

To our shareholders,

We are pleased to present the results of operations for the third quarter, the thirteen weeks ended July 2, 2000. Sales increased 10% to \$39,613,000 from \$36,153,000 during the corresponding period in 1999. Net earnings increased 2% to \$1,020,000 (\$0.12 per share) from \$1,000,000 (\$0.12 per share) during the corresponding quarter in fiscal 1999.

On a cumulative basis, sales increased 9% to \$122,929,000 from \$112,943,000 during the thirty-nine weeks ended July 4, 1999. Net earnings increased 25% to \$3,888,000 (\$0.47 per share) during the thirty-nine weeks ended July 2, 2000, from \$3,105,000 (\$0.38 per share) during the corresponding period of fiscal 1999.

We are very proud to say that, since the inception of our Company, we have shown a profit in every quarter. That's 55 consecutive quarters of profitability.

During the third quarter of fiscal 2000 we opened a new outlet in Steinbach, Manitoba. It is our third outlet in Manitoba, increasing our presence in that province and allowing us to take advantage of cost efficiencies in distribution and marketing. At the time of this writing we have also opened new outlets in Yakima, Washington and Coeur d'Alene, Idaho which further increases our presence in the Pacific Northwest U.S.

The third quarter also marked the closing of our retail operations in Ohio. This was a venture that, in hindsight, proved to be a distraction that resulted in considerable financial costs. You may recall that we originally opened the Ohio

## CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the thirty-nine weeks ended July 2, 2000 and July 4 1999  
(unaudited) (In thousands of dollars, except per share amounts)

	2000	1999
Sales	\$ 122,929	\$ 112,943
Cost of sales	76,188	70,151
	<b>46,741</b>	42,792
Expenses		
Selling and store operations	35,033	32,871
General and administrative	3,515	3,146
Depreciation and amortization	953	741
Interest	252	417
	<b>39,753</b>	37,175
	<b>6,988</b>	5,617
Income taxes	3,100	2,512
Net earnings	<b>3,888</b>	3,105
Retained earnings, beginning of period	<b>23,611</b>	18,551
Retained earnings, end of period	<b>\$ 27,499</b>	\$ 21,656
Earnings per share		
Basic	\$ 0.47	\$ 0.38
Fully diluted	\$ 0.45	\$ 0.37
Shares outstanding at period end	<b>8,312,120</b>	8,243,260
Options outstanding at period end	<b>854,310</b>	771,220

## SEGMENTED INFORMATION

For the thirty-nine weeks ended July 2, 2000 and July 4 1999  
(unaudited) (In thousands of dollars)

	2000	1999
Sales		
Canada	\$ 97,878	\$ 86,453
United States	25,051	26,490
TOTAL	<b>122,929</b>	112,943
Capital Assets		
Canada	\$ 3,679	\$ 3,511
United States	664	755
TOTAL	<b>4,343</b>	4,266

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the thirty-nine weeks ended July 2, 2000 and July 4 1999  
(unaudited) (In thousands of dollars)

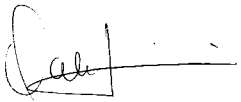
	2000	1999
Cash provided by (used in):		
Operations		
Net earnings	\$ 3,888	\$ 3,105
Add (deduct) non-cash items:		
Depreciation & amortization	953	741
Equity in loss (income) of affiliate	23	(12)
	<b>4,864</b>	3,834
Changes in non-cash operating working capital		
Accounts receivable	9	(608)
Inventory	(6,415)	1652
Prepaid expenses	114	(37)
Accounts payable and accrued liabilities	2,057	(1,884)
Income taxes	(433)	(1,163)
	<b>196</b>	1,794
Investments		
Purchase of capital assets	(930)	(1,216)
Investment in affiliate	(455)	-
	<b>(1,385)</b>	(1,216)
Financing		
Increase (decrease) in bank indebtedness	1,076	(1,012)
Proceeds on issuance of common shares	132	444
	<b>1,208</b>	(568)
Increase (decrease) in cash	<b>19</b>	10
Cash and equivalents, beginning of period	<b>152</b>	147
Cash and equivalents, end of period	<b>\$ 171</b>	\$ 157
Supplemental disclosure of cash paid for:		
Income taxes	\$ 3,384	\$ 3,695
Interest	217	383
	<b>\$ 3,601</b>	\$ 4,078

operations to facilitate the processing of inventories from a major contract. Although it did not work as we had hoped, I do want to express my appreciation to the many individuals who worked very hard on this project. The closure of our Middletown and Dayton outlets and distribution centre will now allow us to concentrate our efforts and resources to improve operations in existing, proven markets.

Liquidation World continues to pursue new initiatives which, we believe, will have exciting results in the future. We are building new relationships with people and companies facing inventory issues. We expect these relationships will lead to new sources of quality merchandise for our value-oriented customers and, at the same time, help manufacturers, distributors and retailers solve their inventory problems.

On behalf of over 1600 Liquidation World Associates and the Management Team, I thank you for your continued support of our Company. We are all dedicated to taking Liquidation World forward by continually striving to improve and streamline every aspect of the Company. With your support Liquidation World will continue to grow and prosper.

Sincerely,



Dale Gillespie  
President and C.E.O.  
August 11, 2000

**LIQUIDATION  
WORLD**

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**INTERIM REPORT 3**

For the thirty-nine weeks ended July 2, 2000

 **ENTREPRENEUR  
OF THE YEAR**



Kootenay Region, 2000



Central Alberta, 1999



Kootenay Region, 1999



Uxbridge, 1998



Calgary, 1996 & 1997