

THE FORZANI GROUP LTD. MANAGEMENT'S DISCUSSION & ANALYSIS

As at June 7, 2005

The unaudited consolidated interim financial statements as at and for the period ended May 1, 2005, have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). All references to dollars are in Canadian funds unless otherwise indicated. The Annual Report and other related documents can be found at www.sedar.com

Management's discussion and analysis provides an overview of the performance of The Forzani Group Ltd. ("FGL" or the "Company"), and its subsidiaries, for the 13-week first quarter ended May 1, 2005 ("fiscal 2006"), compared to the 13-week first quarter ended May 2, 2004 ("fiscal 2005"). It should be read in conjunction with the consolidated financial statements and notes contained in the fiscal 2005 Annual Report.

REVIEW OF OPERATIONS

For the 13 weeks ended May 1, 2005 and May 2, 2004

Retail system sales¹ for the quarter ended May 1, 2005 were \$259.8 million, a \$32.1 million increase from sales for the quarter ended May 2, 2004 of \$227.7 million. Revenue, consisting of corporate store sales, wholesale sales, service income, equipment rentals, franchise fees and franchise royalties, was \$238.2 million, a \$9.6 million, or 4.2% increase over the 13-week period last year due, primarily, to the acquisition of National Gym Clothing Limited ("National Sports") on January 31, 2005. Combined gross margin for the 13 weeks ended May 1, 2005 was down 170 basis points to 29.0% of revenue, from 30.7% in the prior year. This was due to a combination of factors, including various initiatives to ensure appropriate inventory positions, as a weak winter season was exited, and the liquidation and subsequent closure of a competitor in the Ontario market, and its effect on regional margins. These factors are more fully described below. In absolute dollars, combined gross margin decreased \$1.1 million to \$69.1 compared to \$70.2 million in the 13-week period last year.

Comparable store sales from corporate locations were down 4.3%, a result, largely, of soft sales in inline skates, ski and snowboard, and licensed hockey products. Comparable corporate clothing sales, exclusive of winter categories and licensed products were down 1.7%. Footwear sales were strong, up 5.6%. Franchise comparable store sales were up 9.4% on the strength of athletic clothing and footwear. On a combined basis, comparable store sales were up 0.3%.

Corporate Stores:

Sport Chek / Sport Mart

As noted above, the current quarter's results were impacted by soft corporate sales and margins. In the Sport Chek and Sport Mart banners the effects were most severe in ski, snowboard and outerwear categories, resulting in lower gross margin dollars of \$1.7 million; in inline skates, resulting in lower gross margin dollars of \$1.3 million; and in licensed products, primarily NHL, resulting in lower gross margin dollars of \$1.3 million. The company also took a \$1.3 million charge against dated inventory, to ensure a clean inventory position in all stores.

National Sports

In the newly acquired National Sports banner, comparable store sales were up 0.8%. Exclusive of licensed products, sales were up 4.0%.

In total, for the corporate banners, the reduction in gross margin dollars due to these specific categories was mitigated, in part, by contributions from improved categories, including footwear, and by the overall margin contribution of National Sports, acquired during the quarter.

Wholesale

The Gen-X division's results were considerably lower than last year's, driven by weaker licensed product sales and the decision to take a onetime write down of \$1.1 million to effect an exit from a closeout line that was not selling through. The Gen-X bookings of licensed products for the second and third quarters of this year are stronger.

¹ Retail system sales are retail sales from corporate and franchise stores and are not a recognized performance measure under GAAP. Management believes that this measure is useful supplemental information which provides the reader with an indication of the Company's total retail sales.

Comparable store operating costs were 29.6% of corporate store revenues, versus 28.8% in the prior year, a result of the reduced sales volume. The comparative costs in absolute dollars decreased \$0.7 million or 1.7%. The overall store operating expense increase reflects the addition of 19 National Sports stores coupled with the opening (net of closings), in the past year, of 12 corporate stores.

General and administrative expenses were 7.3% of total revenue or \$17.5 million, an increase of 110 basis points or \$3.3 million compared to the 13-week period last year. The increased expenses are, in part, due to the acquisition of National Sports, and the full quarter over quarter impact of the acquisition of the Gen-X division, which was acquired during the first quarter of the prior year. As part of the Company's strategic plan to drive sales, advertising spend was expanded to include TV and radio in addition to the Company's standard print media, this resulted in increased expenses of \$1.2 million.

