

To our shareholders,

The economic environment through quarter one of Fiscal 2003 was marked by extreme competition as conventional retailers took deep discounts early in the Christmas season. Liquidation World's sales were impacted by that situation but we were ultimately able to show a slight increase in sales for the quarter over the previous year.

During quarter one the new Executive team, under the direction of new President and C.O.O., Wayne Mantika, identified four specific areas of Liquidation World's operations which our Company will be focusing on throughout fiscal 2003.

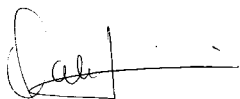
Sales performance is being addressed with new consumer and corporate marketing strategies. Inventory management procedures have been improved to allow our Deal Hunters to more effectively track the performance of their purchases. New strategies have also been implemented to allow all areas of Liquidation World better control of operating costs. We are now also investigating new procedures and new resources in controls, audit functions and information systems. We have an on-going commitment to improving and streamlining all aspects of our business through the empowerment of our people and growing the capabilities of our communication systems.

We believe we have developed a strong foundation in each of Liquidation World's five interrelated business segments (retail, auction, strategic downsizing, reverse logistics and turnaround consulting) which will pay dividends in the months and years to come.

Liquidation World's cash position at the end of quarter one remains strong with an unused \$25 million line of credit. We feel we are well-positioned to grow and be prepared for any opportunity that presents itself.

As always we are thankful for your support.

Sincerely,



Dale Gillespie
C.E.O., Chairman of the Board and Founder
February 18, 2003

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the 13 weeks ended January 5, 2003 and January 6, 2002 (unaudited) (In thousands of Canadian dollars, except per share amounts)

	2003	2002
Revenue	\$ 49,102	\$ 47,653
Cost of sales	29,654	29,017
	19,448	18,636
Expenses		
Selling and store operations	14,858	13,989
General and administrative	2,681	1,579
Depreciation and amortization	338	349
Interest	-	7
	17,877	15,924
Earnings before income taxes	1,571	2,712
Income taxes	686	1,147
Net earnings	885	1,565
Retained earnings, beginning of period	38,931	36,890
Retained earnings, end of period	\$ 39,816	\$ 38,455
Earnings per share		
Basic	\$ 0.10	\$ 0.18
Fully diluted	\$ 0.10	\$ 0.18
Shares outstanding at period end	8,540,756	8,556,756
Options outstanding at period end	499,780	496,730

SEGMENTED INFORMATION

For the 13 weeks ended January 5, 2003 and January 6, 2002 (unaudited) (In thousands of Canadian dollars except per share amounts)

	2003	2002
Revenue		
Canada	\$ 39,743	\$ 38,415
United States	9,359	9,238
TOTAL	\$ 49,102	\$ 47,653
Capital Assets		
Canada	\$ 5,321	\$ 4,011
United States	558	550
TOTAL	\$ 5,879	\$ 4,561

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the 13 weeks ended January 5, 2003 and January 6, 2002 (unaudited) (In thousands of Canadian dollars)

	2003	2002
Cash provided by (used in):		
Operations		
Net earnings	\$ 885	\$ 1,565
Add (deduct) non-cash items:		
Depreciation & amortization	338	349
Equity in income of affiliate	(15)	(22)
	1,208	1,892
Changes in non-cash operating working capital		
Accounts receivable	(1,082)	101
Inventory	4,744	4,092
Prepaid expenses	503	(15)
Accounts payable and accrued liabilities	2,187	4,139
Income taxes	(483)	(826)
	7,077	9,383
Investments		
Purchase of capital assets	(468)	(286)
Financing		
Proceeds on issuance of common shares	9	383
Increase in cash	6,618	9,480
Cash and equivalents, beginning of period	5,447	502
Cash and equivalents, end of period	\$ 12,065	\$ 9,982
Supplemental disclosure of cash paid for:		
Income taxes	\$ 1,161	\$ 2,120
Interest	-	8
	\$ 1,161	\$ 2,128

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)

	January 5 2003	October 6 2002
	(unaudited)	
Assets		
Current assets		
Cash and equivalents	\$ 12,065	\$ 5,447
Accounts receivable	2,133	1,051
Inventory	39,933	44,677
Income taxes recoverable	3,481	2,998
Prepaid expenses	1,427	1,930
	59,039	56,103
Capital assets	5,879	5,749
Investment in affiliate	602	587
Goodwill	278	278
	\$ 65,798	\$ 62,717
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 10,002	\$ 7,815
Shareholders' equity		
Share capital	15,980	15,971
Retained earnings	39,816	38,931
	55,796	54,902
	\$ 65,798	\$ 62,717

See accompanying notes to consolidated financial statements.

