

Liquidation
World
Quarterly
Report
Q2 2008

**LIQUIDATION
WORLD®**

Corporate Profile

Quality, brand name merchandise. Much of what you need for daily living - food, furniture, clothing, housewares, hardware, paint and more - Liquidation World sells it all at prices that are 30 - 70% below normal retail.

Liquidation World works closely with manufacturers, retailers, wholesalers, 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 seasonal goods or goods from bankruptcies, receiverships and insurance claims. The majority of our merchandise comes from healthy, going-concern businesses who view Liquidation World as an indispensable part of their inventory management strategy.

We buy these goods at deep discounts and pass the savings along to our retail customers through 106 fun, friendly and no-frill Liquidation World outlets in Canada.

We never stop looking for a deal and neither should you.

President's Message

Our second quarter results reflect same store sales declines and weaker than expected gross margin. Our situation today, unfortunately, is not a one-time anomaly. Since the second quarter of last year, we have endured weak sales and unsatisfactory gross margin. I am particularly disappointed that several initiatives we have undertaken to professionalize and improve our business have not had the desired effect. A significant reduction in operating costs and a change in organizational structure has become necessary and will be implemented. As an organization, we have to become better at buying and selling.

I have talked in the past about the critical influence of great deals on the success of our business. These deals are most closely associated with bankruptcies, business closures, and insurance claims. Great deals have been the cornerstone of Liquidation World's competitive positioning.

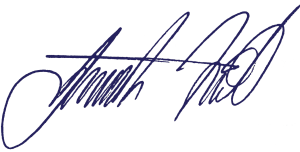
The challenge of locating, negotiating and securing great deals requires a creative deal-making environment and the financial flexibility to act on deals as they arise. Starting in the third quarter, we will implement changes aimed at building strength and improving flexibility in non-traditional procurement.

Within our outlets, an entrepreneurial bent, skill at sourcing local merchandise, and an ability to consistently engage and entertain the customer are essential skills for success. We will foster those skills and empower local managers to successfully manage their inventory, develop their staff, and build a presence in their community.

Weaknesses in certain internal processes, including those related to inventory management, have contributed to lower than expected margin. The Company continues to work on its processes to increase visibility to inventory shrink and improve product allocation. Tighter controls around the movement of inventory and improvements in the visibility of inventory shrink are top priorities for our new CFO, Ken Wightman.

In closing, it is important to remember that our business does retain a number of positive attributes, including a dominant and reputable position in the Canadian liquidation space, a natural appeal to US vendors looking to move goods out of market, and very strong relationships with a vendor base that has been developed over many years.

I would like to thank the employees of Liquidation World for their continued efforts and our shareholders for their continued support.



Jonathan Hill

MD&A

The following discussion and analysis is effective as of May 16, 2008 and should be read together with the unaudited interim consolidated financial statements and the accompanying notes for the 13 weeks ended April 6, 2008 and the audited consolidated financial statements, MD&A and notes for the year ended October 7, 2007.

OVERVIEW

Liquidation World Inc. ("Liquidation World" or the "Company") is the largest liquidator of opportunity inventory in Canada. Opportunity inventory results from a variety of situations including insolvencies, insurance claims, overruns, cancelled orders, and close-outs. A large proportion of opportunity inventory is made available from healthy, going-concern businesses, and this is reflected in the composition of the Company's inventory. Liquidation World distributes such acquired inventory to value-oriented customers through its network of 106 corporately run stores in Canada and the US. A typical Liquidation World store occupies between 20,000 and 25,000 square feet, although there are some smaller and some larger stores.

The success of Liquidation World's business model is predicated on its ability to service key constituents, namely customers and vendors. Customers look to Liquidation World to provide new, quality products at excellent prices. Manufacturers, wholesalers and retailers look to Liquidation World as a channel for effectively managing excess inventory.

Among liquidators, Liquidation World is unique insofar as it maintains a national network of retail stores and distribution centres; Liquidation World is particularly appealing to US suppliers because it is big enough to transact large buys and can effectively move merchandise away from key US markets. With its financial resources, scale and positive reputation among vendors, the Company capitalizes on inventory opportunities as they arise.

OVERALL PERFORMANCE

During the first quarter of fiscal 2008, the Company completed the wind up of most of its US retail operations, closing 15 of 18 stores. These closed stores are now considered "discontinued operations". The following discussion relates to continuing operations, unless otherwise noted.

A summary of results for the second quarter of fiscal 2008, comprising 13 weeks ended April 6, 2008:

- Sales from continuing operations increased 0.6% to \$42.2 million from \$42.0 million in Q2 2007
- Same store sales decreased 4.2% from Q2 2007
- Gross margin decreased to 32.3% of sales from 33.8% of sales in Q2 2007
- Selling, general and administrative expenses increased to 40.8% of sales in Q2 2008 from 39.8% of sales in Q2 2007
- The Company recorded a net loss from continuing operations of \$5.0 million in Q2 2008 compared to a net loss from continuing operations of \$2.7 million in Q2 2007

RESULTS OF OPERATIONS

Revenue

Revenue for the quarter ended April 6, 2008, which includes sales of merchandise and fee revenue, increased 0.6% to \$42,222,000 from \$41,985,000 in the same quarter last year. Same store sales decreased 4.2% for the quarter.

