consistent at 13% for the six months ended April 30, 2005 versus 13.8% for the same six month period ended April 30, 2004. While the Company gained efficiencies in marketing as a result of repeat customers forming a larger percentage of orders in 2005 as compared to 2004, these efficiencies were offset by additional costs incurred by Lensway AB in the production and running of television ads in February 2005.

Stock-based compensation for the six months ended April 30, 2005 includes non cash expenses of \$36,310 resulting from the Company's issuance of an employee stock option plan in October 2004. There was also \$59,000 associated with 252,840 options issued to Lensway AB employees in the current quarter. A further \$21,000 non cash stock-based compensation expense was incurred as a result of 54,000 options issued to Directors of the Company.

Amortization for the six months ended April 30, 2005 increased by \$317,762 to \$346,623 as compared to \$28,861 for the same six months in the previous year. This increase was due partially to increased capital expenditures in computer hardware and website creation resulting in increased amortization. In addition, as part of the purchase of Lensway AB in July 2004, \$2,083,333 was allocated to the value of the Lensway AB development customer list. In the six months ended April 30, 2005, there was \$210,778 in amortization associated with this list, as compared to nil in the first six months of 2004.

Interest expense for the six months ended April 30, 2005 was \$58,689 as compared to \$44,296 in the comparable six month period for 2004. This change was a result of Coastal Contacts having paid off one of its debt facilities with Van City Capital in the second quarter of 2005, offset by the addition of interest charges relating to Lensway AB's credit facility.

Interest income for the six months ended April 30, 2005 was \$49,952 as compared to nil for the corresponding six month period in 2004. This interest income mainly represents interest earned on the funds raised through the private placement in March 2005.

Current income tax expense of \$126,673 for the six months ended April 30, 2005 as compared to nil for the corresponding six months in 2004 represents taxes payable on income earned by Lensway AB.



RESULTS OF OPERATIONS

Future income tax recovery of \$13,686 for the six months ended April 30, 2005 is primarily a result of the reversal of the future income tax liability recognized in the purchase price allocation for the acquisition of Lensway AB in 2004.

Net income for the six months ended April 30, 2005 was \$679,380 or \$0.01 per fully diluted share as compared to a loss of \$639,230 or \$0.04 per share in the same period of the preceding year. Basic earnings per share for the six months ended April 30, 2005 was \$0.02 versus basic loss per share of \$0.04 in the six month period ended April 30, 2004. As stated above, this net income improvement of \$1,318,610 was predominantly due to a 115% increase in sales, a 271% improvement in gross profit and a 293% increase in sales to returning customers.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities was \$1,939,910 for the six months ended April 30 2005, as compared to cash used in operating activities of \$352,469 for the same six months in the preceding year. The improvement in cash from operations of \$2,292,379 resulted primarily from the Company having net income of \$679,380 for the six months ended April 30, 2005 compared to a loss of \$639,230 for the similar period in 2004. Amortization expense representing a non-cash expense also accounted for \$346,623 in the first 6 months of 2005 as compared to \$28,861 in the six months ended April 30 2004, resulting in a non cash increase in expenditures of \$317,762. Remaining cash provided by operating activities for the six months ended April 30, 2005 were as a result of normal operations, with a decrease in accounts receivables and inventory and accounts payable contributing to the increased cash from operating activities.

Cash used in investing activities for the six months ended April 30, 2005 was \$11,645,856 as compared to \$5,013,154 used in investing activities in the second quarter of 2004. Primary sources of cash usage in the first six months of 2005 were the purchase of short-term investments of \$11,662,227, the acquisition of property, equipment and leaseholds of \$257,089 and net expenditures of \$84,243 on intangible assets, primarily for website development. This use of cash was offset by cash from the sale of short-term investments of \$450,804 in the first quarter of 2005. The comparable period in 2004 saw the purchase of short-term investments of \$4,800,000 and total acquisition of property, equipment, leaseholds and intangible assets of \$45,047 and \$69,060 respectively.

Cash provided by financing activities was \$11,231,246 for the six months ended April 30, 2005 as compared to cash provided by financing activities of \$5,331,899 in the same period of the preceding year. Cash provided by financing activities for the six months ended April 30, 2005 was primarily a result of the company issuing shares through the exercise of options and warrants and in a private placement on March 10, 2005 resulting in proceeds of \$12,680,369 before share issue costs of \$939,329. This increase in cash was offset by a reduction of the Company's overdraft balance of \$177,206 and repayment on the Company's long term debt of \$332,588. Cash provided by financing activities in the first six months of 2004 was due to a net influx of \$5,595,420 resulting from a private placement, offset by repayments on the Company's long term debt of \$86,216.



