

To our shareholders,

Liquidation World announces the results of operations for the first quarter of fiscal 2000, the thirteen weeks ended January 2, 2000. Sales increased 6% to \$44,545,000 from \$41,964,000 during the thirteen weeks ended January 3, 1999. Net earnings increased 31% to \$1,833,000 (\$0.22 per share) from \$1,402,000 (\$0.17 per share) during the corresponding quarter last year.

During the first quarter we opened 12 new outlets. The new outlets were the result of Liquidation World's acquiring existing discount stores from a national chain that was cutting back its operations. We were able to make the transition smoothly without closing any of the outlets. Consequently the usual startup costs for new outlets were substantially less as we took advantage of existing inventory, fixturing and staff. The new outlets opened in Q1 include: Gibsons in British Columbia, Regina and Estevan in Saskatchewan, Thompson in Manitoba and Windsor, Belleville, Smiths Falls, Coburg, Welland, Stratford, Trenton and Brockville in Ontario.

Liquidation World is always looking for new ideas to take our Company forward. During the first quarter of fiscal 2000 we acquired a 50% interest in a new company that manages inventory problems for other companies. The company is called PMC, Product Management Canada. The synergy between PMC and Liquidation World is strongest in the area of reverse logistics. PMC clients, through Liquidation World, have a secure distribution channel to recoup revenues from situations that previously would have been a cost to them.

## CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the thirteen weeks ended January 2, 2000 and January 3, 1999 (unaudited) (In thousands of dollars, except per share amounts)

	2000	1999
Sales	\$ 44,545	\$ 41,964
Cost of sales	27,372	25,750
	<b>17,173</b>	16,214
Expenses		
Selling and store operations	12,176	12,166
General and administrative	1,308	1,147
Depreciation and amortization	282	235
Interest	82	88
	<b>13,848</b>	13,636
	<b>3,325</b>	2,578
Income taxes	1,492	1,176
Net earnings	<b>1,833</b>	1,402
Retained earnings, beginning of period	23,611	18,551
Retained earnings, end of period	<b>\$ 25,444</b>	\$ 19,953
Earnings per share		
Basic	\$ 0.22	\$ 0.17
Fully diluted	\$ 0.21	\$ 0.16

## SEGMENTED INFORMATION

For the thirteen weeks ended January 2, 2000 and January 3, 1999 (unaudited) (In thousands of dollars)

	2000	1999
Sales		
Canada	\$ 35,829	\$ 31,082
United States	8,716	10,882
TOTAL	<b>44,545</b>	41,964
Capital Assets		
Canada	\$ 3,593	\$ 3,314
United States	733	781
TOTAL	<b>4,326</b>	4,095

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the thirteen weeks ended January 2, 2000 and January 3, 1999 (unaudited) (In thousands of dollars)

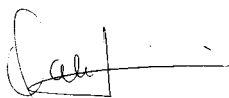
	2000	1999
Cash provided by (used in):		
Operations		
Net earnings	\$ 1,833	\$ 1,402
Add (deduct) non-cash items:		
Depreciation & amortization	282	235
Equity in loss (income) of affiliate	7	(5)
	<b>2,122</b>	1,632
Changes in non-cash operating working capital		
Accounts receivable	235	(141)
Inventory	(3,328)	(3,424)
Prepaid expenses	(27)	83
Accounts payable and accrued liabilities	3,090	3,191
Income taxes payable	89	(311)
	<b>2,181</b>	1,030
Investments		
Purchase of capital assets	(242)	(539)
Investment in affiliate	(455)	-
	<b>(697)</b>	(539)
Financing		
Decrease in bank indebtedness	(1,526)	(523)
Proceeds on issuance of common shares	62	49
	<b>(1,464)</b>	(474)
Increase (decrease) in cash	<b>20</b>	17
Cash and equivalents, beginning of period	<b>152</b>	147
Cash and equivalents, end of period	<b>\$ 172</b>	\$ 164
Supplemental disclosure of cash paid for:		
Income taxes	\$ 1,362	\$ 1,483
Interest	80	77
	<b>\$ 1,442</b>	\$ 1,560

Also, during Q1, discussions were initiated with another new company that provides a full service, global business to business marketplace for buying and selling inventories on the internet. This strategic alliance with iSolve.com was finalized and announced early in Q2. They have extensive experience in the surplus marketplace and they understand our business. iSolve offers a diverse menu of services to their clients and they are a unique combination of commerce experience and internet technical expertise.

I am very excited and optimistic that these new initiatives will bring even more opportunities for Liquidation World to grow and move forward.

Our strength is our people and, I believe, we have the strongest team of dedicated Associates ever. I thank each and every one of them, as well as our Management team, for their commitment to making our Company the best it can be. And, of course, I thank you for your support as a Shareholder in Liquidation World.

Sincerely,



Dale Gillespie  
President and C.E.O.  
February 14, 2000

**LIQUIDATION  
WORLD**

3900 – 29 Street N.E.  
Calgary, Alberta, Canada, T1Y 6B6  
Phone: (403) 250-1222 Fax: (403) 291-1306  
E-Mail: [webmaster@liquidationworld.com](mailto:webmaster@liquidationworld.com)  
Visit our Website: [www.liquidationworld.com](http://www.liquidationworld.com)

**LIQUIDATION  
WORLD**

**INTERIM REPORT 1**  
For the thirteen weeks ended January 2, 2000

 **ENTREPRENEUR  
OF THE YEAR**



Kootenay Region, 1999



Central Alberta, 1999



Uxbridge, 1998



Kootenay Region, 1998



Calgary, 1996 & 1997