

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities. The securities offered herein have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "1933 Act") and, subject to certain exceptions, may not be offered or sold within the United States or to U.S. persons. See "Plan of Distribution".

PRELIMINARY SHORT FORM PROSPECTUS

Secondary Offering

May 13, 2003



Mega Bloks Inc.

●

● **Common Shares**

This short form prospectus qualifies the distribution (the "Offering") of ● common shares (the "Offered Shares") of Mega Bloks Inc. ("Mega Bloks" or the "Company"), owned by Blackstone RH Capital Partners L.P., Blackstone RH Offshore Capital Partners L.P. and Blackstone Family Investments Partnership (Cayman) L.P. (collectively, "Blackstone" or the "Selling Shareholders"). See "Plan of Distribution" and "Principal Shareholders and Selling Shareholders". The offering price of the Offered Shares was determined by negotiation between Merrill Lynch Canada Inc., ●, ● and ● (collectively, the "Underwriters") and the Selling Shareholders with reference to the market price of the Common Shares. See "Plan of Distribution". Persons participating in the Offering may engage in transactions that stabilize, maintain or otherwise affect the price of the common shares. For a description of those activities, see "Plan of Distribution".

The Selling Shareholders own, in aggregate, approximately 26.5% of the outstanding common shares (the "Common Shares") of the Company. Following completion of the Offering, the Selling Shareholders will own, in aggregate, approximately ●% of the outstanding Common Shares. See "Principal Shareholders and Selling Shareholders". The Company will not receive any proceeds from the sale of the Offered Shares.

The Common Shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol "MB". On May 12, 2003, the last trading day prior to the announcement of the Offering, the closing price of the Common Shares on the TSX was \$23.00.

Price: \$● per Common Share

| | Price to Public | Underwriters' Fee | Net Proceeds to the Selling Shareholders⁽¹⁾ |
|-------------------------------------|------------------------|--------------------------|---|
| Per Offered Share | \$● | ● | ● |
| Total Offering ⁽²⁾ | \$● | ● | ● |

(1) The expenses of the Offering, estimated at \$● million, will be paid by the Company. The Underwriters' fee will be paid by the Selling Shareholders.
 (2) The Selling Shareholders have granted the Underwriters an over-allotment option (the "Over-Allotment Option") to cover over-allotments, if any, and for market stabilization purposes, exercisable for a period of 30 days from the date of the closing of the Offering, to purchase an additional ● Common Shares (the "Additional Shares") on the same terms as set out above. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' fee and net proceeds to the Selling Shareholders will be \$●, \$● and \$●, respectively. This prospectus also qualifies the distribution of the Additional Shares. See "Plan of Distribution".

In the opinion of counsel to the Company and the Underwriters, the Offered Shares will not be precluded as investments under certain statutes. See "Eligibility for Investment".

Investing in the Offered Shares involves risks that are referred to in the "Risk Factors" section of this prospectus.

The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when sold and delivered by the Selling Shareholders and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by McCarthy Tétrault LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. **The Underwriters may offer the Common Shares at a lower price than stated above. See "Plan of Distribution".**

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates representing the Offered Shares will be available for delivery at the closing of the Offering, which will take place on or about ●, 2003 but in any event not later than ●, 2003.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice-President – Intellectual Property and Legal Affairs and Secretary of Mega Bloks at 4505 Hickmore, Montreal, Quebec H4T 1K4 (Telephone: (514) 333-5555). For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Vice-President – Intellectual Property and Legal Affairs and Secretary of Mega Bloks, at the above-noted address and telephone number.

The following documents of the Company, which have been filed with securities commissions or other similar authorities in Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- a) the Annual Information Form of the Company dated April 14, 2003;
- b) the Company’s Audited Comparative Consolidated Financial Statements and the auditor’s report thereon, for the financial year ended December 31, 2002;
- c) Management’s Discussion and Analysis of the Financial Condition and Results of Operations of the Company for the financial year ended December 31, 2002;
- d) the Company’s Unaudited Comparative Consolidated Financial Statements for the three months ended March 31, 2003;
- e) Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Company for the three months ended March 31, 2003; and
- f) the Management Information Circular dated April 8, 2003 prepared in connection with the annual meeting of shareholders of the Company held May 1, 2003, except the sections entitled “Report of the Compensation Committee”, “Performance Graph” and “Corporate Governance”.