Earnings, before interest, taxes, depreciation, and amortization ("EBITDA")¹, were \$19,000, compared to \$11.0 million for the 13-week period last year.

Earnings before income taxes for the 13 weeks ended May 1, 2005 were a loss of \$11.7 million, or 4.9% of revenues, compared to a \$1.4 million profit, or 0.6% of revenues, for the 13-week period in the prior year.

The Company experienced a net loss for the current period of \$7.4 million in comparison to net income of \$0.9 million in the comparable period.

Basic and diluted earnings (loss) per share for the 13-week period ended May 1, 2005 were (\$0.23), compared to \$0.03 in the prior year. Cash flow from operations² decreased from \$8.2 million to \$1.1 million. On a per share basis, cash flow decreased to \$0.03 from \$0.25 in the prior year.

The accounting changes which resulted in the restatement of the prior year's results had the effect, in the current year, of a decrease in net earnings of \$498,000 on account of EIC 144 and \$214,000 as a result of the change in accounting for certain lease costs. The restatement of prior years is explained on pages 4 and 5.

During the quarter, in addition to the acquisition of 19 stores under the National Sports banner previously mentioned, the Company opened 2 corporate stores (1 Sport Chek and 1 Sport Mart) and closed 1 Sport Mart store. In the franchise division, 3 stores were opened (2 Intersport and 1 Nevada Bob's) and 4 stores were closed (2 Intersport and 1 each of Nevada Bob's and Buying Member). As a result, at the end of the first quarter, the Company had 252 corporate stores and 194 franchise locations. This was a net increase of 504,855 square feet of retail selling space, a 10.1 % increase versus the previous quarter. The Company now has 446 stores from coast to coast (fiscal 2005 - 395 stores).

QUARTERLY DATA

(unaudited)

(In thousands except per share data)

	Revenue	EBITDA	Net Earnings	Diluted EPS	EPS
	\$	\$	\$	\$	\$
August 3, 2003	215,706	16,215	4,226	0.13	0.14
November 2, 2003	250,164	18,771	5,886	0.18	0.19
February 1, 2004	280,903	35,109	16,127	0.50	0.51
May 2, 2004	228,627	10,955	863	0.03	0.03
August 1, 2004	216,369	14,715	1,959	0.06	0.06
October 31, 2004	265,726	20,044	6,043	0.18	0.18
January 30, 2005	274,332	30,755	12,680	0.39	0.39
May 1, 2005	238,202	19	(7,417)	(0.23)	(0.23)

¹ Earnings before interest, taxes, depreciation and amortization (EBITDA) is not a recognized performance measure under GAAP. Management believes that, in addition to net earnings, this measure is useful supplemental information, which provides the reader with an indication of operating earnings prior to amortization, debt service and provision for income taxes.

² Cash flow from operations and cash flow per share from operations are not recognized measures under GAAP. Cash flow per share is defined to be cash from operating activities before non-cash changes in working capital divided by the weighted average shares outstanding. Management believes that cash flow per share is a key measure, as it demonstrates the Company's ability to generate cash flow necessary to fund future growth.

FINANCIAL CONDITION

As at May 1, 2005, the Company had working capital of \$92.5 million, compared to \$112.1 million in the prior year. Accounts receivable days outstanding increased to 119 days as a result of improved supplier terms which are passed on to franchisees. Inventory increased due to the addition of National Sports and increased square footage. Inventory intensity¹ has decreased 8.0% to \$80 versus the prior year of \$87. Exclusive of National Sports, inventory intensity decreased 4.6% to \$83. Accounts payable financing of inventory and receivables from franchisees, decreased slightly to 52.9%, versus 53.9% in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal capital requirements are to fund working capital needs, develop private-label brands and open new stores in connection with its expansion strategy. These capital requirements have generally been satisfied by a combination of cash flow from operations and borrowings under its credit facility and term loans (more fully described in Note 7 of the fiscal 2005 Consolidated Financial Statements) and the periodic issuance of shares. For fiscal 2006, these sources of capital included: cash generated from operating activities, before changes in non-cash working capital elements, of \$1.1 million, a decrease of \$7.1 million when compared to the prior year; and a \$175 million credit facility with General Electric Capital Canada Inc. ("G.E."), National Bank of Canada and The Royal Bank of Canada, comprised of a \$150 million revolving loan, and a \$25 million term loan repayable at maturity. On August 6, 2004, the Company exercised its single, irreversible option to increase the maximum available credit under its revolving loan by \$35 million to \$150 million. Under the terms of the credit agreement, the interest rate payable on both the revolving and term loans is based on the Company's financial performance as determined by its interest coverage ratio. The facility is secured by general security agreements against all existing and future acquired assets of the Company. On February 3, 2003 the Company extended its previous credit facility to February 3, 2006 and amended it to: assign a pro rata share of the revolving credit facility to each of National Bank of Canada and The Royal Bank of Canada and; grant the above noted option to increase the maximum revolving credit commitment. As at May 1, 2005, the Company is in compliance with all covenants. Based on current operating levels and available funds, there will be sufficient means to satisfy the Company's working capital needs, debt-service requirements and expansion strategies for the coming fiscal year.

