MEGASTAR development corp.

MEGASTAR DEVELOPMENT CORP.

Management Discussion & Analysis

Form 51-102F1

For the nine months ended November 30, 2018

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OVERVIEW

The following management discussion and analysis ("MD&A") is a review of the operations, current financial position and outlook for Megastar Development Corp. (the "Company") and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the accompanying notes for the nine months ended November 30, 2018, and the audited financial statements and the accompanying notes for the year ended February 28, 2018, copies of which are filed on the SEDAR website: www.sedar.com.

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included herein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise noted.

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with IFRS. Information provided in this MD&A, including financial information extracted from the financial statements, is the responsibility of management. This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of risk factors beyond its control. Actual results may differ materially from the expected results.

DESCRIPTION OF THE COMPANY'S BUSINESS

The Company, incorporated in British Columbia on September 24, 1984, is an exploration stage public company listed on the TSX Venture Exchange ("TSX-V") and the Frankfurt Stock Exchange. The Company is assessing its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves and confirmation of the Company's interest in the underlying properties, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under mineral property agreements and to complete the development of the properties, and upon future profitable production or the sale thereof.

On August 24, 2018, the Company incorporated a subsidiary, Minera Mazateca, S.A. de C.V. ("Minera Mazateca" or "Subsidiary"), under the laws of the Mexican Republic.

The Company is listed as a Tier 2 mining exploration issuer. The Company is primarily engaged in the acquisition, exploration and development of mineral properties in Quebec, Canada and in the state of Oaxaca, Mexico. At November 30, 2018, the Company had no revenue producing operations and has an accumulated deficit of $4,779,173 (February 28, 2018 - $4,587,754) since its inception. However, the Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting year. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

The Company's future capital requirements will depend on many factors, including the costs of exploring and developing its mineral property, operating costs, the current market environment and global market conditions. At November 30, 2018, the Company had a working capital of $170,860 (February 28, 2018 – $478,359). For significant expenditures and mineral property development, the Company will almost exclusively depend on outside capital. Such outside capital will include the issuance of additional equity shares. There can be no assurance that capital will be available, as necessary, to meet the Company's operating commitments and further exploration and development plans. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the further success of the business could be adversely affected.

The head office, and principal address of the Company is Suite 1450, 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. The Company's registered and records address is at the corporate solicitor's office, Fasken Martineau DuMoulin LLP, 2900 – 550 Burrard Street, Vancouver, BC, V6C 0A3.

OVERALL PERFORMANCE

MINERAL INTERESTS

RALLEAU property, Quevillon, Quebec:

The Company has a 100% interest in the Ralleau property located within the Abitibi greenstone belt approximately 40 km east of Quévillon, Quebec. Previous mapping and sampling have identified anomalous Cu-Zn Volcanogenic Massive Sulphide (VMS) style mineralization and alteration on the property. Several untested airborne INPUT geophysical anomalies occur within felsic volcanic rocks from which anomalous base metal values have been returned in surface sampling. As of the date this report, the Ralleau property comprises 59 contiguous mineral claims covering approximately 3,324 hectares.

From 2006 to 2010, the Company has completed the following exploration work in a number of successive programs:

- 75km of line cut grid
- ground magnetic and deep EM surveys
- 1,545.7 meters (5 holes) of diamond drilling
- trenching and channel sampling
- 1,457 line km of helicopter-borne VTEM Survey spaced at 75 meter intervals and which identified a total of forty-nine anomalies of which eight were classified as Priority One
- Preliminary ground-proofing of VTEM anomalies together with minor mapping and prospecting

On April 5, 2017, the Company entered into an option agreement with Deeprock Minerals Inc. ("optionee") on the Company's wholly-owned Ralleau Property. Under the terms of the option agreement, the optionee will be deemed to have exercised its option to acquire a 50% interest in the property by cash payments of $100,000, issuance of 750,000 common shares, and incurring Exploration Expenditures of $250,000.

On September 11, 2017, the optionee changed its share capital structure by 1:2 forward split. Consequently, the 750,000 common shares to be issued to the Company will be prorated proportionally, aligning with the split.

On March 15, 2018, the Company and the optionee amended the terms of the option agreement for the Ralleau Property. Under the amended agreement, the Company will receive 1,700,000 post-split (850,000 pre-split) common shares instead of 1,500,000 post-split (750,000 pre-split) common shares.

