

MEGASTAR DEVELOPMENT CORP.

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TSX-V: MDV

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“NEWS RELEASE”

MEGASTAR CLOSSES FIRST TRANCHE OF PRIVATE PLACEMENT

Megastar Development Corp. (TSX-V: MDV) is pleased to announce that it has completed the flow-through share portion of the non-brokered private placement announced on December 23, 2005.

Subject to TSX Venture Exchange approval, the company will issue 794,000 flow-through units at a price of 15 cents per unit for gross proceeds of \$119,100, being an increase from the \$90,000 previously announced on December 23, 2005. Each unit will consist of one 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 issued under the private placement will be subject to a four-month hold period from the date of TSX Venture Exchange approval.

The proceeds from the private placement will be used by Megastar for exploration purposes primarily on its 100% owned RALLEAU 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.

The second tranche of the non-brokered private placement is anticipated to close on or about January 20, 2006.

For further information, investors and shareholders are invited to visit the Company's website 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.