RETAIL RISKS AND UNCERTAINTIES

The risks and uncertainties faced by the Company are substantially the same as those disclosed in Management's Discussion and Analysis in the Company's fiscal 2005 Annual Report. Traditionally, the retail industry is influenced by a number of external factors that are difficult to actively manage. These include the overall economy, consumer spending and debt levels. Other factors, such as retail competition, seasonality, changes in fashion trends and adverse movements in foreign exchange and interest rates, can be managed.

ACCOUNTING POLICIES

The interim consolidated financial statements (the "financial statements") follow the same accounting policies and methods of applications as the most recent annual consolidated financial statements as at January 30, 2005.

PRIOR YEAR RESTATEMENTS

During fiscal 2005, the adoption of accounting policy EIC 144 – Accounting by a customer for Certain Consideration Received from a Vendor, Generally Accepted Accounting Principles - Canadian Institute of Chartered Accountants ("CICA") – Section 1100 and the clarification, in February 2005, of appropriate lease accounting policies of the U.S. Securities and Exchange Commission ("SEC") has caused the Company to restate its financial statements retroactively (see Note 3 in the Company's Annual Report).

¹ Defined as inventory at hand, at cost, per square foot of retail space.

The following tables illustrate the impact of the restatements due to changes in accounting policies, for the 13 weeks ended May 2, 2004, on consolidated earnings, retained earnings and balance sheet accounts:

	For the thirteen weeks ended May 2, 2004				As restated
	As reported	EIC 144	Leased Premises	Rent Expense	
	\$	\$	\$	\$	\$
Cost of sales	157,757	638	-	-	158,395
Store operating	44,795	-	(266)	544	45,073
Amortization	8,411	-	261	-	8,672
Earnings before income taxes	2,539	(638)	5	(544)	1,362
Income tax expense	927	(232)	2	(198)	499
Net earnings	1,612	(406)	3	(346)	863
Retained earnings, beginning of period	106,330	(5,047)	245	-	101,528
Retained earnings, end of period	107,942				102,391
Earnings/Diluted earnings per share	0.05				0.03

	As at May 2, 2004				As restated
	As reported	EIC 144	Leased Premises	Rent Expense	
	\$	\$	\$	\$	\$
Inventory	297,544	(9,045)	-	-	288,499
Capital assets	160,213	-	6,977	-	167,190
Deferred lease inducements	51,955	-	6,597	-	58,552
Deferred rent liability	-	-	-	544	544
Future income tax liability (asset)	1,458	(3,592)	132	(198)	(2,200)
Retained earnings	107,942	(5,453)	248	(346)	102,391

ACQUISITIONS

Effective January 31, 2005, the Company acquired 100% of the outstanding shares of National Gym Clothing Ltd. The acquisition is accounted for using the purchase method and accordingly the consolidated financial statements for the 13 weeks ended May 1, 2005 include the results of operations since the date of the acquisition. The consideration for the transaction was \$13,026,000 in cash for all the outstanding common shares and the allocation of the purchase price is provided in Note 6 to the interim financial statements.

FUTURE EVENTS AND TRENDS

The Company anticipates continued consolidation in the sporting-goods retail industry. This will create opportunities for the Company to further increase its market share. As independent retailers continue to see reductions in their profit margins, and as buying groups weaken, this will create opportunities for the franchise division to attract quality independents. Furthermore, as less productive retailers exit the market, it will create opportunities for further corporate expansion. In the full year fiscal 2006, the Company anticipates opening at least 20 new corporate stores and 18 franchise stores.

This document may contain forward-looking statements relating to the future performance of The Forzani Group Ltd.

Forward-looking statements, specifically those concerning future performance, are subject to certain risks and uncertainties, and actual results may differ materially. The Company, in compliance with the reporting requirements of the various securities commissions, details these risks and uncertainties from time to time. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made. The Company disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.