



News Release

For Immediate Release

Liquidation World Revenue Climbs 7.5% in Q3 Announces Intention to Dispose of Consulting Business

August 23, 2004 – Calgary, Alberta

Liquidation World Inc. (LQW - TSX), today announced its results for the third quarter of fiscal 2004, representing thirteen weeks of operations ending July 4, 2004.

Revenue increased 7.5% to \$44,989,000 from \$41,856,000 during Q3 2003. Revenues have been restated from those reported on July 8, 2004 to remove revenues of discontinued operations as discussed below. Earnings from continuing operations increased 151.9% to \$822,000 (\$0.10 per share) in Q3 2004 from a loss of \$1,584,000 (\$0.19 per share) in Q3 2003. Net earnings increased 114.7% to \$221,000 (\$0.03 per share) in Q3 2004 from a net loss of \$1,505,000 (\$0.17 per share) in Q3 2003.

Year-to-date revenue increased 8.3% to \$139,219,000 in fiscal 2004 from \$128,536,000 in fiscal 2003. Earnings from continuing operations increased 414.9% to \$3,476,000 (\$0.41 per share) from a loss of \$1,104,000 (\$0.13 per share) in 2003. Net earnings year-to-date increased to \$2,769,000 (\$0.32 per share) in 2004 from a loss of \$1,468,000 (\$0.17 per share) in 2003. Additional details are provided in the financial statements below.

During the third quarter, the Company determined it would achieve greater success by focusing on core operations, and accordingly, entered discussions to divest of Clear Thinking Group, Inc. ("CTG"), a consulting firm that management felt was not instrumental to the success of its ongoing strategic plans. The financial information presented above and in the financial statements below, reflect the removal of the results of operations and financial position of CTG, and disclose its net results as discontinued operations.

Executive Vice President and CFO, Andrew Searby, said, "Results of the third quarter last year include a retiring allowance for a senior executive and a foreign exchange charge that created a loss. Revenue this year has increased, and we have managed to keep expenses in check. The result is a stronger bottom line with earnings per share from continuing operations totaling \$0.10 on the quarter and \$0.41 year to date."

Speaking on behalf of the Office of the CEO, Senior Executive Vice President and Co-CEO, Darren Gillespie, said, "Our focus over the past year has been to increase revenue on a same store basis and improve the operational excellence in our core business. In addition, we set out to enhance the shopping experience, and believe our success is evident in the fact our customers' basket size is growing.

"The vast majority of our outlets have experienced same store sales increases in the past quarter, and indeed throughout the fiscal year. In addition to the store and operational improvements just noted, our ability to source attractive and desirable merchandise has helped make this possible. And, by controlling costs at the same time, financial performance of our continuing operations have noticeably improved.

"We believe further advances are possible, both in the near and the long term, through improved marketing efforts which include an upcoming flyer program that will lead us into the holiday season, and

by continuing to improve on one of our historic strengths, the acquisition of an always diverse and exciting mix of inventory.

“The recent aftermath of Hurricane Charlie makes a case in point. Within 48 hours of the storm’s landfall, Liquidation World had buyers on the ground in Florida looking for inventory opportunities.

“We are also preparing for the selection of a new merchandise management system that is expected to create operational efficiencies by allowing us to better manage our inventory and its flow through our system. Of course, better knowledge management will benefit every aspect of the organization as we share and make fuller use of the increasingly valuable information that is at our disposal. Implementation of the new system is expected in fiscal 2005.

“Early in September, the Company will centralize its eastern operations in a combined regional office and distribution facility in the historic and former Massey-Ferguson plant in Brantford, Ontario. At 125,000 square feet in size, and with an additional 75,000 square-foot mezzanine, we fully expect this new complex will allow the Company to service a greater number of stores in Canada’s most densely populated region, and lend us the flexibility to process and realize full value from unexpected and out-of-season purchases. The facility will also house our 102nd retail Outlet.”

Gillespie also noted that new outlets were opened in both Hawkesbury and Campbellford, Ontario this spring. An additional site is slated to open in Aldergrove, BC this September. “Also, our Cranbrook, BC outlet has relocated to a much improved retail location. It’s a move that is indicative of our philosophy to take full advantage of favourable real estate opportunities when they develop.

“And, as at the end of June, the Company had repurchased 132,900 of its common shares pursuant to a Normal Course Issuer Bid that was approved by the Toronto Stock Exchange on April 27, 2004. As was stated at the time, management believes that the market price of its common shares is such that their repurchase is an attractive and appropriate use of corporate funds.

