



News Release

For Immediate Release

Liquidation World Announces Q2 Earnings

CALGARY, May 11, 2007- Liquidation World Inc. (LQW – TSX) today announced results for the second quarter of fiscal 2007, representing 13 weeks of operations ending April 1, 2007.

Revenue for the quarter decreased 2.7% to \$47.6 million from \$48.9 million. The Company recorded a net loss of \$3.0 million (\$0.37 per share) for the quarter compared to net income of \$0.7 million (\$0.08 per share) during the same period last year.

Fiscal year-to-date revenue increased 5.8% to \$112.2 million from \$106.1 million. Cumulative losses for the year total \$1.2 million (\$0.15 per share) compared to net income of \$2.6 million (\$0.31 per share) during the same period last year.

Further detail is provided in the financial statements below.

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

Clearly, the results of this quarter are disappointing.

For some time we have been working to execute a successful turnaround strategy in our business. While not without setbacks, we have made meaningful progress. We have reached many of the milestones of our plan, adding vendors, building key product categories, expanding the store base and reducing aged and non-performing inventory. Through the first quarter of this year, we reported 5 consecutive quarters of record sales. It is very important that these achievements are not overshadowed by our second quarter results.

Our stores offer two types of merchandise: traditional closeouts from going-concern businesses and unique event deals acquired from bankruptcies, insurance claims and business closures. The closeouts generate a baseline sales volume that is reasonably large, stable and predictable, while revenue from the event deals tends to be more volatile. The availability of great event merchandise is a key differentiator for our business and can have a significant impact on quarterly performance. This is especially true during the second quarter when sales are lowest and earnings are most sensitive to fluctuations in revenue.

During the second quarter of last year, we benefited from a number of excellent event deals that came to us as a result of insurance claims associated with Hurricane Katrina. During Q2 2006, these event deals helped to drive an 18.4% increase in same store sales. In the second quarter of this year, we were unable to offer similarly compelling event merchandise, which negatively impacted our same store sales.

The availability of better information in our business enabled us to identify these issues very early in the quarter and take appropriate action to mitigate their impact. As a result, we adjusted our purchasing plans twice and increased our promotional activity to stimulate sales. In addition to the impact of our sales promotions, gross margin was affected during the quarter by higher than anticipated freight and handling costs.

We continue to review and refine our turnaround plans. The results for this quarter confirm the need to reduce our expenses to a level that can withstand a higher degree of sales volatility. As previously announced, in March we acted to make certain changes that will improve the effectiveness of our organization and concurrently reduce expenses. These improvements included the elimination of certain middle management positions in the Buying and Operations teams and the consolidation of several functions at the executive level.

We are pleased that many of the changes that we have implemented in our organization are having the desired effect; however, our second quarter results reflect the fact that we have more work to do. Looking forward, we will be focused on ensuring that our buying structure and spending plans are more flexible, so that we have the organizational agility to source the great deals that excite our customers and drive sales. And, we will continue to review expenses in order to ensure our business can better withstand any fluctuations in sales.

When we commenced our turnaround efforts we were entirely committed to improving our business and creating value for our shareholders. That commitment has not changed. Today we have better information with which to make decisions and a team with the drive, experience and enthusiasm to achieve our objectives.

In the quarter, Liquidation World opened 1 new location in Truro, NS and closed 3 locations in Belleville, ON, Smiths Falls, ON and Burien, WA. At quarter end, the Company had 114 locations in operation. Since the end of Q2, the Company has opened one additional new store in Mississauga, ON and expects to open 3 more new stores during the third quarter.

About Liquidation World

Liquidation World liquidates consumer merchandise through 115 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 2,000 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 11th, 2007.

Conference call dial in number is 1-800-769-8320 or 416-695-6120

A replay of the conference call will be accessible on Liquidation World's website within twenty-four hours at 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 1 2007	October 1 2006
Assets		
Current assets		
Cash and equivalents	\$ 216	\$ 184
Accounts receivable	44	309
Inventory	63,152	55,184
Prepaid expenses	2,101	2,121
Income taxes recoverable	-	-
	<u>65,513</u>	<u>57,798</u>
Property and equipment	13,344	12,710
	<u>\$ 78,857</u>	<u>\$ 70,508</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 12,028	\$ 5,397
Accounts payable and accrued liabilities	11,708	8,398
Income taxes payable	63	332
Current portion of obligations under capital leases	1,241	979
	<u>25,040</u>	<u>15,106</u>
Obligations under capital leases	2,336	2,898
Future income tax	771	754
Shareholders' equity		
Share capital	15,507	15,507
Contributed surplus	997	800
Retained earnings	34,206	35,443
	<u>50,710</u>	<u>51,750</u>
	<u>\$ 78,857</u>	<u>\$ 70,508</u>

LIQUIDATION WORLD INC.

