

Interim Financial Statements

Coastal Contacts Inc.

Unaudited

For the six months ended April 30, 2004

Coastal Contacts Inc.**BALANCE SHEET**

	Unaudited April 30, 2004 \$	Audited October 31, 2003 \$
ASSETS		
Current		
Short-term investments	4,800,000	—
Accounts receivable	572,048	67,358
Income taxes receivable	19,540	10,814
Inventory	2,056,626	1,416,520
Prepaid expenses	113,280	28,023
Due from related parties	80,405	—
	7,641,899	1,522,715
Property and equipment <i>[note 3]</i>	91,501	64,276
Intangible assets <i>[note 4]</i>	97,486	39,465
Deferred charges	77,318	—
	7,908,204	1,626,456
LIABILITIES, SHARE CAPITAL AND DEFICIT		
Current		
Bank indebtedness	189,056	267,174
Accounts payable and accrued liabilities	2,378,123	1,335,484
Current portion of long-term debt <i>[note 5]</i>	159,614	312,000
	2,726,793	1,914,658
Long-term debt <i>[note 5]</i>	335,056	268,886
Due to related party	—	1,747
	3,061,849	2,185,291
Share capital and deficit		
Share capital <i>[note 6]</i>		
Authorized:		
Unlimited common shares without par value		
Unlimited Class A preferred shares without par value		
Issued and outstanding:		
20,503,960 common shares [2003 - 12,280,000]	6,895,025	77,000
Share issue costs	(872,605)	—
Contributed surplus	99,000	—
Deficit	(1,275,065)	(635,835)
	4,846,355	(558,835)
	7,908,204	1,626,456

See accompanying notes

On behalf of the Board:

/s/ Roger V. Hardy _____ Director

/s/ Murray McBride _____ Director

Coastal Contacts Inc.

STATEMENT OF LOSS AND DEFICIT

Unaudited

	For the three months ended April 30, 2004 \$	For the six months ended April 30, 2004 \$
Net sales	5,842,511	12,522,567
Cost of sales	5,255,771	10,723,553
Gross profit	586,740	1,799,014
Selling, general and administration expenses	1,132,735	2,365,087
Loss before amortization and interest	(545,995)	(566,073)
Other		
Amortization	19,707	28,861
Interest on long-term debt	25,020	44,296
Net loss	(590,722)	(639,230)
Deficit, beginning of period	(684,343)	(635,835)
Deficit, end of period	(1,275,065)	(1,275,065)
Loss per share	(0.03)	(0.04)
Weighted average number of common shares outstanding	16,901,900	14,940,061

See accompanying notes

Coastal Contacts Inc.

STATEMENT OF CASH FLOWS

Unaudited

	For the three months ended April 30, 2004 \$	For the six months ended April 30, 2004 \$
OPERATING ACTIVITIES		
Net loss	(590,722)	(639,230)
Non-cash items:		
Amortization	19,707	28,861
Stock-based compensation	—	99,000
Shares issued for goods and services	—	350,000
Changes in non-cash working capital:		
Accounts receivable	(208,591)	(504,690)
Inventory	(35,482)	(640,106)
Prepaid expenses	(46,585)	(85,257)
Accounts payable and accrued liabilities	(356,655)	1,042,639
Income taxes	(8,726)	(8,726)
Cash used in operating activities	(1,227,054)	(357,509)
FINANCING ACTIVITIES		
Loan payments	(39,931)	(86,216)
Due from related parties	(43,115)	(82,152)
Issuance of share capital	6,153,025	6,468,025
Share issue costs	(872,605)	(872,605)
Cash provided by financing activities	5,197,374	5,427,052
INVESTING ACTIVITIES		
Purchase of short-term investments	(4,800,000)	(4,800,000)
Acquisition of property and equipment	(35,475)	(45,047)
Acquisition of intangible assets	(44,628)	(69,060)
Acquisition costs	(77,318)	(77,318)
Cash used in investing activities	(4,957,421)	(4,991,425)
(Increase) decrease in bank indebtedness	(987,101)	78,118
Bank indebtedness, beginning of period	798,045	(267,174)
Bank indebtedness, end of period	(189,056)	(189,056)

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

April 30, 2004

Unaudited

1. BASIS OF PRESENTATION

These interim unaudited financial statements have been prepared by Coastal Contacts Inc. (“the Company”) in accordance with Canadian generally accepted accounting principles (“GAAP”) with respect to interim financial statements, applied on a consistent basis. Accordingly, they do not include all the information and footnotes required for compliance with Canadian GAAP for annual financial statements. These interim unaudited financial statements and notes thereon should be read in conjunction with the audited financial statements and notes for the year ended October 31, 2003 included in the Company’s prospectus dated March 18, 2004.

The preparation of these interim unaudited financial statements and the accompanying notes requires management to make estimates and assumptions that affect the amounts reported. In the opinion of management, these interim unaudited financial statements reflect all adjustments (which include only normal, recurring 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. ADOPTION OF NEW ACCOUNTING POLICIES

Stock-based compensation

Effective November 1, 2003, the Company adopted the new accounting recommendations for stock based compensation issued by the Canadian Institute of Chartered Accountants which require prospective application to all stock options granted on or after the date of adoption. Under this standard, fair value accounting is required for all stock options granted. Previously, stock options were not recognized in the financial statements.

