the forzani group ltd. management's discussion & analysis

As at June 4, 2007

The unaudited interim consolidated financial statements as at, and for the period ended, April 29, 2007, 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 (MD&A) 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 April 29, 2007 ("fiscal 2008"), compared to the 13-week first quarter ended April 30, 2006 ("fiscal 2007"). It should be read in conjunction with the consolidated financial statements and notes and MD&A contained in the fiscal 2007 Annual Report.

review of operations

For the 13 weeks ended April 29, 2007 and April 30, 2006

Retail system sales[1] for the quarter ended April 29, 2007 were $308.4 million, a $9.3 million increase from sales for the quarter ended April 30, 2006 of $299.1 million. Revenue, consisting of corporate store sales, wholesale sales, service income, equipment rentals, franchise fees and franchise royalties, was $294.6 million, a $14.2 million, or 5.1% increase over the 13-week period last year.

Same store sales in corporate locations were up 0.4% and, in franchise, up 9.6% over the fiscal 2007 first quarter. These increases were on top of same store increases of 12.2% for corporate stores and 6.0% in franchise in the first quarter of fiscal 2007. Overall, same store retail system sales for the quarter grew 3.5% from the prior year.

Combined gross margin for the 13 weeks ended April 29, 2007 was up 120 basis points to 33.3% of revenue, from 32.1% in the prior year. In absolute dollars, combined gross margin increased $7.9 million to $98.0 million compared to $90.1 million in the 13-week period last year. These revenue and margin gains were a combination of solid wholesale and franchise results. Corporate store category sales results were mixed with solid performance in winter categories, particularly hockey and team sports, outerwear, casual clothing and footwear. Spring category performance, particularly in golf and inline skate categories lagged due to unseasonably cool weather. Margin rate performance continued to post strong year over year gains in corporate stores.

Store operating expenses, as a percent of corporate store revenue, were 29.6% against the prior year of 29.5%. In absolute dollars, store operating expenses fell $0.2 million. The overall store operating expense decrease reflects the closing/franchising, in the past year, of 8 corporate stores (net of openings), specifically 9 Fitness Source stores which were franchised in April 2007. Same store operating costs were at 27.9% of corporate store revenues versus 28.1% in the same period last year. Same store costs, in absolute dollars, decreased $0.4 million or 0.8% over the same period last year.

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, but may not be comparable to measures used by other companies.

General and administrative expenses were up 180 basis points to 8.8% of total revenue compared to 7.0% in the prior year. The absolute dollar increase of $6.4 million was a combination of the timing of accruals of performance-based compensation ($4.6 million), and standard year over year increases. In fiscal 2007, first quarter accruals for performance-based compensation were minimal as there was uncertainty with regard to the attainment of targets. Management is of the opinion that performance targets will be attained in fiscal 2008 and has accrued compensation expenses accordingly. Year over year performance-based compensation is expected to be approximately $10 million less in fiscal 2008 versus fiscal 2007 which will result in an annualized general and administrative expense run rate in line with historical rates.

Earnings, before interest, taxes, loss on sale of investment and amortization ("EBITA") [1], were $14.5 million compared to $12.8 million for the same period last year.

Earnings before income taxes for the 13 weeks ended April 29, 2007 were $1.2 million, a $0.7 million increase compared to pre-tax income of $0.5 million for the 13-week period in the prior year. Net income was $0.7 million versus $0.3 million in the prior year's first quarter, a $0.4 million improvement. Net earnings included the effect of a one-time loss of $0.9 million on the sale of an investment in a trademark licensing company.

Basic and diluted earnings per share for the 13-week period ended April 29, 2007 were $0.02 compared to $0.01 in the prior year. Cash flow from operations[2] increased to $12.4 million from $10.2 million, $0.37 from $0.31 on a per share basis.

During the quarter, the Company opened 1 Sport Chek store, franchised 9 Fitness Source and 1 Nevada Bob's Golf stores, and closed 3 Sport Mart and 3 Sport Chek stores. In the franchise division, 5 new stores were opened (1 Atmosphere, 3 Nevada Bob's Golf and 1 Hockey Experts), 1 store converted from Intersport to Econosport, and 1 Nevada Bob's Golf store closed. Additionally, 10 corporately owned stores (9 Fitness Source and 1 Nevada Bob's Golf) were franchised As a result, at the end of the first quarter, the Company had 255 corporate stores and 223 franchise locations. This was a net decrease of 18,804 square feet of retail selling space, a 0.3% decrease versus the previous quarter. The Company now has 478 stores from coast to coast (April 30, 2006 – 471 stores).

1 Earnings before interest, taxes, and amortization (EBITA) 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. This may not be comparable to measures used by other companies.