On June 30, 2018, the Company and the optionee entered the second amendment agreement to amend the terms of the option agreement for the Ralleau Property. Under the second amended agreement, the Company will receive 600,000 post-split common shares, which is due on the earlier of August 31, 2018 and the date the optionee’s common shares are listed and begin trading on the Canadian Securities Exchange (“exchange listing date”). Moreover, the total exploration expenditure of $25,000 is due on or before October 31, 2018 in lieu of June 15, 2018 under the first amended agreement. As a result of the amendments, the optionee is required to fulfill the following terms:

(a) Cash payment of $100,000 and issuance of 1,700,000 post-split common shares as follows:

i. $5,000 on or before the execution of this agreement (paid);
ii. $5,000 (unpaid as of the date of this report) and 600,000 post-split (300,000 pre-split) common shares (outstanding as of the date of this report) on or before the exchange listing date (November 16, 2018);
iii. $5,000 (paid) and 200,000 post-split (100,000 pre-split) common shares (issued 200,000 shares on April 9, 2018 at a fair value of $0.0375 per share) on or before the first anniversary date of this agreement (April 5, 2018);
iv. $10,000 and 400,000 post-split (200,000 pre-split) common shares on or before the second anniversary date of this agreement (April 5, 2019);
v. $75,000 and 500,000 post-split (250,000 pre-split) common shares on or before the third anniversary date of this agreement (April 5, 2020).

(b) Exploration expenditures of $250,000 on the Property as follows:

i. $40,000 on or before May 30, 2017 (incurred);
ii. $15,000 on or before July 31, 2017 (incurred);
iii. $25,000 on or before October 31, 2018 ($18,541 incurred);
iv. $50,000 on or before the second anniversary date of this agreement (April 5, 2019);
v. $120,000 on or before the third anniversary date of this agreement (April 5, 2020).

During the nine months ended November 30, 2018, the Company paid $1,274 (February 28, 2018 - $2,717) on behalf of the optionee for its mineral expenditures on the Ralleau Property. As at November 30, 2018, the Company had a receivable balance of $3,991 from the optionee.

During the nine months ended November 30, 2018, the Company received $5,000 (February 28, 2018 - $5,000) from the optionee pursuant to the option agreement.

SEDEX property, northern British Columbia:

On December 20, 2017, the Company abandoned seven mineral claims for its SEDEX property. On February 14, 2018, one remaining mineral claim in SEDEX property also expired.

As at February 28, 2018, the Company no longer has interest or ownership in any SEDEX claims, allocated approximately 280 kilometers north-northwest of Mackenzie, British Columbia.

The Company decided not to pursue this property as a result of market constraints and economic feasibility of the project. The nominal carrying value of this property will be written off entirely.

RAMA DE ORO project, Oaxaca, Mexico

On May 10, 2018, the Company entered into an option agreement to acquire a 100% interest in the Rama de Oro Project, located in the state of Oaxaca, Mexico.

The Project lies to the northwest of and borders the La Calavera and Cobre Grande copper-gold porphyry-skarn projects in east-central Oaxaca. It also lies to the north of the WNW-ESE San José structural zone defined by Gold Resource Corporation (http://www.goldresourcecorp.com/exploration.php). The Project is hosted by caldera-related Tertiary volcanic rocks (e.g. El Aguila model) crosscut by hydrothermal veining inferred to be related to late-stage granitic magmatism locally exposed as dikes and underlying the adjacent 'Nueve Puntos' mountain. Similar intrusions are associated with a 43-101 inferred resource of 49.8 MT containing 0.5% Cu, 0.04% Mo, 0.22% Zn and 12.9 g/t Ag at the Cobre Grande skarn system, which lies 6 km to the east, along the same structural trend (Source: TECHNICAL REPORT ON THE COBRE GRANDE PROJECT, OAXACA STATE, MEXICO prepared for Linear Metals Corporation (now Stockport Exploration Inc.), David A. Ross, M.Sc., P.Geo. and Paul Chamois, M.Sc. (Applied), P.Geo., May 6, 2008 - available on SEDAR on the issuer profile of Stockport Exploration Inc.).

Access to the Project is by two-lane paved highway from Oaxaca followed by improved dirt roads from Santiago Matatlán to the western side of the project area. Numerous dirt farm roads and paths afford access to majority of the project area. Oaxaca City, Santiago Matatlán, and San Pablo Villa de Mitla are local sources of skilled workers, water, and power for the project.

To date, exploration work at Rama de Oro has consisted of reconnaissance geological mapping and rock-chip sampling. This work has outlined a 4 square-kilometre zone of quartz veining, silicification, and clay alteration of volcanic rocks inside and near the eastern margin of a Miocene caldera. Several rock samples assayed anomalous values of gold, silver, arsenic, mercury, and antimony, suggesting that the present-day surface represents high structural levels of a precious metal system.

