Q1 2005

It's like walking into a new store every day You never know what you'll find I am always surprised to find something in store I'd never find anywhere else Always shop here first - you'll find lots of what your family needs and save money as well It's a shopping experience like no other It's a treasure hunt Furniture, food, paint, housewares, hardware, clothing, sporting goods, toys, health and beauty…Liquidation World sells it all 1000's of everyday items Brand new, brand names The fun is contagious & the savings are too!

LIQUIDATION WORLD®

BRAND NEW • BRAND NAMES

Liquidation World has become a destination store for millions of value and quality conscious consumers.

So, who shops at Liquidation World?

High-income treasure hunters searching for unbelievable deals on goods and merchandise unavailable anywhere else.

Those who insist on paying the absolutely lowest price for everything they buy, regardless of their social class or walk of life.

And those on a budget who have to make the most of every dollar they earn.

our corporate profile

Brand new, brand name merchandise. Much of what you need for daily living – food, furniture, clothing, house wares, hardware, paint, and more – Liquidation World sells it all at prices that are often 50 percent or less of what you will find at traditional retail stores.

How do we do it? And, how have we done it for 18 profitable years running?

Liquidation World works closely with manufacturers, retailers, banks and insurance companies to help them deal with merchandise of almost every description that won't, or can't be sold through typical retail channels.

That may include merchandise from inventory overruns or packaging changes. Sometimes it means goods from bankruptcies, receiverships and insurance claims. But most of our goods are sourced from healthy, ongoing businesses – manufacturers who view Liquidation World as an indispensable part of their sales channel, and retailers who occasionally need help clearing excess stock.

We buy these goods with cash and at deep discounts, and pass the savings on to our retail customers through 104 fun, friendly and no frill Liquidation World outlets in Canada and the US. And that's where we have the most fun. Sharing our great bargains with value and quality conscious consumers.

We'll go half way around the world to buy a multi-million dollar deal. And, we'll go around the block to buy from a local business in need.

We never stop looking for a deal and neither should you.
Shop Liquidation World.
Brand new.
Brand names.

from the office of the ceo

February 07, 2005

As an opportunistic business, timing always plays a role in any short-term snapshot of the Company's performance. As such, we went into this year up against one of our largest "events" ever, a massive liquidation of linens and textiles that accounted for almost $4-million in sales in the first quarter of 2004.

The Company did exceed last year's sales by 2.2%, thanks to six additional outlets and a 3% increase in same-store customer transaction count.

However, these numbers did not meet our expectations. Earnings decreased because of higher operating costs, lower margins brought about by increased freight costs, and a slight decline in same store sales.

Challenges in securing goods as attractive as those in the linen and textile deal of 2004, themselves the result of the bankruptcy of one of North America's last, large-scale textile mills, adversely affected basket size. As usual, there is a tremendous volume of general closeout merchandise that is available for our ongoing needs, however our buyers continue to search for those exceptional deals, like the linen and textiles, with the value, selection and well-balanced depth that drive both customer traffic and basket size.

The Company's selling expenses increased $1,484,000 in the quarter relative to the same period in 2004. Store labour, marketing expenditures, and operating and start-up costs associated with new store openings each contributed almost equally to this increase.

General and administrative costs related to new real estate leases, costs associated with the planning and implementation of the previously announced merchandise management system, and other nominal costs amounted to $170,000. The Company also expensed $69,000 for stock based compensation pursuant to new accounting requirements. Higher depreciation charges of $79,000 reflect an increased investment in capital assets such as store fixtures.

During the quarter, the Company launched a new flyer campaign that saw three, 8-page flyers distributed to a total of more than 8 million homes. The Company pared down its inventory while generating $6.9-million in cash. Accounts payable were reduced to a four-year low, and 28,800 shares of stock were repurchased pursuant to a normal course issuer bid.

New stores that were opened in the quarter include those in Prescott and Wallaceburg, Ontario as well as one in Renton, Washington. Our Waterloo, Ontario outlet closed when its lease came to an end shortly after Christmas.

At the Company's recent Annual General and Special Meeting, Rob Bakshi, Darren Gillespie, Leslie Landes, Herb Lukofsky, Charles M. Murray, and Robert Thomson were re-elected to the Board of Directors. Mr. Landes was later appointed as Chairman of the Board. Aside from his role with Liquidation World, Mr. Landes is also the Chairman of Stockgroup Information Systems, Inc., and is a Director of TIR Systems Ltd. He is also a past President of Jim Pattison Industries Ltd., one of Canada's largest private companies.