“All this activity makes us particularly keen as we round out the final quarter of 2004 and turn our attention to 2005.”

About Liquidation World

Liquidation World offers a uniquely diversified menu of solutions for organizations with asset recovery issues. Services include auctions, store closure sales management, and retail liquidations of consumer merchandise through 100 outlets across North America. Liquidation World 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 1,600 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.

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LIQUIDATION WORLD INC.

Consolidated Statements of Earnings and Retained Earnings
For the periods ended July 4, 2004 and July 6 2003
(unaudited) (In thousands of Canadian dollars, except per share amounts)

	13 weeks ended July 4, 2004	13 weeks ended July 6, 2003	39 weeks ended July 4, 2004	39 weeks ended July 6, 2003
Revenue	\$ 44,989	\$ 41,856	\$ 139,219	\$ 128,536
Cost of sales	27,599	26,485	84,609	80,025
	17,390	15,371	54,610	48,511
Expenses				
Selling and store operations	14,204	13,490	43,118	41,604
General and administrative	1,523	3,915	5,022	7,304
Depreciation and amortization	327	377	940	1,123
	16,054	17,782	49,080	50,031
Earnings (loss) from continuing operations before income taxes	1,336	(2,411)	5,530	(1,520)
Income taxes	514	(827)	2,054	(417)
Earnings (loss) from continuing operations	822	(1,584)	3,476	(1,103)
Discontinued operations (note 4)	(601)	79	(707)	(365)
Net earnings (loss)	221	(1,505)	2,769	(1,468)
Retained earnings, beginning of period	42,246	38,968	39,700	38,931
Excess of repurchase amount over stated capital of repurchased shares	(677)	-	(679)	-
Retained earnings, end of period	\$ 41,790	\$ 37,463	\$ 41,790	\$ 37,463
Earnings per share from continuing operations				
Basic	\$ 0.10	\$ (0.19)	\$ 0.41	\$ (0.13)
Fully diluted	\$ 0.10	\$ (0.19)	\$ 0.40	\$ (0.13)
Earnings (loss) per share				
Basic	\$ 0.03	\$ (0.18)	\$ 0.32	\$ (0.17)
Diluted	\$ 0.03	\$ (0.18)	\$ 0.32	\$ (0.17)
Shares outstanding at period end	8,420,156	8,542,756	8,420,156	8,542,756
Weighted average shares outstanding	8,533,847	8,542,756	8,540,526	8,541,833
Diluted shares outstanding	8,639,681	8,542,756	8,610,197	8,546,047
Options outstanding at period end	415,400	466,125	415,400	466,125

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

	13 weeks ended July 4, 2004	13 weeks ended July 6, 2003	39 weeks ended July 4, 2004	39 weeks ended July 6, 2003
Revenue				
Canada	\$ 38,993	\$ 35,537	\$ 120,106	\$ 106,970
United States	5,996	6,319	19,113	21,566
Total	\$ 44,989	\$ 41,856	\$ 139,219	\$ 128,536
Capital assets				
Canada			\$ 4,725	\$ 5,130
United States			495	464
Total			\$ 5,220	\$ 5,594

LIQUIDATION WORLD INC.

Consolidated Statements of Cash Flows
For the periods ended July 4, 2004 and July 6 2003
(unaudited) (In thousands of Canadian dollars)

	13 weeks ended July 4, 2004	13 weeks ended July 6, 2003	39 weeks ended July 4, 2004	39 weeks ended July 6, 2003
Cash provided by (used in):				
Operations				
Net earnings (loss)	\$ 221	\$ (1,505)	\$ 2,769	\$ (1,468)
Add (deduct) non-cash items:				
Depreciation and amortization	327	377	940	1,123
Write-down of goodwill	278	-	278	-
Equity in income of affiliate	2	(48)	(54)	(80)
	828	(1,176)	3,933	(425)
Changes in non-cash operating working capital				
Accounts receivable	113	170	52	380
Inventory	(41)	106	(6,566)	(211)
Prepaid expenses	(347)	(153)	347	228
Assets of discontinued operations (note 4)	218	223	656	870
Accounts payable and accrued liabilities	141	3,469	(1,920)	2,102
Income taxes	1,236	1,530	2,398	(395)
Liabilities of discontinued operations (note 4)	143	(67)	65	-
	2,291	4,102	(1,035)	2,549
Investments				
Purchase of capital assets	(590)	(193)	(1,067)	(1,020)
Proceeds on disposal of capital assets	35	-	35	-
	(555)	(193)	(1,032)	(1,020)
Financing				
Proceeds on issuance of common shares	-	-	58	19
Repurchase of common shares	(926)	-	(929)	-
	(926)	-	(871)	19
Increase (decrease) in cash	810	3,909	(2,938)	1,548
Cash and cash equivalents, beginning of period	746	931	4,494	3,292
Cash and cash equivalents, end of period	\$ 1,556	\$ 4,840	\$ 1,556	\$ 4,840
Supplemental disclosure of cash paid for:				
Income taxes	\$ (566)	\$ (2,376)	\$ (5)	\$ (40)
Interest	-	-	-	-
	\$ (566)	\$ (2,376)	\$ (5)	\$ (40)

