

MEGASTAR DEVELOPMENT CORP.

#600 - 625 Howe Street, Vancouver, BC, Canada V6C 2T6

Tel.: (604) 683-6648, Fax: (604) 683-1350

www.megastardevelopment.com

TSX-V: **MDV**

Frankfurt: **M5Q**

“NEWS RELEASE”

MEGASTAR UPDATES SHAREHOLDERS REGARDING PLAN OF ARRANGEMENT AND DIVIDEND DISTRIBUTION

Vancouver, BC, Canada, January 11, 2011 - Megastar Development Corporation (“Megastar”, the “Company” or “MDV”) (TSX-V: **MDV**; Frankfurt: **M5Q**) today updated shareholders regarding the status of its recently announced plan of arrangement and dividend distribution of 70,000,000 common shares of Eloro Resources Ltd.

The plan of arrangement was approved by special resolution of the shareholders on December 20, 2010 and received requisite approval of the Supreme Court of British Columbia under Section 288 of the British Columbia Corporations Act on December 21, 2010. The plan of arrangement has been initiated and, upon completion, will result in the distribution of 70,000,000 shares of Eloro Resources Ltd to Megastar shareholders of record at close of markets on January 7, 2011. Based on a total of 42,127,233 outstanding and issued common shares in the capital stock of Megastar on the January 7, 2011, the ratio of distribution will be approximately 1.6616329869 Eloro shares for each Megastar share. The Ex-dividend date, the date as of which a purchaser of Megastar common shares is no longer entitled to receive Eloro shares pursuant to the arrangement, is January 5, 2011.

The 70,000,000 shares of Eloro Resources to be distributed were received by Megastar in consideration of the sale of its Simkar property to Eloro Resources. The Eloro shares were transferred into escrow on November 18, 2010. Completion of Megastar’s plan of arrangement and subsequent release from escrow of the Eloro Shares is subject to TSXV acceptance of the sale and acquisition of the Simkar property and registration of title transfer in respect of the property.

Megastar will notify shareholders upon TSXV acceptance of the transaction and dividend distribution.

ABOUT MEGASTAR DEVELOPMENT CORP.

Megastar Development Corp. is an emerging resource company engaged in the acquisition, exploration and development of mineral properties in Canada. Megastar owns gold and base metal properties in Quebec and British Columbia. For further information, investors and shareholders are invited to visit the Company’s website at www.megastardevelopment.com or call the office at 604-683-6648.

ON BEHALF OF THE BOARD OF DIRECTORS

“*DUŠAN BERKA*”

Dušan Berka, P. Eng.
President & CEO

Neither the TSX Venture Exchange nor its regulation services provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release. Statements made in this news release that are not historical facts are “forward-looking statements”, and readers are cautioned that any such statements are not guarantees of future performance, and that actual developments or results, may vary materially from those in these “forward-looking” statements.