Also at the meeting, the Shareholders approved an amendment to the By-Laws that changes the quorum for a Shareholder meeting to be 27% of the shares entitled to vote.

Dale Gillespie, founder and former CEO of Liquidation World, has accepted a position as Chairman Emeritus with the Company. After 18 years of service to Liquidation World, most recently as Chairman, Dale has decided to pursue other interests. His energy, enthusiasm, and business sense guided the company as it grew into one of North America's preeminent liquidators with more than 100 locations in Canada and the US. Along the way, Dale posted 62 quarters of consecutive profit, earned the prestigious Pinnacle and Entrepreneur of the Year awards, was featured on the front cover of Canadian Business magazine, and made countless friends of thousands of associates and industry contacts around the world. Dale and his wife Dianne, would often spend 200 days a year or more on the road visiting stores, coaching, and educating associates on all aspects of the business. As Chairman Emeritus, Dale, and his wealth of knowledge and experience, will remain an asset to the Company.

As for the longer-term view, we are excited about a number of internal initiatives that continue to evolve. Most important is the launch of our five-year plan which was laid out for our entire staff this past fall. We look forward to seeing their experience and enthusiasm implement strategies that will build our brand, strengthen our buying team, improve the shopping experience, and further develop the systems and infrastructure that will support our growth.

After all, liquidation is a business of opportunity. With a strong balance sheet, we believe the company is well positioned to expand our retail presence, and capitalize on larger and more profitable buys when the situation warrants. We will aggressively search out these opportunities, and are fully confident that we have the people and the resources to make the most of each as they arise.

On behalf of the entire Liquidation World team, now 1800 associates strong, thank you for your interest and support.

WAYNE MANTIKA
President
and Co-CEO

DARREN GILLESPIE
Senior Executive VP
and Co-CEO

JONATHAN HILL
Senior Executive VP
and Co-CEO

m d & a

The following discussion and analysis is effective as of February 8, 2005 and should be read together with the unaudited interim consolidated financial statement and the accompanying notes.

OVERVIEW

Liquidation World Inc. ("Liquidation World" or the "Company") is the largest liquidator of opportunity inventory in Canada, with additional liquidation outlets in the US and supporting ancillary services in Canada and the US. Opportunity inventory results from a myriad of situations including insolvencies, insurance claims, overruns, cancelled orders and close-outs. Liquidation World distributes such acquired inventory to value-oriented consumers through its 104 corporately operated outlets (90 in Canada and 14 in the US).

Liquidation World is pursuing a strategy to increase profitability by increasing sales in existing outlets and in the longer term by expanding the number of outlets. In order to increase sales in outlets, the Company is increasing its buyer network, seeking new sources of desirable inventory and implementing a merchandise management system to provide greater insight into inventory and its performance. Management believes that sales can be increased with modest increases in costs, resulting in improved overall performance.

To increase profitability, the Company also initiated the "Brilliance in the Basics" plan whereby it seeks to achieve operational excellence through focusing on basic principles of the business and improving infrastructure, including distribution and technology systems.

OPERATING STRATEGY

Over the next several years, Liquidation World's operating strategy will focus on the following:

1. Geographic Growth

Liquidation World opened 3 new outlets in the first quarter of 2005, Wallaceburg, Ontario, Prescott, Ontario and Renton, Washington. Our Boise, Idaho outlet was relocated during the past quarter. Liquidation World plans to open 10 new outlets during the course of fiscal 2005. The Waterloo outlet was closed early in Q2, leaving a total of 104 outlets in Canada and the US.

2. Improve The Shopping Experience

Liquidation World will adopt a fresh look and feel to all new outlets. The new outlets consist of an inviting exterior, a well lit interior, as well as greater interior signage to further convey our brand message. We feel that these changes will result in an overall improved shopping experience, and thus increase sales. During the course of the year Liquidation World plans to update a number of stores to reflect the new Liquidation World look.

3. Strengthen the Liquidation World Brand

Liquidation World enjoys a unique retail heritage. The Company will strive to update and reinforce its points of differentiation in a competitive environment where discount retailing has become mainstream. Through newspapers, flyers, radio and other media, the Company will continue to promote its distinctive brand by emphasizing the unique source of its merchandise, as well as its quality, variety, and extreme value. Strengthening the brand will result in increased customer count, heightened consumer awareness and enhanced perception. The Company will also work to enhance the shopping experience through improved in-store signage and marketing collateral.

