

To our shareholders,

Liquidation World is pleased to announce the results of operations for the second quarter of fiscal 2001, the thirteen weeks ended April 1, 2001. Sales increased 16% to \$44,993,000 from \$38,770,000 during the corresponding period in 2000. Net earnings increased 48% to \$1,534,000 (\$0.18 per share) from \$1,035,000 (\$0.13 per share) during the corresponding quarter last year.

On a cumulative basis, sales increased 13% to \$93,898,000 during the twenty-six weeks ended April 1, 2001 from \$83,316,000 during the period ended April 2, 2000. Net earnings increased 33% to \$3,818,000 (\$0.45 per share) during the first half of fiscal 2001 from \$2,869,000 (\$0.35 per share) during the first half of fiscal 2000.

The second quarter of fiscal 2001 set new records for second quarter sales and profit and it marked the 58th consecutive quarter of profitability since the inception of the Company.

During the second quarter we opened our first outlet in Winnipeg, Manitoba to further increase our presence in that province. We are also continuing to explore other leasing opportunities that have presented themselves as a result of the continuing economic slow-down.

The current economic climate has also caused numerous inventory opportunities to surface. Mother Nature has also provided a number of insurance claim merchandise opportunities.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the twenty-six weeks ended April 1, 2001 and April 2, 2000 (unaudited) (In thousands of dollars, except per share amounts)

	April 1 2001	April 2 2000
Sales	\$ 93,898	\$ 83,316
Cost of sales	57,269	51,514
	36,629	31,802
Expenses		
Selling and store operations	26,260	23,427
General and administrative	2,837	2,464
Depreciation and amortization	687	597
Interest	42	157
	29,826	26,645
	6,803	5,157
Income taxes	2,985	2,288
Net earnings	3,818	2,869
Retained earnings, beginning of period	29,909	23,611
Retained earnings, end of period	\$ 33,727	\$ 26,480
Earnings per share		
Basic	\$ 0.45	\$ 0.35
Fully diluted	\$ 0.43	\$ 0.33
Shares outstanding at period end	8,479,320	8,289,560
Options outstanding at period end	568,441	873,970

SEGMENTED INFORMATION

For the twenty-six weeks ended April 1, 2001 and April 2, 2000 (unaudited) (In thousands of dollars)

	April 1 2000	April 2 2000
Sales		
Canada	\$ 70,580	\$ 66,126
United States	23,318	17,190
TOTAL	\$ 93,898	\$ 83,316
Capital Assets		
Canada	\$ 3,590	\$ 3,747
United States	647	703
TOTAL	\$ 4,237	\$ 4,450

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the twenty-six weeks ended April 1, 2001 and April 2, 2000 (unaudited) (In thousands of dollars)

	April 1 2001	April 2 2000
Cash provided by (used in):		
Operations		
Net earnings	\$ 3,818	\$ 2,869
Add (deduct) non-cash items:		
Depreciation & amortization	687	597
Gain on disposal of capital asset	-	-
Equity in loss (income) of affiliate	(48)	5
	4,457	3,471
Changes in non-cash operating working capital		
Accounts receivable	(1,646)	(112)
Inventory	(2,526)	(2,824)
Prepaid expenses	1,157	521
Accounts payable and accrued liabilities	1,281	2,466
Income taxes	810	145
	3,533	3,667
Investments		
Purchase of capital assets	(546)	(681)
Investment in affiliate	-	(455)
	(546)	(1,136)
Financing		
Decrease in bank indebtedness	(3,517)	(2,599)
Proceeds on issuance of common shares	527	87
	(2,990)	(2,512)
Increase (decrease) in cash	(3)	19
Cash and equivalents, beginning of period	177	152
Cash and equivalents, end of period	\$ 174	\$ 171
Supplemental disclosure of cash paid for:		
Income taxes	\$ 2,282	\$ 2,083
Interest	71	120
	\$ 2,353	\$ 2,203

I am very pleased with our Company's performance during the first half of fiscal 2001 and I look forward to continued success for the second half of this year. In turbulent times, we see more opportunities to acquire inventories and more opportunities to grow in every aspect of our business.

As always I would like to express my thanks to the people in our Company who make it all happen. I am extremely proud to be associated with such a dedicated and loyal group of individuals including the Management team and over 1700 Associates. Without them, this Company's success would not be possible. On behalf of all of our people I would also like to thank you, our shareholders, for your belief and your support. We are all dedicated to growing our Company and providing you with the best possible return on your investment in Liquidation World. Thank you!

Sincerely,

Dale Gillespie
President, C.E.O. and Founder
May 9, 2001

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For the twenty-six weeks ended April 1, 2001

