

Megastar Development Corp.

Posted on July 11, 2007

Ticker: MDV-V

Recent Price: 0.175 cents
Shares Outstanding: 29,6 million
Fully Diluted: 42,3 million
Working Capital: \$1.1 million

At this point in the summer I as most people are looking for solid, undervalued companies. Well, we at WCMS are no strangers to finding companies that fit into that category. Megastar Development is a company that has had poor exposure relative to their projects. The biggest thing that has caught my attention is their positioning in the Val D'or mining Camp. Huge benefits come to those who are doing work in the province of Quebec. Between the 47 cents on the dollar rebate by the government to the company working in the province to the known mineralization in the area, this is a great place to be.

Megastar Development Corp. has a 100%, royalty free interest in 2 mining concessions consisting of 557 acres in the Louvicourt Township of Quebec, 20km east of **Val-d'Or**, Quebec. The SIMKAR Property is situated within the Late Archean **Abitibi Greenstone Belt**, which is part of the central core of the North American craton known as Superior Province. The Abitibi Greenstone Belt is the largest of the Archean greenstone terrains of the world and is host to a major proportion of Canada's mineral resources.

Between 1987 and 1992, \$12,000,000 was spent on exploration and development at Simkar. Expenditures were incurred for: sampling, mapping drill testing, and defining ore resource, rehabilitating and extending mine workings bulk testing. Prior to that, the mine had produced 32,000 oz of gold from 1947 to 1949 and was inactive until 1987.

In 1991 a resource estimate was produced for the mine with the following as an "indicated resource"; 271,043 tonnes averaging 8.42 grams per tonne gold. Megastar Development Corp. acquired all right, title and interest to the Simkar gold mine in 1996 and has since focused on a modern exploration approach to develop a drill hole database.

In addition, regional-scale Megatem and Titan24 surveys were conducted over the north part of the Simkar Property, including most of the North Rhyolite. The data identifies nine (9) anomalies within the Simkar Property. The most significant is quoted as a "Priority 1," moderate conductor located at moderate to great depth. This anomaly appears coincident with Megastar's IP anomaly. The Titan24 survey is one of the best on the market. The fact that Megastar has chosen to use that particular system shows that they are serious about developing this property.

Some stellar results from the Simkar property include numbers as high as 140 g/t gold over 0.5 meters, 99 g/t gold over 0.3 meters, 33.9 g/t gold over 1.0 meter, 31 g/t gold over 0.5 meters and 7.22 g/t over 4.5 meters. High grade zones were intersected in 3 holes (SKR-07-04, -05 and -09) on strike over 350 meters. All three holes successfully intersected the targeted mineralized zones at depth, thus confirming the continuity of the gold bearing structures below underground workings of the Simkar Gold Mine (formerly known as Louvicourt-Goldfields Mine). These results are very encouraging and will help Megastar focus its resources on these areas to further delineate these very good numbers.

The RALLEAU Zinc-Copper Property is located within the Abitibi Greenstone Belt in Quebec. It covers a favorable area of Volcanogenic Massive Sulfide (VMS) mineralization approximately 20km southeast of the Breakwaters (TSX: BWR) Langlois mine hosting reserves and resources of 8.3 MT of 11%Zn, 0.8%Cu and 53 g/t Ag. The company has acquired 17 new mineral claims contiguous to its 100% owned RALLEAU property located 40 km east of Quevillon, Quebec. The 2006 diamond drilling program intersected disseminated, stringer and thin massive sulphide mineralization over metric widths.

Institutional Research partners, LLC of NY, NY has given a 12 month target of 68 cents a share. Though I don't think it is unrealistic, I think it could be closer to a dollar if they produce grades of 10 to 20 g/t with some sort of consistency. If they meet a lower grade with respectable tonnage, somewhere in the 50 cent range is feasible. Either way it looks very attractive at these levels. One of the other value pieces of the puzzle is the infrastructure.

It is very good in the area, and the part of the 12 million dollars spent in the early 1990s on rehabilitation of the old mine workings is a huge bonus. These are all costs that don't have to be incurred and I'm not sure that the market has factored that in the share price yet.

Gold is their main resource, though they do have a SEDEX Zinc property in northern BC, which has base metals, we will focus on gold as the main source of value for this company. Further, they have not really done any substantial work on the SEDEX property. However, under an Option Agreement, Mantle Resources Inc. ("MTS") has made a \$2.25 mi work commitment to earn initial 60% interest in Megastar's SEDEX property; 2007 summer exploration work program has commenced.

The Gold market has maintained relative strength. The price of the metal has been around 650 \$/oz and I anticipate it moving towards the 700 dollar mark in the next 6 months. The reason being is that it is still regarded as a stronghold, and a hedge against a falling US economy. Thus any companies drilling for or extracting gold should benefit. Further, a company with high grade potential such as megastar, the possibility for the company to take advantage of high gold prices is very good.

Based on all the above this company should see some substantial increase in value.

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