



## News Release

For Immediate Release

### Liquidation World Announces Second Quarter Results

Brantford, ON, May 18, 2010 – Liquidation World Inc. (LQW-TSX) today announces results of the second quarter of fiscal 2010, representing the 13-week period ended April 4, 2010.

Revenue in the second quarter was \$37.9 million as compared to \$38.1 million in the same quarter of 2009 representing a decrease of \$257,000 or 0.7% for the period. The decrease was attributable to a variety of factors, including:

- a net favourable impact of \$389,000 relating to better performance from five new store openings which generated \$2.4 million in revenues versus the loss of \$2.0 million in revenue attributed to eight store closures which took place during the quarter;
- an increase in same store sales of .03% or \$11,000;
- a decrease in liquidation services fee revenue of \$314,000; and
- a decrease of \$343,000 attributable to US wholesale sales.

Gross margin as a percentage of sales increased by almost 16% to \$14.2 million in Q2 2010 or 37.4% of sales versus \$8.3 or 21.6% of sales in Q2 2009. On a year-to-date basis, the gross margin has increased by 10% as a percentage of sales to \$31.4 million or 38.3% of sales compared to \$24.1 million or 28.3% of sales in the corresponding period in fiscal 2009. The Company's gross margins continue to improve significantly as a result of a variety of factors, including new store openings, the store re-branding initiative, purchasing more desirable product and better inventory management practices.

The Company recorded a net loss for Q2 2010 of \$2.9 million or \$0.18 per share compared with a net loss of \$7.9 million or \$0.60 per share in Q2 2009. On a year-to-date basis, the Company recorded a net loss of \$2.2 million or \$.14 per share in fiscal 2010 compared to a net loss of \$8.7 million or \$0.81 per share during the same period in fiscal 2009.

In March, 2010, the Company successfully completed a private placement financing of \$2 million from two of the Company's largest investor groups, Talon Mezzanine Partners LLC and Oakwest Corporation Limited. This infusion of capital provided the Company with fresh capital and resulted in the ability to fill the stores with new inventory. "By having two of our existing shareholders provide the money for the financing, we were able to

complete the financing in a short time period in a cost effective manner,” commented Jeffrey Mandel, the Chairman of the Special Committee, which was created to manage the transaction.

Liquidation World continues to focus on implementing its strategy to re-brand stores under the “LW – Everybody’s Outlet Store” banner. During the third quarter, the Company intends to renovate and rebrand 10 existing locations and open two new locations. In addition, the company plans to close two stores in the third quarter; these closures will bring the total store closures for fiscal 2010 to 11. “The impact of the Company’s rebranding strategy is demonstrating its desired effect, as our gross margins have significantly improved this quarter, as well as year to date”, commented Seth Marks, President and CEO of Liquidation World.

Mr. Marks added, “I am delighted that the Q2 2010 results continue to demonstrate that our Company is achieving its objectives. We have seen a tremendous positive response from new and existing customers in our new stores, including our most recent Barrie, Ontario location. In addition to new store initiatives, during March and April 2010, we renovated and re-branded four existing locations under the “LW – Everybody’s Outlet Store”; these stores have had double digit sales increases since their re-openings. We continue to explore new markets and work with our current landlords who support our re-branding initiative in upcoming quarters”.

Additional details are provided in the financial statements below.

### **About Liquidation World**

Liquidation World liquidates consumer merchandise through 90 stores in Canada. 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.

