

BC FORM 51-901F

QUARTERLY REPORT AND YEAR END REPORT

Incorporated as part of: X Schedule A

 Schedule B & C

ISSUER DETAILS:

NAME OF ISSUER: Megastar Development Corp.
 ISSUER'S ADDRESS: Box 865, #5-9110 Glover Road, Fort Langley, B.C., VIM 2S2
 ISSUER TELEPHONE NUMBER: (604) 888-0786
 CONTACT PERSON: Peter Haladin
 CONTACT'S POSITION: Director
 CONTACT TELEPHONE NUMBER: (604) 888-0786
 CONTACT EMAIL ADDRESS: p.haladin@shawcable.com WEBSITE ADDRESS: N/A
 FOR QUARTER ENDED: August 31, 2003
 DATE OF REPORT: October 27, 2003

CERTIFICATE

THE SCHEDULE(S) REQUIRED TO COMPLETE THIS QUARTERLY REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS QUARTERLY REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT. PLEASE NOTE THIS FORM IS INCORPORATED AS PART OF BOTH THE REQUIRED FILING OF SCHEDULE A AND SCHEDULES B & C.

"Jerry A. Minni"
 DIRECTOR'S SIGNATURE PRINT NAME IN FULL DATE SIGNED (YY/MM/DD) "03/10/27"

"Peter Haladin"
 DIRECTOR'S SIGNATURE PRINT NAME IN FULL DATE SIGNED (YY/MM/DD) "03/10/27"

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FINANCIAL

MEGASTAR DEVELOPMENT CORP.
 CONSOLIDATED FINANCIAL STATEMENTS
 AUGUST 31, 2003

SUPPLY



CONSOLIDATED BALANCE SHEET
 CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
 CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PREPARED BY MANAGEMENT

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MEGASTAR DEVELOPMENT CORP.
CONSOLIDATED BALANCE SHEET

AUGUST 31, 2003
(UNAUDITED)

ASSETS

	Aug. 31, 2003	Feb. 28, 2003
CURRENT		
Cash	\$ 8,928	\$ 11,843
GST receivable	1,702	1,497
	10,630	13,340
RESOURCE PROPERTIES (Note 3)		
	11,323	11,323
	\$ 21,953	\$ 24,663
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 37,558	\$ 35,240
Due to related parties	1,200	62,063
	38,758	97,303

SHAREHOLDERS' DEFICIENCY

SHARE CAPITAL (Note 4)	4,997,081	4,874,081
SHARE SUBSCRIPTIONS	-	14,000
DEFICIT	(5,013,886)	(4,960,721)
	(16,805)	(72,640)
	\$ 21,953	\$ 24,663

APPROVED BY THE DIRECTORS:

"Jerry A. Minni"

"Peter Haladin"

The accompanying notes are an integral part of these financial statements.

PREPARED BY MANAGEMENT

MEGASTAR DEVELOPMENT CORP.
CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
FOR THE PERIOD ENDED AUGUST 31, 2003

(UNAUDITED)

	3 months ended August 31, 2003	2002	6 months ended August 31, 2003	2002
EXPENSES				
Administration	\$ 12,000	\$ 6,000	\$ 12,000	\$ 12,000
Exploration costs written off	-	-	161	-
Filing fee	3,140	544	4,620	2,865
Interest and bank charges	18	28	94	53
Investor relations	-	1,276	-	1,276
Management and administration fees	6,000	7,500	14,500	15,000
Office and miscellaneous	2,973	1,908	3,694	2,042
Professional fees	4,768	10,511	8,573	13,601
Promotion and travel	1,899	(26)	5,014	428
Shareholder information	-	17	-	2,457
Telephone	221	419	460	1,229
Transfer agent	2,985	2,337	4,049	3,496
	34,004	30,514	53,165	54,447
NET LOSS FOR THE PERIOD	(34,004)	(30,514)	(53,165)	(54,447)
DEFICIT, BEGINNING OF PERIOD	(4,979,882)	(4,873,259)	(4,960,721)	(4,849,326)
DEFICIT, END OF PERIOD	<u>\$(5,013,886)</u>	<u>\$(4,903,773)</u>	<u>\$(5,013,886)</u>	<u>\$(4,903,773)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (0.004)</u>	<u>\$ (0.005)</u>	<u>\$ (0.007)</u>	<u>\$ (0.008)</u>

The accompanying notes are an integral part of these financial statements.

