

To our shareholders,

Liquidation World is pleased to announce the results of operations for the first quarter of fiscal 2001, the thirteen weeks ended December 31, 2000. Sales increased 10% to \$48,905,000 from \$44,545,000 during the thirteen weeks ended January 2, 2000. Net earnings increased 25% to \$2,284,000 (\$0.27 per share) from \$1,833,000 (\$0.22 per share) during the corresponding quarter last year.

During the first quarter we opened 2 new outlets. One was in Great Falls, Montana, our first outlet in that state and the other was in Camrose, Alberta. The Camrose outlet increases our presence in our Northern Alberta region and allows us to take advantage of efficiencies in marketing and distribution.

New marketing initiatives were also implemented in the first quarter of fiscal 2001. We have focused our advertising resources on a program which rewards our existing large customer base for their patronage. It is designed to generate more frequent visits by our loyal customers.

We have also determined that our most successful promotions are event based. Therefore our marketing emphasis has changed from weekly advertising to less frequent but more effective major event promotions. These will be built around the larger inventory acquisitions which create more excitement both for our outlets and for our customers.

These and other new initiatives previously reported in our recent Annual Report are already showing dividends. Our new strategic alliances are also providing us with more inventory opportunities than ever before. We are also seeing more and more inventories coming available as a result of recent dot.com companies that have gone "dot.bomb".

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the thirteen weeks ended December 31, 2000 and January 2, 2000 (unaudited) (In thousands of dollars, except per share amounts)

| | Dec. 31 2000 | Jan. 2 2000 |
|--|------------------|----------------|
| Sales | \$ 48,905 | \$ 44,545 |
| Cost of sales | 29,378 | 27,372 |
| | 19,527 | 17,173 |
| Expenses | | |
| Selling and store operations | 13,641 | 12,176 |
| General and administrative | 1,409 | 1,308 |
| Depreciation and amortization | 332 | 282 |
| Interest | 87 | 82 |
| | 15,469 | 13,848 |
| | 4,058 | 3,325 |
| Income taxes | 1,774 | 1,492 |
| Net earnings | 2,284 | 1,833 |
| Retained earnings, beginning of period | 29,909 | 23,611 |
| Retained earnings, end of period | \$ 32,193 | \$ 25,444 |
| Earnings per share | | |
| Basic | \$ 0.27 | \$ 0.22 |
| Fully diluted | \$ 0.26 | \$ 0.21 |
| Shares outstanding at period end | 8,476,920 | 8,281,560 |
| Options outstanding at period end | 573,866 | 881,970 |

SEGMENTED INFORMATION

For the thirteen weeks ended December 31, 2000 and January 2, 2000 (unaudited) (In thousands of dollars)

| | Dec. 31 2000 | Jan. 2 2000 |
|----------------|------------------|----------------|
| Sales | | |
| Canada | \$ 38,228 | \$ 35,829 |
| United States | 10,677 | 8,716 |
| TOTAL | \$ 48,905 | \$ 44,545 |
| Capital Assets | | |
| Canada | \$ 3,691 | \$ 3,593 |
| United States | 679 | 733 |
| TOTAL | \$ 4,370 | \$ 4,326 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the thirteen weeks ended December 31, 2000 and January 2, 2000 (unaudited) (In thousands of dollars)

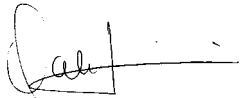
| | Dec. 31 2000 | Jan. 2 2000 |
|---|-----------------|----------------|
| Cash provided by (used in): | | |
| Operations | | |
| Net earnings | \$ 2,284 | \$ 1,833 |
| Add (deduct) non-cash items: | | |
| Depreciation & amortization | 332 | 282 |
| Equity in loss (income) of affiliate | (20) | 7 |
| | 2,596 | 2,122 |
| Changes in non-cash operating working capital | | |
| Accounts receivable | (295) | 235 |
| Inventory | (941) | (3,328) |
| Prepaid expenses | 1,425 | (27) |
| Accounts payable and accrued liabilities | 3,362 | 3,090 |
| Income taxes | 683 | 89 |
| | 6,830 | 2,181 |
| Investments | | |
| Purchase of capital assets | (324) | (242) |
| Investment in affiliate | - | (455) |
| | (324) | (697) |
| Financing | | |
| Decrease in bank indebtedness | (3,435) | (1,526) |
| Proceeds on issuance of common shares | 515 | 62 |
| | (2,920) | (1,464) |
| Increase (decrease) in cash | 3,586 | 20 |
| Cash and equivalents, beginning of period | 177 | 152 |
| Cash and equivalents, end of period | \$ 3,763 | \$ 172 |
| Supplemental disclosure of cash paid for: | | |
| Income taxes | \$ 1,136 | \$ 1,362 |
| Interest | 93 | 80 |
| | \$ 1,229 | \$ 1,442 |

I am very excited about what the coming months, and our new programs, will bring. Recent economic headlines also bode well for our Company. Our business is predicated on opportunity and this economic down turn is already providing opportunities for acquiring distress inventories. We also expect to see more opportunities for leasing new locations.

The first quarter of fiscal 2001 saw Liquidation World establish a new quarterly sales record and it also marked our 57th consecutive profitable quarter. We have never had a losing quarter in the entire history of our Company and that is a fact we are very pleased to report.

I would like to thank our Board of Directors, our management team and our family of over 1600 Associates for their hard work in making good things happen for our Company. Thank you as well to our shareholders for your support of Liquidation World.

Sincerely,



Dale Gillespie
President, C.E.O. and Founder
February 14, 2001



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INTERIM REPORT 1
For the thirteen weeks ended December 31, 2000

