



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 REPORTS 27% SALES GROWTH IN SECOND QUARTER

MONTREAL, July 28, 2005 — Mega Bloks Inc. (TSX: MB) announced today its financial results for the second quarter and six months ended June 30, 2005.

Financial Highlights

(All figures in US\$ millions except per share amounts)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2005	2004	2005	2004
Net sales	US\$ 38.3	US\$ 30.2	US\$ 67.6	US\$ 56.4
Net loss	(US\$ 0.5)	(US\$ 0.1)	(US\$ 1.7)	(US\$ 0.4)
Loss per share Basic and diluted	(US\$ 0.02)	(US\$ 0.00)	(US\$ 0.06)	(US\$ 0.02)

“We are building solid momentum heading into the peak selling season with 27% sales growth in the second quarter and 20% in the first six months of 2005,” said Marc Bertrand, President and CEO. “We are well ahead of last year’s pace powered by a great assortment of construction toys in both preschool and boys 5+ as well as a very strong performance in international markets. With the acquisition of the Rose Art group, we are now a leader in creative activity products with pro forma annual sales in excess of \$500 million. We have exciting opportunities before us for growth by leveraging our respective strengths and assets in innovation, licensing, merchandising, manufacturing and distribution.”

Net sales in the second quarter of 2005 increased 27% to \$38.3 million, compared to \$30.2 million in the second quarter last year. North American sales were stable at \$14.8 million, with steady growth in Canada. International sales jumped 52.7% to \$23.5 million compared to \$15.4 million in the second quarter of 2004, with sales growth across all key European markets, Latin America and Asia. Net loss for the second quarter was \$0.5 million compared to a loss of \$0.1 million in the same period last year, reflecting mainly unrealized foreign exchange losses, higher resin prices and additional investment in sales and distribution in international markets.



For the first six months of 2005, net sales increased 19.9% to \$67.6 million compared to \$56.4 million in the same period last year. North American sales totalled \$30.3 million compared to \$30.9 million in the 2004 period, while international sales were up 46% to \$37.3 million compared to \$25.5 million. International markets accounted for 55% of sales for the first six months of 2005 compared to 45% in the same 2004 period.

Recent Development

On July 26, 2005, Mega Bloks completed the acquisition of Rose Art Industries, Inc., Warren Industries, Inc. and their respective subsidiaries ("Rose Art"), headquartered in Livingston, New Jersey. Rose Art is the number two brand in the \$1.8 billion arts & craft category and the leader in magnetic building sets. 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 \$285 million and income from operations of \$43 million for the 12 months ended March 31, 2005.

The total consideration for the acquisition was \$350 million, consisting of \$295 million in cash, \$20 million of Mega Bloks shares issued at a price of CA\$19.00 per share and the assumption of approximately \$35 million of debt. In conjunction with the transaction, Mega Bloks secured a senior credit facility of \$400 million, including a \$100 million revolving facility for working capital purposes. In addition, Mega Bloks sold 3.1 million subscription receipts by way of private placement at CA\$22.25 per subscription receipt for gross proceeds of CA\$68,975,000. The subscription receipts were exchanged on a one-to-one basis for Mega Bloks common shares on July 26, 2005.

Invitation to Conference Call

Analysts are invited to a conference call hosted by Mega Bloks today, July 28, 2005, at 4:30 p.m. All other interested parties are invited to participate in the conference call in a listen-only mode. The dial-in number is 1 (800) 218-8862. For those unable to participate, a replay will be available until August 11, 2005. The replay phone number is 1 (416) 640-1917 and the access code is 21132365#.

Forward-looking statements

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.

About the Mega Bloks Group

The Mega Bloks Group of companies under the MEGA BLOKS and ROSE ART brands, produces high quality, fun and educational toys, crafts, stationery and school supplies that stimulate kids, caregivers and educators to play and learn together under a unique creative platform. Headquartered in Montreal, Mega Bloks is a global organization with presence in 14 countries and sales in over a hundred.



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MEGA BLOKS INC.

