



News Release

For Immediate Release

Liquidation World Announces Profitable First Quarter Results and Other Corporate Changes

Brantford, ON, February 11, 2010 – Liquidation World Inc. (LQW-TSX) today announces results of the first quarter of fiscal 2010, representing the 13-week period ended January 3, 2010.

Revenue in the first quarter was \$44.1 million as compared to \$47.1 million in the first quarter of 2009 representing a decrease of \$3.0 million or 6.2%. The decrease was attributable to a decline in same store sales of \$3.8 million or 8.5%, offset by i) a net favourable impact of \$0.6 million arising from new store openings net of store closures and, ii) a net increase in wholesale and other revenues of \$0.2 million. During the first quarter of 2010 the Company opened five new stores which generated sales of \$3.1 million.

Gross margin in the first quarter was \$17.3 million or 39.2% of sales as compared to \$15.8 million or 33.6% of sales in the first quarter of 2009. The increase in gross margin as a percentage of sales of 5.6% was attributable to a reduction in shrink and inventory valuation reserves, and improved point of sale margins realized as a result of improved product offerings and a focus on margin maximization while maintaining the optimum value proposition for customers.

During the first quarter, the Company recorded net earnings of \$0.7 million or \$0.05 per share as compared to a net loss of \$0.8 million or \$0.10 per share in the first quarter of 2009. Management estimates that one-time or unusual costs incurred in the quarter totaled \$0.4 million and included, among other things, new store costs, re-modeling costs, and severance costs.

Additional details are provided in the financial statements below.

Seth Marks, President & CEO commented, "While we are encouraged with our results in the first quarter of 2010, we are cognizant that many opportunities and challenges lie ahead. Earning \$1.7 million of EBITDA in the quarter serves as some measure of validation that the many changes we have implemented over the last three quarters are beginning to result in tangible improvement in our business performance. Our focus moving forward will be to continue to grow our in-store inventory per square foot, increase the number of sku's offered in our stores, improve in-store operations, and improve the quality of our inventory by continuing to cultivate new vendor relationships."

The Company is announcing that its board of directors has formed a special committee consisting of board members, David Becker, Craig Graham and Jeffrey Mandel, to consider financing proposals for the Company, including a preliminary indication received by the Company. Any financing proposals will be subject to, among other things, the approval of the Company's lender and the TSX.

The Company is also announcing its plan to close up to eight of its current 96 stores during the second quarter of 2010. This follows on first quarter store activity, which included the opening of five new stores and the closure of one store. In addition, the Company plans on opening up to three new stores in the second quarter and expects to end the second quarter with 91 stores.

Seth Marks, commented; "We have been critically assessing every area of our business with the objective of continuing to reduce costs, improving profitability and maximizing our return on capital employed. As part of this process we have recently completed an extensive review of our existing stores and have determined that it is prudent to close a number of under-performing stores in order to better deploy the capital committed to in-store inventory. Over the past several months the Company has been increasing inventory levels throughout its chain of stores and opening five new stores in the first quarter of fiscal 2010. To fully realize the opportunities that many stores present, management believes that the Company needs to continue to expand the quantity and variety of products that our stores offer to its customers on a daily basis. In addition, the strong performance of the five new stores that opened in the first quarter of fiscal 2010 under the "LW – Everybody's Outlet Store" banner, validates the Company's objective of continued expansion into key markets."

During the week of February 1, 2010 the Company commenced "Store Closing" sales in the affected locations and will fully close these locations once the inventory has been depleted.

Mr. Marks added; "In most cases we were able to take advantage of near term lease expiries or the termination of month-to-month lease agreements in order to minimize closure costs. The decision to close stores has been difficult in light of the tremendous effort that the store employees have made in these locations to assist the Company, however, the closures are a necessary step toward improved financial performance. I would like to extend my sincere thanks to our store associates, vendors and investors who have responded enthusiastically to the changes we are making at Liquidation World and for their continued support."