Any documents of the type referred to above as well as any material change reports (excluding confidential material change reports) subsequently filed by the Company with securities commissions or similar authorities in the provinces and territories of Canada subsequent to the date of this short form prospectus and prior to the termination of this Offering shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded

statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute a part of this short form prospectus.

THE COMPANY

Mega Bloks was incorporated under the *Canada Business Corporations Act* on May 16, 1983. On February 8, 1996, a group of investors led by Blackstone Capital Partners II Merchant Banking Fund L.P. and affiliates acquired an approximately 80% interest in the Company in a leveraged recapitalization transaction (the “Recapitalization Transaction”).

On May 9, 2002, Mega Bloks became a public company when it issued approximately 7.3 million Common Shares pursuant to an initial public offering (the “Initial Public Offering”), and the Common Shares were listed on the TSX. The Company used the net proceeds of its initial public offering to pay down indebtedness of the Company.

On November 27, 2002, Blackstone completed a secondary offering (the “Secondary Offering”) of approximately 7.2 million Common Shares. The Company did not receive any proceeds from the Secondary Offering.

The registered and principal office of Mega Bloks is located at 4505 Hickmore, Montreal, Quebec H4T 1K4.

BUSINESS OF THE COMPANY

Mega Bloks is the world’s second largest manufacturer and marketer of construction toys and the largest Canadian toy company, based on sales. Mega Bloks designs, manufactures and markets a broad line of construction toys under the MEGA BLOKS® brand name that incorporates its system of interlocking plastic building blocks. Mega Bloks’ products are evergreen, high quality toys that are rich in educational value and provide a compelling value to the consumer. Due to the simplicity and flexibility of building blocks, Mega Bloks’ products have broad appeal and enjoy relatively steady demand.

The MEGA BLOKS® collection of products ranges from basic building blocks to “hybrid” products that merge building blocks with other traditional toys such as vehicles and action figures. MEGA BLOKS® products target two primary age groups: (i) preschool products for children aged zero to five and (ii) “Micro” products for children aged five to ten. The preschool products consist of larger blocks and less complex elements suitable for younger children and are sold under such brands as “Baby” MEGA BLOKS®, “Maxi” MEGA BLOKS® and “Mini” MEGA BLOKS®. The “Micro” products consist of smaller pieces, require more complex construction and are sold under such brands as PROBUILDER™, DRAGONS™, TRANSFORMING BLOK BOTS™ and ALIEN AGENCY™. The “Micro” products are primarily marketed to boys. Mega Bloks’ products are compatible with each other based on the Company’s interlocking plastic block system. The Company’s products are also compatible with products from other construction toy brands. Currently, the Company manufactures over 100 products that are sold in over 100 countries.

The Company’s products are sold in North America and internationally to a broad spectrum of customers including chain stores, discount stores, distributors, wholesalers, department stores, other traditional retailers, food and drug stores and internet-based “e-tailers”. The Company’s sales and marketing efforts are focused on the worldwide development of the MEGA BLOKS® brand. The broad appeal of Mega Bloks’ products facilitates their rapid acceptance in markets around the world without the amount of promotional spending that is typically required for many other toys.

The Company believes that it is well positioned for continued strong growth. Key elements of the Company's growth strategy include:

- Expanding existing product lines;
- Introducing new product lines;
- Growing international sales;
- Expanding sales to existing retail accounts and penetrating new channels in North America;
- Pursuing incremental licensing opportunities; and
- Pursuing strategic acquisitions.

INTER-CORPORATE RELATIONSHIPS

All of the subsidiaries of the Company are wholly-owned, either directly or indirectly, by the Company. The only subsidiary of the Company whose total assets constitute more than 10% of the consolidated assets of the Company, or whose total sales and operating revenues exceed 10% of the consolidated sales and operating revenues of the Company, is Mega Bloks Europe N.V./S.A. Mega Bloks Europe N.V./S.A. was incorporated under the laws of Belgium.

