

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

FROM: Mega Bloks Inc.

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RE: News release – For immediate distribution

**MEGA BLOKS TO ACQUIRE ROSE ART,
A LEADING U.S. BRAND IN ARTS & CRAFTS AND ACTIVITY TOYS**

- Excellent strategic fit
- New platform for domestic and international growth
- Immediately accretive to earnings per share

MONTREAL, June 15, 2005 – Mega Bloks Inc. (TSX: MB) announces today that it has entered into a definitive agreement to acquire the Rose Art group of companies, headquartered in Livingston, New Jersey, establishing a new leader in creative activity products with pro forma annual sales of over US\$500 million in 2004.

Rose Art is the number two brand in the US\$1.8 billion arts & crafts category and the leader in magnetic building sets, the fastest growing segment of the construction category, in the United States market. Its product line also features school supplies, including writing instruments, and a broad assortment of games and puzzles. Rose Art is growing rapidly and recorded sales of US\$285 million, adjusted EBITDA* of US\$50 million and income from operations of US\$43 million for the 12 months ended March 31, 2005.

“Rose Art is a well-managed private company with strong brand recognition in the United States. This acquisition will be immediately accretive to earnings per share, and we expect it to generate accretion of over 15% on a full year basis, before synergies. In addition, we see great opportunities for profitable growth by leveraging our respective strengths and assets in innovation, licensing, merchandising, manufacturing and distribution in the years ahead. We are very pleased that Rose Art’s principals, Lawrence Rosen, President and CEO, and Jeffrey Rosen, Executive Vice-President, have made long-term commitments to be part of the senior management team of Mega Bloks to help us realize these opportunities,” said Marc Bertrand, President and CEO of Mega Bloks.

Commented Lawrence Rosen: “Joining forces with Mega Bloks is the best strategic option for Rose Art to pursue its rapid growth. In 2004, international sales accounted for approximately 10% of Rose Art’s business compared to 43% for Mega Bloks. We see a tremendous opportunity to accelerate international sales of Rose Art’s products through Mega Bloks’ well-established global sales and distribution network.”

“Our company has been in our family for over 80 years and we believe the Rose Art brand will thrive in this new relationship. We see an exciting future for the combined company,

driven by a common entrepreneurial culture, strong innovation and pride in creating great products,” added Lawrence Rosen.

Under the terms of the transaction, Mega Bloks will acquire all of the issued and outstanding shares of Rose Art Industries, Inc., Warren Industries, Inc. and their respective subsidiaries (“Rose Art”), and assume US\$35 million of outstanding debt for a total purchase price of US\$350 million, subject to post-closing adjustments. The consideration includes US\$20 million of Mega Bloks common shares issued upon closing at a price of CA\$19.00 per share to the Rose Art principals and cash payable at closing. A contingent payment of up to US\$50 million is payable in 2006 if Rose Art’s 2005 adjusted EBITDA* exceeds US\$50 million, based on five times such incremental amount. The transaction also provides for additional earn-out payments of 50% of the amounts exceeding adjusted EBITDA* thresholds of US\$60 million, US\$65 million and US\$70 million in 2005, 2006 and 2007, respectively.

The closing of the transaction is subject to customary conditions and regulatory approvals, and is expected to occur in mid-Q3 2005. Mega Bloks is being advised on the acquisition by BMO Nesbitt Burns.

The purchase price is fully financed by committed credit facilities provided and arranged by Bank of Nova Scotia and Bank of Montreal totalling US\$455 million, including a US\$100 million revolving credit facility for working capital purposes.

Giving effect to this transaction, the combined company’s pro forma sales are US\$523 million, EBITDA* (including Rose Art’s adjusted EBITDA*) is US\$96 million and income from operations is US\$75 million for the 12 months ended March 31, 2005. Mega Bloks expects to benefit from the strong cash flow generating capability of the combined operations, cost synergies of approximately US\$7 million to US\$10 million in the 18 months following the closing, as well as cash flow savings of approximately US\$100 million over the next 15 years resulting from the amortization of goodwill for tax purposes.

“The combination of Mega Bloks and Rose Art is a great strategic and operational fit which we expect will create value for our shareholders. Rose Art operates in growing, evergreen and basic categories, some of which are counter-seasonal to our current business. Rose Art’s products appeal to a broad consumer base, predominantly girls, which complements our current product lines. We are also strengthening our presence with existing customers, expanding our shelf space into multiple toy aisles and opening new retail channels in arts & crafts and office supply stores,” concluded Marc Bertrand.