To earn the 100% interest, the Company is required to make total cash payments of US$35,000, issue a total of 2,900,000 common shares of the Company, and incur total work expenditures of US$350,000 over a two-year period as follows:

i. Pay US$35,000 (paid) ($45,703) and issue 1,100,000 common shares (issued on August 8, 2018 with a fair value of $71,500) to the optionor within 15 days following the execution of the agreement, approved by TSX-V Exchange.
ii. Issue 600,000 common shares to the optionor and incur US$150,000 work expenditures (incurred $34,588 (US$26,520) during the nine months ended November 30, 2018) on or before the first anniversary of the approval date (July 24, 2019).
iii. Issue 1,200,000 common shares to the optionor and incur US$200,000 work expenditures on or before the second anniversary of the approval date (July 24, 2020).

A 2% net smelter return royalty is payable to the optionor, of which the Company have the right to purchase 1% of the royalty at any time for US$1,650,000.

All securities to be issued in connection with the transactions will be subject to a hold period of 4 months and one day from their date of issuance.

YAUTEPEC project, Oaxaca, Mexico

On June 1, 2018, the Company entered into an option agreement to acquire a 100% interest in the Yautepec Project, located in the state of Oaxaca, Mexico.

The Yautepec Project comprises 4,861 hectares of Tertiary volcanic rocks highly prospective for hosting epithermal precious metal mineralization similar to that in the nearby producing Arista and Switchback mines at Gold Resources El Aguila project (20 km to the WNW) and Cheaspeake Gold's La Gitana project (8 km to the east-southeast). The project lies along a prominent northwest-southeast structural trend defined by small volcanic centers which include numerous identified Au-Ag prospects as identified in regional mapping by the Mexican Geological Survey (Servicio Geológico Mexicano (SGM)), none of which have been systematically explored by modern methods. The mapped altered rocks along this trend are part of a nearly 100 kilometer-long structural volcanic corridor that extends from the San Jose mine (Fortuna Silver) to the northwest, to Chesapeake Gold's Gitana project to the southeast. Outside of areas of active mining, the region has seen little to no systematic exploration, and the Yautepec project is inferred to represent one of the most prospective segments of the trend.

To earn the 100% interest, the Company is required to make total cash payments of US$5,000, issue a total of 1,550,000 common shares of the Company, and incur total work expenditures of US$310,000 over a three-year period as follows:

i. Pay US$5,000 (paid) ($6,529) and issue 200,000 common shares (issued on August 8, 2018 with a fair value of $13,000) to the optionor within 15 days following the execution of the agreement, approved by TSX-V Exchange.
ii. Issue 450,000 common shares to the optionor and incur US$40,000 (incurred $18,651 (US$14,069) during the nine months ended November 30, 2018) work expenditures on or before the first anniversary of the approval date (July 24, 2019).
iii. Issue 900,000 common shares to the optionor and incur US$80,000 work expenditures on or before the second anniversary of the approval date (July 24, 2020).
iv. Incur US$190,000 work expenditures on or before the third anniversary of the approval date (July 24, 2021).

A 2% net smelter return royalty is payable to the optionor, of which the Company have the right to purchase 1% of the royalty at any time for US$1,650,000.

All securities to be issued in connection with the transactions will be subject to a hold period of 4 months and one day from their date of issuance.

MAGDALENA Project, Oaxaca, Mexico

On June 1, 2018, the Company entered into an option agreement to acquire a 100% interest in the Magdalena Project, located in the state of Oaxaca, Mexico.

The Magdalena Project comprises a single 480-hectare property centered on highly altered volcanic rocks approximately 20 kilometers ENE of Gold Resource Corporation's (GRC) producing Au-Ag-base metal deposits. Extensive felsic tuffs mapped by SGM are interpreted by Mr. David Jones, as a caldera setting, similar to that of the GRC mine area and the Company's recently acquired Rama de Oro Project. Historical sampling of strongly clay- and silica-altered rocks at Magdalena reported values up to 0.705 g/t Au, 15.2 g/t Ag, 2700 ppm As, 53 ppm Bi, 357 ppm Cu, 12,780 ppm Hg, 38 ppm Mo, 2730 ppm Pb, and 147 ppm Zn. The area of coincident metals anomalies, clay and silica alteration, sulfate (gypsum) deposition, and minor rhyolite diking, lies along a prominent NW-SE structural trend (SGM mapping) adjacent to an inferred caldera margin. The presence of various types of chalcedonic and vuggy silica, elevated pathfinder metals (Hg, As), and extensive sulfate deposition (gypsum) indicates exposures at the highest levels of an anomalous Au-Ag-base metal system of excellent exploration potential.