Revenue for the 26 weeks ended April 6, 2008 (year-to-date fiscal 2008) decreased 5.1% to \$95,034,000 from \$100,156,000 during the same period in fiscal 2007. Same store sales decreased 8.9% for year-to-date fiscal 2008.

Gross Margin

Gross margin decreased in Q2 2008 to 32.3% of sales, or \$13,656,000 from 33.8% of sales or \$14,177,000 in Q2 2007. On a year-to-date basis, gross margin was 35.1% in fiscal 2008 compared to 37.3% in fiscal 2007.

Gross margins can fluctuate as a result of cost of product purchased, product mix sold and markdowns taken. Liquidation World's pricing policies and strategy are to ensure prices for comparable products are lower than any other in the market, including discount stores, warehouse type stores and special promotions. Gross margins are subject to pressure under this policy and can fluctuate as a result. Where specific price matching is concerned, Liquidation World will continue to mark down product as required.

Selling, General and Administrative

Selling, general and administrative, which includes all costs of occupying, operating, and supporting stores, including opening new stores, increased to \$17,222,000 in Q2 2008 from \$16,717,000 in Q2 2007. As a percentage of sales, selling, general and administrative expenses increased to 40.8% in Q2 2008 from 39.8% in Q2 2007. On a year-to-date basis, selling, general and administrative expenses as a percentage of sales increased to 36.3% in fiscal 2008 from 35.1% in fiscal 2007.

Depreciation and Amortization

Depreciation and amortization increased in Q2 2008 by 4.9% to \$985,000 from \$939,000 in Q2 2007. On a year-to-date basis, depreciation and amortization increased by 12.0% to \$2,012,000 in fiscal 2008 compared to \$1,797,000 in the same period of fiscal 2007.

Interest

Total interest expense in Q2 2008 increased to \$287,000 compared to \$176,000 in Q2 2007. The Company has short-term banking and operating facilities of \$20,000,000. At the end of Q2 2008, \$14,195,000 was drawn compared with \$10,840,000 at the end of Q2 2007. On a year-to-date basis, interest expenses were \$527,000 in fiscal 2008 compared to \$347,000 in the same period in fiscal 2007.

Foreign Exchange

During the quarter, the Company recorded a net foreign exchange loss of \$31,000 compared to a foreign exchange gain of \$76,000 in Q2 2007. On a year-to-date basis, the Company recorded a net foreign exchange gain of \$55,000 in fiscal 2008 versus a net foreign exchange loss of \$42,000 during the same period in fiscal 2007.

Income Taxes

The statutory tax rate in effect is 31.9%, however, as a result of losses in the current and prior periods, the Company has accumulated loss carry-forwards totaling approximately \$10 million in Canada and \$3 million in the US. Consequently, the Company did not record any income taxes during the second quarter of 2008. In Q2 2007 the Company recorded income tax recovery of \$957,000.

Net Loss from Continuing Operations

During Q2 2008, the Company recorded a net loss from continuing operations of \$4,961,000 (\$0.60 per share) compared to a net loss from continuing operations of \$2,733,000 (\$0.33 per share) during Q2 2007. On a year-to-date basis, the Company recorded a net loss from continuing operations of \$3,806,000 (\$0.46 per share) in fiscal 2008 compared to a net loss from continuing operations of \$260,000 (\$0.03 per share) during the same period in fiscal 2007.

Discontinued Operations

During Q1 2008, the Company ceased operations of its wholly-owned US subsidiary, which included closing 15 of its 18 US stores. These closed stores are now considered 'discontinued operations'. During Q2 2008, the Company recorded no earnings or losses related to the discontinued operations. During Q2 2007, losses from discontinued operations totaled \$299,000 (\$0.03 per share).

Net Loss and Comprehensive Loss

The Company recorded a net loss and comprehensive loss for Q2 2008 of \$4,961,000 (\$0.60 per share) compared with net loss and comprehensive loss of \$3,032,000 (\$0.36 per share) in Q2 2007. On a year-to-date basis, the Company recorded a net loss and comprehensive loss of \$4,849,000 (\$0.59 per share) in fiscal 2008 compared with a net loss and comprehensive loss of \$1,236,000 (\$0.15 per share) during the same period in fiscal 2007.