Consolidated Statements of Earnings (loss) and Comprehensive Income (loss) and Retained Earnings

For the periods ended April 1, 2007 and April 2, 2006

(In thousands of Canadian dollars, except per share amounts)

Unaudited

	13 weeks ended April 1, 2007	13 weeks ended April 2, 2006	26 weeks ended April 1, 2007	26 weeks ended April 2, 2006
Revenue	\$ 47,567	\$ 48,909	\$ 112,238	\$ 106,055
Cost of sales	31,183	29,419	70,732	64,689
	16,384	19,490	41,506	41,366
Expenses				
Selling, general and administrative	19,138	17,613	40,141	35,724
Depreciation and amortization	999	759	1,914	1,505
Stock based compensation	111	60	197	113
Interest	201	91	397	141
Foreign exchange	(76)	(12)	42	(32)
	20,373	18,511	42,691	37,451
Earnings (loss)				
before income taxes	(3,989)	979	(1,185)	3,915
Income taxes (recovery)				
Current	(972)	333	36	1,256
Future	15	(17)	16	50
	(957)	316	52	1,306
Net earnings (loss) and comprehensive income (loss)	(3,032)	663	(1,237)	2,609
Retained earnings, beginning of period	37,238	36,339	35,443	34,393
Excess of repurchase amount over stated capital of repurchased shares	-	(13)		(13)
Retained earnings, end of period	\$ 34,206	\$ 36,989	\$ 34,206	\$ 36,989
Earnings (loss) per share				
Basic and diluted	\$ (0.37)	\$ 0.08	\$ (0.15)	\$ 0.31
Weighted average shares outstanding	8,246,242	8,382,837	8,246,242	8,382,889
Diluted shares outstanding	8,359,587	8,442,745	8,357,616	8,391,336

Segmented Information

(In thousands of Canadian dollars)

	13 weeks ended April 1, 2007	13 weeks ended April 2, 2006	26 weeks ended April 1, 2007	26 weeks ended April 2, 2006
Revenue				
Canada	\$ 40,876	\$ 41,370	\$ 97,674	\$ 90,031
United States	6,691	7,539	14,564	16,024
Total	\$ 47,567	\$ 48,909	\$ 112,238	\$ 106,055
Property and equipment			As at April 1, 2007	As at October 1, 2006
Canada			\$ 12,482	\$ 11,902
United States			862	808
Total			\$ 13,344	\$ 12,710

LIQUIDATION WORLD INC.

Consolidated Statements of Cash Flows
For the periods ended April 1, 2007 and April 2, 2006
(In thousands of Canadian dollars)
Unaudited

	13 weeks ended April 1, 2007	13 weeks ended April 2, 2006	26 weeks ended April 1, 2007	26 weeks ended April 2, 2006
Cash provided by (used in):				
Net earnings (loss)	\$ (3,032)	\$ 663	\$ (1,237)	\$ 2,609
Add (deduct) non-cash items:				
Depreciation and amortization	999	759	1,914	1,505
Loss (gain) on disposal of capital asset	(118)	-	(118)	-
Stock based compensation	111	60	197	113
Future income taxes	15	(17)	16	50
	(2,025)	1,465	772	4,277
Changes in non-cash operating working capital				
Accounts receivable	102	(111)	265	235
Inventory	(966)	(5,436)	(7,968)	(5,852)
Prepaid expenses	(1,319)	197	20	625
Accounts payable and accrued liabilities	(2,119)	(313)	3,310	1,291
Income taxes recoverable / payable	(994)	303	(269)	1,218
	(7,321)	(3,895)	(3,870)	1,794
Investments				
Purchase of capital assets	(716)	(1,019)	(2,207)	(1,664)
Proceeds on disposal of capital assets	156	-	156	-
	(560)	(1,019)	(2,051)	(1,664)
Financing				
Increase (decrease) in bank indebtedness	8,270	2,154	6,631	(111)
Repayment of capital lease	(393)	-	(678)	-
Repurchase of common shares	-	(20)	-	(20)
	7,877	2,134	5,953	(131)
Increase (decrease) in cash	(4)	(2,780)	32	(1)
Cash and cash equivalents, beginning of period	220	2,956	184	177
Cash and cash equivalents, end of period	\$ 216	\$ 176	\$ 216	\$ 176
Supplemental disclosure of cash paid for:				
Income taxes	\$ 22	\$ -	\$ 307	\$ 7
Interest	263	109	400	159
	\$ 285	\$ 109	\$ 707	\$ 166