RESULTS OF OPERATIONS

COMMON SHARES

As at June 9, 2005 the Company had 50,078,835 common shares, 9,475,414 options and 4,548,415 warrants issued and outstanding. 21,285,245 common shares and 7,681,949 options remain in escrow or have not yet vested as of April 30, 2005. Included in these amounts are 11.2 million shares and 1,064,000 warrants associated with a \$12.32-million private placement that the Company closed on March 10, 2005.

CRITICAL ACCOUNTING ESTIMATES

Stock Based Compensation

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. The amount of stock based compensation associated with any options that are granted will be estimated and expensed using weighted average assumptions involving the estimated dividend yield, expected volatility, the risk free interest rate and the expected lives of the options.

Revenue Recognition

Revenue from product sales is recognized when the product has been shipped to the customer. At this point, the amount of sales revenue is determinable, no significant vendor obligations remain and the collection of the revenue is reasonable assured.

Deferred revenue includes revenue collected in advance of the product being shipped to the customer.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. Goodwill is not amortized and is reviewed for possible impairment annually or more frequently if events or changes in circumstances indicate possible impairment, based on the profitability and cash flows of Lensway AB. Based on this testing, the Company has determined that no goodwill impairment charge is required as at April 30, 2005.

SUBSEQUENT EVENTS

On May 2, 2005, the Company, through its wholly owned subsidiary, Lensway AB, acquired all of the outstanding common shares of Your Lenses, a Scandinavian retailer of contact lenses. The Company paid \$1,106,167, consisting of \$950,000 in cash and debt repayment of \$156,167. All of the debt and \$475,000 of the cash was paid on closing, with the remaining \$475,000 cash held in escrow, to be released eighteen months from the closing date.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this report and the reports and documents incorporated by reference in this report contain statements that could relate to future events and the Company's future results. Although the Company believes the assumptions underlying these forward looking statements are reasonable, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements made based on these assumptions could be incorrect. The Company's operations involve risk and uncertainty, many of which are outside of the Company's control, and any one or any combination of these risks and uncertainties could affect whether the forward-looking statements ultimately prove to be correct.

[Unaudited]	April 30, 2005 \$	October 31, 2004 \$
ASSETS [note 5]		
Current		
Cash	2,370,463	843,681
Short-term investments	12,003,293	776,675
Accounts receivable	3,063,364	3,043,140
Income taxes receivable	3,598	3,598
Inventory	3,969,013	3,997,434
Prepaid expenses	555,266	234,963
Due from related parties [note 9]	297,115	194,856
	22,262,112	9,094,347
Long-term receivable	-	13,713
Property, equipment and leasehold improvements [note 3]	991,550	841,506
Intangible assets [note 4]	5,027,429	5,041,909
Goodwill	6,335,130	6,137,943
	34,616,221	21,129,418
LIABILITIES, SHARE CAPITAL AND DEFICIT		
Current		
Bank indebtedness	506,657	683,863
Accounts payable and accrued liabilities	6,408,085	5,215,624
Income taxes payable	231,245	99,552
Deferred revenue	77,397	307,067
Due to related parties [note 9]	40,855	38,733
Current portion of lease inducement	24,337	24,337
Current portion of long-term debt [note 5]	521,723	610,408
	7,810,299	6,979,584
Long-term lease inducement	120,420	133,853
Long-term debt [note 5]	181,684	409,242
Future income tax liability	1,430,128	1,415,911
	9,542,531	8,938,590
Share Capital and Deficit		
Share capital		
Authorized :		
Unlimited common shares without par value		
Unlimited Class A preferred shares without par value		
Issued and outstanding [note 6] :		
49,849,407 common shares [2004 - 33,874,860]	24,634,451	11,569,500
Shares to be issued [note 6]	-	1,762,560
Contributed surplus [note 7]	701,008	105,898
Cumulative foreign currency translation adjustment	234,236	(71,745)
Deficit	(496,005)	(1,175,385)
	25,073,690	12,190,828
	34,616,221	21,129,418

See accompanying notes to the unaudited interim consolidated financial statements

On behalf of the Board :

