



FOR IMMEDIATE RELEASE

Liquidation World announces record Q1 revenue

Management to focus on cost controls to improve earnings

2005 – 1st QUARTER HIGHLIGHTS

- Highest Q1 sales ever
- \$6.9 million in cash generated
- Three outlets opened, one closed. Now 104 outlets
- Same-store customer transaction counts up 3%
- Increased expenses reduce earnings 50.2%
- Purchased 28,800 shares pursuant to normal course issuer bid

CALGARY, FEB. 8 – Liquidation World Inc. (LQW: TSX) today announced its results for the first quarter of fiscal 2005, representing 13 weeks of operations ending January 2, 2005.

Revenue increased 2.2% to \$51,685,000 from \$50,562,000 during Q1 2004, setting a record for the highest first quarter sales in the Company's history. (Revenues have been restated from those reported February 18, 2004, to remove revenues of discontinued operations.)

At the same time, the Company reported a 50.2% decrease in net earnings to \$939,280 (\$0.11 per share) in Q1 2005 from \$1,886,864 (\$0.22 per share) in Q1 2004. Earnings from continuing operations also declined, from \$2,039,000 (\$0.24 per share) to \$939,000 (\$0.11 per share).

"The Company exceeded last year's sales because of six additional outlets and a 3% increase in same-store customer transaction count," explained Executive Vice-President and Co-CEO Darren Gillespie. "But earnings decreased because of higher operating costs, lower margins brought about by increased freight costs, and a slight decline in same-store sales.

"Timing plays a big role in any short-term snapshot of the Company's performance. We went into the year up against one of our largest events ever—a massive liquidation of linens and textiles that accounted for almost \$4 million in sales during Q1 2004. Challenges in securing goods as attractive as these—themselves the result of the bankruptcy of one of North America's last large-scale textile mills—adversely affected basket size.

"Historically, we've proven that large event deals like this always become available, although their timing is uncertain. As usual, there is a substantial volume of general closeout merchandise and opportunity buys for our ongoing needs, however Liquidation World buyers continue to also search for those exceptional deals, like the linens and textiles, by actively

sourcing new clients through trade shows and Asian buying trips, as well as by working with their current contacts to deal with their companies' ever-present inventory challenges. In addition, the strengthening Canadian dollar gives us greater access to opportunity buys from around the world."

The Company's selling expenses increased \$1,484,000 in the quarter compared to the same period in 2004. Store labour, marketing expenditures, and operating and start-up costs associated with new store openings each contributed almost equally to this increase.

General and administrative costs related to professional fees for new real estate leases, costs associated with a new merchandise management system, and other nominal items amounted to \$170,000.

The Company also expensed \$69,000 for stock-based compensation pursuant to new accounting requirements. Higher depreciation charges of \$79,000 reflect an increased investment in capital assets such as store fixtures.

"In the absence of another large-scale buy like the linen and textile deal of 2004, we had the opportunity to pare down our inventory while generating \$6.9 million in cash during the quarter. Accounts payable were reduced to a four-year low, and 28,800 shares of stock were repurchased pursuant to a normal course issuer bid," Gillespie said.

As previously announced, the Company expects to invest approximately \$10 million in infrastructure upgrades, with monies allocated to a scan-based merchandise management system, new point-of-sale terminals, as well as new stores and store upgrades in 2005. The merchandise management system will be implemented over two years and will allow for better inventory and price management, decreased costs and increased efficiencies. In Q1 2005, \$1,182,000 was invested in these capital expenditures.

"As for the longer-term view, we are excited about a number of internal initiatives that continue to evolve," said Gillespie. "Most important is the launch of our five-year plan that was presented to staff this past fall. We look forward to seeing their experience and enthusiasm implement strategies that will build our brand, strengthen our buying team, improve our customers' shopping experience and further develop the systems and infrastructure that will support our growth.

"Liquidation is a business of opportunity. With a strong balance sheet, we believe the company is well-positioned to expand our retail presence and capitalize on larger and more profitable buys when the situation warrants. We will aggressively search out these opportunities and remain confident that we have the people and resources to make the most of each as they arise."

At the Company's Annual General and Special Meeting, held Thursday, February 3, 2005 in Calgary, Alberta, Rob Bakshi, Darren Gillespie, Leslie Landes, Herb Lukofsky, Charles M. Murray, and Robert Thomson were re-elected to the Board of Directors.

Rob Bakshi is the President of Panarim Enterprises, Inc. Darren Gillespie is a Senior Executive VP and Co-CEO of Liquidation World. Leslie Landes is the Chairman of the Board of Stockgroup Information Systems, Inc. Herb Lukofsky, CA is a Partner with Lukofsky, Lajoie, and Associates. Charles Murray is the President of Chad Murray Sales and Marketing Inc. Robert Thomson, QC, is the President of Rovalex Investments, Inc.

Also at the meeting, the Shareholders approved an amendment to the By-Laws that changes the quorum for a Shareholder meeting to be 27% of the shares entitled to vote.

At a subsequent Board of Directors meeting, Leslie Landes was appointed as Chairman of the Board of Liquidation World. Aside from his roles as Chairman of both Liquidation World and Stockgroup Information Systems, Inc., Mr. Landes is also a Director of TIR Systems Ltd., and he is a past President of Jim Pattison Industries Ltd., one of Canada's largest private companies.