4. Implement a New Merchandise Management System

Over the next 24 months Liquidation World plans to invest $10M in a new merchandise management system to support our purchasing, marketing and merchandising teams. The new system will enable the organization to improve tracking of inventory from sourcing, to distributing, to selling. Liquidation World will leverage the new merchandise management system to provide its customers with greater variety of inventory and offer a better value proposition through improved inventory management. Also, a scan based inventory system will reduce costs in outlets by the elimination of ticketing inventory and enable faster checkouts.

RESULTS OF OPERATIONS

Revenue

Revenue, which includes sales of merchandise and fee revenue, totaled $51,685,000 for the 13 weeks ended January 2, 2005, a 2.2% increase from $50,562,000 in the corresponding period in fiscal 2004. The Company operated, on average, six (6.1%) more outlets than in Q1 of fiscal 2004 and experienced 3.7% decrease in average sales per outlet. The decrease in average sales per outlet in Q1 2005 is primarily attributed to the lack of a “big event” such as a bankruptcy or insurance claim. During the same period last year the Company liquidated a large bedding deal, which contributed approximately $4M in revenue. “Big events” typically create excitement in the stores, which increase traffic and overall sales. Revenues in Canada increased 1.4% to $44,298,000 in Q1 2005 compared to $43,705,000 in Q1 2004 through, on average, 90 outlets (2004 Q1 - 86 outlets). Revenues in the United States increased 7.7% to $7,387,000 (USD $6,060,000) in Q1 2005, from $6,857,000 (USD $5,265,000) in Q1 2004 through, on average, 14 outlets (2004 Q1 - 13 outlets). The increase in U.S. revenue is primarily a result of inventory made available by Florida hurricanes and was partially offset in conversion to Canadian dollars, which has strengthened 7.4% year over year.

Gross Margin

Gross margin in Q1 2005 declined as a percentage of sales to 39.0% from 39.5% in Q1 2004. The Company experiences small fluctuations in gross margins due to changing product mix and was further adversely affected by increased freight expense.

Selling and Store Operations

During Q1 2005, selling and store operations increased as a percentage of sales to 31.3% ($16,174,000) from 29.1% ($14,690,000) in Q1 2004. Increased selling and store operations were a result of opening three new outlets and relocating one, in addition to costs of completing the move to new distribution facilities in Ontario (no outlets were opened in Q1 2004). Also contributing to the increase, the Company operated an average of 6 more outlets than in Q1 2004. The Company experienced generally higher store labour. The remainder of the increase is attributed to additional marketing initiatives.

General and Administrative Expenses

During Q1 2005, general and administrative expenses increased as a percentage of sales to 3.7% ($1,898,000) compared to 3.4% ($1,728,000) in Q1 2004. General and administrative expense increases relate primarily to preparations to implement a merchandise management system and professional fees relating to leasing new outlets.

In fiscal 2005, the Company expects general and administrative expenses to increase as a percentage of revenue as increased costs associated with the implementation of a merchandise management system are absorbed.

Depreciation and Amortization

Depreciation and amortization increased 25.6% to $387,000 in Q1 2005 compared to $308,000 in Q1 2004 reflecting the balances of the underlying capital assets. During Q1 2005 the Company invested $1,182,000 in capital assets. A significant portion of the investment is attributable to building the infrastructure for the new merchandise management system. The remainder was invested in the new distribution facility and outlets, as well as renovation of existing stores. The corollary increases are not perfect due to the timing of store openings and asset acquisitions in the quarter.

Income Taxes

The effective tax rate of 42.4% in Q1 2005 is greater than the statutory tax rate in effect during the period (36.1%) due primarily to losses in subsidiaries where potential tax recovery is uncertain. The Company provided for current income taxes in Q1 2005 of $695,000 against Canadian income. The Company did not recognize a reduction of tax expense related to losses in US as there is no certainty that US tax losses will be utilized in the future. In Q1 2005, the Company recorded a future tax recovery of $2,000 arising from the difference between the book value of its capital assets and the tax value of the assets. The effective tax rate of 37.8% in Q1 2004 is equivalent to the statutory tax rate in effect during the period (37.5%) except for small timing differences and non deductible amounts.

