



## News Release

For Immediate Release

### Liquidation World Announces Dramatic Turnaround from Prior Year Typically challenging Q2 buoyed by record period sales

CALGARY, May 9, 2006- Liquidation World Inc. (LQW – TSX) today announces results for the second quarter of fiscal 2006, representing 13 weeks of operations ending April 2, 2006.

Revenue for the quarter increased 24.2% to \$48.9 million from \$39.4 million, and set a new Q2 record. Earnings were \$663,000 (\$0.08 per share), compared to a loss of \$6.5 million (\$0.77 per share) in the same period last year.

Fiscal year-to-date revenue increased 16.5% to \$106.0 million from \$91.1 million. Cumulative earnings were \$2.6 million (\$0.31 per share) compared to a loss of \$5.6 million (\$0.66 per share) in Q2 2005.

Further detail is provided in the financial statements below.

Liquidation World's President and Chief Executive Officer, Jonathan Hill, said:

*Overall, our results for the second quarter reflect a dramatic improvement from the operating losses and inventory issues we faced a year ago. The structure, discipline and accountability that we have brought to bear over the past year are now positively affecting our performance.*

*Our strengthened and more disciplined merchandising group is sourcing desirable product more effectively. Meanwhile, our ongoing store renovation program is creating a more inviting shopping environment and our customers are responding enthusiastically. Together, these initiatives contributed to a same store sales increase of 18.4%.*

The Company also continued to strengthen its leadership ranks during the quarter, announcing, in late February, the appointment of Dennis Kennedy to the new executive position of Senior Vice President, Operations. Mr. Hill explains:

*We are excited about the experience that Dennis brings from his many years with Home Depot in Canada and the United States. His track record of success with growth and process improvement in particular will support our future goals.*

With the completion of its second quarter, Liquidation World has experienced three consecutive quarters of improving performance. Mr. Hill commented:

*We are encouraged by these results, especially since Q2 is typically our toughest quarter. In addition, we see continued opportunities to improve our financial performance. As an example, the implementation of our merchandise management system continues with the recent successful testing of scanning and shelf labelling in select stores. This is an initiative which is expected to further improve operating efficiency as it is rolled out to all of our outlets.*

*On the supply side, a number of recent press reports have described the efforts that other major retailers are making to reduce inventory levels, shifting the burden of inventory management and risk to their suppliers. We fully expect this change in the retail marketplace to result in more distressed inventory situations and feel our buying team is well positioned to capitalize on these new, quality inventory opportunities.*

*We are confident that our investments in people, technology and the further professionalism of our business will position us well moving forward.*

## **About Liquidation World**

Liquidation World liquidates consumer merchandise through 103 outlets across North America and also provides store-closure sales management. It solves asset recovery problems in a professional manner for the financial services industry, insurance companies, manufacturers and other organizations. Liquidation World opened its first retail outlet in 1986 and is now the largest liquidator in Canada, with more than 1,800 employees in outlets and offices across Canada and the United States.

This release includes forward-looking statements and potential future circumstances and developments. Forward-looking statements regarding future performance are subject to risks and uncertainties, and actual results may differ materially.

**Liquidation World has scheduled a conference call to begin promptly at 11:00 a.m. Calgary time (1:00 p.m. EDT) on May 9<sup>th</sup>, 2006.**

**Conference call dial in number is 1-800-769-8320 or 416-695-5261**

A replay of the conference call will be accessible on Liquidation World's website within twenty-four hours at [www.liquidationworld.com](http://www.liquidationworld.com) by selecting "Investor Info", "News Releases", and "Q2 Conference Call".

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# LIQUIDATION WORLD INC.

Consolidated Balance Sheets  
(unaudited)(in thousands of Canadian dollars)

	April 2 2006	October 2 2005
<b>Assets</b>		
Current assets		
Cash and equivalents	\$ 176	\$ 177
Accounts receivable	386	621
Inventory	52,404	46,552
Prepaid expenses	1,617	2,242
Income taxes recoverable	1,698	2,916
	<u>56,281</u>	<u>52,508</u>
Property and equipment	11,106	9,895
	<u>\$ 67,387</u>	<u>\$ 62,403</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Bank indebtedness	\$ 2,154	\$ 2,265
Accounts payable and accrued liabilities	7,678	6,387
Current portion of capital lease	880	715
	<u>10,712</u>	<u>9,367</u>
Capital lease	2,883	1,997
Future income taxes	495	445
Shareholders' equity		
Share capital	15,757	15,764
Contributed surplus	551	437
Retained earnings	36,989	34,393
	<u>53,297</u>	<u>50,594</u>
	<u>\$ 67,387</u>	<u>\$ 62,403</u>

