

To our shareholders,

Liquidation World presents the results of operations for the second quarter of fiscal 1999, the thirteen weeks ended April 4, 1999. Sales increased 12% to \$34,826,000 from \$31,158,000 during the corresponding period in 1998. Net earnings decreased 28% to \$703,000 (\$0.09 per share) from \$972,000 (\$0.12 per share) in the corresponding quarter last year.

On a cumulative basis, sales increased 16% to \$76,790,000 from \$66,072,000 during the twenty-six weeks ended April 5, 1998. Net earnings decreased 16% to \$2,104,000 (\$0.26 per share) during the first half of fiscal 1999 from \$2,512,000 (\$0.32 per share) during the first half of fiscal 1998.

As reported with our first quarter results, the costs associated with a liquidation contract with a major U.S. retailer continued to impact earnings in the second quarter. As previously announced that contract has been cancelled.

Our buyers are continually seeking out new inventory opportunities. For example, we acquired a large inventory of lawn and garden equipment from the bankruptcy of an internationally known manufacturer. Opportunities continue to present themselves as a result of the ongoing changes in the North American retail landscape. We have also developed a network of contacts to keep abreast of the Asian economic crisis and any inventories that may come from that region.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the twenty-six weeks ended April 4, 1999 and April 5, 1998 (Unaudited)
(In thousands of dollars, except per share amounts)

	1999	1998
Sales	\$ 76,789	\$ 66,072
Cost of sales	47,620	40,864
	29,169	25,208
Expenses:		
Selling and store operations	22,512	18,349
General and administrative	2,092	1,848
Depreciation and amortization	459	451
Interest	269	69
	25,332	20,717
Earnings before income taxes	3,837	4,491
Income taxes	1,733	1,980
Net earnings	2,104	2,511
Retained earnings, beginning of period	18,551	12,757
Retained earnings, end of period	\$ 20,655	\$ 15,268
Earnings per share:		
Basic	\$ 0.26	\$ 0.32
Fully diluted	\$ 0.25	\$ 0.30

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

SEGMENTED INFORMATION

For the twenty-six weeks ended April 4, 1999 and April 5, 1998 (Unaudited) (In thousands of dollars)

	1999	1998
Sales		
Canada	\$ 57,785	\$ 51,707
United States	19,004	14,365
TOTAL	76,789	66,072
Capital Assets		
Canada	\$ 3,286	\$ 2,942
United States	776	487
TOTAL	4,062	3,429

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the twenty-six weeks ended April 4, 1999 and April 5, 1998 (Unaudited)
(In thousands of dollars)

	1999	1998
Cash provided by (used in):		
Operations:		
Net earnings	\$ 2,104	\$ 2,511
Add (deduct) non-cash items:		
Depreciation & amortization	459	451
Equity in income of affiliate	(4)	(14)
	2,559	2,948
Changes in non-cash operating working capital:		
Accounts receivable	(504)	80
Inventory	(2,083)	(5,623)
Prepaid expenses	167	—
Accounts payable and accrued liabilities	(1,056)	2,838
Income taxes payable	(869)	(150)
	(1,786)	93
Investments:		
Purchase of capital assets	(730)	(705)
Financing:		
Proceeds on issuance of common shares	292	216
Decrease in cash position	(2,224)	(396)
Bank indebtedness, beginning of period	(4,629)	(495)
Bank indebtedness, end of period	\$ (6,853)	\$ (891)

We are continuing to experiment with new initiatives for the Liquidation World website (www.liquidationworld.com). The website has been particularly effective promoting our in-house and on-site auctions. The on-line shopping portion of the website is also progressing as we are looking at new technologies and new ways to promote that aspect of our business. As of this writing we are liquidating over 50 luxury motorcoaches and recreational vehicles. These are available only through our website at www.liquidationworld.com.

Customer response to the Liquidation World concept has been very positive. In a recent in-store survey of over 8000 customers, we asked the question "Were you happy with your shopping experience with us today?" Over 7800 said yes! During the second quarter our Red Deer outlet was awarded first place in a readers' survey as the favourite discount store in that market. Our presence in the southern Ontario region has increased with the opening of an outlet in Waterloo on May 6th. That opening was a resounding success with new sales records for an opening day and an opening 4 day period.

On behalf of over 1500 Liquidation World Associates and our Management Team I thank you, our shareholders, for your support of our Company.

Sincerely,

Dale Gillespie
 President and C.E.O.
 May 14, 1999

LIQUIDATION WORLD

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LIQUIDATION WORLD

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For the twenty-six weeks ended April 4, 1999

 ENTREPRENEUR
 OF THE YEAR