QUARTERLY INFORMATION

The following selected financial information is derived from the consolidated financial statements of the Company and should be read in conjunction with such financial statements and related notes (amounts in thousands of Canadian dollars, except per share amounts):

Quarter Ended	April 6 2008	January 6 2008	October 7 2007 (1)	July 1 2007
Revenue	\$ 42,222	\$ 52,812	\$ 46,456	\$ 41,650
Net earnings (loss) from continuing operations	(4,961)	1,155	(3,922)	(2,459)
Net earnings (loss) from continuing operations per common share				
Basic	(0.60)	0.14	(0.48)	(0.30)
Diluted	(0.60)	0.14	(0.48)	(0.30)
Net earnings (loss) and comprehensive income (loss)	(4,961)	112	(7,588)	(2,887)
Net earnings (loss) per common share				
Basic	(0.60)	0.01	(0.92)	(0.35)
Diluted	(0.60)	0.01	(0.92)	(0.35)

Quarter Ended	April 1 2007	December 31 2006	October 1 2006	July 2 2006
Revenue	\$ 41,985	\$ 58,185	\$ 47,200	\$ 43,782
Net earnings (loss) from continuing operations	(2,733)	2,473	(1,356)	273
Net earnings (loss) from continuing operations per common share				
Basic	0.33	0.30	(0.16)	0.03
Diluted	0.33	0.30	(0.16)	0.03
Net earnings (loss) and comprehensive income (loss)	(3,032)	1,796	(1,131)	42
Net earnings (loss) per common share				
Basic	(0.36)	0.21	(0.14)	0.01
Diluted	(0.36)	0.21	(0.14)	0.00

Note: (1) Due to the Company's floating year end (first Sunday in October) the quarter ended October 7, 2007 consisted of 14 weeks. All others presented consist of 13 weeks.

LIQUIDITY AND CAPITAL RESOURCES

Bank borrowings and cash flow from operations have been the primary funding sources of working capital and capital expenditures over the past several years. Cash consumed by operations totaled \$3,872,000 in Q2 2008 compared with cash consumed of \$1,786,000 in Q2 2007. Working capital consumed cash of \$1,509,000 in Q2 2008 versus cash consumed of \$3,768,000 in Q2 2007. As a result, cash consumed by operating activities totaled \$5,381,000 in Q2 2008 compared to cash consumed of \$5,554,000 in Q2 2007.

Working capital decreased to \$24,287,000 at the end of Q2 2008 compared to \$29,207,000 at the end of Q4 2007. At April 6, 2008 the Company had short-term banking and operating facilities of \$20,000,000 of which \$14,195,000 was drawn. The short-term borrowing facilities should sufficiently fund its planned activities of 2008.

The Company incurred capital expenditures net of disposals of \$205,000 during Q2 2008 compared to \$642,000 in Q2 2007 to provide furniture, fixtures and equipment and to make necessary leasehold improvements to its facilities, upgrade or provide new equipment to existing locations and acquire software and hardware. On a year-to-date basis, capital expenditures were \$832,000 in fiscal 2008 compared to \$2,105,000 in the same period in fiscal 2007.

Contractual Obligations

Payments due by period (\$'000's)	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
Financial Commitments					
Long-term debt	\$ nil	\$ nil	\$ nil	\$ nil	\$ nil
Capital leases	2,099	617	40	nil	2,756
Contractual Obligations					
Store leases	11,083	18,544	14,581	19,353	63,561
Vehicle and equipment leases	117	31	nil	nil	148
Other long-term obligations	nil	nil	nil	nil	nil
Total	\$ 13,299	\$ 19,192	\$ 14,621	\$ 19,353	\$ 66,465

RISKS AND UNCERTAINTIES

The Company is principally engaged in the sale of goods through 106 leased retail stores located across Canada and in the US State of Washington. The Company's business is subject to a number of factors which directly impact retail sales over which it has no control, namely fluctuations in weather patterns, swings in consumer confidence and buying habits and the changes in goods available for purchase.

Geographically, the Company's stores are located in cities and towns of various sizes. The Company has good relationships with its landlords and suppliers and has no reason to believe that it is exposed to any material risk that would prevent the Company from acquiring, distributing and/or selling its merchandise on an ongoing basis.

Source of Supply of Inventory

All inventory is acquired from opportunistic situations, so those conditions must exist to provide an occasion to acquire inventory. While surpluses of inventory exist in the global economy, the Company must successfully identify each opportunity and negotiate a price that enables the inventory to be sold for a profit. Certain brands, categories and sources of inventory are more desirable and create more customer traffic in the stores.

Valuation of Inventory

The Company routinely buys merchandise resulting from closeouts, bankruptcies and insurance claims, and often bids for inventory on a lot basis, often without the benefit of complete product details. Company representatives typically view the merchandise and, based on their expertise, draw subjective conclusions about its liquidated value and potential realizable value at retail. Lot purchases are routinely made on the basis of these subjective evaluations.

Over time, the Company's realized revenue and margin, determined using the retail inventory method (see "CRITICAL ACCOUNTING ESTIMATES") in conjunction with periodic physical inventory counts, serve to validate its assumptions about inventory value. On a historic basis, these measures have proven the subjective inventory valuations to be reasonably accurate; however, it still remains a possibility that in the future realizable inventory value may differ from its recorded value.

