



TO: News directors, assignment editors, journalists and columnists: business, finance and investment news

FROM: Mega Bloks Inc.

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MEGA BLOKS INC. ANNOUNCES FIRST QUARTER RESULTS

Net sales up 23.3% with significant earnings improvement

MONTREAL, May 16, 2002 — Mega Bloks Inc. (“Mega Bloks”) announced today its financial results for the first quarter of 2002.

Financial Highlights

(All figures in millions of US dollars except per share)

	Q1 2002	Q1 2001
Net Sales	\$18.7	\$15.2
EBITDA	\$1.2	\$0.1
Net Income/(loss)	(\$1.3)	(\$4.0)
Earnings/(loss) per share	(\$0.06)	(\$0.22)

“Net sales, gross profit, EBITDA and our bottom-line have all improved significantly in comparison to the year earlier period,” said Marc Bertrand, President and CEO of Mega Bloks. “As Q1 is historically one of the slowest quarters for toy companies, these results are very encouraging. We have experienced strong growth in all our product categories and geographic regions and we are particularly pleased with our sales growth in international markets.”

Net sales in the first quarter of 2002 increased 23.3% to US\$18.7 million, from US\$15.2 million in the quarter ended March 31, 2001. On a regional basis, net sales grew 54.9% internationally and 13.2% in North America on a year-over-year basis.

Gross profit for the first quarter of 2002 was US\$8.2 million compared to US\$5.9 million for the quarter ended March 31, 2001, an increase of US\$2.3 million or 38.6%. The increase in gross profit is primarily driven by sales growth and a favorable change in product mix.

EBITDA for the first quarter of 2002 was US\$1.2 million compared to US\$0.1 million for the quarter ended March 31, 2001, an increase of US\$1.1 million. The Company's net loss for the first quarter of 2002 was US\$1.3 million compared to US\$4.0 million for the same period during 2001, an improvement of US\$2.7 million.

Closing of Initial Public Offering

On May 9, 2002, the Company successfully closed its Initial Public Offering ("Offering"), through which the Company issued 7,250,000 common shares and raised CAD\$105.1 million in gross proceeds. Concurrently with the closing of the Offering, the Company entered into a new credit facility with a syndicate of lenders. The borrowings under the new credit facility, together with the proceeds from the Offering, were used to repay US\$89.2 million in outstanding debt.

After giving effect to the Offering, Mega Bloks now benefits from a stronger balance sheet. The company has cash and cash equivalents of approximately US\$11.0 million and US\$35.0 million of undrawn borrowing capacity on its new revolving credit facility to support the Company's growth strategy.

"With our Offering behind us, our balance sheet is now stronger and we are well positioned to deliver solid revenue and earnings growth," said Marc Bertrand. "We are excited by the innovative and creative product lines developed for 2002, including GIRL FRIENDS™ and DRAGONS™. These lines were enthusiastically received by retailers at the major toy fairs during the first quarter of this year, and we will start shipping in July. We believe the outlook for the rest of the year is positive."

This press release contains references to non-GAAP (Generally Accepted Accounting Principles) earnings measures, such as EBITDA (earnings before interest, income taxes, depreciation, amortization, loss on foreign currency translation and unusual items). Non-GAAP earnings measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers.

This press release contains forward-looking statements related to expected future events and financial and operating results of the Company that involve risks and uncertainties. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including market and general economic conditions and the risks and uncertainties detailed from time to time in the Company's SEDAR filings.

Invitation to Conference Call

Analysts are invited to a conference call hosted by Mega Bloks at 4:15 p.m. EST today. All other interested parties are invited to participate in the conference call in a listen-only mode. The dial-in number is 1-800-847-8130.

For those unable to listen to the call live, a replay will be available for 48 hours beginning at 6:15 p.m. today. The replay phone number is 1-800-558-5253 and the access code is 20605232.

About Mega Bloks Inc.

Mega Bloks creates fun, educational and high quality construction toys that inspire kids and parents to play and learn together. The MEGA BLOKS® system features basic and themed construction toys for boys and girls of all ages. Headquartered in Montreal, Mega Bloks is a global organization employing approximately 1,000 people with sales in over 100 countries.