PREPARED BY MANAGEMENT

MEGASTAR DEVELOPMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2003

(UNAUDITED - PREPARED BY MANAGEMENT)

MEGASTAR DEVELOPMENT CORP.
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED AUGUST 31, 2003

(UNAUDITED)

	3 months ended August 31, 2003	3 months ended August 31, 2002	6 months ended August 31, 2003	6 months ended August 31, 2002
OPERATING ACTIVITIES				
Net loss for the period	\$ (34,004)	\$ (30,514)	\$ (53,165)	\$ (54,447)
Add items not involving cash:				
Write down of resource properties expenditure	-	-	161	-
Non-cash working capital items	9,998	31,170	(58,750)	37,314
	(24,006)	656	(111,754)	(17,133)
FINANCING ACTIVITIES				
Share subscriptions issued	13,000	-	(14,000)	10,560
Proceeds from shares issued	13,000	-	123,000	10,560
			109,000	
INVESTING ACTIVITIES				
Resource properties expenditure	-	-	(161)	-
INCREASE (DECREASE) IN CASH	(11,006)	656	(2,915)	(6,573)
CASH, BEGINNING OF PERIOD	19,934	221	11,843	7,450
CASH, END OF PERIOD	\$ 8,928	\$ 877	\$ 8,928	\$ 877

1. NATURE OF OPERATIONS

The Company is a development stage public Company whose shares trade on the TSX Venture Exchange. The Company is in the process of exploring its mineral property and has not yet determined whether this property contains mineral reserves that are economically recoverable. The consolidated financial statements have been prepared on a going concern basis. At August 31, 2003, the Company has a working capital deficiency of \$28,128 and has incurred losses of \$5,013,886 since inception. Its ability to continue as a going concern is dependant upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, on the assumption that the Company is a going concern.

Because a precise determination of certain assets and liabilities is dependent on future events, the preparation of the financial statements involves the use of estimates based on careful judgment. The financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

a) Principles of Consolidation

These financial statements include the accounts of Megastar Development Corp. and its wholly-owned subsidiary 1055019 Ontario Limited, ("Ontario Co."). All intercompany transactions have been eliminated.

b) Foreign Currency Translation

Foreign currency transactions are translated into Canadian dollars using the temporal method. Under this method, monetary items are translated at the balance sheet date exchange rate and non-monetary items are translated at the historical exchange rate. Revenue and expense items are translated at the exchange rates prevailing at the transaction date. Gains or losses arising from the transactions are included in operations.

The accompanying notes are an integral part of these financial statements.

PREPARED BY MANAGEMENT

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) Resource Properties - continued

The Company defers the cost of acquiring, maintaining, its interest, exploring and developing mineral properties until the properties are brought into production, at which time the deferred costs are to be amortized on a unit of production basis, or until the properties are abandoned or sold, at which time the deferred costs are written off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The amounts shown as resource properties, which include deferred exploration costs, represent unamortized costs to date and do not necessarily reflect present or future values.

d) General and Administrative Expenses

The Company charges all general and administrative expenses not directly related to exploration activities to operations as incurred.

e) Fair Market Value of Financial Instruments

The carrying value of cash, accounts receivable, accounts payable and amounts due to or by related parties approximate fair market value because of the short maturity of those instruments.

f) Basic and Diluted Loss per Share

Basic earnings per share are computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted Loss per share.

3. RESOURCE PROPERTIES

Orish Mountain Claim, Quebec	Aug. 31, 2003	Feb 28, 2003
Acquisition costs	\$ 10,000	\$ 10,000
Deferred exploration costs	<u>1,323</u>	<u>1,323</u>
	\$ <u>11,323</u>	\$ <u>11,323</u>

a) Simkar Property, Quebec, Canada

The Company's wholly owned subsidiary has a 100% interest in two mining concessions totaling 557 acres located in Louvicourt Township, Quebec. During the year ended February 28, 2001, management of the Company wrote down the property by \$802,025 to its net recoverable value of \$30,000. During the year ended February 28, 2002 management of the Company wrote down the property by \$30,000 to an estimated value of Nil.

b) Orish Mountain Property, Quebec, Canada

During the year ended February 28, 2002, the Company acquired a 100% interest in 2,500 hectares in Orish Mountain region of Quebec from Quebec Ministry of National Resources for cash of \$10,000.

4. SHARE CAPITAL

	Number of Shares	Amount
a) <u>Authorized</u>		
100,000,000 Common shares without par value.		
b) <u>Issued and Fully Paid</u>		
Balance, February 28, 2002	6,527,020	\$ 4,830,885
Issued pursuant to exercise of stock options	<u>414,351</u>	<u>43,196</u>
Balance, February 28, 2003	6,941,371	4,874,081

4. SHARE CAPITAL - continued

Pursuant to private placement	800,000	96,000
Pursuant to stock options exercised	<u>200,000</u>	<u>27,000</u>
Balance, August 31, 2003	<u>7,941,371</u>	<u>\$ 4,997,081</u>

c) Shares Held in Escrow

As at August 31, 2003, 131,250 shares of the Company are subject to an escrow agreement and may not be transferred, assigned or otherwise dealt with without regulatory consent.

d) Stock Options

As at August 31, 2003, the following stock options are outstanding:

<u>Number of shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
130,000	\$0.12	December 29, 2005
402,068	\$0.13	March 6, 2008

e) Warrants

As at August 31, 2003 the following warrants are outstanding:

<u>Number of shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
800,000	\$0.16	April 15, 2005

5. RELATED PARTY TRANSACTIONS

- During the period the Company paid management and administrative fees of \$26,500 (2002 - 27,000) to the directors and a company belonging to a director.
- During the period the Company accrued \$2,600 (2002 - \$1,500) for accounting fees to a firm belonging to a director and \$1,200 (2002 - NIL) for car allowance to another director.
- Accounts payable at August 31, 2003 included \$4,387 (2002 - \$1,605) due to an accounting firm in which a director is a partner.
- The amount due by or to related parties are unsecured non-interest bearing and have no specific terms for repayment.