Earnings from Continuing Operations

During Q1 2005, net earnings from continuing operations decreased 53.9% to $939,000 ($0.11 per share) from $2,039,000 ($0.24 per share) in Q1 2004, as a result of reduced gross margin and increased expenses as discussed above.

Discontinued Operations

During the 2004 fiscal year, the Company sold the business operations of Clear Thinking Group, Inc. ("CTG") to a company controlled by CTG's former principals. Accordingly, its operating results have been removed from the consolidated results of the Company and presented as discontinued operations in Q1 2004 results. Net results indicate a loss of $152,000 from discontinued operations in Q1 2004.

Net Earnings

Net earnings in Q1 2005 decreased 50.2% to $939,000 ($0.11 per share) from net earnings of $1,887,000 ($0.22 per share) in Q1 2004. The decrease is the result of reduced gross margin and increased expenses as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations has been the primary funding source for working capital requirements and capital expenditures over the past several years. Cash flows from operations before discontinued operations increased by $4,507,000 to $6,902,000 in Q1 2005 compared with $2,668,000 in Q1 2004. The increase in cash flow from operating activities was mostly due to the reduction of inventory during the quarter resulting from high seasonal sales. Working capital improved to $51,528,000 at the end of Q1 2005 compared to $51,469,000 at the end of fiscal 2004. The improvement is due to cash generated from operations exceeding cash required for capital expenditures and to repurchase shares. The Company currently has short-term borrowing facilities totaling $15,000,000, which is sufficient for planned expansion in 2005, including a reserve for potential inventory acquisitions.

On April 27, 2004, the Company received approval from the Toronto Stock Exchange to renew its normal course issuer bid. The bid permits the Company to acquire up to 427,000 common shares, representing approximately 5% of the issued and outstanding common shares. During Q1 2005, the Company repurchased and cancelled 28,800 common shares for total consideration of $156,000.

The Company incurred capital expenditures net of disposals of $1,182,000 during Q1 2005 ($146,000 during Q1 2004) to provide fixtures and equipment and make necessary leasehold improvements to new facilities and upgrade or provide equipment to existing locations. During 2005, the Company expects to invest approximately $10,000,000 in infrastructure upgrades. Management is assessing its technology financing options for this program to determine the most beneficial financing structure.

Contractual Obligations

Payments due by period (amounts in 000's)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
CONTRACTUAL OBLIGATIONS					
Operating leases	$ 42,599	$ 9,308	$ 14,507	$ 8,875	$ 9,909
Purchase obligations	Nil	Nil	Nil	Nil	Nil
Other long term obligations	Nil	Nil	Nil	Nil	Nil
Total contractual obligations	$ 42,599	$ 9,308	$ 14,507	$ 8,875	$ 9,909

RISKS AND UNCERTAINTIES

The Company is exposed to various risk factors and uncertainties that may affect the performance of the Company. The Risks and uncertainties faced by the Company are disclosed in the MD&A section of its 2004 Annual Report.

Quarterly Information

(Amounts in 000's except per share amounts)

Quarter ended	January 2 2005	October 3 2004	July 4 2004	April 4 2004
Total revenue	$ 51,685	$ 45,199	$ 44,989	$ 43,668
Net earnings from continuing operations	939	(533)	823	615
Earnings per share from continuing operations				
Basic	0.11	(0.05)	0.10	0.07
Fully diluted	0.11	(0.05)	0.10	0.07
Net income/(loss)	$ 939	$ (476)	$ 221	$ 660
Earnings per share				
Basic	0.11	(0.05)	0.03	0.08
Fully diluted	0.11	(0.05)	0.03	0.07

Quarter ended	January 4 2004	October 5 2003	July 6 2003	April 6 2003
Total revenue	$ 50,562	$ 41,999	$ 41,856	$ 38,084
Net earnings from continuing operations	2,039	2,590	(1,584)	(649)
Earnings per share from continuing operations				
Basic	0.24	0.30	(0.19)	(0.08)
Fully diluted	0.24	0.30	(0.19)	(0.08)
Net income/(loss)	$ 1,887	$ 2,237	$ (1,505)	$ (848)
Earnings per share from continuing operations				
Basic	0.22	0.26	(0.17)	(0.10)
Fully diluted	0.22	0.26	(0.17)	(0.10)

Transactions with Related Parties

The Corporation leases three buildings (22,000 square feet, 34,000 square feet and 20,000 square feet) for three of its retail locations from a company owned by Dale Gillespie, Founder and Chairman of the Corporation during the quarter, and from a partnership where the same company, owned by Dale Gillespie, is a partner. Liquidation World was offered the opportunity to purchase the properties but decided not to own real estate at that time. Base rents for these three buildings approximate $61,000 per year to 2005, $111,000 per year to 2008 and $73,000 per year to 2013, respectively, which are considered to be equal to or less than market rates.