Seasonality

As a retailer, the Company experiences its strongest sales in its first quarter, buoyed by the holiday shopping season. Sales during the second and third quarters are typically weakest, although large inventory deals can skew the results in any given quarter.

Competition

As a retailer, Liquidation World competes with other retailers in offering the best value for products it has on hand. There is no effective barrier to prevent entry into the retailing marketplace or the liquidation retailing marketplace by any potential competitor, foreign or domestic. Accordingly, when retailers offer significant savings through price reductions, the Company's competitive advantage is diminished and may need to be addressed by reducing prices, which reduces margins and profitability.

This risk is mitigated somewhat by the scale, scope and reputation of the Company. The liquidation industry is characterized by numerous small regional players. Liquidation World's country-wide base of retail stores gives it the scale to purchase very large deals and the channel to effectively liquidate them. Its core Canadian operations enable the Company to move goods away from US suppliers' local markets. Liquidation World's 21-year history of respecting its suppliers' brands along with its status as a public company provide a level of comfort and transparency that makes the Company an attractive business partner over lesser known startups and regional players. The unique opportunistic circumstances under which Liquidation World acquires its products enable the Company to purchase inventory at lower cost than other retailers. This cost advantage allows the Company to discount its prices further than most competitors when necessary.

Real Estate Leases

The Company is opportunistic as it leases stores and pays less than market rates in most cases. If the Company is unable to extend or replace existing leases, it may face increasing costs or a reduction in its number of stores.

Foreign Currency Risk

The Company acquires more inventory denominated in US dollars than it sells in US dollars, so it is exposed to fluctuations in the value of the US dollar relative to the Canadian dollar. The Company has assets in its US subsidiaries that, when converted to Canadian dollars on consolidation, are impacted by changes in the exchange rate, creating gains or losses. The Company has historically not adopted a hedging strategy to mitigate those risks.

TRANSACTIONS WITH RELATED PARTIES

The Company does not have any transactions with related parties.

CRITICAL ACCOUNTING ESTIMATES

The Company uses the retail method to estimate the value of its inventory. Under the retail method, inventory on hand is counted and totaled at its retail value net of adjustments for markdowns and obsolescence. The ratio of inventory on hand at its retail value to total inventory available for sale during the course of the year at retail is used to determine the portion of inventory remaining at cost as a portion of total inventory available for sale at cost. Accordingly, the costs attributed to inventory are apportioned between inventory remaining and cost of sales.

New CICA Accounting Pronouncements

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 "Capital Disclosures"; Handbook Section 3862 "Financial Instruments – Disclosures"; Handbook Section 3863 "Financial Instruments – Presentation". These standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Handbook Sections 3862 and 3863 replace Handbook Section 3861 "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The application of Sections 3862 and 3863 do not have any material impact on the Company's financial statements.

Future Accounting Pronouncements

In March 2007, the CICA approved Handbook Section 3031 "Inventories" which replaces the existing Handbook Section 3030 "Inventories". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, with earlier application encouraged. The standard establishes guidance on the determination of cost and its subsequent recognition as an expense including any write down to net realizable value. It also provides guidance in the cost formulas that are used to assign costs to inventories.

CICA Handbook Section 1400, General Standards of Financial Statement Presentation, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

OUTSTANDING SHARE DATA

As of April 6, 2008, the Company has authorized for issuance unlimited common shares of which 8,248,122 are issued and outstanding. Further, the Company has reserved 751,684 options to acquire common shares of which 570,100 have been granted.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of disclosure controls and procedures was conducted as of October 1, 2006, by and under the supervision of management, including the Chief Executive Officer and the Chief Financial Officer. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that disclosure controls and procedures, as defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

An evaluation of the design of internal controls over financial reporting was conducted as of October 1, 2006 by and under the supervision of management, including the Chief Executive Officer and the Chief Financial Officer. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that internal controls and procedures, defined under Multilateral Instrument 52-109, have been designed to reasonably ensure the reliability of financial reporting and that the preparation of financial statements for external purposes are in accordance with those rules.

In the process of evaluating the design of the internal controls over financial reporting, certain weaknesses were identified related to the implementation of the merchandise management system. Management has since instituted a number of changes to address these weaknesses and is continuing to monitor and refine its internal processes to ensure the accuracy of reported gross margins and inventory values. Furthermore the Company performs semi-annual physical inventory counts to confirm data provided by the information systems.

OTHER ITEMS

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

OUTLOOK

The Company has undergone significant change over the past two years in order to build a stronger foundation for the future. The primary objective in the current fiscal year is to improve processes and to focus on tactical initiatives related to buying merchandise, operating stores and promoting the business. Above all, the Company will aggressively pursue a larger, stronger, more compelling mix of deal merchandise and continue to offer the greatest possible value proposition available to consumers in all the markets it 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.