LIQUIDATION WORLD INC.

Consolidated Balance Sheets
(In thousands of Canadian dollars)

	July 4, 2004 2004 (unaudited)	October 5 2003
Assets		
Current assets		
Cash and equivalents	\$ 1,556	\$ 4,494
Accounts receivable	192	244
Inventory	55,397	48,831
Prepaid expenses	2,193	2,540
Income taxes recoverable	-	1,571
Assets of discontinued operations (note 4)	553	1,209
	<u>59,891</u>	<u>58,889</u>
Capital assets	5,220	5,132
Investment in affiliate	746	692
Goodwill	-	278
Assets of discontinued operations (note 4)	88	84
	<u>\$ 65,945</u>	<u>\$ 65,075</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,377	\$ 9,297
Income taxes payable	827	-
Liabilities of discontinued operations (note 4)	153	88
	<u>8,357</u>	<u>9,385</u>
Shareholders' equity		
Share capital	15,798	15,990
Retained earnings	41,790	39,700
	<u>57,588</u>	<u>55,690</u>
	<u>\$ 65,945</u>	<u>\$ 65,075</u>

See accompanying notes to consolidated financial statements.

Liquidation World Inc.

Notes to Consolidated Financial Statements

For the 39 weeks ended July 4, 2004

(amounts are in thousands of dollars, except per share amount)

1. Basis of Presentation:

The accompanying unaudited consolidated financial statements for Liquidation World Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. The financial information included herein is unaudited. These interim financial statements follow the same accounting policies and methods of application as the most recent annual audited financial statements dated October 5, 2003. The disclosures herein are incremental to those included within the annual financial statements. These interim financial statements should be read in conjunction with the annual statements.

2. Share capital:

(a) Issued:

	Number of Shares	Amount
Balance, October 5, 2003	8,542,756	\$ 15,990
Issued on exercise of share options	10,800	58
Shares repurchased	(133,400)	(250)
	8,420,156	\$ 15,798

(b) Stock Options:

	Number of Options	Amount
Stock options outstanding, October 5, 2003	558,725	\$ 5.82
Exercised	(10,800)	5.39
Cancelled/expired	(132,525)	6.33
	415,400	\$ 5.67

3. Related party transactions:

The Company leases three buildings for three of its retail locations from a company owned by a director of the Company and a partnership of which the same company is a partner. Base rents approximate \$61 per year to 2005, \$111 per year to 2008 and \$73 per year to 2013. Purchases from an affiliated company (Product Management Corporation) were \$650 for the first nine months ending July 4, 2004.

4. Disposal of Discontinued Operations:

The Company has entered into discussions to divest of Clear Thinking Group, Inc. for proceeds of \$488. The closing of the transaction is anticipated to take place on or about August 27, 2004 and the carrying value of the assets has been written down to the aggregate purchase price. These assets are being disposed of as they are not a key factor to the Company's retail business strategy. The following table

provides additional information regarding discontinued operations.

	13 weeks ended July 4, 2004	13 weeks ended July 6, 2003	39 weeks ended July 4, 2004	39 weeks ended July 6, 2003
Revenue	\$ 715	\$ 960	\$ 2,196	\$ 2,316
Earnings (loss) before taxes	\$ (135)	\$ 79	\$ (241)	\$ (365)
Loss on disposal	\$ (466)	-	\$ (466)	-
Income taxes (payable) recoverable	-	-	-	-
Discontinued operations	\$ (601)	\$ 79	\$ (707)	\$ (365)