Other Items

Additional information relating to Liquidation World is available on the SEDAR website at www.sedar.com.

Outstanding Share Data

As of February 4, 2005, the Company has authorized for issuance unlimited common shares of which 8,370,342 are issued and outstanding. Further, the Company has reserved 766,644 options to acquire common shares of which 483,000 are outstanding.

OUTLOOK

The Company intends to build on its dominance as Canada's largest liquidator. The focus for the current year is to increase sales in existing outlets, ensure established standards are met at outlets and ensure infrastructure will accommodate future growth. To that end, the Company initiated its "Brilliance in the Basics" campaign whereby standards for outlet presentation are set but much of the operations of the outlets are left up to the entrepreneurial outlet manager who will focus on increasing sales while keeping costs under control. The Company is also assessing its current processes and information systems to optimize the efficiency in handling and managing inventory from sourcing through to sale and emulating those processes in the information system.

With confidence in its infrastructure, the Company will aggressively seek opportunities for growth through opening new outlets and broadening its reach to acquire the greatest possible value proposition available to consumers in all the markets the Company services.

FORWARD-LOOKING STATEMENTS

The foregoing includes forward-looking statements and potential future circumstances and developments. Forward-looking statements regarding future performance are subject to risks and uncertainties and actual results may differ materially.

statements

CONSOLIDATED BALANCE SHEETS

For the periods ended January 2, 2005 and October 3, 2004 (unaudited) (In thousands of Canadian dollars, except per share amounts)	05 January 2 2005	04 October 3 2004
ASSETS		
Current assets		
Cash and cash equivalents	**$ 6,399**	$ 876
Accounts receivable	**337**	1,221
Inventory	**49,938**	55,705
Prepaid expenses	**1,901**	2,281
	58,575	60,083
Capital assets	**6,561**	5,766
	$ 65,136	$ 65,849
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 6,785**	$ 7,706
Income taxes payable	**262**	863
Liabilities of discontinued operations	**–**	45
	7,047	8,614
Future income taxes	**256**	258
Shareholders' equity		
Share capital	**15,707**	15,757
Contributed surplus	**341**	–
Retained earnings	**41,785**	41,220
	57,833	56,977
	$ 65,136	$ 65,849

See accompanying notes to consolidated financial statements.

On behalf of the Board:

DARREN GILLESPIE
Director

HERB LUKOFSKY
Director

CONSOLIDATED STATEMENTS OF EARNINGS & RETAINED EARNINGS

For the periods ended January 2, 2005 and January 4, 2004 (unaudited) (In thousands of Canadian dollars, except per share amounts)	05 13 weeks ended January 2, 2005	04 13 weeks ended January 4, 2004
REVENUE	**$ 51,685**	$ 50,562
Cost of sales	**31,520**	30,573
	20,165	19,989
EXPENSES		
Selling and store operations	**16,174**	14,690
General and administrative	**1,898**	1,728
Depreciation and amortization	**387**	308
Stock based compensation	**69**	–
Foreign exchange	**5**	(16)
	18,533	16,710
Earnings from continuing operations before income taxes	**1,632**	3,279
Income taxes		
Current	**695**	1,240
Future	**(2)**	–
	693	1,240
Earnings from continuing operations	**939**	2,039
Discontinued operations	**–**	(152)
Net earnings	**939**	1,887
Retained earnings, beginning of period	**41,220**	39,700
Excess of repurchase amount over stated capital of repurchased shares	**(102)**	(2)
Adjustment to reflect change in accounting policy (note 2)	**(272)**	–
Retained earnings, end of period	**$ 41,785**	$ 41,585
Earnings per share from continuing operations		
Basic	**$ 0.11**	$ 0.24
Fully diluted	**$ 0.11**	$ 0.24
Earnings per share		
Basic	**$ 0.11**	$ 0.22
Diluted	**$ 0.11**	$ 0.22
Shares outstanding at period end	**8,370,342**	8,542,256
Weighted average shares outstanding	**8,394,421**	8,542,745
Diluted shares outstanding	**8,462,597**	8,570,467
Options outstanding at period end	**483,000**	499,780