USE OF PROCEEDS

The Offered Shares are being sold by the Selling Shareholders at a price of \$● per Offered Share. The net proceeds from the sale of the Offered Shares are estimated to be \$●.

All of the Offered Shares are currently owned by the Selling Shareholders and, accordingly, the net proceeds of the Offering will be received by the Selling Shareholders. The Company will not receive any of the proceeds of the Offering. The expenses of the Offering, estimated at \$● million, will be paid for by the Company. The Underwriters' fee will be paid by the Selling Shareholders.

PLAN OF DISTRIBUTION

Merrill Lynch Canada Inc., ●, ● and ● (collectively, the "Underwriters") have agreed with the Company and the Selling Shareholders pursuant to an underwriting agreement dated May ●, 2003 (the "Underwriting Agreement") to underwrite the sale of ● Offered Shares. Subject to the terms and conditions of the Underwriting Agreement, the Selling Shareholders have agreed to sell the Offered Shares and the Underwriters have agreed to purchase on the closing date, being ●, 2003, or any other date as may be agreed upon by the Selling Shareholders and the Underwriters, but not later than ●, 2003, all but not less than all such Offered Shares at a price of \$● per Offered Share, payable in cash to the Selling Shareholders against delivery of share certificate(s) evidencing the Offered Shares. The offering price of the Offered Shares was determined by negotiation between the Selling Shareholders and the Underwriters with reference to the market price of the Common Shares. The Underwriting Agreement provides that the Selling Shareholders will pay to the Underwriters, in consideration for their services in connection with the Offering, a fee of \$● per Common Share. The Company has agreed to pay certain other expenses of the Offering, estimated at \$●. The net proceeds of this Offering will be paid entirely to the Selling Shareholders and the Company will not receive any of such net proceeds.

The Underwriters have agreed to purchase all of the shares sold under the Underwriting Agreement if any of these shares are purchased. The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and also may be terminated upon the occurrence of certain stated events. The Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under applicable securities legislation, or to contribute to payments the Underwriters may be required to make in respect of those liabilities.

The Underwriters are offering the shares, subject to prior sale, when, as and if sold to and accepted by them, subject to approval of legal matters by their counsel and other conditions contained in the Underwriting Agreement, such as the receipt by the Underwriters of officer's certificates and legal opinions. The Underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Selling Shareholders have granted to the Underwriters an Over-Allotment Option, exercisable for a period of 30 days from the date of the closing of the Offering, to purchase up to an aggregate of ● Additional Shares from the Selling Shareholders, at a price of \$● per share, payable in cash against delivery of such Additional Shares, representing up to 15% of the Offered Shares sold pursuant to the Offering. The Over-Allotment Option is exercisable in whole or in part only for the purpose of covering over-allotments, if any, made by the Underwriters in connection with the Offering and for market stabilization purposes. As of the date hereof, the Selling Shareholders own 7,156,725 Common Shares and should the Over-Allotment Option be exercised in full, the Selling Shareholders will own ● Common Shares. This short form prospectus qualifies the grant of the Over-Allotment Option and also the distribution of the Additional Shares to be sold upon exercise of that option. The Underwriters will receive from the Selling Shareholders a fee of \$● per additional Common Share purchased pursuant to such option.

The Underwriters propose to offer the Common Shares initially at the public offering price on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Offered Shares offered by this short form prospectus at the price specified herein, the offering price may be decreased, and further changed from time to time, and the compensation realized by the Underwriters will accordingly also be reduced.

The Offered Shares offered hereby have not been and will not be registered under the 1933 Act and may not be offered or sold within the United States or to or for the account of U.S. persons absent registration or pursuant to an applicable exemption from the 1933 Act. The Underwriters have agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable laws of the United States, they will not offer or sell any Common Shares within the United States. The Underwriting Agreement permits the Underwriters to reoffer and resell Common Shares purchased by them pursuant thereto to certain qualified institutional buyers in the United States provided that such reoffers and such resales are made only in accordance with Rule 144A under the 1933 Act (which Rule provides an exemption from registration under such laws in connection with such reoffers and resales). This Canadian short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Common Shares in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act unless such offer is made pursuant to an exemption under the 1933 Act.

