



News Release

For Immediate Release

Liquidation World Announces Third Quarter Results

Brantford, ON, August 16, 2010 – Liquidation World Inc. (LQW-TSX) today announces results of the third quarter of fiscal 2010, representing the 13-week period ended July 4, 2010.

Revenue in Q3 2010 was \$36.7 million compared with \$37.0 million in Q3 2009, a decline of approximately 1%. Same store sales in the quarter increased 5.1% from Q3 2009.

During Q3 2010, the Company recorded a net loss from continuing operations of \$2.3 million (\$0.14 per share) versus a net loss from continuing operations of \$5.5 million (\$0.34 per share) during Q3 2009.

On a fiscal year-to-date basis, revenue declined by 2.9% to \$118.7 million from \$122.2 million during the same period in fiscal 2009, and same store sales declined by approximately 2.4%. During the first three quarters of the fiscal year, the Company recorded a net loss from continuing operations of \$4.5 million (\$0.28 per share) versus a net loss from continuing operations of \$14.2 million (\$1.14 per share) during the same period last year.

Gross margin as a percentage of sales increased 8.8% to 37.8% in Q3, 2010, or 37.8% of sales versus 29.0% in Q3, 2009. On a year-to-date basis, the gross margin has increased by 9.7% as a percentage of sales to 38.2% of sales, compared to 28.5% of sales in the corresponding period in fiscal 2009. As reported in the Q2, 2010 results, the improvement in gross margin continues to be attributable to a variety of factors, including the Company's strategy to convert and rebrand targeted existing stores into the new "LW – Everybody's Outlet Store" format, as well as identify potential new markets to enter and close underperforming stores, where possible.

During Q3 2010, the Company rebranded 9 existing stores into the new "LW – Everybody's Outlet Store" format and has identified more than 30 existing stores that management believes will perform at a higher level under the new format. To date, it has rebranded 15 stores and opened 7 new stores across Canada, as well as closed 8 underperforming, legacy stores.

The Company also successfully completed a private placement in June, 2010 of \$1.5 million aggregate proceeds from several institutional investors. These funds, combined with the aggregate proceeds of \$2 million raised in Q1, 2010 and the recently announced aggregate proceeds of \$10 million raised in Q4, 2010, are expected to provide the Company with substantial capital to accelerate and execute its strategy to achieve sustained profitability.

“The third quarter delivered consistent and expected results which were significantly attributable to the conversion strategy we are currently executing”, commented Seth Marks, President and CEO. “Since their reopening as ‘LW – Everybody’s Outlet Stores’, the new brand stores have experienced 19.9% same store sales growth. Performance numbers from same store sales indicate significant improvements from converted stores versus existing stores as they relate to revenue, POS margin and average basket from a year-over-year perspective.

As a result of the substantial capital infusion we have recently received, LW is on the radar from various perspectives: landlords throughout Canada are taking an active interest in the Company; new vendors around the globe are now realizing the significant potential that LW can provide and we continue to prove to our existing suppliers that LW is still in its early days of becoming a compelling choice for Canadian shoppers as they enter into the busy fall and winter seasons”, said Marks.

Additional details are provided in the financial statements below.

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. Due to fluctuations in gross margins and expenses, an increase in revenue does not directly correlate to an increase in net earnings.

About Liquidation World

Liquidation World liquidates consumer merchandise through 88 stores in Canada and one in 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.

For further information, please contact:

Seth Marks, President and CEO
519-720-2552 phone
866-237-3778 fax
sethm@lwstores.com

Chris Rath, CFO
519-720-2553 phone
866-237-3778 fax
chrisr@lwstores.com

Consolidated Financial Statements

Consolidated Balance Sheets

As at July 4, 2010 and October 4, 2009

Unaudited

(in thousands of Canadian dollars)

