the forzani group ltd. management's discussion & analysis

As at December 7, 2007

The unaudited interim consolidated financial statements as at, and for the 13 week and 39 week periods ended October 28, 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 third quarter and 39-week period ended October 28, 2007 ("fiscal 2008"), compared to the 13-week third quarter and 39-week period ended October 29, 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 October 28, 2007 and October 29, 2006

Retail system sales[1] for the quarter ended October 28, 2007 were $344.6 million, a $5.1 million increase from sales for the quarter ended October 29, 2006 of $339.5 million. Revenue, consisting of corporate store sales, wholesale sales, service income, equipment rentals, franchise fees and franchise royalties, was $333.5 million, a $12.8 million, or 3.7% decrease from the 13-week period last year.

Same store sales in corporate locations were down 2.4% and, in franchise, up 3.0% over the fiscal 2007 third quarter, for an overall decrease of 0.7% due, in large part, to the effects of an unseasonable start to the winter selling season.

Combined gross margin for the 13 weeks ended October 28, 2007 was down 30 basis points to 34.2% of revenue, from 34.5% in the prior year. In absolute dollars, combined gross margin decreased $5.5 million to $113.9 million compared to $119.4 million in the 13-week period last year. The margin rate and dollar reductions in the quarter reflect an aggressive pricing strategy in light of the deterioration in the US dollar throughout the quarter and the impact of a slower start to the highly profitable, winter apparel season.

Store operating expenses, as a percent of corporate store revenue, were 27.2% against the prior year of 25.6%. Same store operating costs were at 25.6% of corporate store revenues. Same store costs, in absolute dollars, increased $1.3 million or 2.5%. These increased costs, as a percentage of revenue are a reflection of the decreased sales volume rather than any unplanned increases in costs.

General and administrative expenses were down 250 basis points to 6.0% of total revenue compared to 8.5% in the prior year. The absolute dollar decrease of $9.5 million is attributable to reduced accruals for performance-based compensation. As noted in our second quarter MD&A, 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. To the end of the third quarter, performance-based compensation expense is $5.3 million less than the same period in the prior 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.

Earnings, before interest, taxes and amortization ("EBITA")[2], were $32.9 million compared to $31.4 million for the same period last year.

Earnings before income taxes for the 13 weeks ended October 28, 2007 were $20.0 million, an increase of $1.1 million compared to $18.9 million for the 13-week period in the prior year.

Net earnings for the third quarter were $12.6 million, or $0.36 per share, compared to $11.9 million, or $0.35 per share in the prior year. Funds generated from operations[3] decreased to $21.4 million from $23.1 million , or $0.63 from $0.70 on a per share basis.

During the quarter, the Company opened 1 Sport Mart and 2 corporate Nevada Bob's Golf stores and acquired 8 Nevada Bob's Golf stores from a former franchisee. In the franchise division, 2 stores were opened (1 Sports Experts and 1 Econosport) and 3 stores closed (2 Nevada Bob's Golf and 1 Buying Member). As a result, at the end of the third quarter, the Company had 271 corporate stores and 219 franchise locations. The Company now has 490 stores from coast to coast (October 29, 2006 – 470 stores).

For the 39 weeks ended October 28, 2007 and October 29, 2006

Retail system sales for the 39 weeks were $1.004 billion, a $27.8 million or 2.8% increase from sales for the comparative fiscal 2007 period. Same store sales in corporate stores decreased 0.7%, while franchise stores increased 6.5%, with total same store retail system sales increasing 1.8%.

Revenue was $920.4 million, a $9.6 million, or 1.1% increase over the 39-week period last year. Combined gross margin for the 39 weeks ended October 28, 2007 was up 50 basis points to 34.1% of revenue, from 33.6% in the prior year. In absolute dollars, combined gross margin increased $7.9 million, to $314.1 million, from the 39-week period last year.

Store operating expenses, as a percent of corporate revenue, were 28.1% versus 27.4% in the prior year. General and administrative expenses were 7.4% of total revenue versus 8.0% in the prior year.

EBITA was $68.3 million, or 7.4% of total revenue, compared to 6.6% for the same period last year. Earnings before income taxes for the 39 weeks ended October 28, 2007 were $29.7 million compared to $23.0 million for the 39-week period in the prior year.

Net earnings were $18.8 million, compared to $14.1 million for the 39-week period in the prior year.

Earnings per share for the 39-week period ended October 28, 2007 were $0.55 compared to $0.42 in the prior year. Funds generated from operations increased to $47.9 million from $45.1 million. On a per share basis, cash flow increased 2.9% to $1.41 compared to $1.37 in the prior year.