/s/ Roger Hardy
Director

/s/ Curt Cranfield
Director

[Unaudited]	Three months ended		Six months ended	
	April 30		April 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
SALES	14,854,904	5,842,511	26,891,633	12,522,567
Cost of Sales	10,777,677	5,255,771	19,846,440	10,723,553
Gross Profit	4,077,227	586,740	7,045,193	1,799,014
Selling, general and administration expenses	3,347,853	1,132,735	5,781,156	2,266,087
Stock-based compensation	98,043	-	116,310	99,000
Amortization	172,225	19,707	346,623	28,861
Interest on long-term debt	22,984	25,020	58,689	44,296
Interest income	(44,948)	-	(49,952)	-
Income (loss) before income taxes	481,070	(590,722)	792,367	(639,230)
Income tax expenses - current	55,105	-	126,673	-
Income tax recovery - future	(10,409)	-	(13,686)	-
Net Income (Loss)	436,374	(590,722)	679,380	(639,230)
Deficit, beginning of period	(932,379)	(684,343)	(1,175,385)	(635,835)
Deficit, end of period	(496,005)	(1,275,065)	(496,005)	(1,275,065)
Basic earnings (loss) per share	0.01	(0.03)	0.02	(0.04)
Diluted earnings (loss) per share	0.01	(0.03)	0.01	(0.04)
Weighted average number of common shares outstanding - basic	43,123,319	16,901,900	39,375,483	14,940,061
Weighted average number of common shares outstanding - diluted	52,959,221	16,901,900	48,696,904	14,940,061

See accompanying notes to the unaudited interim consolidated financial statements

[Unaudited]

	Three months ended		Six months ended	
	April 30		April 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net Income (Loss)	436,374	(590,722)	679,380	(639,230)
Non-cash items :				
Amortization	172,225	19,707	346,623	28,861
Amortization of deferred lease inducement	(6,243)	-	(13,433)	-
Accrued interest	(40,258)	-	(41,175)	-
Stock-based compensation	98,043	-	116,310	99,000
Shares issued for goods and services	-	-	-	350,000
Future income taxes	(10,409)	-	(13,686)	-
Changes in non-cash working capital :				
Accounts receivable	(586,320)	(208,591)	97,333	(439,004)
Inventory	54,369	(35,482)	66,819	(640,106)
Prepaid expenses	(332,387)	(46,585)	(316,617)	(85,257)
Accounts payable and accrued liabilities	1,321,715	(449,934)	1,125,913	949,360
Income taxes payable	58,965	-	129,148	-
Deferred revenue	(50,133)	93,279	(229,670)	93,279
Due from related parties	26,660	(31,046)	(7,035)	(60,646)
Income taxes receivable	-	(8,726)	-	(8,726)
Cash provided by (used in) operating activities	1,142,601	(1,258,100)	1,939,910	(352,469)
INVESTING ACTIVITIES				
Purchase of short-term investments	(11,662,227)	(4,800,000)	(11,662,227)	(4,800,000)
Sale of short-term investments	52,072	-	450,804	-
Acquisition of property, equipment and leasehold improvements	(93,172)	(35,475)	(257,089)	(45,047)
Acquisition of intangible assets	(87,884)	(44,628)	(87,884)	(69,060)
Disposition of intangible assets	3,641	-	3,641	-
Acquisition costs	-	(77,318)	-	(77,318)
Advances to related parties	(67,825)	(12,069)	(93,101)	(21,729)
Cash provided by (used in) investing activities	(11,855,395)	(4,969,490)	(11,645,856)	(5,013,154)
FINANCING ACTIVITIES				
Issuance of share capital	12,680,369	6,153,025	12,680,369	6,468,025
Share issue costs	(939,329)	(872,605)	(939,329)	(872,605)
Bank indebtedness	(159,704)	256,746	(177,206)	(177,305)
Repayment of long-term debt	(161,623)	(39,931)	(332,588)	(86,216)
Cash provided by (used in) investing activities	11,419,713	5,497,235	11,231,246	5,331,899
Effect of exchange rate changes on cash	(2,970)	-	1,482	-
Increase (decrease) in cash	703,949	(730,355)	1,526,782	(33,724)
Cash, beginning of period	1,666,514	798,045	843,681	101,414
Cash, end of period	2,370,463	67,691	2,370,463	67,690
Interest paid in cash	22,984	25,020	58,689	44,294
Income taxes paid in cash	4,033	-	4,388	-

See accompanying notes to the unaudited interim consolidated financial statements

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. BASIS OF PRESENTATION**

Coastal Contacts Inc. ("the Company") is a global on-line retailer of contact lenses sold throughout internet sites created and operated by the Company. The Company has operations in North America and Europe.

