

MEGASTAR DEVELOPMENT CORP.

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TSX-V: MDV

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“NEWS RELEASE”

FIRST TRANCHE OF FINANCING CLOSED - \$119,100 FT

Further to the news releases of December 23, 2005 and January 3, 2006 and the TSX Venture Exchange acceptance letter dated January 11, 2006, Megastar Development Corp. (TSX Venture Exchange – “MDV”) wishes to announce that it has closed a first tranche of its non-brokered flow-through (“FT”) private placement by issuing 794,000 units at a price of \$0.15 per unit for a total gross proceeds of \$119,100; this was an oversubscription and increase of 194,000 units from the previously announced 600,000 units FT private placement. Each issued unit consists of one flow-through share and one share purchase warrant; two warrants will entitle the holder to purchase one additional non-flow-through common share of the company at a price of 20 cents for a period of one year. The shares and warrants issued are subject to a hold period of four months, expiring May 12, 2006. There was no finder fee paid in connection with this private placement.

The net proceeds from the private placement will be used by Megastar for exploration purposes primarily on its 100% owned RALLEAU Zn-Cu property located in Ralleau Township, approximately 40km east of Quévillon, Quebec. The project area consists of 12 designated cells covering an area of 676 hectares accessible via a series of forestry roads emanating from the Val d’Or-Chibougamau provincial road and is situated about 20km southeast of the **Langlois mine**, currently being developed by Breakwater (TSX: BWR). For a map of the project area, refer to www.megastardevelopment.com/properties/ralleau.php . If warranted, a portion of the proceeds may be incurred on other Quebec mineral properties in which the Company holds an interest.

For further information, investors and shareholders are invited to visit the Company’s web-site at www.megastardevelopment.com.

ON BEHALF OF THE BOARD OF DIRECTORS

“Dušan Berka.”

Dušan Berka P.Eng.
President & CEO

THE TSX VENTURE EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS NEWS RELEASE.