



News Release

For Immediate Release

Liquidation World Announces Q3 Earnings

CALGARY, August 14, 2007- Liquidation World Inc. (LQW – TSX) today announced results for the third quarter of fiscal 2007, representing 13 weeks of operations ending July 1, 2007.

Revenue for the quarter decreased 5.5% to \$46.5 million from \$49.2 million in Q3 2006. The Company recorded a net loss of \$2.9 million (\$0.35 per share) for the quarter compared to net income of \$42,000 (\$0.01 per share) during the same period last year.

Fiscal year-to-date revenue increased 2.2% to \$158.8 million from \$155.3 million. Cumulative losses for the year total \$4.1 million (\$0.50 per share) compared to net income of \$2.7 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:

“Obviously we are disappointed with the results of this quarter. As we have previously reported, same store sales declined during the period largely due to a lack of the more exciting and unique deals that add the sizzle to our business, as well as generally lower inventory levels in our Canadian stores. The combination of lower sales, expenses associated with operating additional stores and lower than historical gross margins has led to a significant loss.

The Company is taking the following steps to address these issues:

1. Event Deals

These unique and exciting purchases are often acquired as a result of a more proactive sourcing effort and through our network of local buyers. The Company will reallocate existing resources to expand our local buying network to all markets where the Company operates retail stores. We have also recently re-launched our Deal Hunter Program to our customers and staff which we expect will help us to uncover even more local inventory opportunities. Under this program, inventory leads can be called into our toll-free Deal Hunter Hotline at 1-888-506-DEAL(3325). If the Company acts on the opportunity, the caller earns a finder's fee. Subsequent to this marketing effort, referrals have increased by more than 50%.

General uncertainty in the US economy combined with the current strength of the Canadian dollar affords us an opportunity to source and acquire more of these types of inventories in that market. The Company will also be reallocating purchasing resources to the US and will explore other ways to bolster our US resources in support of the Canadian operations.

2. New Stores

The Company will scale back the planning of its new store openings until such time as our sourcing efforts as described above have achieved the desired effect. Stores already scheduled to open throughout the balance of the calendar year will remain on plan. Currently, the Company expects to open 8 new stores in Canada prior to the Christmas selling period, with one store closure expected.

3. Expenses

The Company has made some progress in the area of expense management. Despite the addition of new stores, SG&A expenses decreased \$534,000 from Q2-07, an average reduction of 4.5% per store. While we are mindful of not reducing expenses to the detriment of the business, other initiatives are underway. Specifically, efforts to reduce the costs associated with distribution centre to store freight have been tested successfully and will be further implemented over the course of the 4th quarter. Additionally, new tools to assist our store personnel with scheduling and labour management will be implemented prior to the end of the fiscal year.

4. Gross Margins

The Company continues to ensure that aged and non-performing inventory is addressed in a timely fashion through a proactive markdown policy. Markdowns can and do have a negative impact on gross margin, but are essential for maintaining inventory turns, managing cashflow and making room for newer, fresher and more exciting merchandise. Over time, we expect that better information from our merchandise management system will enable us to make correspondingly better buying, allocation and markdown decisions that will result in stronger gross margin for the Company.

Despite the challenges that our business faces we believe that our plans and corrective actions will lead to improvements in our business. While there have obviously been significant changes and increasing competitive pressures in the Canadian retail marketplace over the last 10 years, our business model remains relevant to a meaningful number of consumers and vendors. On that basis, we are confident that we can execute a successful turnaround for the benefit of our shareholders.”

The Company regrets to announce that family priorities will prevent Andrew Searby, Executive Vice President and Chief Financial Officer from relocating with the Company to Brantford from Calgary. Andrew will remain with Liquidation World on a full-time basis through February 2008 and subsequently will be retained on a consulting basis for the balance of the 2008 fiscal year to aid with a number of transitional issues, including the orientation of his successor.

Andrew joined Liquidation World in 1991 and has held the position of CFO since 1995. He has played an important role in the Liquidation World's past success which will be missed. A search has been initiated for a new CFO with strong retail experience.

In the quarter, Liquidation World opened 2 new locations: one in Mississauga, ON and one in Belleville, ON. The Company did not close any locations during the quarter. At quarter end, the Company had 116 locations in operation. Subsequent to the end of Q3, the Company opened new stores in Terrace, BC and Amherst, NS and closed stores in Kelowna, BC and High River, AB. The Company anticipates having 119 locations in operation by the end of the fiscal year.

About Liquidation World

Liquidation World liquidates consumer merchandise through 116 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 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. EST) on August 14th, 2007.

**Conference call dial in number is 1-866-696-5910 or 416-340-2217
Passcode 3231290#**

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 "*Q3 Conference Call*".

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LIQUIDATION WORLD INC.