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") with respect to interim financial statements, applied on a consistent basis. These unaudited interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the Company's audited consolidated financial statements as at and for the year ended October 31, 2004. Accordingly, they do not include all the information and footnotes required for compliance with Canadian GAAP for annual financial statements. These unaudited consolidated interim financial statements and notes thereon should be read in conjunction with the audited consolidated financial statements and notes for the year ended October 31, 2004.

The preparation of these unaudited consolidated interim financial statements and the accompanying notes requires management to make estimates and assumptions that affect the amounts reported. In the opinion of management, these unaudited consolidated interim financial statements reflect all adjustments necessary to state fairly the results for the periods presented. Actual results could vary from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

2. ACQUISITION OF LENSWAY

On July 26, 2004, the Company completed the acquisition of all of the shares of Lensway, a European retailer of contact lenses. The consideration paid included \$5,655,000 in cash and 13,195,000 restricted common shares of the Company. The shares are subject to a pooling agreement for a period of 36 months after the closing date of July 26, 2004. Forty percent of the pooled shares will be released 12 months after closing and 15% of the shares will be released every six months thereafter (all shares will be released as of 36 months after the closing date).

The acquisition was accounted for using the purchase method whereby assets acquired and liabilities assumed were recorded at their fair market values as of the date of the acquisition. For purposes of computing the purchase price, the value of the restricted common shares was determined by taking the closing price of the Company's common stock as quoted on the TSX Venture Exchange for the two days before, the day of and the two days following the announcement of the signing of the letter of intent to acquire Lensway (June 24, 2004). This average price was then reduced by a 46% discount (as determined by a third party appraisal) due to the restriction provisions associated with the common shares issued.

The following sets forth the purchase price and its allocation to the tangible and intangible assets acquired.

	\$
Cash	5,655,000
Restricted common shares	5,500,000
Direct acquisition costs	773,953
Total consideration	11,928,953
Cash	550,084
Other current assets	3,656,208
Property and equipment	353,263
Lensway customer list	2,083,333
Lensway trade name	2,847,223
Website development	125,000
Current liabilities	(2,116,763)
Long-term debt	(280,776)
Future income taxes	(1,462,207)
Net assets acquired	5,755,365
Goodwill	6,173,588

Goodwill is not deductible for income tax purposes.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	April 30, 2005	October 31, 2004
	\$	\$
Leasehold improvements	364,893	355,314
Furniture and fixtures	223,988	199,404
Computer hardware	308,444	196,466
Computer software	33,639	11,525
Customized ERP software	304,874	223,408
	1,235,838	986,117
Accumulated amortization	(244,288)	(144,611)
Net book value	991,550	841,506

4. INTANGIBLE ASSETS

	April 30, 2005	October 31, 2004
	\$	\$
Website development	332,387	303,050
Lensway trade name	2,904,293	2,830,783
Lensway customer list	2,125,433	2,071,306
Pharma Lens Agreements	76,138	-
	5,438,251	5,205,139
Accumulated amortization	(410,822)	(163,230)
Net book value	5,027,429	5,041,909

5. LONG-TERM DEBT

	April 30, 2005	October 31, 2004
	\$	\$
VanCity Capital		
Loan #1 : Repayable in monthly instalments of \$7,381, blended principal and interest at prime (4.25%) plus 10.5%. The loan matured on March 15, 2005.	-	35,776
Loan #2 : Repayable in monthly instalments of \$8,378, blended principal and interest at 13%. The loan matures on March 15, 2006.	201,724	232,759
Loan #3 : Repayable in monthly instalments of \$6,065 blended principal and interest at a fixed interest rate of 13.0%. The loan matures on June 15, 2006.	99,200	127,560
Handelsbanken Loan : Repayable in monthly instalments of \$38,266, consisting of blended principal and interest at 7.45%. The loan is denominated in Swedish Krona (SEK 2,277,774) matures on February 28, 2006.	402,483	623,555
	703,407	1,019,650
Less current portion	521,723	610,408
	181,684	409,242



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. LONG-TERM DEBT (cont'd.)