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# Consolidated Financial Statements

## Consolidated Balance Sheets

As at April 4, 2010 and October 4, 2009

Unaudited

(in thousands of Canadian dollars)

	2010	2009
<b>Assets</b>		
Current assets		
Accounts receivable	\$ 863	\$ 1,554
Deposits	39	113
Inventory	45,481	33,941
Prepaid expenses	1,634	1,622
	<u>48,017</u>	<u>37,230</u>
Lease deposits	216	247
Property and equipment	8,881	8,613
Intangibles	-	653
	<u>\$ 57,114</u>	<u>\$ 46,743</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Bank indebtedness	\$ 15,513	\$ 8,758
Accounts payable and accrued liabilities	21,630	17,408
Current portion of obligations under capital leases	297	710
	<u>37,440</u>	<u>26,876</u>
Obligations under capital leases	41	145
Subordinated notes	1,478	-
Deferred lease inducements	2,406	2,321
Shareholders' equity		
Share capital	22,330	22,330
Warrants	479	-
Contributed surplus	1,622	1,554
Deficit	(8,682)	(6,483)
	<u>15,749</u>	<u>17,401</u>
	<u>\$ 57,114</u>	<u>\$ 46,743</u>

## Consolidated Statements Of Loss And Comprehensive Loss And Deficit

For the periods ended April 4, 2010 and April 5, 2009

Unaudited

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

	13 weeks ended April 4, 2010	13 weeks ended April 5, 2009	26 weeks ended April 4, 2010	26 weeks ended April 5, 2009
Revenue	\$ 37,885	\$ 38,142	\$ 82,015	\$ 85,201
Cost of sales	23,721	29,891	50,573	61,125
Gross margin	14,164	8,251	31,442	24,076
Expenses				
Selling, general and administrative	15,468	15,192	31,026	30,775
Depreciation and amortization	745	825	1,491	1,681
Impairment of intangibles	618	-	618	-
Interest				
Short term	324	138	605	321
Long term	9	21	17	51
Foreign exchange (gain) loss	(82)	2	(116)	(16)
	17,082	16,178	33,641	32,812
Net loss	(2,918)	(7,927)	(2,199)	(8,736)
Net loss and comprehensive loss	(2,918)	(7,927)	(2,199)	(8,736)
Retained earnings (deficit), beginning of period	(5,764)	10,289	(6,483)	11,098
Retained earnings (deficit), end of period	\$ (8,682)	\$ 2,362	\$ (8,682)	\$ 2,362
Basic and diluted loss per share	\$ (0.18)	\$ (0.60)	\$ (0.14)	\$ (0.81)

## Consolidated Statements Of Cash Flows

For the periods ended April 4, 2010 and April 5, 2009

Unaudited

(in thousands of Canadian dollars)

	13 weeks ended April 4, 2010	13 weeks ended April 5, 2009	26 weeks ended April 4, 2010	26 weeks ended April 5, 2009
Cash provided by (used in):				
Operating activities				
Net loss	\$ (2,918)	\$ (7,927)	\$ (2,199)	\$ (8,736)
Depreciation and amortization	745	825	1,491	1,681
Impairment of intangibles	618	-	618	-
Leasehold inducements	86	37	91	-
Loss on disposal of capital assets	51	11	59	25
Stock based compensation	32	38	68	90
Accretion on long term debt	4	-	4	-
Changes in non-cash working capital items	(2,061)	7,956	(7,616)	12,347
	(3,443)	940	(7,484)	5,407
Investment activities				
Purchase of capital assets	(788)	(408)	(1,787)	(482)
Proceeds on disposal of capital assets	4	-	4	-
	(784)	(408)	(1,783)	(482)
Financing activities				
Increase (decrease) in bank indebtedness	1,754	(4,206)	6,755	(8,275)
Repayment of capital leases	(227)	(288)	(518)	(612)
Proceeds from subordinated notes	2,000	-	2,000	-
Deposits	(13)	-	98	-
Lease inducement	760	-	979	-
Fees for issue of common shares	-	(788)	-	(788)
Fees for issue of subordinated notes and warrants	(47)	-	(47)	-
Proceeds on issuance of common shares for cash	-	4,750	-	4,750
	4,227	(532)	9,267	(4,925)
Increase (decrease) in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -
Supplemental disclosure of cash paid (received) for:				
Income taxes - net	\$ -	\$ (2)	\$ -	\$ 5
Interest paid	427	159	611	372
	\$ 427	\$ 157	\$ 611	\$ 377