

To our shareholders,

We are pleased to present the results of operations for the second quarter of fiscal 2000, the thirteen weeks ended April 2, 2000. Sales increased 11% to \$38,770,000 from \$34,826,000 during the corresponding period in 1999. Net earnings increased 47% to \$1,035,000 (\$0.13 per share) from \$703,000 (\$0.09 per share) during the corresponding quarter in fiscal 1999.

On a cumulative basis, sales increased 8% to \$83,316,000 from \$76,789,000 during the twenty-six weeks ended April 4, 1999. Net earnings increased 36% to \$2,869,000 (\$0.35 per share) during the first half of fiscal 2000 from \$2,104,000 (\$0.26 per share) during the first half of fiscal 1999.

During the second quarter we opened 4 new outlets including: View Royal in Victoria, North Vancouver, B.C., Cold Lake, Alberta and Barrie, Ontario.

Liquidation World has been very pleased with the new alliances we have entered into. PMC (Product Management Canada), our partner in reverse logistics, has brought several inventory opportunities to the Company that have proved successful for us. As well, our relationship with iSolve.com has given Liquidation World the ability to look at a number of inventories to buy and sell through their internet business to business service. Early indications are that both these initiatives will prove to be of great benefit to Liquidation World's operations. Our relationship with iSolve has given us a better understanding of the e-commerce opportunities available to our Company. B2B companies, and iSolve in particular, possess unique

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the twenty-six weeks ended April 2, 2000 and April 4 1999
(unaudited) (In thousands of dollars, except per share amounts)

| | 2000 | 1999 |
|---|---------------|-----------|
| Sales | \$ 83,316 | \$ 76,789 |
| Cost of sales | 51,514 | 47,620 |
| | 31,802 | 29,169 |
| Expenses | | |
| Selling and store operations | 23,493 | 22,512 |
| General and administrative | 2,398 | 2,092 |
| Depreciation and amortization | 597 | 459 |
| Interest | 157 | 269 |
| | 26,645 | 25,332 |
| | 5,157 | 3,837 |
| Income taxes | 2,288 | 1,733 |
| Net earnings | 2,869 | 2,104 |
| Retained earnings, beginning of period | 23,611 | 18,551 |
| Retained earnings, end of period | \$ 26,480 | \$ 20,655 |
| Earnings per share | | |
| Basic | \$ 0.35 | \$ 0.26 |
| Fully diluted | \$ 0.33 | \$ 0.25 |
| Shares outstanding at period end | 8,289,560 | 8,173,680 |
| Options outstanding at period end | 873,970 | 853,500 |

SEGMENTED INFORMATION

For the twenty-six weeks ended April 2, 2000 and April 4, 1999
(unaudited) (In thousands of dollars)

| | 2000 | 1999 |
|----------------|-----------|-----------|
| Sales | | |
| Canada | \$ 66,126 | \$ 57,785 |
| United States | 17,190 | 19,004 |
| TOTAL | 83,316 | 76,789 |
| Capital Assets | | |
| Canada | \$ 3,747 | \$ 3,287 |
| United States | 703 | 776 |
| TOTAL | 4,450 | 4,063 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the twenty-six weeks ended April 2, 2000 and April 4 1999
(unaudited) (In thousands of dollars)

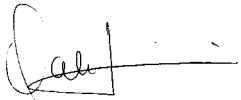
| | 2000 | 1999 |
|--|-----------------|-----------------|
| Cash provided by (used in): | | |
| Operations | | |
| Net earnings | \$ 2,869 | \$ 2,104 |
| Add (deduct) non-cash items: | | |
| Depreciation & amortization | 597 | 459 |
| Equity in loss (income) of affiliate | 5 | (4) |
| | 3,471 | 2,559 |
| Changes in non-cash operating working capital | | |
| Accounts receivable | (112) | (504) |
| Inventory | (2,824) | (2,083) |
| Prepaid expenses | 521 | 167 |
| Accounts payable and accrued liabilities | 2,466 | (1,056) |
| Income taxes payable | 145 | (869) |
| | 3,667 | (1,786) |
| Investments | | |
| Purchase of capital assets | (681) | (730) |
| Investment in affiliate | (455) | - |
| | (1,136) | (730) |
| Financing | | |
| Increase (decrease) in bank indebtedness | (2,599) | 2,238 |
| Proceeds on issuance of common shares | 87 | 292 |
| | (2,512) | 2,530 |
| Increase (decrease) in cash | 19 | 14 |
| Cash and equivalents, beginning of period | 152 | 147 |
| Cash and equivalents, end of period | \$ 171 | \$ 161 |
| Supplemental disclosure of cash paid for: | | |
| Income taxes | \$ 2,083 | \$ 2,654 |
| Interest | 120 | 258 |
| | \$ 2,203 | \$ 2,912 |

advantages in accessing surplus inventories. We are endeavouring to harness those talents to our own advantage, and substantially increase our exposure to and coverage of the U.S. market place.

Several new inventory opportunities presented themselves during the second quarter including a number of bankruptcies, buybacks and insurance claims. As well we were able to pursue more new sources of merchandise from the Asian market.

Our Management Team, as always, continues to work hard on your behalf to make Liquidation World as efficient and streamlined as possible. We are all strongly committed to growing our Company and continually seeking new ways to improve every aspect of our business. I thank you for your support as a shareholder in Liquidation World.

Sincerely,



Dale Gillespie
President and C.E.O.
May 12, 2000

**LIQUIDATION
WORLD**

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INTERIM REPORT 2

For the twenty-six weeks ended April 2, 2000

 **ENTREPRENEUR
OF THE YEAR**



Kootenay Region, 1999



Central Alberta, 1999



Uxbridge, 1998



Kootenay Region, 1998



Calgary, 1996 & 1997