Pursuant to policy statements of the Ontario Securities Commission and the *Commission des valeurs mobilières du Québec*, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include bids or purchases permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities and bids or purchases made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first-mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Selling Shareholders, the Company, Victor J. Bertrand, Marc Bertrand and Vic Bertrand have agreed not to sell or transfer any Common Shares for 90 days after the date of this short form prospectus without first obtaining the written consent of Merrill Lynch Canada Inc. They have also agreed not to directly or indirectly do any of the following, or announce any intention to do so: offer, pledge, sell or contract to sell any Common Shares; sell any option or contract to purchase any Common Shares; purchase any option or contract to sell any Common Shares; grant any option, right or warrant for the sale of any Common Shares; lend or otherwise dispose of or transfer any Common Shares; request or demand that the Company file a preliminary prospectus, prospectus or registration statement related to Common Shares; or enter into any swap or other agreement that transfers, in whole

or in part, the economic consequence of ownership or any Common Shares whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise. This lockup provision applies to Common Shares and to securities convertible into or exchangeable or exercisable for or repayable with Common Shares (other than options outstanding as of the date of this short form prospectus or to be issued pursuant to the stock option plan). It also applies to Common Shares owned now or acquired later by the person executing the lockup agreement or for which the person executing the lockup agreement later acquires the power of disposition.

DESCRIPTION OF SHARE CAPITAL AND SECURITIES DISTRIBUTED

Authorized Capital

The authorized capital of the Company consists of (i) an unlimited number of Common Shares, of which 26,964,850 Common Shares were issued and outstanding as at April 30, 2003, and (ii) an unlimited number of preferred shares (the "Preferred Shares"), none of which are issued and outstanding.

The following is a summary of the material features of the Company's authorized capital and is qualified in its entirety by reference to the full text of the rights, privileges, restrictions and conditions of such shares in the Company's articles of incorporation.

Common Shares

The Common Shares are entitled to receive dividends as and when declared by the Board of Directors and, unless otherwise provided by legislation, are entitled to one vote per Common Share on all matters to be voted on at all meetings of shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of Common Shares are entitled to share ratably in the remaining assets available for distribution, after payment of liabilities.

Preferred Shares

The Preferred Shares are issuable from time to time in one or more series. The Board of Directors are authorized to fix before issue the number of, the consideration per share of, the designation of, and the provisions attaching to, the shares of each series. The Preferred Shares of each series rank on a parity with the Preferred Shares of every other series and are entitled to preference over the Common Shares and any other shares ranking junior to the Preferred Shares with respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding up of the Company. If any cumulative dividends or amounts payable on a return of capital are not paid in full, the Preferred shares of all series participate ratably in accordance with the amounts that would be payable on such shares on the return of capital if all amounts so payable were paid in full, as the case may be.

Securities Distributed

The Offered Shares consist of ● Common Shares at a price of \$● per Offered Share.

PRINCIPAL SHAREHOLDERS AND SELLING SHAREHOLDERS

The following table contains certain information with respect to holders of securities of the Company who, as at April 30, 2003, owned of record or who, to the Company's knowledge, owned beneficially (directly or indirectly) more than 10% of any class or series of the Company's voting securities and/or who is a Selling Shareholder in the Offering.

| Name of Shareholder | Type of Ownership | Before Giving Effect to the Offering ⁽¹⁾ | | After Giving Effect to the Offering ⁽²⁾ | |
|--|-------------------|---|--------------------------------------|--|--------------------------------------|
| | | Number of Common Shares | % of Total Outstanding Common Shares | Number of Common Shares | % of Total Outstanding Common Shares |
| Blackstone Capital Partners II Merchant Banking Fund L.P. and affiliates | Beneficial | 7,200,575 ⁽³⁾⁽⁴⁾ | 26.7 ⁽⁵⁾ | ● | ● |
| Victor J. Bertrand | Beneficial | 4,677,311 | 17.3 ⁽⁶⁾ | 4,677,311 | 17.3 ⁽⁶⁾ |
| Fidelity ⁽⁷⁾ | Beneficial | 3,380,020 ⁽⁷⁾ | 12.5 ⁽⁸⁾ | 3,380,020 | 12.5 ⁽⁸⁾ |

(1) Excludes 2,351,887 Common Shares issuable upon the exercise of outstanding stock options as at April 30, 2003.