The Van City loans are collateralized by a general security agreement over all the assets of the Company and certain personal guarantees by shareholders. These Van City loans are subordinate to any other loan facilities that the Company might obtain in the future. These loans also give VanCity the option of participating in equity offerings undertaken by the Company by converting the debt outstanding at the date of such offering into the equity offered.

Under terms of the Company's loan facilities with Van City Capital, there are certain covenants over working capital and effective net worth, as well as a covenant restricting capital expenditures to less than \$100,000 per annum. As at April 30, 2005, the Company had incurred \$147,601 in capital expenditures, with approximately \$100,000 having been spent on phone and computer equipment and the remainder on software and furniture and equipment. The Company has obtained a waiver from the lender in regards the above covenant restriction.

The Handelsbanken loan is collateralized by a floating charge on the assets of Lensway, to a maximum of 7,500,000 krona (\$1,291,500), depending on the amount of outstanding loan.

Anticipated requirements to meet long-term debt principal repayments over the next two years from May 1, 2005 are as follows :

	\$
April 30, 2006	521,723
April 30, 2007	191,684
	703,407

6. SHARE CAPITAL

Issued and outstanding common shares	April 30, 2005		October 31, 2004	
	Number of		Number of	
	Common Shares		Common Shares	
	#	\$	#	\$
Balance - beginning of period	33,874,860	11,569,500	12,280,000	77,000
Issued in private placement	2,500,000	1,762,560	-	-
Issued in private placement	11,200,000	10,901,871	620,000	310,000
Issued on exercise of warrants	315,647	311,796	100,000	5,000
Issued for goods	-	-	700,000	350,000
Issued in initial public offering	-	-	6,000,000	5,127,395
Issued for services	-	-	375,000	-
Issued on exercise of options	1,918,750	48,574	264,960	1,325
Issued under greenshoe option	-	-	164,000	151,700
Issued under greenshoe option	-	-	50,900	47,080
Issued for services	-	-	125,000	-
Issued in purchase of Lensway	-	-	13,195,000	5,500,000
Issued to Marlin Financial Group Inc.	40,150	40,150	-	-
Balance - end of period	49,849,407	24,634,451	33,874,860	11,569,500

Between November 1, 2003 and December 15, 2003 the Company issued 1,420,000 common shares to non-related parties of the Company, of which 620,000 of the shares were issued for cash of \$310,000, 100,000 shares were issued on the exercise of warrants for cash of \$5,000 and 700,000 shares were issued in exchange for the settlement of accounts payable.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. SHARE CAPITAL (cont'd.)

On March 29, 2004, the Company undertook an Initial Public Offering (IPO), issuing 6,000,000 common shares for proceeds of \$6,000,000, less share issue costs of \$872,605. There were a further 375,000 units issued to the underwriter. Each unit consists of one common share and one warrant exercisable at \$1.50 for a period of two years.

On April 7, 2004, employees of the Company exercised options for 264,960 shares, for proceeds of \$1,325.

On April 23, 2004 and May 28, 2004, the underwriter exercised part of its rights under the greenshoe option granted in the IPO and 164,000 and 50,900 common shares were issued for proceeds of \$151,700, and \$47,080 respectively.

On July 22, 2004, the Company undertook a private placement issuing 2,500,000 shares for proceeds of \$2,000,000, less share issue cost of \$237,440. These shares were presented on the consolidated balance sheet at October 31, 2004 as "Shares to be issued" as they were paid for in the fourth quarter of fiscal 2004, but were only issued in the first quarter of fiscal 2005 (November 23, 2004). Each of the 2,500,000 shares includes a share purchase warrant entitling the holder to purchase one share per warrant at an exercise price of \$1.00 for a period of two years. There were a further 125,000 units comprising one common share and one purchase warrant issued to the underwriter. Each warrant is exercisable into one common share at \$0.80 for a period of two years. Underwriting fees also included 250,000 agent's warrants exercisable at \$0.80 for a period of 2 years.

On July 26, 2004, the Company issued 13,195,000 common shares in connection with the purchase of Lensway [see note 2].

On February 22, 2005, the Company, through its newly incorporated subsidiary Coastal Pharma Lens Inc. entered into a purchase and sale agreement with Marlin Financial Group Inc. The Company acquired the Pharma Lens trademark application, the Distributorship Pilot Agreement between Ahold USA Inc. and Marlin Financial Group Inc. and the supply contract between Ralphs Grocery Company and Marlin Financial Group Inc. for 40,150 shares valued at \$1.00 per share and cash of \$14,850. The shares are subject to a voluntary pooling agreement of three years with tranches released at six month intervals.

