



PRESS RELEASE

MEGA BRANDS ANNOUNCES AMENDMENTS TO ITS CREDIT FACILITIES AND THE CLOSING OF A CA\$75 MILLION PRIVATE PLACEMENT

Montreal, August 18, 2008 – MEGA Brands Inc. (TSX: MB) (the "Corporation") is pleased to announce today that it has received lender approval for certain amendments to its senior secured credit facilities (the "Credit Facilities") maturing in 2012 (the "Credit Agreement").

On August 18, 2008, the Corporation executed a sixth amending agreement (the "Sixth Amendment") to its Credit Agreement dated July 26, 2005 providing for certain changes to the terms and conditions of its senior secured Credit Facilities maturing in 2012, including a waiver of the cumulative minimum EBIDTA ratio covenant for the period ended June 30, 2008. Additionally, the Sixth Amendment introduces the concept of a new definition of the calculation of EBIDTA allowing for the add-back of certain non-recurring and non-cash items. The covenant includes a minimum EBITDA at the end of each quarter up to and including June 30, 2010, at which point more stringent covenants previously in place under the Credit Agreement become effective. The revolving credit facility has been reduced to \$100 million.

Concurrently, the Corporation has closed the private placement offering of senior unsecured convertible debentures with Fairfax Financial Holdings Ltd. ("Fairfax"), Chiefswood Holdings Limited ("Chiefswood"), The Owners Fund and Victor J. Bertrand Sr., the founder and chairman of the board of directors of the Corporation, announced on August 11, 2008, which will generate gross proceeds of CA\$75 million and mature on August 31, 2013.

As announced, the debentures will bear interest at a rate of 8% payable semi-annually in arrears and will be convertible at the option of the holder at any time prior to the maturity date based on a conversion price equal to approximately CA\$3.19 per common share, subject to customary anti-dilution adjustments. The debentures will be convertible into 23,512,500 common shares, representing 39% of the common shares of the Corporation on an as converted basis.

Assuming full conversion of the debentures to be issued to them, Fairfax would hold 20,064,000 common shares or 35.4% of the outstanding shares of the Corporation and such a conversion may have a material effect on control, Victor J. Bertrand Sr. would hold an additional 2,194,500 common shares which, with his current holding, will represent 11% of the outstanding shares of the Corporation and each of Chiefswood and The Owner Group would receive 627,000 common shares which represent approximately 1 % of the outstanding shares of the Corporation. See the Corporation's press release dated August 11, 2008 for further details.

BMO Capital Markets acted as exclusive placement agent and financial advisor to MEGA Brands in connection with the Offering.

The proceeds of the offering, combined with the amendments to the Corporation's Credit Facility, provide the Corporation with the financial resources and flexibility to meet working capital requirements leading up to the peak toy selling season and to continue the implementation of its Value Enhancement Plan.

About MEGA Brands

MEGA Brands is a trusted family of leading global brands in construction toys, games & puzzles, arts & crafts and stationery. They offer engaging creative experiences for children and families through

innovative, well-designed, affordable and high-quality products that deliver on our Creativity to the Rescue promise. Visit <http://www.megabrands.com> for more information.

The MEGA logo, Creativity to the Rescue, Mega Bloks, Rose Art, MagNext and Board Dudes are trademarks of MEGA Brands Inc. or its affiliates.

About Fairfax

Fairfax Financial Holdings Limited is a financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management.

Forward-Looking Statements

All statements in this press release that do not directly and exclusively relate to historical facts constitute "forward-looking statements". These statements represent the Corporation's intentions, plans, expectations and beliefs. In certain instances, these statements require us to make assumptions and there is significant risk that these assumptions may not be correct. Furthermore, these statements are subject to risks, uncertainties and other factors, many of which are beyond the Corporation's control. The Corporation disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable legislation. Readers are cautioned not to place undue reliance on these forward-looking statements. More information about the risks that could cause our actual results to significantly differ from our current expectations can be found in the "Risks and Uncertainties" section of our 2007 annual MD&A and Q2 2008 MD&A.

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