(2) Without giving effect to the Over-Allotment Option.

(3) Blackstone RH Capital Partners L.P. owns 5,622,230 Common Shares. Blackstone RH Offshore Capital Partners L.P. owns 1,470,753 Common Shares. Blackstone Family Investments Partnership (Cayman) L.P. owns 63,742 Common Shares. Each Selling Shareholder acquired its shares pursuant to the Recapitalization Transaction. Each Selling Shareholder is an affiliate of Blackstone Capital Partners II Merchant Banking Fund L.P. Messrs. Peter G. Peterson and Stephen A. Schwarzman are the founding members of Blackstone Management Associates II L.L.C., the general partner of Blackstone Capital Partners II Merchant Banking Fund L.P., and as such may be deemed to share beneficial ownership of the shares owned by Blackstone Capital Partners II Merchant Banking Fund L.P.

(4) Includes 21,925 Common Shares owned by Marc Bertrand and 21,925 Common Shares owned by Vic Bertrand, all of which are subject to voting rights agreements in favor of Blackstone. See “Certain Shareholders Agreement and Related Matters”.

(5) 23.3% on a diluted basis.

(6) 15.1% on a diluted basis.

(7) Pursuant to an Early Warning Report dated February 28, 2003 (the “Early Warning Report”), Fidelity Management & Research Company owns 2,124,630 Common Shares, Fidelity Management Trust Company owns 1,198,880 Common Shares and Fidelity International Limited owns 56,510 Common Shares. The Early Warning Report states that the purchase of the Common Shares by each of the Fidelity entities was made for investment purposes only and not for the purpose of influencing control or direction over Mega Bloks.

(8) 10.9% on a diluted basis.

The Selling Shareholders are organized under the laws of a foreign jurisdiction and their principal places of business are located outside of Canada. Although the Selling Shareholders have appointed McCarthy Tétrault LLP located at 1170 Peel Street, Montreal, Quebec H3B 4S8, as its agent for service of process in Quebec, it may not be possible for investors to enforce against any Selling Shareholder judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation.

CERTAIN SHAREHOLDERS AGREEMENTS AND RELATED MATTERS

In connection with Blackstone’s investment in the Company, the Company along with Blackstone, Victor J. Bertrand, Vic Bertrand Marc Bertrand (collectively, the “Principal Shareholders”) and certain other shareholders entered into a shareholders agreement dated as of February 8, 1996. On such date, the Company also entered into certain subscription agreements with each of Vic Bertrand and Marc Bertrand relating to their shareholdings (the “Subscription Agreements”). On March 20, 2002, all the Principal Shareholders entered into an amended and restated stockholders’ agreement (the “Amended Shareholders Agreement”).

The material provisions of the Amended Shareholders Agreement and the Subscription Agreements are described in the Annual Information Form of the Company incorporated herein by reference. Should a sufficient number of Common Shares be sold pursuant to the Offering, the rights under the Amended Shareholders Agreement and the Subscription Agreements will terminate or be terminated.

RISK FACTORS

An investment in the Offered Shares offered hereby involves certain risks which should be carefully considered by prospective investors, including risks associated with the following: difficulty in predicting customer preferences and importance of new products; dependence on a few large customers; litigation; seasonality of the toy industry; competition; maintaining rapid growth rate; fluctuations in the price of plastic resins; international

operations; interest rate and currency fluctuations; protection of intellectual property rights; regulatory environment; and acquisitions. Prospective purchasers should also give careful consideration to the “Risk Factors” section contained in the Annual Information Form of the Company incorporated herein by reference.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