See accompanying notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

As at April 6, 2008 and October 7, 2007

Unaudited

(In thousands of Canadian dollars)

	April 6, 2008	October 7, 2007 <small>Restated (see note 5)</small>
Assets		
Current assets		
Cash and equivalents	\$ 202	\$ 216
Accounts receivable	734	293
Inventory	49,150	48,816
Prepaid expenses	1,267	1,719
Income taxes recoverable	2,410	2,221
<u>Current assets of discontinued operations (note 5)</u>	-	1,237
	53,763	54,502
Property and equipment	12,113	12,542
Long-term assets of discontinued operations (note 5)	-	172
	<u>\$ 65,876</u>	<u>\$ 67,216</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 14,294	\$ 7,820
Accounts payable and accrued liabilities	12,649	14,954
Current portion of obligations under capital leases	2,099	1,256
<u>Current liabilities of discontinued operations (note 5)</u>	434	1,265
	29,476	25,295
Obligations under capital leases	657	1,512
Shareholders' equity		
Share capital (note 3)	15,518	15,518
Contributed surplus (note 3)	1,342	1,159
<u>Retained earnings</u>	18,883	23,732
	35,743	40,409
	<u>\$ 65,876</u>	<u>\$ 67,216</u>

See accompanying notes.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS AND RETAINED EARNINGS

For the thirteen weeks ended April 6, 2008 and April 1, 2007

Unaudited

(In thousands of Canadian dollars, except per share amounts)

	13 weeks ended April 6, 2008	13 weeks ended April 1, 2007	26 weeks ended April 6, 2008	26 weeks ended April 1, 2007 <small>Restated (see note 5)</small>
Revenue	42,222	41,985	95,034	100,156
Cost of sales	28,566	27,808	61,721	62,816
	13,656	14,177	33,313	37,340
Expenses				
Selling, general and administrative	17,222	16,717	34,452	35,165
Depreciation and amortization	985	939	2,012	1,797
Stock based compensation	92	111	183	197
Interest	-	-	-	-
Short Term	242	136	441	258
Long Term	45	40	86	89
Foreign exchange	31	(76)	(55)	42
	18,617	17,867	37,119	37,548
Loss before income taxes	(4,961)	(3,690)	(3,806)	(208)
Income taxes (recovery)				
Current	-	(972)	-	36
Future	-	15	-	16
	-	(957)	-	52
Net loss from continuing operations	(4,961)	(2,733)	(3,806)	(260)
Loss from discontinued operations (note 5)	-	(299)	(1,043)	(976)
Net loss and comprehensive loss	(4,961)	(3,032)	(4,849)	(1,236)
Retained earnings, beginning of period	23,844	37,239	23,732	35,443
Retained earnings, end of period	18,883	34,207	18,883	34,207
Basic and diluted loss per share				
From continuing operations	0.60	(0.33)	(0.46)	(0.03)
From discontinued operations	-	(0.03)	(0.13)	(0.12)
	0.60	(0.36)	(0.59)	(0.15)

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the periods ended April 6, 2008 and April 1, 2007

Unaudited

(In thousands of Canadian dollars)

	13 weeks ended April 6, 2008	13 weeks ended April 1, 2007	26 weeks ended April 6, 2008	26 weeks ended April 1, 2007
Restated (see note 5)				
Operating activities				
Net loss from continuing operations	\$ (4,961)	\$ (2,733)	\$ (3,806)	\$ (260)
Add (deduct) non-cash items:				
Depreciation and amortization	985	939	2,012	1,797
Loss on disposal of capital asset	12	(118)	12	(118)
Stock based compensation	92	111	183	197
Future income taxes	-	15	-	16
	(3,872)	(1,786)	(1,599)	1,632)
Changes in non-cash operating working capital				
Accounts receivable	(512)	107	(441)	174
Inventory	4,554	375	(334)	(6,121)
Prepaid expenses	148	(1,214)	452	165
Accounts payable and accrued liabilities	(5,535)	(2,042)	(2,305)	3,011
Income taxes recoverable / payable	(164)	(994)	(189)	(269)
	(5,381)	(5,554)	(4,416)	(1,408)
Investing activities				
Purchase of capital assets	(205)	(642)	(832)	(2,105)
Proceeds on disposal of capital assets	-	156	2	156
	(205)	(486)	(830)	(1,949)
Financing activities				
Increase in bank indebtedness	5,958	8,270	6,474	6,631
Repayment of capital lease	(375)	(393)	(777)	(678)
	5,583	7,877	5,697	5,953
Cash applied to discontinued operations (note 5)	-	(1,841)	(465)	(2,564)
Decrease in cash	(3)	(4)	(14)	(32)
Cash and equivalents, beginning of period	205	220	216	184
Cash and equivalents, end of period	\$ 202	\$ 216	\$ 202	\$ 216
Supplemental disclosure of cash paid for:				
Income taxes	\$ 164	\$ 56	\$ 191	\$ 341
Interest	287	260	527	397
	\$ 451	\$ 316	\$ 718	\$ 738

See accompanying notes.