## LIQUIDATION WORLD INC.

Consolidated Statements of Earnings and Retained Earnings  
(unaudited) (in thousands of Canadian dollars, except per share amounts)

	13 weeks ended April 2, 2006	13 weeks ended April 3, 2005	26 weeks ended April 2, 2006	26 weeks ended April 3, 2005
Revenue	\$ 48,909	\$ 39,367	\$ 106,055	\$ 91,052
Cost of sales	29,419	31,239	64,689	62,759
	19,490	8,128	41,366	28,293
Expenses				
Selling and store operations	15,619	14,346	31,759	30,520
General and administrative	1,994	2,539	3,965	4,437
Depreciation and amortization	759	451	1,505	838
Stock based compensation	60	70	113	139
Interest	91	13	141	13
Foreign exchange (recovery)	(12)	9	(32)	14
	18,511	17,428	37,451	35,961
Earnings (loss)				
before income taxes	979	(9,300)	3,915	(7,668)
Income taxes (recovery)				
Current	333	(2,823)	1,256	(2,128)
Future	(17)	34	50	32
	316	(2,789)	1,306	(2,096)
Net earnings (loss)	663	(6,511)	2,609	(5,572)
Retained earnings, beginning of period	36,339	41,785	34,393	41,220
Excess of repurchase amount over stated				
capital of repurchased shares (note 3)	(13)	-	(13)	(102)
Adjustment to reflect change in accounting policy (note 2)	-	-	-	(272)
Retained earnings, end of period	\$ 36,989	\$ 35,274	\$ 36,989	\$ 35,274
Earnings per share				
Basic	\$ 0.08	\$ (0.77)	\$ 0.31	\$ (0.66)
Fully diluted	\$ 0.08	\$ (0.77)	\$ 0.31	\$ (0.66)
Weighted average shares outstanding	8,382,837	8,374,166	8,382,889	8,384,294
Diluted shares outstanding	8,442,745	8,414,542	8,391,336	8,435,699

Segmented Information  
(unaudited) (In thousands of Canadian dollars)

	13 weeks ended April 2, 2006	13 weeks ended April 3, 2005	26 weeks ended April 2, 2006	26 weeks ended April 3, 2005
Revenue				
Canada	\$ 41,370	\$ 33,492	\$ 90,031	\$ 77,790
United States	7,539	5,875	16,024	13,262
Total	\$ 48,909	\$ 39,367	\$ 106,055	\$ 91,052
Property and equipment				
Canada			\$ 10,544	\$ 7,135
United States			562	515
Total			\$ 11,106	\$ 7,650

# LIQUIDATION WORLD INC.

Consolidated Statements of Cash Flows  
(unaudited) (in thousands of Canadian dollars)

	April 2, 2006	April 3, 2005	April 2, 2006	April 3, 2005
Cash provided by (used in):				
Continuing operations				
Earnings (loss) from continuing operations	\$ 663	\$ (6,511)	\$ 2,609	\$ (5,572)
Add (deduct) non-cash items:				
Depreciation and amortization	759	451	1,505	838
Stock based compensation	60	70	113	139
Future income taxes	(17)	34	50	32
	1,465	(5,956)	4,277	(4,563)
Changes in non-cash operating working capital				
Accounts receivable	(111)	24	235	908
Inventory	(5,436)	2,581	(5,852)	8,348
Prepaid expenses	197	98	625	478
Accounts payable and accrued liabilities	(313)	(83)	1,291	(1,004)
Income taxes	303	(3,163)	1,218	(3,764)
	(3,895)	(6,499)	1,794	403
Discontinued operations				
Changes in liabilities of discontinued operations	-	-	-	(45)
Investments				
Purchase of capital assets	(1,019)	(1,540)	(1,664)	(2,722)
Financing				
Increase (decrease) in bank indebtedness	2,154	1,790	(111)	1,790
Proceeds on issuance of common shares	-	52	-	56
Repurchase of common shares	(20)	-	(20)	(156)
	2,134	1,842	(131)	1,690
Decrease in cash	(2,780)	(6,197)	(1)	(674)
Cash and cash equivalents, beginning of period	2,956	6,399	177	876
Cash and cash equivalents, end of period	\$ 176	\$ 202	\$ 176	\$ 202
Supplemental disclosure of cash paid for:				
Income taxes	\$ -	\$ 327	\$ 7	1,615
Interest	109	13	159	13
	\$ 109	\$ 340	\$ 166	1,628