(MEGA BLOKS, the MEGA BLOKS logo and other trademarks referred to above are the property of Mega Bloks Inc.)

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MEGA BLOKS INC.**Consolidated statements of earnings**

For the three-month periods ended March 31, 2002 and 2001

(expressed in thousands of U.S. dollars, except for amounts pertaining to shares)

(Unaudited)

	2002	2001
	\$	\$
Net sales	18,708	15,176
Cost of sales	10,461	9,227
Gross profit	8,247	5,949
Marketing, research and development, and advertising expenses	2,335	1,850
Other selling, distribution and administrative expenses	5,829	4,474
Loss on foreign currency translation	169	940
Unusual items	-	2,087
Loss from operations	(86)	(3,402)
Interest expense Long term debt	1,769	2,716
Loss before income taxes	(1,855)	(6,118)
Income taxes	(586)	(2,128)
Net loss	(1,269)	(3,990)
Loss per share	(0.06)	(0.22)
Weighted average number of outstanding shares	19,524,251	18,402,033

MEGA BLOKS INC.**Consolidated statements of deficit****For the three-month periods ended March 31, 2002 and 2001****(expressed in thousands of U.S. dollars)****(Unaudited)**

	2002	2001
	\$	\$
Balance, beginning of year	(126,504)	(132,552)
Net loss	(1,269)	(3,990)
Change in accounting policy (Note 2)	544	-
Balance, end of period	(127,229)	(136,542)

MEGA BLOKS INC.**Consolidated balance sheets****As at March 31, 2002, December 31, 2001, March 31, 2001
(expressed in thousands of U.S. dollars)**

	March 31, 2002	December 31, 2001	March 31, 2001
	\$	\$	\$
	Unaudited	Audited	Unaudited
Assets			
Current assets			
Cash and short-term investments	4,042	7,954	5,259
Accounts receivable - trade	25,682	55,707	19,783
Accounts receivable - other	1,837	3,151	3,288
Inventories	16,567	12,026	14,211
Prepaid expenses	1,858	663	2,895
	49,986	79,501	45,436
Capital assets	29,112	27,018	31,871
Deferred charges	-	-	339
	79,098	106,519	77,646
Liabilities			
Current liabilities			
Bank overdraft	-	1,416	-
Accounts payable and accrued liabilities	15,747	16,613	16,172
Income taxes	106	562	-
Current portion of long-term debt (Note 7)	404	5,097	3,659
	16,257	23,688	19,831
Deferred credits	-	544	1,002
Long-term debt (Note 7)	90,032	108,753	99,020
Future income taxes	10,321	10,321	4,618
	116,610	143,306	124,471
Shareholders' deficiency			
Capital stock	89,717	89,717	89,717
Deficit	(127,229)	(126,504)	(136,542)
	(37,512)	(36,787)	(46,825)
	79,098	106,519	77,646

MEGA BLOKS INC.

Consolidated statements of cash flows

For the three-month periods ended March 31, 2002 and 2001

(expressed in thousands of U.S. dollars)

(Unaudited)

	2002	2001
	\$	\$
Cash flows from operating activities		
Net earnings	(1,269)	(3,990)
Items not affecting cash		
Loss on foreign currency translation	169	940
Amortization	1,125	450
	25	(2,600)
Changes in non-cash operating working capital items	24,113	26,932
	24,138	24,332
Cash flows from financing activities		
Change in revolving term bank loan balance	(23,500)	(23,500)
Repayment of long-term debt	(644)	(483)
Issue of capital stock	-	7,500
	(24,144)	(16,483)
Cash flows from investing activities		
Acquisition of capital assets	(2,490)	(1,843)
Net cash inflow (outflow)	(2,496)	6,006
Cash and cash equivalents, beginning of year	6,538	(747)
Cash and cash equivalents, end of period	4,042	5,259

Cash and cash equivalents comprise cash and short-term investments less bank overdraft.