Notes to Interim Financial Statements

April 6, 2008

(Amounts in thousands of Canadian dollars, except per share amounts.)

I. Basis of Presentation

(a) Significant Accounting Policies

The accompanying unaudited interim consolidated financial statements for Liquidation World Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These interim financial statements follow the same accounting policies and methods of application as the most recent annual audited consolidated financial statements dated October 7, 2007 except as noted below. These interim financial statements should be read in conjunction with the annual statements.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements. In determining the cost amount of inventories, management uses the retail inventory method, which is by its nature subjective. Other significant areas requiring the use of estimates relate to the determination of future tax assets and liabilities, provisions relating to returns, obsolete inventory, and the remaining useful life of capital assets. Actual results could differ from those estimates.

(c) Comparative Information

Certain comparative figures have been reclassified to conform with the current financial statement presentation.

(d) New Accounting Pronouncements

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 "Capital Disclosures"; Handbook Section 3862 "Financial Instruments – Disclosures"; Handbook Section 3863 "Financial Instruments – Presentation". These standards are effective for interim and annual financial statements for the Company's reporting period beginning on October 8, 2007. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Handbook Sections 3862 and 3863 replace Handbook Section 3861 "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The application of sections 3862 and 3863 do not have any material impact on the Company's financial statements.

(e) Future Accounting Pronouncements

CICA Handbook Section 3031 "Inventories" replaces the existing Handbook Section 3030 "Inventories". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, with earlier application encouraged. The standard provides more guidance on the measurement and disclosure requirements for inventories. The Company is currently assessing the impact of this new accounting standard on its consolidated financial statements.

CICA Handbook Section 1400, General Standards of Financial Statement Presentation, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

2. Seasonality

As a retailer, the Company experiences stronger sales in its first quarter (particularly in December) and lower sales in its second and third quarters due in part to consumer buying patterns over the holiday season. Additionally, large inventory deals may skew the results in any given quarter. Therefore, the performance of this 13 week period is not necessarily indicative of the performance for the balance of the fiscal year.

3. Share Capital

(a) Stock Options:

A summary of the status of the Company's share option plan as of April 6, 2008 and changes during the fiscal period are presented below:

	Number of options	Weighted average exercise price
Stock options outstanding, October 7, 2007	715,850	\$ 5.32
Cancelled/expired	(145,750)	5.48
Balance, April 6, 2008	570,100	\$ 5.28

(b) Contributed Surplus

The Company recognizes stock-based compensation expense using the fair value method, when options are granted to employees. Such cost is recorded as an expense and an increase to contributed surplus, on a straight-line basis, over the vesting period related to such options. The amount is included in contributed surplus on the consolidated balance sheets and selling, general and administrative expenses on the consolidated statement of operations.

	13 weeks ended April 6, 2008	26 weeks ended April 6, 2008
Balance, beginning of period	\$ 1,250	\$ 1,159
Stock-based compensation expense	92	183
Balance, end of period	\$ 1,342	\$ 1,342

4. Income Tax

The provision for income taxes differs from the amount obtained by applying the combined applicable income tax rate to earnings before income taxes. The difference relates to the following items:

	13 weeks ended April 6, 2008	13 weeks ended April 1, 2007	26 weeks ended April 6, 2008	26 weeks ended April 1, 2007
Statutory income tax rate	31.9%	34.7%	31.9%	34.7%
Calculated tax recovery	\$ (1,583)	\$ (1,280)	\$ (1,214)	\$ (72)
Capital taxes	15	15	30	30
Stock option benefit	26	38	58	68
Change in valuation allowance	1,217	251	159	78
Difference in enacted rates on future taxes	308	-	222	-
Other items	16	19	745	(52)
	\$ -	\$ (957)	\$ -	\$ 52

The tax effects of temporary differences that give rise to significant portions of the future tax asset (liability) are presented below:

	Assets (Liability)			
	Canada	United States	2008	2007
Non-capital loss carryforwards	\$ 3,327	\$ 889	\$ 4,216	\$ 4,476
Capital assets	(417)	-	(417)	(836)
	2,910	889	3,799	3,640
Valuation allowance	2,910	889	3,799	3,640
	\$ -	\$ -	\$ -	\$ -

5. Discontinued Operations

The Company operated 18 stores in the US which were reported in segmented information under Geographical Information as US at fiscal year end. During the fourth quarter, fiscal 2007 the Company announced that it would wind down its US operations and subsequently closed 15 of 18 stores in the first quarter of fiscal 2008, and which are now described as discontinued operations. The following table provides additional information regarding the stores that are now closed.