LIQUIDATION WORLD INC.

Notes to Consolidated Financial Statements

For the 13 weeks ended January 5, 2003 (amounts in thousands of Canadian dollars, except per share amounts).

1. Basis of Presentation:

The accompanying unaudited consolidated financial statements for Liquidation World Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. The financial information included herein is unaudited. These interim financial statements follow the same accounting policies and methods of application as the most recent annual audited financial statements dated October 6, 2002. The disclosures herein are incremental to those included within the annual financial statements. These interim financial statements should be read in conjunction with the annual statements.

2. Share capital:

(a) Issued:

	Number of Shares		Amount
Balance, October 6, 2002	8,538,756	\$	15,971
Issued on exercise of share options	2,000		9
	8,540,756	\$	15,980

(b) Stock Options:

	Number of options		Weighted average exercise price
Stock options outstanding October 6, 2002	604,830	\$	6.77
Exercised	2,000		4.70
Cancelled/expired	103,050		6.90
	499,780	\$	6.75

3. Related party transactions:

The Company leases three buildings for three of its retail locations from a company owned by an officer of the Company and a partnership of which the same company is a partner. Base rents approximate \$59 per year to 2003, \$61 per year to 2005 and \$111 per year to 2008. Purchases from an affiliated company were \$675 during the quarter ended January 5, 2003.

MANAGEMENT DISCUSSION & ANALYSIS

REVENUE: Sales of merchandise and fee revenue totalled \$49,102,000 for the 13 weeks ended January 5, 2003, a 3% increase from \$47,653,000 during the first quarter of fiscal 2002, after adjusting both to recognize only the commissions earned on consignment sales.

GROSS MARGIN: Gross margin as a percentage of sales increased in the quarter ended January 5, 2003 to 39.6% compared to 39.1% in the first quarter of fiscal 2002. The increase resulted from the changing inventory mix between the periods.

SELLING & STORE OPERATIONS: Selling and store operations increased as a percentage of sales in the quarter ended January 5, 2003 to 30.3% (\$14,858,000) from 29.4% (\$13,989,000) in the same quarter of the previous year because the Company operated 6 additional outlets during the quarter compared to the corresponding period last year.

GENERAL & ADMINISTRATIVE EXPENSES: General and administrative expenses increased as a percentage of sales in the quarter ended January 5, 2003 to 5.5% (\$2,681,000) from 3.3% (\$1,579,000) in the same quarter of fiscal 2002 primarily because of costs associated with Clear Thinking Group, a new subsidiary.

DEPRECIATION & AMORTIZATION Depreciation and amortization remained consistent in the first quarter of fiscal 2003 compared to the same quarter in the previous year.

INTEREST: Interest decreased 100% in the quarter ended January 5, 2003 to \$nil from \$7,000 in 2002 as a result of the Company carrying no bank indebtedness.

INCOME TAXES: The effective income tax rates of 43.7% in the first quarter of fiscal 2003 and 42.3% in the same quarter of the previous year approximate statutory tax rates in effect during each quarter (41.5%) except for small timing differences, non-deductible expenditures and other items.

LIQUIDITY & CAPITAL RESOURCES: The Company opened two outlets during the first quarter of fiscal 2003 (six in the first quarter of fiscal 2002) and incurred capital expenditures of \$468,000 (\$286,000 in Q1 2002). Cash flow from operating activities decreased 25% to \$7,077,000 in the first quarter of fiscal 2003 from \$9,383,000 in the corresponding quarter in fiscal 2002. Cash at January 5, 2003 totalled \$12,065,000 (\$9,982,000 at January 6, 2002) and working capital totalled \$49,037,000 (\$49,238,000 at January 6, 2002). The Company has short term borrowing facilities totalling \$25,000,000 which is sufficient for planned expansion including any potential inventory acquisitions.

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INTERIM REPORT 1
For the 13 weeks ended January 5, 2003



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