



News Release

For Immediate Release

Liquidation World Announces First Quarter 2011 Results

BRANTFORD, ON, February 16, 2011 – Liquidation World Inc. (LQW - TSX) (the “Company”), today announces results for the first quarter of fiscal 2011, representing the 13 week period ending January 2, 2011.

As was announced on February 10, 2011, revenue in the first quarter was \$43.4 million, compared with \$44.1 million in the first quarter 2010, a decline of approximately 1.6% from the first quarter of 2010.

As was announced on February 10, 2011, during the quarter, the Company recorded a net loss of \$6.0 million, (\$0.20 per share), compared with a profit of \$ 0.7 million (\$0.05 per share) in the first quarter of fiscal 2010.

Gross margin was \$12.7 million or 29.3% of sales for the first quarter of fiscal 2011 versus \$17.3 million, or 39.2% of sales in the first quarter of fiscal 2010.

Throughout the first quarter of fiscal 2011, the Company continued implementing its strategy to improve its supply chain and merchandising process and evolve from a liquidator of close out goods to Canada’s premier destination for extreme value. This strategy involves converting and/or opening new stores under the “LW – Everybody’s Outlet Store” banner.

During the period, the Company closed two legacy “Liquidation World” stores and opened seven new “LW – Everybody’s Outlet Store” locations. Four of these new stores replaced stores that the Company had closed in the same geographic area. Four additional stores were converted from the legacy format into the “LW – Everybody’s Outlet Store” banner during the first quarter. At the close of the first quarter fiscal 2011, a total of 92 stores are operating in Canada, 44 as “LW – Everybody’s Outlet Store” locations and 48 continue as “Liquidation World” legacy stores.

During the period, same store sales increased approximately 12%, or approximately \$1.9 million in the weeks following the conversions for store locations that were renovated and re-opened under the “LW – Everybody’s Outlet Store” banner. During the same period, those stores not yet converted, experienced a decline of 4.5% in sales, or approximately \$1.0 million.

Gross margin was 10 percentage points lower compared to the same quarter in 2010, principally due to an increase in landed and distribution centre costs. Gross margin was also impacted as a result of further markdowns taken during the quarter relating to slow moving and seasonal inventory items which are being purged as the Company continues to transform its business model towards a more compelling product offering in line with its strategy.

Selling, general and administrative expenses increased by approximately 11.5% during the quarter, to \$17.4 million, compared with \$15.6 million in the first quarter of 2010. In addition to significant expenses relating to management's strategy to convert or open new stores under the "LW – Everybody's Outlet Store" banner, a portion of these increased expenses are attributable to the Company's strategy to increase consumer awareness, including those associated with store rebranding and product promotion.

Inventory at the end of the first quarter, 2011 increased by \$1.1 million to \$38.5 million, compared with \$37.4 million in the same period in 2010.

As reported at the Company's Annual General Meeting February 10, 2011, in addition to supporting the realignment strategy and ensuring that the Company's selects the most compelling product offering for customers, Liquidation World's Board of Directors is also exploring various strategies that could lead to acceleration towards profitability including financing activities, strategic partnerships, and, M&A opportunities, including acquisition and divestiture transactions.

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 operates 92 stores in Canada and 1 in the United States. 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 operator of closeout retail stores.

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Consolidated Financial Statements

Consolidated Balance Sheets

As at January 2, 2011 and October 3, 2010

Unaudited

(in thousands of Canadian dollars)

	2011	2010
Assets		
Current assets		
Accounts receivable	\$ 1,285	\$ 533
Deposits	104	120
Inventory	38,511	39,619
Prepaid expenses	1,669	1,679
	<u>41,569</u>	<u>41,951</u>
Lease deposits	379	376
Property and equipment	9,550	9,074
Intangibles	-	-
	<u>\$ 51,498</u>	<u>\$ 51,401</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 10,084	\$ 15,797
Accounts payable and accrued liabilities	26,600	15,623
Current portion of obligations under capital leases	46	127
	<u>36,730</u>	<u>31,547</u>
Subordinated notes	1,597	1,557
Deferred lease inducements	3,032	2,272
Shareholders' equity		
Share capital	32,278	32,224
Warrants	1,008	1,020
Contributed surplus	1,666	1,595
Deficit	(24,813)	(18,814)
	<u>10,139</u>	<u>16,025</u>
	<u>\$ 51,498</u>	<u>\$ 51,401</u>

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

For the thirteen weeks ended January 2, 2011 and January 3, 2010

Unaudited

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

	2011	2010
Revenue	\$ 43,421	\$ 44,130
Cost of sales	30,682	26,852
Gross margin	12,739	17,278
Expenses		
Selling, general and administrative	17,384	15,558
Depreciation and amortization	936	746
Interest		
Short term	376	281
Long term	98	8
Foreign exchange gain	(56)	(34)
	18,738	16,559
Net comprehensive income (loss)	(5,999)	719
Deficit, beginning of period	(18,814)	(6,483)
Deficit, end of period	\$ (24,813)	\$ (5,764)
Basic and diluted earnings (loss) per share	\$ (0.20)	\$ 0.05

Consolidated Statements Of Cash Flows

For the thirteen weeks ended January 2, 2011 and January 3, 2010

Unaudited

(in thousands of Canadian dollars)

	2011	2010
Cash provided by (used in):		
Operating activities		
Net income (loss)	\$ (5,999)	\$ 719
Add (deduct) non-cash items:		
Depreciation and amortization	936	746
Leasehold inducements	32	5
Loss on disposal of capital assets	6	8
Stock based compensation	71	36
Accretion on long term debt	40	-
Changes in non-cash working capital items	12,086	(5,556)
	<u>7,172</u>	<u>(4,042)</u>
Investment activities		
Purchase of capital assets	(1,430)	(999)
Proceeds on disposal of capital assets	12	-
	<u>(1,418)</u>	<u>(999)</u>
Financing activities		
Increase (decrease) in bank indebtedness	(5,713)	5,001
Repayment of capital leases	(81)	(291)
Deposits	(3)	112
Lease inducements	-	219
Proceeds on exercise of warrants	43	0
	<u>(5,754)</u>	<u>5,041</u>
Increase (decrease) in cash	-	-
Cash, beginning of period	-	-
Cash, end of period	\$ -	\$ -
Supplemental disclosure of cash paid for:		
Income taxes	\$ -	\$ -
Interest paid	259	184
	<u>\$ 259</u>	<u>\$ 184</u>