The assets and liabilities of discontinued operations presented in the accompanying interim consolidated balance sheets were as follows:

	April 6, 2008	October 7, 2007
Inventory	\$ -	\$ 1,104
Prepaid expenses	-	133
Current assets of discontinued operations	\$ -	\$ 1,237
Property and equipment	-	172
Long-term assets of discontinued operations	\$ -	\$ 172
Accounts payable and accrued liabilities	434	1,265
Liabilities of discontinued operations	\$ 434	\$ 1,265

The results of discontinued operations, previously reported in the US segment, for the thirteen and twenty six week periods ended April 6, 2008 and April 1, 2007 presented in the accompanying interim consolidated statement of operations were as follows:

	13 weeks ended April 6, 2008	13 weeks ended April 1, 2007	26 weeks ended April 6, 2008	26 weeks ended April 1, 2007
Revenue	\$ -	\$ 5,594	\$ 745	\$ 12,094
Loss from discontinued operations, net of nil tax	\$ -	\$ (299)	\$ (1,043)	\$ (976)

There was no gain or loss on the sale of capital assets.

Net cash applied to discontinued operations for the thirteen and twenty six week periods ended April 6, 2008 and April 1, 2007 presented in the accompanying interim consolidated statement of cash flows were as follows:

	13 weeks ended April 6, 2008	13 weeks ended April 1, 2007	26 weeks ended April 6, 2008	26 weeks ended April 1, 2007
Operating activities:				
Net loss from discontinued operations	\$ -	\$ (299)	\$ (1,043)	\$ (976)
Add (deduct) non-cash items:				
Depreciation and amortization	-	59	-	116
Gain (loss) on disposal of capital assets	-	-	-	-
Change in working capital items	-	(1,527)	406	(1,602)
	-	1,767	(637)	(2,462)
Investing activities:				
Purchase of capital assets	-	(74)	-	(102)
Proceeds on disposal of capital assets	-	-	172	-
	-	(74)	172	(102)
Net cash used in discontinued operations	\$ -	\$ (1,841)	\$ (465)	\$ (2,564)

6. Commitments and Contingencies

The Company leases properties and equipment under operating leases covering various years up to 2019 and one to 2037, which are reported in the Company's fiscal 2007 Annual Report.

The Company is involved in and potentially subject to various claims by third parties arising out of the normal course and conduct of its business. Management assesses such claims and where it is considered likely that the claim will result in a material loss and where the amount of the loss is quantifiable, provisions for loss are made based on management's assessment of the likely outcome. The Company does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such

claims are provided for when reasonably determinable. Although such matters cannot be predicted with certainty, management currently considers the exposure to such claims and litigation, to the extent not covered by the Company's insurance policies or otherwise provided for, not to be material to these consolidated financial statements.

7. Capital Management

The Company's objective when managing its capital is to safeguard the Company's assets while at the same time maximizing the growth of its business and the returns to its shareholders. The Company's capital consists of debt and share capital.

This objective is achieved by prudently managing the capital generated through internal growth, optimizing the use of lower cost capital (capital leases and bank debt) and raising share capital when required to fund growth initiatives. Short term borrowings are managed through managing inventory purchases and balancing inventory levels, reducing inventory levels to reduce debt when prudent.

The Corporation monitors capital on the basis of the ratio of debt to shareholders' equity (debt divided by the book value of shareholders' equity). Although the Company has no mandated range or ceiling for its ratio of debt to equity, it currently would not anticipate exceeding a ratio of 0.70:1.00. The Company's ratio of debt to shareholders' equity on a book and current value basis is as follows:

(\$000's)	April 6, 2008	October 7, 2007
Bank indebtedness	\$ 14,294	\$ 7,820
Capital leases	2,756	2,768
Debt	17,050	10,588
Capital stock	15,518	15,518
Contributed surplus	1,342	1,159
Retained earnings	18,883	23,732
Shareholders' equity	\$ 35,743	\$ 40,409
Debt to equity ratio	0.48:1	0.26:1

8. Financial Instruments

The Company has designated cash and bank indebtedness as held for trading as the fair value can be reliably measured. Accounts receivable are designated as receivables and accounts payable and accrued liabilities are designated as other financial liabilities. These financial instruments are initially measured at fair value. Receivables and accounts payable and accrued liabilities are subsequently measured on the basis of amortized cost using the effective interest rate method. Assets and liabilities held for trading are revalued on the reporting date based on relevant market information and information about the financial instrument.

(a) Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Cash is composed of financial instruments issued primarily by large Canadian financial institutions. The Company's receivables consist primarily of amounts due from one reputable customer in relation to store closure services.

(b) Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices and is comprised primarily of interest rate risk for the Company. Interest rate risk arises because of changes in market interest rates. The Company's bank indebtedness is subject to risk of changes in cash flow due to its variable rate nature. The impact of a 50 basis point fluctuation in the bank's prime rate throughout the quarter would have increased the loss for the 13 weeks ended April 6, 2008 by \$18.