Consolidated Balance Sheets
Unaudited
(In thousands of Canadian dollars)

	July 1 2007	October 1 2006
Assets		
Current assets		
Cash and equivalents	\$ 213	\$ 184
Accounts receivable	117	309
Inventory	60,172	55,184
Prepaid expenses	2,490	2,121
Income taxes recoverable	979	-
	<u>63,971</u>	<u>57,798</u>
Property and equipment	13,038	12,710
	<u>\$ 77,009</u>	<u>\$ 70,508</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 12,873	\$ 5,397
Accounts payable and accrued liabilities	12,144	8,398
Income taxes payable	-	332
Current portion of obligations under capital leases	1,452	979
	<u>26,469</u>	<u>15,106</u>
Obligations under capital leases	1,831	2,898
Future income tax	792	754
Shareholders' equity		
Share capital	15,515	15,507
Contributed surplus	1,091	800
Retained earnings	31,311	35,443
	<u>47,917</u>	<u>51,750</u>
	<u>\$ 77,009</u>	<u>\$ 70,508</u>

LIQUIDATION WORLD INC.

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

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

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

Unaudited

	13 weeks ended July 1, 2007		13 weeks ended July 2, 2006		39 weeks ended July 1, 2007		39 weeks ended July 2, 2006	
Revenue	\$	46,541	\$	49,239	\$	158,779	\$	155,294
Cost of sales		30,668		30,132		101,400		94,821
		15,873		19,107		57,379		60,473
Expenses								
Selling, general and administrative		18,604		18,047		58,745		53,771
Depreciation and amortization		946		807		2,860		2,312
Stock based compensation		94		126		291		239
Interest		255		110		652		251
Foreign exchange		(133)		(73)		(91)		(105)
		19,766		19,017		62,457		56,468
Earnings (loss)								
before income taxes		(3,893)		90		(5,078)		4,005
Income taxes (recovery)								
Current		(1,020)		(190)		(984)		1,066
Future		22		238		38		288
		(998)		48		(946)		1,354
Net earnings (loss) and comprehensive income (loss)		(2,895)		42		(4,132)		2,651
Retained earnings, beginning of period		34,206		36,989		35,443		34,393
Excess of repurchase amount over stated capital of repurchased shares		-		(185)		-		(198)
Retained earnings, end of period	\$	31,311	\$	36,846	\$	31,311	\$	36,846
Earnings (loss) per share								
Basic	\$	(0.35)	\$	0.01	\$	(0.50)	\$	0.32
Diluted	\$	(0.35)	\$	0.00	\$	(0.50)	\$	0.31
Weighted average shares outstanding		8,247,033		8,370,652		8,246,506		8,378,810
Diluted shares outstanding		8,247,033		8,468,305		8,246,506		8,425,857

Segmented Information

(In thousands of Canadian dollars)

	13 weeks ended July 1, 2007		13 weeks ended July 2, 2006		39 weeks ended July 1, 2007		39 weeks ended July 2, 2006	
Revenue								
Canada	\$	40,595	\$	42,544	\$	138,268	\$	132,575
United States		5,946		6,695		20,511		22,719
Total	\$	46,609	\$	49,239	\$	158,779	\$	155,294
Property and equipment						July 1, 2007		October 1, 2006
Canada					\$	12,214	\$	11,902
United States						824		808
Total					\$	13,038	\$	12,710

LIQUIDATION WORLD INC.

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

	13 weeks ended July 1, 2007	13 weeks ended July 2, 2006	39 weeks ended July 1, 2007	39 weeks ended July 2, 2006
Cash provided by (used in):				
Net earnings (loss)	\$ (2,895)	\$ 42	\$ (4,132)	\$ 2,651
Add (deduct) non-cash items:				
Depreciation and amortization	946	807	2,860	2,312
Loss (gain) on disposal of capital asset	-	-	(118)	-
Stock based compensation	94	126	291	239
Future income taxes	22	238	38	288
	(1,833)	1,213	(1,061)	5,490
Changes in non-cash operating working capital				
Accounts receivable	(73)	(5)	192	230
Inventory	2,980	(6,291)	(4,988)	(12,143)
Prepaid expenses	(389)	(40)	(369)	585
Accounts payable and accrued liabilities	436	(566)	3,746	725
Income taxes recoverable / payable	(1,042)	2,536	(1,311)	3,754
	79	(3,153)	(3,791)	(1,359)
Investments				
Purchase of capital assets	(641)	(930)	(2,848)	(2,369)
Proceeds on disposal of capital assets	-	-	156	-
	(641)	(930)	(2,692)	(2,369)
Financing				
Increase (decrease) in bank indebtedness	845	4,594	7,476	4,483
Repayment of capital lease	(294)	(236)	(972)	(461)
Proceeds on issuance of common shares	8	-	8	-
Repurchase of common shares	-	(277)	-	(297)
	559	4,081	6,512	3,725
Increase (decrease) in cash	(3)	(2)	29	(3)
Cash and cash equivalents, beginning of period	216	176	184	177
Cash and cash equivalents, end of period	\$ 213	\$ 174	\$ 213	\$ 174
Supplemental disclosure of cash paid for:				
Income taxes	\$ 90	\$ (2,702)	\$ 397	\$ (2,695)
Interest	255	94	655	253
	\$ 345	\$ (2,608)	\$ 1,052	\$ (2,442)