

To our shareholders,

Liquidation World presents the results of operations for the third quarter of fiscal 1999, the thirty-nine weeks ended July 4, 1999. Sales increased 8% to \$36,153,000 from \$33,458,000 during the corresponding period in 1998. Net earnings decreased 20% to \$1,000,000 (\$0.13 per share) from \$1,243,000 (\$0.16 per share) in the corresponding quarter last year.

On a cumulative basis, sales increased 13% to \$112,943,000 from \$99,530,000 during the thirty-nine weeks ended July 5, 1998. Net earnings decreased 17% to \$3,105,000 (\$0.38 per share) during the first three quarters of fiscal 1999 from \$3,755,000 (\$0.48 per share) during the first three quarters of fiscal 1998.

The lack of big name, large scale bankruptcies and weather related insurance claim inventories has impacted Liquidation World's sales through quarter three. We are an opportunistic Company and there haven't been a lot of opportunities in the form of bankruptcies, insurance claims or distress real estate, especially compared to last year. We know the weather will eventually wreak havoc and we know the banks will call in the non-performing loans. It's just a matter of time. We have strengthened every portion of our business from the back office to the front lines. We are more focused than ever before, so when the disasters occur, we're ready.

We are very excited about several initiatives we've begun. These initiatives have the potential to enhance our sources of supply and further develop our network of outlets.

With recent developments in the Canadian retail industry, there is little doubt we are headed into interesting times. Liquidation World does well when there are changes at any stage in the consumer products industry. Changes lead to surplus inventories or surplus real estate, or both. This is an environment where Liquidation World can flourish.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the thirty-nine weeks ended July 4, 1999 and July 5, 1998 (Unaudited)
(In thousands of dollars, except per share amounts)

	1999	1998
Sales	\$ 112,943	\$ 99,530
Cost of sales	70,151	61,708
	42,792	37,822
Expenses:		
Selling and store operations	32,871	27,459
General and administrative	3,146	2,899
Depreciation and amortization	741	655
Interest	417	140
	37,175	31,153
Earnings before income taxes	5,617	6,669
Income taxes	2,512	2,914
Net earnings	3,105	3,755
Retained earnings, beginning of period	18,551	12,757
Retained earnings, end of period	\$ 21,656	\$ 16,512
Earnings per share:		
Basic	\$ 0.38	\$ 0.48
Fully diluted	\$ 0.37	\$ 0.45

Note: Earnings per share has been retroactively restated to reflect the 2 for 1 stock split effected April 14, 1998.

SEGMENTED INFORMATION

For the thirty-nine weeks ended July 4, 1999 and July 5, 1998 (Unaudited) (In thousands of dollars)

	1999	1998
Sales		
Canada	\$ 86,453	\$ 78,185
United States	26,490	21,345
TOTAL	112,943	99,530
Capital Assets		
Canada	\$ 3,511	\$ 2,866
United States	755	529
TOTAL	4,266	3,395

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

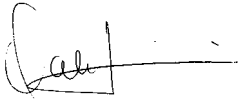
For the thirty-nine weeks ended July 4, 1999 and July 5, 1998 (Unaudited)
(In thousands of dollars)

	1999	1998
Cash provided by (used in):		
Operations:		
Net earnings	\$ 3,105	\$ 3,755
Add (deduct) non-cash items:		
Depreciation & amortization	741	655
Equity in income of affiliate	(12)	(19)
	3,834	4,391
Changes in non-cash operating working capital:		
Accounts receivable	(608)	123
Inventory	1,652	(5,109)
Prepaid expenses	(37)	(335)
Accounts payable and accrued liabilities	(1,884)	528
Income taxes	(1,163)	178
	1,794	(224)
Investments:		
Purchase of capital assets	(1,216)	(875)
Financing:		
Proceeds on issuance of common shares	444	631
Increase (decrease) in cash position	1,022	(468)
Bank indebtedness, beginning of period	(4,629)	(495)
Bank indebtedness, end of period	\$ (3,607)	\$ (963)

We continue to look for opportunities for new outlets. Our most recent new opening was on July 29th in Westlock, Alberta. Next up is Anchorage, Alaska scheduled to open in late August. Customer feedback continues to be positive as Liquidation World has won several awards in a number of consumer surveys as the preferred choice for discount shopping.

We continue to work on streamlining all aspects of our operations. Your support, as always, is greatly appreciated by myself, the management team and all the Liquidation World Associates who are working harder than ever to drive our Company forward.

Sincerely,



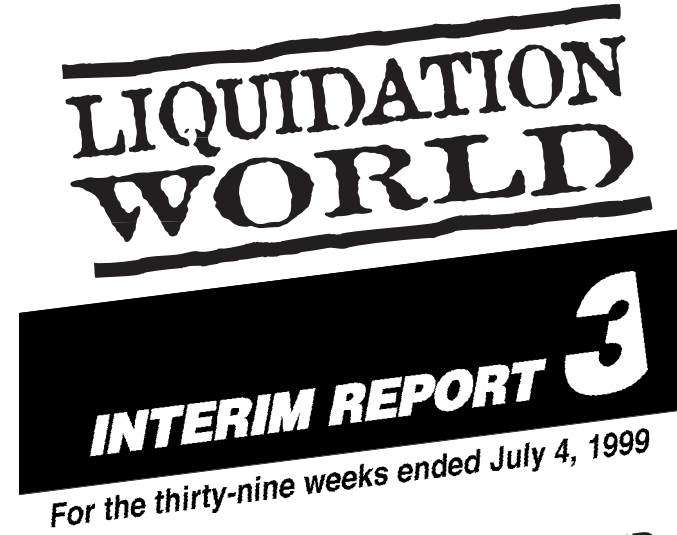
Dale Gillespie
President and C.E.O.
August 6, 1999

YEAR 2000 REPORT

The impact and risks associated with the Year 2000 date change on computer systems is an issue Liquidation World has addressed and continues to monitor. The Company has evaluated existing systems and taken action to prepare for potential problems that may result from Y2K.

We are confident that we have been diligent in taking the necessary measures to minimize the possibility of any disruptions. We have had regular communications with suppliers, service providers and other third parties, with whom Liquidation World interfaces, to monitor their preparations for Y2K. However it is not possible for Liquidation World to be fully certain that the compliance issues for Year 2000 will be fully resolved.

We continue to monitor the Y2K situation and develop contingency plans and procedures and will implement necessary system changes as required.



3900 – 29 Street N.E.
Calgary, Alberta, Canada, T1Y 6B6
Phone: (403) 250-1222 Fax: (403) 291-1306
E-Mail: webmaster@liquidationworld.com
Visit our Website: www.liquidationworld.com