SEGMENTED INFORMATION

(unaudited) (In thousands of Canadian dollars, except per share amounts)	13 weeks ended January 2, 2005	13 weeks ended January 4, 2004
REVENUE		
Canada	**$ 44,298**	$ 43,705
United States	**7,387**	6,857
Total	**$ 51,685**	$ 50,562
CAPITAL ASSETS		
Canada	**$ 6,046**	$ 4,519
United States	**515**	450
Total	**$ 6,561**	$ 4,969

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the periods ended January 2, 2005 and January 4, 2004 (unaudited) (In thousands of Canadian dollars, except per share amounts)	**05** 13 weeks ended January 2, 2005	**04** 13 weeks ended January 4, 2004
Cash provided by (used in):		
CONTINUING OPERATIONS		
Earnings from continuing operations	**$ 939**	$ 2,039
Add (deduct) non-cash items:		
Depreciation and amortization	**387**	308
Equity in income of affiliate	**–**	(36)
Stock based compensation	**69**	–
Future income taxes	**(2)**	–
	1,393	2,311
CHANGES IN NON-CASH OPERATING WORKING CAPITAL		
Accounts receivable	**884**	(178)
Inventory	**5,767**	(953)
Prepaid expenses	**380**	1,041
Accounts payable and accrued liabilities	**(921)**	(939)
Income taxes	**(601)**	1,113
	6,902	2,395
DISCONTINUED OPERATIONS		
Funds provided by (used in) discontinued operations	**–**	(152)
Changes in non-cash operating working capital balances of discontinued operations		
Assets of discontinued operations	**–**	388
Liabilities of discontinued operations	**(45)**	(9)
	(45)	227
INVESTMENTS		
Purchase of capital assets	**(1,182)**	(146)
FINANCING		
Proceeds on issuance of common shares	**4**	–
Repurchase of common shares	**(156)**	(3)
	(152)	(3)
Increase in cash	**5,523**	2,473
Cash and cash equivalents, beginning of period	**876**	4,494
Cash and cash equivalents, end of period	**$ 6,399**	$ 6,967
Supplemental disclosure of cash paid for:		
Income taxes	**$ 1,296**	$ 280
Interest	**–**	–
	$ 1,296	$ 280

See accompanying notes to consolidated financial statements.

notes

TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 13 WEEKS ENDED JANUARY 2, 2005
(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 3, 2004. 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. CHANGE IN ACCOUNTING POLICY:

Prior to October 4, 2004, the Company applied the fair value based method of accounting prescribed by CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments, only to stock options granted to non-employees, and applied the intrinsic value method of accounting for employee stock options. Under the intrinsic value method, any consideration paid by employees on the exercise of stock options or purchase of stock was credited to share capital and no compensation expense was recognized.

The CICA Accounting Standards Board has amended CICA Handbook Section 3870 – Stock-based Compensation and Other Stock-based Payments – to require entities to account for employee stock options using the fair value based method beginning October 4 2004. Under the fair value based method, compensation cost is measured at fair value at the date of grant and is expensed over the award’s vesting period. In accordance with one of the transitional provisions permitted, the Company has retroactively applied the fair value based method to all employee stock options granted on or after October 7, 2002 and prior to October 4, 2004. The Company has not restated prior year’s reported amounts, and accordingly, has adjusted 2005 opening retained earnings at October 4, 2004 by $271 and contributed surplus by the same amount. Options granted in fiscal 2005 are expensed in the current financial statements in accordance with the standard previously described.

3. SHARE CAPITAL:

(a) Issued:

	Number of Shares	Amount
Balance, October 3, 2004	8,398,582	$ 15,757
Issued on exercise of share options	560	4
Shares repurchased	(28,800)	(54)
	8,370,342	$ 15,707

(b) Stock Options:

	Number of Options	Weighted Average Exercise Price
Stock options outstanding, October 3, 2004	564,400	$ 6.15
Exercised	(560)	6.25
Cancelled/expired	(80,840)	6.57
	483,000	$ 6.07

4. RELATED PARTY TRANSACTIONS:

The Company leases three buildings for three of its retail locations from a company owned by a director of the Company and a partnership of which the same company is a partner. Base rents approximate $61 per year to 2005, $111 per year to 2008 and $73 per year to 2013.