On March 1, 2005, 198,840 options were issued to employees of Lensway AB at \$1.00. These options vest evenly over three years, beginning on March 31, 2005.

On March 1, 2005, 54,000 options were issued to directors of the Company. These options are exercisable at \$1.00 per share. 30,000 of these options vest on February 18, 2005 while the remaining options vest on February 18, 2006.

On March 10, 2005, the Company undertook a private placement issuing 11,200,000 shares at \$1.10 per share. The underwriters received a commission of 6.5% of gross proceeds and "Compensation Warrants" of 9.5% of the total number of shares sold. These warrants are exercisable at \$1.10 per warrant and are exercisable for up to 18 months after closing. Net proceeds were \$11,380,671 after underwriters commission and other share issue costs. In addition, the "Compensation Warrants" have been valued at \$478,800 and offset against the proceeds with a corresponding increase in contributed surplus.

Between February 4 and April 26, 2005, 11,500 and 304,147 agents warrants were exercised at \$0.80 and \$1.00 respectively for proceeds of \$311,796.

On February 16 and April 26, 2005, 18,750 and 1,900,000 options were exercised for proceeds of \$48,574.

7. CONTRIBUTED SURPLUS

	April 30, 2005	October 31, 2004
	\$	\$
Balance - beginning of period	105,898	-
Stock-based compensation	116,310	105,898
Compensation Warrants	478,800	-
Balance - end of period	701,008	105,898



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. EARNINGS PER SHARE

	Three months ended		Six months ended	
	April 30		April 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
Weighted average number of common shares outstanding - basic	43,123,319	16,901,900	39,375,483	14,940,061
Stock options	9,043,353	-	8,968,255	-
Warrants	792,549	-	353,166	-
Weighted average number of common shares outstanding - diluted	52,959,221	16,901,900	48,696,904	14,940,06

9. RELATED PARTY TRANSACTIONS

	April 30, 2005	January 31, 2005
Due from related parties	\$	\$
Promissory notes receivable	115,000	115,000
Advances to officers	142,424	40,165
CMP Medical Inc.	39,691	39,691
	297,115	194,856

The amounts due from related parties includes: (1) two promissory notes from an officer and a shareholder for \$100,000 and \$15,000 respectively. These loans are payable on demand and bear interest at 5% per annum; (2) Other advances to officers of the Company in the amount of \$142,424. These advances are non interest bearing with no fixed terms of repayment; (3) \$39,691 from CMP Medical Inc., a company controlled by an officer and shareholder of the Company.

	April 30, 2005	January 31, 2005
Due to related parties	\$	\$
Advances from officers	40,855	38,733

These advances are non interest bearing with no fixed terms of repayment.

All related party transactions are measured at their exchange amounts.



Coastal Contacts Inc.

April 30, 2005 - Unaudited

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. SEGMENTED INFORMATION

The Company operates in one business segment, the sale of contact lenses. The Company's sales are in North America and Europe. Geographical information is based on the countries in which the Company sells contact lenses and accessories.

	United States and Canada	Sweden	Norway	Other	Inter-company Eliminations	Total
	\$	\$	\$	\$	\$	\$
Sales						
3 months ended April 30, 2005	8,085,407	4,088,084	2,152,086	1,029,385	(500,058)	14,854,904
3 months ended April 30, 2004	5,842,411	-	-	-	-	5,842,411
6 months ended April 30, 2005	15,055,816	7,235,656	3,610,974	1,646,490	(657,303)	26,891,633
6 months ended April 30, 2004	12,522,567	-	-	-	-	12,522,567
Property, equipment and leasehold improvements						
As at April 30, 2005	589,606	401,944	-	-	-	991,550
As at April 30, 2004	494,261	347,245	-	-	-	841,506
Goodwill						
April 30, 2005	-	6,335,130	-	-	-	6,335,130
October 31, 2004	-	6,137,943	-	-	-	6,137,943

11. SUBSEQUENT EVENTS

On May 2, 2005, the Company, through its wholly owned subsidiary, Lensway AB, acquired all of the outstanding common shares of Your Lenses, a Scandinavian retailer of contact lenses. The Company has agreed paid \$1,106,167, consisting of \$950,000 in cash and debt repayment of \$156,167. All of the debt and \$475,000 of the cash was paid upon closing on May 2, 2005, with the remaining cash held in escrow, to be released eighteen months from the closing date.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.