About Liquidation World

Liquidation World liquidates consumer merchandise through 96 stores in Canada and the United States. The Company solves asset recovery problems in a professional manner for the financial services industry, insurance companies, manufacturers, wholesalers and other organizations. Liquidation World is based in Brantford, Ontario. The Company opened its first store in Calgary, Alberta in 1986 and today, with more than 1,500 employees, is Canada's largest liquidator.

Forward-Looking Statements

This release 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.

For further information, please contact:

Dan Ardila, CA

SEVP & CFO

519-720-2553

866-237-3778 fax

dana@lwstores.com

Seth Marks

President & CEO

519-758-2552

866-237-3778 fax

sethm@lwstores.com

Consolidated Financial Statements

Consolidated Balance Sheets

As at January 3, 2010 and October 4, 2009

Unaudited

(in thousands of Canadian dollars)

	2010	2009
Assets		
Current assets		
Accounts receivable	\$ 1,294	\$ 1,554
Deposits	25	113
Inventory	37,404	33,941
Prepaid expenses	1,644	1,622
	<u>40,367</u>	<u>37,230</u>
Lease deposits	223	247
Property and equipment	8,875	8,613
Intangibles	636	653
	<u>\$ 50,101</u>	<u>\$ 46,743</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 13,759	\$ 8,758
Accounts payable and accrued liabilities	15,293	17,408
Current portion of obligations under capital leases	518	710
	<u>29,570</u>	<u>26,876</u>
Obligations under capital leases	46	145
Deferred lease inducements	2,329	2,321
Shareholders' equity		
Share capital	22,330	22,330
Contributed surplus	1,590	1,554
Deficit	(5,764)	(6,483)
	<u>18,156</u>	<u>17,401</u>
	<u>\$ 50,101</u>	<u>\$ 46,743</u>

Consolidated Statements Of Income (Loss) And Comprehensive Income (Loss) And Retained Earnings (Deficit)

For the thirteen weeks ended January 3, 2010 and January 4, 2009

Unaudited

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

	2010	2009
Revenue	\$ 44,130	\$ 47,059
Cost of sales	26,852	31,234
Gross margin	17,278	15,825
Expenses		
Selling, general and administrative	15,558	15,584
Depreciation and amortization	746	855
Interest		
Short term	281	183
Long term	8	30
Foreign exchange gain	(34)	(18)
	16,559	16,634
Net income (loss)	719	(809)
Net income (loss) and comprehensive income (loss)	719	(809)
Retained earnings (deficit), beginning of period	(6,483)	11,098
Retained earnings (deficit), end of period	\$ (5,764)	\$ 10,289
Basic and diluted earnings (loss) per share	\$ 0.05	\$ (0.10)

Consolidated Statements Of Cash Flows

For the thirteen weeks ended January 3, 2010 and January 4, 2009

Unaudited

(in thousands of Canadian dollars)

	2010	2009
Cash provided by (used in):		
Operating activities		
Net income (loss) from continuing operations	\$ 719	\$ (809)
Add (deduct) non-cash items:		
Depreciation and amortization	746	855
Amortization of leasehold inducements	5	(37)
Loss on disposal of capital assets	8	14
Stock based compensation	36	52
Change in non-cash working capital items	(5,556)	4,392
	(4,042)	4,467
Investment activities		
Purchase of capital assets	(999)	(74)
	(999)	(74)
Financing activities		
Increase (decrease) in bank indebtedness	5,001	(4,069)
Repayment of capital leases	(291)	(324)
Deposits	112	-
Lease inducement	219	-
	5,041	(4,393)
Increase (decrease) in cash	-	-
Cash, beginning of period	-	-
Cash, end of period	\$ -	\$ -
Supplemental disclosure of cash paid (received) for:		
Income taxes - net	\$ -	\$ 7
Interest paid	184	213
	\$ 184	\$ 220