(c) Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities as they fall due. The Company's borrowing policy is to acquire the liquidity necessary to settle other financial liabilities as they mature. Accounts payable and accrued liabilities are all current.

9. Subsequent Event

Effective April 28, 2008 the Company renewed its operating line of credit facility with a Canadian chartered bank in the maximum amount of \$20,000, subject to margining limits on accounts receivable and inventory, bearing interest at the bank's prime rate plus 90 basis points.

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

Corporate Information

DIRECTORS

Craig Graham, Chairman

Craig is currently a director and investor in a number of companies including Executive Risk Services Limited, Norsim Equipment Limited, and Twenty First Century Investments Inc. Mr. Graham is also a trustee of Specialty Food Income Fund.

Eric Beutel

Eric is a Director, Vice President and Secretary of Oakwest Corporation Limited, a private investment company in Toronto. Mr. Beutel also sits on the Board of Directors and Investment Committee of The Equitable Group, a TSX listed company.

Jonathan Hill

Jonathan joined Liquidation World in 1991 and has been responsible for building the eastern operations. In February of 2005 he was appointed President and CEO.

Jeffrey Mandel

Jeffrey is the President of AMR Securities Services Inc. and Vice President, Israel Opportunity Inc. He also is a director of Mitec Telecom (TSX), Goldbard Capital (TSXV) and privately owned companies Tiltan Pharma and Datex Billing Services Inc.

Bob Wiens, CA

Bob was CFO of D-Wave Systems Inc., until March 2005. Previously Bob was President and CEO of FACS Record Centre Inc., and managing partner with Arthur Andersen in Ottawa and Vancouver. Currently Bob is involved with a number of charitable organizations.

MANAGEMENT

Jonathan Hill, President and CEO

Darren Gillespie, Senior Executive VP and President, LQW Traders Inc.

Ken Wightman, CA, SVP Finance and CFO

Maurice Chelli, SVP Merchandising

Darryl Chenoweth, SVP Operations

SOLICITORS

Miller Thomson, LLP
#3000, 700 - 9th Ave. SW, Calgary, AB T2P 3T3

AUDITORS

Ernst & Young LLP, Chartered Accountants
One London Place, Suite 1800,
255 Queens Ave., London, ON N6A 5S7

BANK

Royal Bank of Canada
P.O. Box 50, 200 Bay St. Toronto, ON M5J 2W7

TRANSFER AGENT

Computershare Investor Services
100 University Ave. 8th Floor, Toronto ON M5J 2Y1

HEAD OFFICE

225 Henry Street, Building #1, Brantford, ON N3S 7R4
Phone: 519-758-8878

Web: www.liquidationworld.com

Outlet Locations

BRITISH COLUMBIA

Abbotsford
Aldergrove
Campbell River
Chilliwack
Coquitlam
Courtenay
Cranbrook
Duncan
Gibsons
Kamloops
Langley
Maple Ridge
Merritt
Mission
Nanaimo
Penticton
Powell River
Prince George
Quesnel
Richmond
Surrey (2)
Terrace
Trail
Vernon

ALBERTA

Calgary (3)
Camrose
Cold Lake
Drumheller
Edmonton
Fort Saskatchewan
Grande Prairie
Hinton
Lethbridge
Medicine Hat
Peace River
Ponoka
St. Paul
Taber
Westlock
Wetaskiwin

ONTARIO

Ajax
Arthur
Belleville
Blenheim
Bolton
Brantford
Cambridge
Campbellford
Chatham
Cobourg
Hamilton (2)
Hawkesbury
Ingersoll
Keswick
Kingston
Leamington
London (2)
Mississauga
Oakville
Orillia
Oshawa
Paris
Petawawa
Port Colborne
Prescott
Renfrew
Sarnia
Sault Ste. Marie
Smiths Falls
St. Catharines (2)
Sudbury
Thunder Bay
Trenton
Wallaceburg
Welland
Windsor (2)

YUKON

Whitehorse

SASKATCHEWAN

Lloydminster
Moose Jaw
Prince Albert
Regina
Saskatoon
Swift Current
Yorkton

MANITOBA

Steinbach
Swan River
Winnipeg (3)

ATLANTIC

Amherst, NS
Dartmouth, NS
Fredericton, NB
Halifax, NS
Saint John, NB
St. Stephen, NB
Truro, NS

US

Spokane, WA
Richland, WA
Renton, WA



225 Henry Street, Building #1, Brantford, ON N3S 7R4

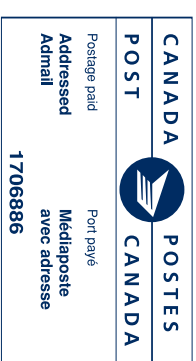
RETAILERS - Convert inventory into cash. On-site store closures. Complete inventory lifts. Mitigate lease and staff expenses.

MANUFACTURERS - Cancelled orders, packaging changes, inventory overruns, discontinued products. Complete brand protection through managed distribution. Tightly controlled 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.

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