

To our shareholders,

Liquidation World is pleased to announce the results of operations for the third quarter of fiscal 2001, the thirteen weeks ended July 1, 2001. Sales increased 7% to \$42,335,000 from \$39,614,000 during the corresponding period in 2000. Net earnings increased 15% to \$1,174,000 (\$0.14 per share) from \$1,021,000 (\$0.12 per share) during the corresponding quarter last year.

On a cumulative basis, sales increased 11% to \$136,232,000 during the thirty-nine weeks ended July 1, 2001 from \$122,929,000 during the period ended July 2, 2000. Net earnings increased 28% to \$4,992,000 (\$0.59 per share) during the three quarters of fiscal 2001 from \$3,888,000 (\$0.47 per share) during corresponding period of fiscal 2000.

The third quarter of fiscal 2001 marked the 59th consecutive quarter of profitability since the inception of the Company.

During the third quarter we opened a new outlet in Hamilton, Ontario, our second outlet in that market. Consumer response to the new Hamilton store was phenomenal. It was a record breaking opening that provided great excitement for our staff and the community.

The current economic climate has caused numerous challenges for many businesses. Those challenges have resulted in great opportunities for Liquidation World.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the thirty-nine weeks ended July 1, 2001 and July 2, 2000 (unaudited) (In thousands of dollars, except per share amounts)

	July 1 2001	July 2 2000
Sales	\$ 136,232	\$ 122,929
Cost of sales	83,538	76,188
	52,694	46,741
Expenses		
Selling and store operations	38,553	35,033
General and administrative	4,217	3,515
Depreciation and amortization	1,031	953
Interest	70	252
	43,871	39,753
Earnings before income taxes	8,823	6,988
Income taxes	3,831	3,100
Net earnings	4,992	3,888
Retained earnings, beginning of period	29,909	23,611
Retained earnings, end of period	\$ 34,901	\$ 27,499
Earnings per share		
Basic	\$ 0.59	\$ 0.47
Fully diluted	\$ 0.57	\$ 0.45
Shares outstanding at period end	8,485,896	8,312,120
Options outstanding at period end	567,590	854,310

SEGMENTED INFORMATION

For the thirty-nine weeks ended July 1, 2001 and July 2, 2000 (unaudited) (In thousands of dollars)

	July 1 2001	July 2 2000
Sales		
Canada	\$ 104,086	\$ 97,878
United States	32,146	25,051
TOTAL	\$ 136,232	\$ 122,929
Capital Assets		
Canada	\$ 3,934	\$ 3,679
United States	602	664
TOTAL	\$ 4,536	\$ 4,343

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the thirty-nine weeks ended July 1, 2001 and July 2, 2000 (unaudited) (In thousands of dollars)

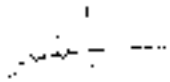
	July 1 2001	July 2 2000
Cash provided by (used in):		
Operations		
Net earnings	\$ 4,992	\$ 3,888
Add (deduct) non-cash items:		
Depreciation & amortization	1,031	953
Equity in loss (income) of affiliate	(76)	23
	5,947	4,864
Changes in non-cash operating working capital		
Accounts receivable	(473)	9
Inventory	(5,230)	(6,415)
Prepaid expenses	204	114
Accounts payable and accrued liabilities	(1,124)	2,057
Income taxes	480	(433)
	(196)	196
Investments		
Purchase of capital assets	(1,189)	(930)
Investment in affiliate	-	(455)
	(1,189)	(1,385)
Financing		
Increase in bank indebtedness	820	1,076
Proceeds on issuance of common shares	562	132
	1,382	1,208
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	\$ 3,434	\$ 3,384
Interest	84	217
	\$ 3,518	\$ 3,601

Our professional reputation and our ability to provide a full menu of services has brought Liquidation World exciting new opportunities to develop on-going relationships with major international companies.

New inventories, new marketing initiatives and new operational support systems initiated during the third quarter have Liquidation World poised and ready for a strong finish to Fiscal 2001.

Liquidation World's success is built on the efforts of a group of very dedicated and loyal people. On behalf of the entire Liquidation World family of over 1600 Associates, and the Management Team, I thank you for your support as a Shareholder in our Company.

Sincerely,



Dale Gillespie
President, C.E.O. and Founder

August 14, 2001



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For the thirty-nine weeks ended July 1, 2001



**ENTREPRENEUR
OF THE YEAR**