In connection with Blackstone’s investment in the Company, the Company and Blackstone Management Partners L.P. (“Blackstone Management”), an affiliate of Blackstone, entered into a monitoring agreement dated as of February 8, 1996 (the “Monitoring Agreement”), pursuant to which Blackstone Management provides certain advisory and consulting services to the Company in connection with its ongoing strategic and operational affairs. The term of the Monitoring Agreement expires when Blackstone and its affiliates cease to own 1,146,112 Common Shares. Under the Monitoring Agreement, the Company pays Blackstone a monitoring fee of \$150,000 per quarter. In addition, the Company has agreed to reimburse Blackstone for its out-of-pocket expenses.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The Company’s auditors are Deloitte & Touche LLP located at 1, Place Ville-Marie, Suite 3000, Montreal, Quebec H3B 4T9.

The transfer agent and registrar for the Common Shares is CIBC Mellon Trust Company at its principal offices located at 2001 University Street, Suite 1600, Montreal, Quebec H3A 2A6.

LEGAL MATTERS

The matters referred to under “Eligibility for Investment” and certain other legal matters relating to the Offered Shares will be passed upon at the date of closing of the Offering on behalf of the Company by McCarthy Tétrault LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. The partners and associates of McCarthy Tétrault LLP, as a group, and the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, own, directly or indirectly, less than 1% of the outstanding Common Shares.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Company, and of Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, based on the legislation in effect at the date hereof and subject to compliance with the prudent investment standards and general investment provisions and restrictions of the statutes referred to below (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment policies, standards, procedures and goals and, where applicable, without resort to the so-called “basket” provisions, the purchase of the Offered Shares hereunder will not, at the dates of issue, be precluded as investments under the following statutes:

| | |
|--|--|
| <i>Insurance Companies Act</i> (Canada) | <i>Pension Benefits Act</i> (Ontario) |
| <i>Pension Benefits Standards Act, 1985</i> (Canada) | <i>Insurance Act</i> (Ontario) |
| <i>Trust and Loan Companies Act</i> (Canada) | <i>Loan and Trust Corporations Act</i> (Alberta) |
| <i>Supplemental Pension Plans Act</i> (Quebec) | <i>Employment Pension Plans Act</i> (Alberta) |
| <i>An Act respecting insurance</i> (Quebec) for an insurer incorporated under the laws of the Province of Quebec, other than a guarantee fund corporation | <i>Insurance Act</i> (Alberta) |
| <i>An Act respecting trust companies and savings companies</i> (Quebec) for a trust company investing its own funds and funds received as deposits and a savings company investing its own funds | <i>Financial Institutions Act</i> (British Columbia) |
| <i>Loan and Trust Corporations Act</i> (Ontario) | <i>Pension Benefits Standards Act</i> (British Columbia) |
| | <i>The Insurance Act</i> (Manitoba) |
| | <i>The Trustee Act</i> (Manitoba) |
| | <i>Pension Benefits Act</i> (Nova Scotia) |
| | <i>Trust and Loan Companies Act</i> (Nova Scotia) |
| | <i>The Pension Benefits Act, 1992</i> (Saskatchewan) |

Furthermore, in the opinion of such legal counsel, the Offered Shares will be qualified investments for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education

savings plan or a deferred profit sharing plan under the *Income Tax Act* (Canada), the *Taxation Act* (Quebec) and the regulations thereunder. Also in the opinion of such legal counsel, based upon information provided by the Company, at the date of issue, the Common Shares offered hereby will not constitute “foreign property” for the purposes of Part XI of the *Income Tax Act* (Canada).

PURCHASERS STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission, price revision, or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE COMPANY

Dated: May 13, 2003

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required under securities legislation of each of the provinces and territories of Canada. For the purpose of the Province of Quebec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed hereunder.

(Signed) Marc Bertrand
President and Chief Executive Officer

(Signed) Alain Tanguay
Vice President Finance and Chief
Financial Officer

On behalf of the Board of Directors

(Signed) Anjan Mukherjee
Director

(Signed) Vic Bertrand
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: May 13, 2003

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required under securities legislation of each of the provinces and territories of Canada. For the purpose of the Province of Quebec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or market price of the securities to be distributed hereunder.

MERRILL LYNCH CANADA INC.

By: (Signed) Richard Dufresne