	2010	2009
Assets		
Current assets		
Accounts receivable	\$ 616	\$ 1,554
Deposits	11	113
Inventory	45,501	33,941
Prepaid expenses	1,609	1,622
	<u>47,737</u>	<u>37,230</u>
Lease deposits	222	247
Property and equipment	8,797	8,613
Intangibles	-	653
	<u>\$ 56,756</u>	<u>\$ 46,743</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 17,255	\$ 8,758
Accounts payable and accrued liabilities	20,504	17,408
Current portion of obligations under capital leases	198	710
	<u>37,957</u>	<u>26,876</u>
Obligations under capital leases	-	145
Subordinated notes	1,518	-
Deferred lease inducements	2,359	2,321
Shareholders' equity		
Share capital	23,542	22,330
Warrants	754	-
Contributed surplus	1,577	1,554
Deficit	(10,951)	(6,483)
	<u>14,922</u>	<u>17,401</u>
	<u>\$ 56,756</u>	<u>\$ 46,743</u>

Consolidated Statements Of Loss And Comprehensive Loss And Deficit

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

Unaudited

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

	13 weeks ended July 4, 2010	13 weeks ended July 5, 2009	39 weeks ended July 4, 2010	39 weeks ended July 5, 2009
Revenue	\$ 36,662	\$ 37,044	\$ 118,677	\$ 122,245
Cost of sales	22,792	26,288	73,365	87,413
Gross margin	13,870	10,756	45,312	34,832
Expenses				
Selling, general and administrative	14,974	15,066	46,000	45,840
Depreciation and amortization	686	813	2,177	2,494
Impairment of intangibles	-	-	618	-
Interest				
Short term	352	84	957	405
Long term	42	11	59	62
Foreign exchange (gain) loss	85	239	(31)	223
	16,139	16,213	49,780	49,024
Net loss	(2,269)	(5,457)	(4,468)	(14,192)
Net loss and comprehensive loss	(2,269)	(5,457)	(4,468)	(14,192)
Retained earnings (deficit), beginning of period	(8,682)	2,362	(6,483)	11,097
Deficit, end of period	\$ (10,951)	\$ (3,095)	\$ (10,951)	\$ (3,095)
Basic and diluted loss per share	\$ (0.14)	\$ (0.34)	\$ (0.28)	\$ (1.14)

Consolidated Statements Of Cash Flows

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

Unaudited

(in thousands of Canadian dollars)

	13 weeks ended July 4, 2010	13 weeks ended July 5, 2009	39 weeks ended July 4, 2010	39 weeks ended July 5, 2009
Cash provided by (used in):				
Operating activities				
Net loss	\$ (2,269)	\$ (5,457)	\$ (4,468)	\$ (14,192)
Depreciation and amortization	686	814	2,177	2,494
Impairment of intangibles	-	-	618	-
Leasehold inducements	(61)	49	31	49
Loss (gain) on disposal of capital assets	(6)	63	53	88
Stock based compensation	(45)	99	23	189
Accretion on long term debt	40	-	44	-
Changes in non-cash working capital items	(866)	7,912	(8,483)	20,259
	(2,521)	3,480	(10,005)	8,887
Investment activities				
Purchase of capital assets	(598)	(263)	(2,385)	(745)
Proceeds on disposal of capital assets	1	5	5	5
Change in non-cash working capital items	-	(835)	-	(835)
	(597)	(1,093)	(2,380)	(1,575)
Financing activities				
Increase (decrease) in bank indebtedness	1,742	(2,343)	8,497	(10,618)
Repayment of capital leases	(139)	(294)	(657)	(906)
Deposits	28	-	126	-
Lease inducements	-	250	979	250
Proceeds from subordinated notes and warrant financing	-	-	2,000	-
Fees for issue of subordinated notes and warrant financing	-	-	(47)	-
Proceeds on issuance of common shares and warrants	1,500	-	1,500	4,750
Fees for issuance of common shares and warrants	(13)	-	(13)	(788)
	3,118	(2,387)	12,385	(7,312)
Increase (decrease) in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -
Supplemental disclosure of cash paid (received) for:				
Income taxes - net	\$ -	\$ -	\$ -	\$ 5
Interest paid	352	91	963	463
	\$ 352	\$ 91	\$ 963	\$ 468