corporate information

Directors	LESLIE LANDES, Chairman of the Board, Chairman of Stockgroup Information Systems, Inc., Director of TIR Systems Ltd. ROB BAKSHI, President of Panarim Enterprises, Inc. DARREN GILLESPIE, Senior Executive VP and Co-CEO Liquidation World, Inc. HERB LUKOFSKY, C.A., Corporate Director, Business Consultant CHARLES M. (CHAD) MURRAY, President of Chad Murray Sales and Marketing, Inc. ROBERT THOMSON, Q.C., President of Rovalex Investments, Inc.
Management	WAYNE MANTIKA, President and Co-CEO DARREN GILLESPIE, Senior Executive VP and Co-CEO JONATHAN HILL, Senior Executive VP and Co-CEO ANDREW SEARBY, C.A., Executive VP and CFO DERRICK GILLESPIE, VP Corporate Purchasing DARRELL FLADAGER, VP US Operations LARRY SCHEFFEE, VP Liquidation World Enterprises TROY HEATH, Director – Eastern Region ZORA ROBERTS, CMA, Controller DAVID MOULTON, Director of Marketing TERRY OFFORD, Director of Loss Prevention/Internal Audit CHAD RICHARDSON, Director of Information Systems
Solicitors	Phillips Sevalrud LLP 900, 521 - 3rd Avenue SW Calgary, Alberta T2P 3T3
Auditors	KPMG LLP Chartered Accountants 1200, 205 - 5th Avenue SW Calgary, Alberta T2P 4B9
Bank	Royal Bank of Canada 335 - 8th Avenue SW Calgary, Alberta T2P 1C9
Transfer agent	Computershare Investor Services 100 University Avenue, 8th Floor Toronto, Ontario M5J 2Y1
Corporate Office	3900 - 29th Street NE, Calgary, Alberta T1Y 6B6 Phone 403.250.1222 Fax 403.291.1306 Web www.liquidationworld.com

outlet locations

CANADA

ALBERTA
Calgary (3)
Camrose
Cold Lake
Drumheller
Edmonton (4)
Fort Saskatchewan
Grande Prairie
High River
Hinton
Leduc
Lethbridge
Medicine Hat
Peace River
Ponoka
Red Deer
St. Paul
Taber
Wainwright
Westlock

BRITISH COLUMBIA
Aldergrove
Chilliwack
Coquitlam
Courtenay
Cranbrook
Duncan
Gibsons
Kamloops
Kelowna
Langley
Maple Ridge
Mission
North Vancouver
Penticton
Port Alberni
Prince George
Quesnel
Richmond
Surrey
Victoria

MANITOBA
Steinbach
Swan River
Thompson
Winnipeg (2)

ONTARIO
Ajax
Arthur
Belleville
Bleinheim
Bolton
Brantford
Burlington
Cambridge
Campbellford
Cobourg
Hamilton (2)
Hawkesbury
Ingersoll
Keswick
London (2)
Oakville
Orillia
Oshawa
Paris
Peterborough
Prescott
Sarnia
Smith Falls
St. Catherines
Sudbury
Trenton
Uxbridge
Wallaceburg
Welland
Windsor (2)
Woodstock

SASKATCHEWAN
Estevan
Lloydminster
Moose Jaw
Prince Albert
Regina
Saskatoon
Yorkton

USA

ALASKA
Anchorage

IDAHO
Boise
Coeur d'Alene
Lewiston

MONTANA
Great Falls

WASHINGTON
Everett
Kent
Lacey
Renton
Richland
Spokane (2)
Tukwilla
Yakima

Shares are listed on the Toronto Stock Exchange under the symbol LQW.

DESIGNED BY DNA DESIGN GROUP

LIQUIDATION WORLD®

BRAND NEW • BRAND NAMES

3900 - 29th Street NE, Calgary, Alberta T1Y 6B6

CANADA POST POSTES CANADA

Postage paid
Addressed Admail
1010982

Port payé
Médiaposte avec adresse

RETAILERS > Convert inventory into cash. On-site store closures. Complete inventory lifts. Mitigate lease and staff expenses. MANUFACTURERS > Cancelled orders, packaging changes, inventory overruns, discontinued products. Complete brand protection through managed distribution. Tightly ontrolled advertising in accordance with your instructions. INSURANCE COMPANIES > Maximize recovery. Settle quickly. We have the financial and logistical ability to make it happen. BANKS > Minimize exposure. Act fast. Maximize recovery. Quick and accurate reads on portfolio value.

www.liquidationworld.com

PRINTED IN CANADA