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. This may not be comparable to measures used by other companies.

quarterly data

(unaudited)
(In thousands except per share data)

	Revenue	EBITA	Net Earnings (Loss)	Diluted EPS	EPS
	$	$	$	$	$
July 31, 2005	243,630	8,590	(2,323)	(0.07)	(0.07)
October 30, 2005	305,388	21,669	6,529	0.20	0.20
January 29, 2006	342,184	38,875	16,968	0.51	0.52
April 30, 2006	280,434	12,828	294	0.01	0.01
July 30, 2006	283,996	16,075	1,948	0.06	0.06
October 29, 2006	346,349	31,416	11,878	0.35	0.36
January 28, 2007	353,176	46,941	21,097	0.62	0.63
April 29, 2007	294,558	14,459	739	0.02	0.02

financial condition

As at April 29, 2007, the Company had working capital of $168.6 million, compared to $113.5 million in the prior year and $160.1 as at January 28, 2007. Accounts receivable have increased as a result of year over year growth in the Company's franchise and wholesale networks. Inventory increased despite the franchising of Fitness Source stores as the company made strategic investments to expand offerings in key categories. Inventory intensity[1] has increased 6.6% to $81 versus the prior year of $76. Accounts payable financing of inventory and receivables from franchisees, was 59.3%, versus 58.4% in the prior year.

During the quarter, the company sold its investment in a trademark licensing company. The investment had a cost of $3.1 million and was sold for proceeds of $2.2 million with a one-time loss of $0.9 million recognized in the quarter.

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

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 6 of the fiscal 2007 Consolidated Financial Statements) and the periodic issuance of shares. For the first quarter of fiscal 2008, these sources of capital included: cash generated from operating activities, before changes in non-cash working capital elements, of $12.4 million, an increase of $2.2 million when compared to the prior year; and a credit facility with GE Canada Finance Holding Company, National Bank of Canada and The Royal Bank of Canada. As at April 29, 2007, 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.

normal course issuer bid

The Company announced, on March 23, 2007, that it had received approval from the Toronto Stock Exchange to make a normal course issuer bid for its common shares. For the twelve-month period commencing March 27, 2007 and ending March 26, 2008 the Company may purchase, on the Toronto Stock Exchange, up to 2,313,000 or 10% of the Company's public float. The price the Company will pay for any such shares purchased will be the market price at the time of acquisition and the purchased common shares will be cancelled. The actual number of common shares purchased, and the timing of any such purchases, will be determined by the Company. During the first quarter ended April 29, 2007, the Company purchased 360,800 shares at a cost of $7,555,000.

share capital

The Company has authorized an unlimited number of Class A shares and an unlimited number of Preferred shares, issuable in series. The Class A shares of the Company are publicly traded on the Toronto Stock Exchange under the symbol "FGL".

The Company has 33,797,022 shares outstanding and has not issued any Preferred shares. The company has 1,818,899 exercisable options outstanding.

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 28, 2007, except as stated below.

new accounting policies

(a) As of January 29, 2007, the Company has adopted the following new accounting policies issued by the Canadian Institute of Chartered Accountants (“CICA”) all of which were effective for fiscal years beginning on or after October 1, 2006:

(i) Comprehensive Income -- CICA Section 1530

The standard introduces comprehensive earnings, which consists of net earnings and other comprehensive earnings. Other comprehensive earnings effectively records gains or losses arising from; the translation of the financial statements of self-sustaining foreign operations, changes in assets ‘available for sale’ and the change in fair values of effective cash flow hedging instruments. The presentation of comprehensive earnings results in the inclusion of new financial statements; Consolidated Statement of Comprehensive Earnings and Consolidated Statement of Accumulated Other Comprehensive Earnings (“AOCE”). The adoption of this standard has had no material impact on the financial statements of the Company for the period ended April 29, 2007.

(ii) Equity – CICA Section 3251

The section establishes standards for the presentation of equity and changes in equity during the reporting period. Application of this section is in conjunction with sections 1530 (Comprehensive Income), 3855 (Financial Instruments – Recognition and Measurement) and 3865 (Hedges). The adoption of this standard has had no material impact on the financial statements of the Company for the period ended April 29, 2007.

(iii) Financial Instruments Recognition and Measurement – CICA Section 3855

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities, and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. It also requires that all financial assets and liabilities are to be classified as either a) Held for Trading, b) Available for Sale, c) Held to Maturity, or d) Loans and Receivables or Other Liabilities, depending on the company’s stated intention and/or historical practice. Under this standard, all financial instruments are required to be measured at fair value (or amortized cost) upon initial recognition, except for certain related party transactions. Treatment of the fair value of each financial instrument is determined by its classification. The standard requires retroactive treatment without restatement, any required adjustment is booked to retained earnings or accumulated other comprehensive earnings.