Earnings per share

Effective November 1, 2003, the Company adopted the accounting recommendations for earnings per share issued by the Canadian Institute of Chartered Accountants. Under this standard, the Company calculates basic earnings per share using the weighted average number of common shares outstanding during the period. Diluted net earnings per share are calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted net earnings per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period. Stock options are dilutive when the company has income from continuing operations and the average market price of the common shares during the period exceed the exercise price of the options.

Coastal Contacts Inc.

NOTES TO FINANCIAL STATEMENTS

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2. ADOPTION OF NEW ACCOUNTING POLICIES (cont'd.)

Short-term investments

Short-term investments consist of bond funds with the Royal Bank of Canada and are carried at the lower of cost and market value. At April 30, 2004, their carrying value approximates their fair value.

Deferred charges

Deferred charges consist of costs incurred directly in relation to the acquisition of Lensway AB [see note 7]. Upon finalization of this transaction, these costs will be included in the amount of consideration paid for the acquisition.

3. PROPERTY AND EQUIPMENT

	April 30, 2004 \$	October 31, 2003 \$
Leasehold improvements	4,300	—
Computer hardware	96,269	62,888
Computer software	7,284	8,519
Furniture and fixtures	25,749	24,220
	133,602	95,627
Accumulated amortization	42,101	31,351
Net book value	91,501	64,276

4. INTANGIBLE ASSETS

	April 30, 2004 \$	October 31, 2003 \$
Website creation	135,241	66,181
Accumulated amortization	37,755	26,716
Net book value	97,486	39,465

Coastal Contacts Inc.

NOTES TO FINANCIAL STATEMENTS

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5. LONG-TERM DEBT

	April 30, 2004	October 31, 2003
	\$	\$
VanCity Capital		
Loan #1: Repayable in monthly instalments of \$7,381, blended principal and interest at prime plus 10.5%. The loan matures on March 15, 2005.	76,280	106,058
Loan #2: Repayable in monthly instalments of \$8,378, blended principal and interest at prime plus 8.5%. The loan matures on March 15, 2006.	263,793	294,828
Loan #3: Repayable in monthly instalments of interest only at an interest rate of 13%. Beginning November 15, 2003 monthly payments are \$26,250 blended principal and interest at a fixed interest rate of 13.0%. The loan matures on June 15, 2006.	154,597	180,000
	494,670	580,886
Less current portion	159,614	312,000
	335,056	268,886

Coastal Contacts Inc.

NOTES TO FINANCIAL STATEMENTS

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6. SHARE CAPITAL

[a] Issued and outstanding common shares

On December 23, 2003 the Company underwent a share subdivision issuing two new common shares for every one issued and outstanding common share. All common share and per share data included herein have been adjusted to reflect the two for one subdivision as if it had occurred at the beginning of the periods reflected.

	<u>April 30, 2004</u>		<u>October 31, 2003</u>	
	<u>Number of</u>		<u>Number of</u>	
	<u>Common Shares</u>		<u>Common Shares</u>	
	<u>#</u>	<u>\$</u>	<u>#</u>	<u>\$</u>
Balance - beginning of period	12,280,000	77,000	12,000,000	42,000
Issued in private placement	620,000	310,000	280,000	35,000
Issued on exercise of warrants	100,000	5,000	—	—
Issued for goods and services	700,000	350,000	—	—
Issued in initial public offering	6,375,000	6,000,000	—	—
Issued on exercise of options	264,960	1,325	—	—
Issued under greenshoe option	164,000	151,700	—	—
Balance - end of period	20,503,960	6,895,025	12,280,000	77,000

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.

On March 29, 2004, the Company undertook an Initial Public Offering (IPO), issuing 6,000,000 common shares for proceeds of \$6,000,000. There were a further 375,000 units issued to the underwriter as part of the underwriting fees. Each unit consists of one common share and one warrant exercisable at \$1.50 for a period of two years. Cash used primarily to obtain this financing amounted to \$872,605.

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

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

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NOTES TO FINANCIAL STATEMENTS

April 30, 2004

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6. SHARE CAPITAL (cont'd.)

[b] Stock options

The following stock options are outstanding at April 30, 2004:

Expiry Date	Price \$	Outstanding #
January 1, 2006	.005	9,334,000
January 1, 2006	.125	730,240
January 1, 2006	.175	345,500
January 1, 2006	.275	110,000
December 31, 2007	.125	550,000

7. SUBSEQUENT EVENTS

On June 24, 2004, the Company signed a definitive purchase agreement with Lensway AB and its shareholders and optionholders to acquire all of the outstanding common shares and options of Lensway, a leading European-based online retailer and distributor of contact lenses. The proposed transaction is expected to close by the end of July 2004 for cash of \$5.7 million and 13.2 million common shares.

The proposed transaction is expected to be funded in part by a private placement of up to 3,750,000 subscription receipts priced at \$0.80. Each subscription receipt consists of one common share and one share purchase warrant exercisable at \$1.00 for a period of 2 years from closing. The private placement is expecting to generate gross proceeds between \$2 million and \$3 million.

8. COMPARATIVE FIGURES

As the Company did not prepare interim financial information in the prior fiscal year, comparative interim information has not been presented.