Dale Gillespie, founder and former CEO of Liquidation World, has accepted a position as Chairman Emeritus with the Company. After 18 years of service to Liquidation World, most recently as Chairman, Dale has decided to pursue other interests. His energy, enthusiasm, and business sense guided the company as it grew into one of North America's preeminent liquidators with more than 100 locations in Canada and the US. Along the way, Dale posted 62 quarters of consecutive profit, earned the prestigious Pinnacle and Entrepreneur of the Year awards, was featured on the front cover of Canadian Business magazine, and made countless friends of thousands of associates and industry contacts around the world. Dale and his wife Dianne, would often spend 200 days a year or more on the road visiting stores, coaching, and educating associates on all aspects of the business. As Chairman Emeritus, Dale, and his wealth of knowledge and experience, will remain an asset to the Company.

About Liquidation World

Liquidation World plays a fundamental role in addressing the ever-present imperfections of the manufacturer-retailer relationship. The Company offers services that include the retail liquidation of consumer merchandise through 104 outlets across North America, as well as auctions and store-closure sales management. 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 1,800 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.

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LIQUIDATION WORLD INC.

Consolidated Statements of Earnings and Retained Earnings
For the periods ended January 2, 2005 and January 4, 2004
(unaudited) (In thousands of Canadian dollars, except per share amounts)

	13 weeks ended January 2, 2005		13 weeks ended January 4, 2004	
Revenue	\$	51,685	\$	50,562
Cost of sales		31,520		30,573
		20,165		19,989
Expenses				
Selling and store operations		16,174		14,690
General and administrative		1,898		1,728
Depreciation and amortization		387		308
Stock based compensation		69		-
Foreign exchange		5		(16)
		18,533		16,710
Earnings from continuing operations before income taxes		1,632		3,279
Income taxes				
Current		695		1,240
Future		(2)		-
		693		1,240
Earnings from continuing operations		939		2,039
Discontinued operations		-		(152)
Net earnings		939		1,887
Retained earnings, beginning of period		41,220		39,700
Excess of repurchase amount over stated capital of repurchased shares		(102)		(2)
Adjustment to reflect change in accounting policy		(272)		-
Retained earnings, end of period	\$	41,785	\$	41,585
Earnings per share from continuing operations				
Basic	\$	0.11	\$	0.24
Fully diluted	\$	0.11	\$	0.24
Earnings per share				
Basic	\$	0.11	\$	0.22
Diluted	\$	0.11	\$	0.22
Shares outstanding at period end		8,370,342		8,542,256
Weighted average shares outstanding		8,394,421		8,542,745
Diluted shares outstanding		8,462,597		8,570,467
Options outstanding at period end		483,000		499,780

Segmented Information

(unaudited) (In thousands of Canadian dollars)

	13 weeks ended January 2, 2005		13 weeks ended January 4, 2004	
Revenue				
Canada	\$	44,298	\$	43,705
United States		7,387		6,857
Total	\$	51,685	\$	50,562
Capital assets				
Canada	\$	6,046	\$	4,519
United States		515		450
Total	\$	6,561	\$	4,969

LIQUIDATION WORLD INC.

Consolidated Statements of Cash Flows
 For the periods ended January 2, 2005 and January 4, 2004
 (unaudited) (In thousands of Canadian dollars)

	13 weeks ended January 2, 2005	13 weeks ended January 4, 2004
Cash provided by (used in):		
Continuing operations		
Earnings from continuing operations	\$ 939	\$ 2,039
Add (deduct) non-cash items:		
Depreciation and amortization	387	308
Equity in income of affiliate	-	(36)
Stock based compensation	69	-
Future income taxes	(2)	-
	<u>1,393</u>	<u>2,311</u>
Changes in non-cash operating working capital		
Accounts receivable	884	(178)
Inventory	5,767	(953)
Prepaid expenses	380	1,041
Accounts payable and accrued liabilities	(921)	(939)
Income Taxes	(601)	1,113
	<u>6,902</u>	<u>2,395</u>
Discontinued operations		
Funds provided by (used in) discontinued operations	-	(152)
Changes in non-cash operating working capital balances of discontinued operations		
Assets of discontinued operations	-	388
Liabilities of discontinued operations	(45)	(9)
	<u>(45)</u>	<u>227</u>
Investments		
Purchase of capital assets	(1,182)	(146)
Financing		
Proceeds on issuance of common shares	4	-
Repurchase of common shares	(156)	(3)
	<u>(152)</u>	<u>(3)</u>
Increase in cash	5,523	2,473
Cash and cash equivalents, beginning of period	876	4,494
Cash and cash equivalents, end of period	<u>\$ 6,399</u>	<u>\$ 6,967</u>
Supplemental disclosure of cash paid for:		
Income taxes	\$ 1,296	\$ 280
Interest	-	-
	<u>\$ 1,296</u>	<u>\$ 280</u>

LIQUIDATION WORLD INC.

Consolidated Balance Sheets

(In thousands of Canadian dollars)

	January 2 2005	October 3 2004
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 6,399	\$ 876
Accounts receivable	337	1,221
Inventory	49,938	55,705
Prepaid expenses	1,901	2,281
	<u>58,575</u>	<u>60,083</u>
Capital assets	6,561	5,766
	<u>\$ 65,136</u>	<u>\$ 65,849</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,785	\$ 7,706
Income taxes payable	262	863
Liabilities of discontinued operations	-	45
	<u>7,047</u>	<u>8,614</u>
Future income taxes	256	258
Shareholders' equity		
Share capital	15,707	15,757
Contributed surplus	341	-
Retained earnings	41,785	41,220
	<u>57,833</u>	<u>56,977</u>
	<u>\$ 65,136</u>	<u>\$ 65,849</u>