Consolidated statements of earnings

(in thousands of U.S. dollars, except per share amounts)

(Unaudited)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2005	2004	2005	2004
Net sales	\$ 38,292	\$ 30,168	\$ 67,605	\$ 56,370
Cost of sales	22,536	17,650	39,735	32,909
Gross profit	15,756	12,518	27,870	23,461
Marketing, research and development, and advertising expenses	5,706	4,143	10,486	7,856
Other selling, distribution and administrative expenses	10,535	8,159	19,303	15,419
Earnings (loss) from operations	(485)	216	(1,919)	186
Interest expense				
Long-term debt	187	282	485	696
Other	1	64	(45)	87
	188	346	440	783
Loss before income taxes	(673)	(130)	(2,359)	(597)
Income taxes				
Current	507	419	(422)	(171)
Future	(640)	(458)	(219)	(8)
	(133)	(39)	(641)	(179)
Net loss	\$ (540)	\$ (91)	\$ (1,718)	\$ (418)
Loss per share				
Basic	\$ (0.02)	\$ (0.00)	\$ (0.06)	\$ (0.02)

MEGA BLOKS INC.

Consolidated statements of deficit (in thousands of U.S. dollars) (Unaudited)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2005	2004	2005	2004
Balance, beginning of period	\$ (53,498)	\$ (77,824)	\$ (52,320)	\$ (77,497)
Net loss	(540)	(91)	(1,718)	(418)
Balance, end of period	\$ (54,038)	\$ (77,915)	\$ (54,038)	\$ (77,915)

MEGA BLOKS INC.

Consolidated balance sheets (in thousands of U.S. dollars)

	June 30, 2005 (Unaudited)	December 31, 2004 (Audited)	June 30, 2004 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents	\$ 11,962	\$ 5,607	\$ 9,191
Accounts receivable - trade	49,810	101,984	31,629
Accounts receivable - other	4,859	9,898	2,217
Derivatives financial instruments	-	1,184	-
Inventories	41,947	26,125	35,145
Income taxes	3,857	-	173
Prepaid expenses	3,922	4,347	3,815
	116,357	149,145	82,170
Capital assets	33,850	32,221	35,967
Deferred charges	1,449	1,789	1,103
Intangible assets	1,381	-	-
	\$ 153,037	\$ 183,155	\$ 119,240
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	29,710	41,622	19,943
Derivatives financial instruments	-	4,757	-
Income taxes	-	1,111	-
Current portion of long-term debt	757	563	535
	30,467	48,053	20,478
Long-term debt	13,006	24,009	13,186
Future income taxes	8,075	8,294	8,990
	51,548	80,356	42,654
Shareholders' equity			
Capital stock	154,645	154,434	154,067
Contributed Surplus	882	685	434
Deficit	(54,038)	(52,320)	(77,915)
	101,489	102,799	76,586
	\$ 153,037	\$ 183,155	\$ 119,240

MEGA BLOKS INC.

Consolidated statements of cash flows (in thousands of U.S. dollars) (Unaudited)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2005	2004	2005	2004
Cash flows from operating activities				
Net loss	\$ (540)	\$ (91)	\$ (1,718)	\$ (418)
Items not affecting cash and cash equivalents				
Amortization	2,332	1,853	4,173	3,590
Loss (gain) on foreign currency	1,319	(445)	1,543	(724)
Others	(579)	(390)	618	163
	2,532	927	4,616	2,611
Changes in non-cash operating working capital items	(4,599)	1,132	19,354	31,178
	(2,067)	2,059	23,970	33,789
Cash flows from financing activities				
Repayment of long-term debt	(268)	(12,249)	(386)	(12,664)
Change in revolving credit facility	-	-	(11,000)	(10,000)
Issue of capital stock	87	298	211	338
	(181)	(11,951)	(11,175)	(22,326)
Cash flows from investing activities				
Acquisition of capital assets	(2,237)	(2,895)	(4,965)	(5,867)
Addition of intangible assets	(1,381)	-	(1,381)	-
	(3,618)	(2,895)	(6,346)	(5,867)
Net cash inflow (outflow)	(5,866)	(12,787)	6,355	5,596
Cash and cash equivalents, beginning of period	17,828	21,978	5,607	3,595
Cash and cash equivalents, end of period	\$ 11,962	\$ 9,191	\$ 11,962	\$ 9,191
Supplementary disclosure of cash flow information				
Interest paid	\$ 316	\$ 271	\$ 499	\$ 688
Income taxes paid	2,144	255	4,670	1,388
Capital assets acquired by means of capital leases	30	-	517	-