FINANCIAL DATA

(All amounts expressed in millions of U.S. dollars)

Rose Art

	Year Ended December 31 2003	Year Ended December 31 2004	12 Months Ended March 31 2005
Sales	219.0	268.4	285.0
Adjusted EBITDA*	23.8 ⁽¹⁾	45.1 ⁽²⁾	50.0 ⁽³⁾
Income from operations	16.5	38.3	43.4
Total assets	108.1	140.6	127.2

Mega Bloks

	Year Ended December 31 2003	Year Ended December 31 2004	12 Months Ended March 31 2005
Sales	219.7	234.6	237.7
EBITDA*	51.0 ⁽⁴⁾	47.3 ⁽⁵⁾	46.0 ⁽⁶⁾
Income from operations	43.3	33.3	31.9
Total assets	164.7	183.2	150.1

* EBITDA is income before interest, income taxes, depreciation, amortization and unusual items. References to adjusted EBITDA are calculated in accordance with the stock purchase agreement in respect of the acquisition, and which management believes is an important indicator of normalized, recurring EBITDA in respect of Rose Art. References to adjusted EBITDA are to EBITDA for the period adjusted for certain compensation expenses, certain anti-dumping duties, and other extraordinary and non-recurring items.

⁽¹⁾ In the fiscal year ended December 31, 2003, adjusted EBITDA of US\$23.8 million minus depreciation and amortization of US\$3.9 million and non-recurring items as per the stock purchase agreement of US\$3.4 million represented income from operations of US\$16.5 million.

⁽²⁾ In the fiscal year ended December 31, 2004, adjusted EBITDA of US\$45.1 million minus depreciation and amortization of US\$3.6 million and non-recurring items as per the stock purchase agreement of US\$3.2 million represented income from operations of US\$38.3 million.

⁽³⁾ In the 12 months ending March 31, 2005, adjusted EBITDA of US\$50.0 million minus depreciation and amortization of US\$3.5 million and non-recurring items as per the stock purchase agreement of US\$3.1 million represented income from operations of US\$43.4 million.

⁽⁴⁾ In the fiscal year ended December 31, 2003, EBITDA of US\$51.0 million minus depreciation and amortization of US\$7.7 million represented income from operations of US\$43.3 million.

⁽⁵⁾ In the fiscal year ended December 31, 2004, EBITDA of US\$47.3 million minus depreciation and amortization of US\$8.8 million and unusual items consisting of a US\$1.6 million charge in connection with professional and consulting services related to the expansion of our presence in the German market and a US\$3.6 million loss recognized against earnings due to the fact that certain derivative financial instruments ceased to qualify for hedge accounting represented income from operations of US\$33.3 million.

⁽⁶⁾ In the 12 months ending March 31, 2005, EBITDA of US\$46.0 million minus depreciation and amortization of US\$8.9 million and unusual items consisting of a US\$1.6 million charge in connection with professional and consulting services related to the expansion of our presence in the German market and a US\$3.6 million loss recognized against earnings due to the fact that certain derivative financial instruments ceased to qualify for hedge accounting represented income from operations of US\$ 31.9 million.

QUICK FACTS

	Mega Bloks	Rose Art
Sales Distribution – 2004	57% North America 43% International	90% United States 10% International
Employees (North America)	over 1,000	over 1,000
Headquarters	Montreal	Livingston, New Jersey
Plants	Montreal	New Jersey, Indiana, Oregon, Tennessee, China
Ownership	Toronto Stock Exchange listed Stock symbol - MB	Private
Major Shareholders	Public 80.7% Victor J. Bertrand 19.3%	Lawrence, Jeffrey and Sydney Rosen 100%
Year established	1967	1923

About Mega Bloks

Mega Bloks creates high quality, fun and educational 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 more than 1,000 people with sales in over 100 countries.

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Non-GAAP Measures

EBITDA is income before interest, income taxes, depreciation and amortization. References to adjusted EBITDA are to EBITDA calculated in accordance with the stock purchase agreement in respect of the acquisition, and which management believes is an important indicator of normalized, recurring EBITDA in respect of Rose Art. "Adjusted EBITDA" means EBITDA adjusted for certain compensation expenses, certain anti-dumping duties and certain other extraordinary or non-recurring items.

Forward-looking statements

This press release contains forward-looking statements related to expected future events and financial and operating results of Mega Bloks and Rose Art 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 at www.sedar.com.

Conference call

Analysts are invited to a conference call hosted by Mega Bloks today, June 15, 2005, at 9:15 a.m. All other interested parties are invited to participate in the conference call in listen-only mode. The dial-in number is 1 (800) 814-4862. For those unable to participate, a replay will be available until June 29, 2005. The replay phone number is 1 (416) 640-1917 and the access code is 21127600#.

Press conference

Mega Bloks will host a press conference today, June 15, 2005 at 11:30 a.m. at the Sofitel Montreal, 1155 Sherbrooke Street West, Salon Picasso. Members of the financial community are welcome to attend but the question period will be reserved solely for media representatives. A broad assortment of Rose Art products will be on display.

Source: Mega Bloks Inc.

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