On December 7, 2007 the Company declared a dividend of $0.075 per Class A common share, payable on February 4, 2008 to shareholders of record on January 21, 2008.

2 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.

3 Funds generated 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	Diluted EPS	EPS
	$	$	$	$	$
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
July 29, 2007	292,381	20,940	5,428	0.16	0.16
October 28, 2007	333,471	32,946	12,586	0.36	0.37

financial condition

As at October 28, 2007, the Company had working capital of $128.0 million, compared to $138.8 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 due to increased corporate store square footage. Inventory intensity[1] at $89 is flat to the prior year. Accounts payable financing of inventory and receivables from franchisees, was 67.8%, versus 66.8% in the prior year. During the second quarter of fiscal 2008, net long-term debt of $49.4 million was reclassified as current due to its scheduled maturity within the next twelve months. The company expects this debt to be renewed on a long-term basis and reflected as such, by its fiscal 2008 year end.

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, 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 fiscal 2008, these sources of capital included: cash generated from operating activities, before changes in non-cash working capital elements, of $47.9 million, an increase of $2.8 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 October 28, 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 current fiscal year.

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

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 third quarter ended October 28, 2007, the Company purchased 670,000 shares at a cost of $12,785,000. For the 39 week period ended October 28, 2007, 1,132,900 shares were purchased at a cost of $22,695,000.

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 33,625,021 shares outstanding and has not issued any Preferred shares. The Company has 1,268,799 exercisable options outstanding.

accounting policies

The interim consolidated financial statements (the "financial statements") follow the same accounting policies and methods of application 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 adopted the following new CICA accounting policies:

(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 two 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 13 and 39 week periods ended October 28, 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 13 and 39 week periods ended October 28, 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/Receivables or Other financial 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, with any required adjustment 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 accounts receivable, 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 required that the initial valuation of assets/liabilities to fair value be recorded in retained earnings or AOCE. The initial adoption of this standard created a gain of $79,000 for the quarter ended April 29, 2007.

The additional disclosures required, which are not currently included with the fiscal 2007 financial statements and notes, after implementation of this standard are located in Note 5 – Financial Instruments and Hedges.

(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. The adoption of this standard has had no material impact on the financial statements of the Company for the 13 and 39 week periods ended October 28, 2007.

(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. The adoption of this standard has had no material impact on the financial statements of the Company for the 13 and 39 week periods ended October 28, 2007.

(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 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 increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards also carry forward the former presentation requirements. The Company is assessing the impact on its consolidated financial statements.

(iii) Inventory – CICA Section 3031

As of February 4, 2008, the Company will be required to adopt new CICA standards with respect to inventory. The new section specifies the cost formulae to be used in the valuation of inventories and defines the treatment of "other costs" eligible for inclusion in the calculation of inventory values. The new inventory requirements were issued in June 2007 and the Company is assessing the impact on its consolidated financial statements.

acquisitions

Effective September 9, 2007, the Company acquired select net assets of Al DiMarco's Custom Golf Shop Ltd. and various other related entities ("DiMarco"). The acquisition was accounted for using the purchase method as net assets acquired encompass the necessary inputs, processes and outputs to sustain the business, thereby meeting the definition of a business (as per CICA Section 1580 and EIC 124) and accordingly the consolidated financial statements for the 13 and 39 weeks ended October 28, 2007 include the results of operations since the date of the acquisition. The consideration for the transaction was $1,039,000 in cash and the settlement of an outstanding account receivable by the Company from DiMarco of $3,095,000. The allocation of the purchase price is provided in Note 7 to the interim financial statements.

subsequent event

Effective November 26, 2007, the Company acquired 100% of the outstanding common shares of Athletes World Limited and a position as an unsecured creditor in certain inter-company debt. The consideration for the transaction is $1,500,000 cash and the assumption of a secured operating debt facility of approximately $20,000,000. Depending upon the achievement of a certain threshold use of tax-loss carry forwards, the Company is contingently liable to the former unsecured creditor of certain inter-company debt on a pro-rata basis.

The Company plans to repay the unsecured debt through its existing credit facilities.

The Company plans to operate Athletes World Limited, which filed for and is currently operating under Companies' Creditors Arrangement Act ("CCAA") protection as of October 30, 2007, as a stand-alone business. The Company hopes to complete the required restructuring proposal and receive the approvals necessary to exit CCAA by April 2008.

internal control over financial reporting

There were no changes in internal control over financial reporting during the period ended October 28, 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 to some extent.

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.