

To our shareholders,

Liquidation World announces the results of operations for the first quarter of fiscal 1999, the thirteen weeks ended January 3, 1999. Sales increased 20.2% to \$41,964,000 from \$34,915,000 in the thirteen weeks ended January 4, 1998. Net earnings decreased 8.9% to \$1,402,000 (\$0.17 per share) from \$1,539,000 (\$0.20 per share) in the corresponding quarter last year.

Liquidation World's success over the years has been driven by our ability to acquire new inventories from all sorts of situations. Bankruptcies, receiverships and insurance claims continue to provide inventory opportunities. We are always looking for new opportunities that will work for our Company. One such venture, with a major U.S. retailer, showed tremendous potential at the outset. However, the merchandise obtained in this particular deal was not as good as we expected and handling and logistical costs proved to be too great. This single deal resulted in the decrease in profitability reported for quarter one. We have since cancelled the contract on this deal, without penalty, and the related costs will cease over the next few weeks. We then expect sales and earnings to be back on track by the third quarter. Nothing ventured, nothing gained! We do see very positive results, however, from other inventories acquired from new contacts in Asia as a result of the economic crisis in that part of the world.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the thirteen weeks ended January 3, 1999 and January 4, 1998 (Unaudited)
(In thousands of dollars, except per share amounts)

	1999	1998
Sales	\$ 41,964	\$ 34,915
Cost of sales	25,750	21,217
	16,214	13,698
Expenses		
Selling and store operations	12,166	9,755
General and administrative	1,147	979
Depreciation and amortization	235	231
Interest	88	27
	13,636	10,992
	2,578	2,706
Income taxes	1,176	1,167
Net earnings	1,402	1,539
Retained earnings, beginning of period	18,551	12,757
Retained earnings, end of period	\$ 19,953	\$ 14,296
Earnings per share		
Basic	\$ 0.17	\$ 0.20
Fully diluted	\$ 0.16	\$ 0.18

Note: Earnings per share has been retroactively restated to reflect the 2 for 1 stock split effective April 14, 1998.

SEGMENTED INFORMATION

For the thirteen weeks ended January 3, 1999 and January 4, 1998 (Unaudited) (In thousands of dollars)

	1999	1998
Sales		
Canada	\$ 31,082	\$ 26,934
United States	10,882	7,981
TOTAL	41,964	34,915
Capital Assets		
Canada	\$ 3,314	\$ 3,188
United States	781	438
TOTAL	4,095	3,626

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

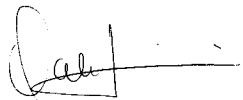
For the thirteen weeks ended January 3, 1999 and January 4, 1998 (Unaudited)
(In thousands of dollars)

	1999	1998
Cash provided by (used in):		
Operations		
Net earnings	\$ 1,402	\$ 1,539
Add (deduct) non-cash items:		
Depreciation & amortization	235	231
Equity in income of affiliate	(5)	(3)
	1,632	1,767
Changes in non-cash operating working capital		
Accounts receivable	(141)	86
Inventory	(3,424)	(2,662)
Accounts payable and accrued liabilities	3,191	1,925
Other, net	(228)	50
	1,030	1,166
Investments		
Purchase of capital assets	(539)	(682)
Financing		
Investments on issuance of common shares	49	42
Increase in cash position	540	526
Bank indebtedness beginning of period	(4,629)	(495)
Cash (bank indebtedness), end of period	\$ (4,089)	\$ 31

During the first quarter we have opened 7 new outlets. We have made our first penetration into two new regions. Our outlet in Swan River is Liquidation World's first in the province of Manitoba. We also introduced the Company's concept to the U.S. midwest with openings in Middletown and Dayton, Ohio. New outlets in the South Hills district of Spokane and Spanaway (Seattle), Washington increased our reach in those markets as we continue to develop our presence there. We also increased Liquidation World's presence in the Vancouver region with new outlets in Richmond and White Rock. In fiscal 1999 these 7 new outlets, plus one new opening in Coquitlam in quarter two, has brought our Company to a total of 75 outlets to date.

Customer feedback in our new and existing markets has been very encouraging. Thanks to the dedication of all of our Associates and the Management team, Liquidation World continues to move forward. On behalf of all of them, I would like to thank you, our Shareholders, for your belief in what we are doing and for your support of our Company.

Sincerely,



Dale Gillespie
President and C.E.O.
February 12, 1999

LIQUIDATION WORLD

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LIQUIDATION WORLD

INTERIM REPORT 1

For the thirteen weeks ended January 3, 1999



ENTREPRENEUR
OF THE YEAR