In accordance with the standard the Company's financial assets and liabilities are generally classified as follows:

Asset/Liability	Category	Measurement
Assets:		
Cash	Held for trading	Fair value
Accounts Receivable	Loans/Receivables	Amortized Cost
Long-term receivables (included in other assets)	Loans/Receivables	Amortized cost
Liabilities:		
Indebtedness under revolving credit facility	Other financial liabilities	Amortized cost
Accounts Payable & Accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

Foreign currency options and forward exchange contracts, which are included in Long-term receivables, have been classified as held for trading and measured at fair value. Fair value was determined by reference to published price quotations.

On transition, the standard requires that the initial valuation of assets/liabilities to fair value be recorded in retained earnings or AOCE. See the following table.

The initial adoption of this standard has the following impact on the financial statements of the Company for the period ended April 29, 2007:

	Asset (historical cost) Increased (decreased)	**Liability** (historical cost) Increased (decreased)	**AOCE** (initial fair value adjustment) Gain See note 1 below
Derivatives – Options, Forward Contracts (see note 2 below)	$ 2,041	$ 2,041	$ 69
Cash – USD (effective cash flow hedge)	-	-	$ 10
Reclassification between other assets and long-term debt (see note 3 below)	$ (764)	$ (764)	-

Note 1 – The adjustment is to AOCE (Accumulated Other Comprehensive Earnings) as these items were effective cash flow hedges.

Note 2 – Does not include the options cost of $102,000, which was previously recorded in prepaid assets.

Note 3 – Transaction costs related to the issuance of long-term debt were reclassified from other assets and netted against the related long-term debt as required under the new accounting standards (April 30, 2006 - $1,200,000 and January 28, 2007 - $880,000).

(iv) Financial Instruments Disclosure and Presentation – CICA Section 3861

Section 3861 establishes guidelines for the presentation of information required under Sections 1530 – Comprehensive Income, 3855 - Financial Instruments Recognition and Measurement and 3865 Hedges. This includes the company policies which support the classifications of each type of financial instrument and hedge and its subsequent treatment. It requires the disclosure of the Company's risk management policies related to the use of derivatives and hedging activities and also details the transitional provisions for companies adopting the new standards.

(v) Hedges – CICA Section 3865

The standard establishes requirements for hedge accounting. Hedges are classified as one of a) fair value, b) cash flow or c) hedges of a net investment in a self-sustaining foreign operation. Treatment of changes in the fair value of each type of hedge is determined by its classification. The determination of the effectiveness of each hedging relationship is required under the section with any ineffectiveness immediately recognized in income.

(b) As of January 29, 2007 the Company has adopted CICA Section 1506 – Accounting Changes, which provides for expanded disclosure for changes in accounting policies, accounting estimates and accounting for errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted or where it is deemed impractical. The new standard also requires that the Company disclose new primary sources of GAAP that have been issued, but are not yet effective and have not been adopted by the Company. This standard became effective for fiscal years starting on or after January 1, 2007.

The following are the new standards, not yet in effect, which may impact the Company:

(i) Capital Disclosures – CICA Section 1535

As of February 4, 2008, the Company will be required to adopt Section 1535 "Capital Disclosures", which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. The new standard is effective for fiscal years beginning on or after October 1, 2007. The new capital disclosure requirements were issued in December 2006 and the Company is assessing the impact on its consolidated financial statements.

(ii) Financial Instruments – Disclosures (CICA Section 3862) and Financial Instruments – Presentation (CICA Section 3863)

As of February 4, 2008, the Company will be required to adopt two new CICA standards, Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation", which will replace Section 3861 "Financial Instruments – Disclosure and Presentation". The new disclosure standards increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards carry forward the former presentation requirements and are effective for years beginning on or after October 1, 2007. The new financial instruments presentation and disclosure requirements were issued in December 2006 and the Company is assessing the impact on its consolidated financial statements.

internal control over financial reporting

There were no changes in internal control over financial reporting during the period ended April 29, 2007, that materially affected, or are reasonably likely to materially affect, internal control over financial reporting. Internal control over financial reporting is the same as that disclosed in Management's Discussion and Analysis in the Company's fiscal 2007 Annual Report

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 2007 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.

The Company is exposed to risks in hiring and retaining exceptional sales and administrative personnel to operate its business. It competes on a regional basis for these resources with other employers both within and outside the traditional retail market. In order to manage this risk, the Company monitors trends in compensation and benefits and adjusts its offering to employees on a regular basis to remain competitive.

The Company sources the majority of its product from domestic suppliers. No single vendor accounts for more than 8% of the total annual purchases of the Company. To the extent that these domestic suppliers import their products, the Company may be exposed to the risk of delivery delay caused by a labor disruption at the ports handling this product. To mitigate the risk, the Company has historically worked closely with key vendors to re-schedule or re-route deliveries and/or production that could be delayed in the event of likely port disruptions.

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 fiscal 2008, the Company plans to focus on driving up existing corporate store sales per door, while continuing to expand its Franchise store base by approximately 37 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.