BC FORM 51-901F

QUARTERLY REPORT AND YEAR END REPORT

Incorporated as part of: Schedule A

X Schedule B & C

ISSUER DETAILS:

NAME OF ISSUER Megastar Development Corp.
 ISSUER'S ADDRESS Box 865, #5 - 9110 Glover Road, Fort Langley, BC, VIM 2S2
 ISSUER'S TELEPHONE NUMBER (604) 888-0786
 CONTACT PERSON Peter Haladin
 CONTACT'S POSITION Director
 CONTACT TELEPHONE NUMBER (604) 888-0786
 CONTACT EMAIL ADDRESS p.haladin@shawcable.com WEBSITE ADDRESS N/A
 FOR QUARTER ENDED May 31, 2003
 DATE OF REPORT July 28, 2003

CERTIFICATE

THE SCHEDULE(S) REQUIRED TO COMPLETE THIS QUARTERLY REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS QUARTERLY REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT. PLEASE NOTE THIS FORM IS INCORPORATED AS PART OF BOTH THE REQUIRED FILING OF SCHEDULE A AND SCHEDULES B & C.

"Jerry A. Minni"	Jerry A. Minni	"03/07/28"
DIRECTOR'S SIGNATURE	PRINT NAME IN FULL	DATE SIGNED (YY/MM/DD)
"Peter Haladin"	Peter Haladin	"03/07/28"
DIRECTOR'S SIGNATURE	PRINT NAME IN FULL	DATE SIGNED (YY/MM/DD)

SCHEDULE A: FINANCIAL INFORMATION
See consolidated financial statements attached

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. Analysis of expenses and deferred costs:
 - Administrative Expenses
 - See consolidated financial statements attached
 - Deferred Costs
 - See consolidated financial statements attached
2. Related party transactions:
 - See Note 5 to the consolidated financial statements attached
 - Summary of securities issued and options granted during the period:

a) Summary of common shares issued:

Issue Date	Type of Issue	Quantity	Price	Net Proceeds	Consideration
April 22, 2003	Private placement	800,000	\$0.12	\$96,000	Cash
March 3, 2003	Exercise of options	100,000	\$0.14	\$14,000	Cash

b) Summary of options granted during the period

Date granted	Options	Quantity	Price	Expiry Date
March 6, 2003	James Reamsbottom	150,000	\$0.13	March 6, 2008
March 6, 2003	Peter Haladin	352,068	\$0.13	March 6, 2008

4. Summary of securities at the end of the reporting period:

- a) Authorized share capital
 - See Note 4 of the consolidated financial statements
- b) Number and recorded value for shares issued and outstanding
 - See Note 4 of the consolidated financial statements
- c) Summary of option, warrants and convertible securities outstanding:
 - See Note 4 of the consolidated financial statements
- d) Total number of shares in each class of shares subject to escrow or pooling agreements: 131,250 common shares

- List of directors and officers

Peter Haladin, President, Director and CEO
James Reamsbottom, Director, Secretary and CFO
Jerry A. Mimm, Director

Schedule C: Management Discussion
- See attached

SCHEDULE C: MANAGEMENT DISCUSSION

Description of Business

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable.

The continued operations of the Company and the recoverability of the amounts shown for the mineral property and related deferred costs is dependent upon discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production.

Discussion of Operations and Financial Conditions

During the period under review the Company incurred only \$161 on exploration expenditures.

Sinkar Property

A lot of activity has been observed in "Val d'Or region" of Quebec with the rise in gold prices.

AUR Resources in particular has been actively exploring the area surrounding the Sinkar Property.

The Company has spent over \$800,000 on a drilling program 6 years ago.

The Company is waiting for an engineering report with recommendations.

Orish Mountain Claims

Some very encouraging results have been encountered by Ashron Resources in that region of several diamond bearing kimberlites.

The Company will be discussing with its engineers a plan of preliminary exploration.

The Company did not earn any income during the period while incurring expenses of \$19,161 as compared to expenses of \$23,933 during the comparative period.

For a detailed analysis of expenditures refer to the financial statements.

There were no legal proceedings against the Company during the period.

The Company has not entered into investor relations agreements yet, but has been in contact with a German Group for a possible investor relations representation in Europe.

The Company did not enter into any other material contracts during the period.

Subsequent Events

There were no significant subsequent events or transactions during the period under review.

Financings, Principal Purposes and Milestones

During the period, the Company received \$65,000 cash and applied \$31,000 due to related parties for the private placement 800,000 shares issued at \$0.12 per share.

Liquidity and Solvency

The Company had a working capital deficiency of \$7,124 at May 31, 2003.