To earn the 100% interest, the Company is required to make total cash payments of US$5,000, issue a total of 1,550,000 common shares of the Company, and incur total work expenditures of US$230,000 over a three-year period as follows:

i. Pay US$5,000 (paid) and issue 200,000 common shares (issued on August 8, 2018 with a fair value of $13,000) to the optionor within 15 days following the execution of the agreement, approved by TSX-V Exchange.
ii. Issue 450,000 common shares to the optionor and incur US$40,000 (incurred $4,213 (US$2,980) during the nine months ended November 30, 2018) work expenditures on or before the first anniversary of the approval date (July 24, 2019).
iii. Issue 900,000 common shares to the optionor and incur US$70,000 work expenditures on or before the second anniversary of the approval date (July 24, 2020).
iv. Incur US$120,000 work expenditures on or before the third anniversary of the approval date (July 24, 2021).

A 2% net smelter return royalty is payable to the optionor, of which the Company have the right to purchase 1% of the royalty at any time for US$1,650,000.

All securities to be issued in connection with the transactions will be subject to a hold period of 4 months and one day from their date of issuance.

RESULTS OF OPERATIONS

The Company had a comprehensive loss of $203,844 for the nine months ended November 30, 2018 (2017 – $93,543). The increased net loss in this quarter was primarily due to expenses related to the expansion of mineral properties and activities. The Company's operating expenses included the following:

- Accounting and audit fees of $9,656 (2017 - $5,303)
- Depreciation of $60 (2017 - $85)
- Consulting fees of $Nil (2017 - $12,120)

- Insurance of $5,860 (2017 - $5,776)
- Investor relations and promotion of $Nil (2017 - $2,061)
- Legal fees of $53,120 (2017 - $6,651)
- Management fees of $45,000 (2017 - $45,000)
- Office, telephone, and miscellaneous of $4,539 (2017 - $2,520)
- Property investigation of $32,127 (2017 - $Nil)
- Rent of $9,000 (2017 - $9,000)
- Shareholder information of $16,356 (2017 - $3,135)
- Transfer agent and filing fees of $14,660 (2017 - $7,354)

During the nine months ended November 30, 2018, the Company had interest income of $55 (2017 - $37) and realized loss on foreign exchange of $1,096 (2017 - $Nil).

Accounting and audit fees of $9,656 (2017 - $5,303) consist of expenses relating to the Company's financial recording and reporting activities. The accounting fees increased in the nine months ended November 30, 2018 due to the increased activities related to the new mineral properties, incorporation of new subsidiary and the compliance related to new projects and operations.

Legal fees of $53,120 (2017 - $6,651) relate to legal expenses in connection with legal advice and guidance for the operations and projects of the Company and its compliance. The legal fees increased in relation to due diligence, legal advice and services to facilitate the Companies minerals properties and operations, primarily in respect of the Company's projects in Mexico.

Management fees of $45,000 (2017 - $45,000) consist of payments made to the CEO and CFO as discussed under the heading "Related Party Transactions".

Office and miscellaneous expenses of $4,539 (2017 - $2,520) related to expenses paid for administration and support.

Property investigation expenses of $32,127 (2017 - $Nil) increased due to fees paid to consultants of the Company for investigation and due diligence consultation on the Company's prospective projects. These property investigation expenses cannot be directly attributed to any particular project and have therefore been expensed as general expense.

Rental expenses of $9,000 (2017 - $9,000) are expenses paid for the Company's occupancy.

Shareholder information expenses of $16,356 (2017 - $3,135) relates to maintaining the current projects and promoting the Company. Theses expenses increased in the current period in comparison to the same period in the previous year, due to increased activities with new projects and shareholder communications.

Transfer agent and filing fees of $14,660 (2017 - $7,354) relates to expenditures in connection with share capital activities and reporting of the Company. The expenses increased due to the acquisition of three new properties and additional shares issued for the acquisition during the nine months ended November 30, 2018.

The overall expenses increased to the same period last year, primarily due to the acquisition of three new mineral properties, the increased activities related to those properties, and the consultation on the Company's current and prospective projects.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The Company's operating results from the last eight quarters are summarized as follows:

	Three months ended			
	November 30, 2018	August 31, 2018	May 31, 2018	February 28, 2018
Net loss	$ (45,647)	$ (55,759)	$ (90,013)	$ (59,781)
Loss per share	$ (0.001)	$ (0.002)	$ (0.003)	$ (0.002)

	Three months ended			
	November 30, 2017	August 31, 2017	May 31, 2017	February 28, 2017
Net loss	$ (39,438)	$ (32,471)	$ (27,059)	$ (20,090)
Loss per share	$ (0.001)	$ (0.001)	$ (0.001)	$ (0.001)

The increase net loss in the quarter ended May 31, 2017 compared with the quarter ended February 28, 2017 was primarily due to the recoveries recognized on its mineral property of $25,982 in the quarter ended February 28, 2017. The net loss, excluding the recoveries, significantly decreased in the quarter ended May 31, 2017, primarily due to the reduction in the accounting and audit fees and transfer agent and filing fees.

The increase net loss in the quarter ended August 31, 2017 compared with the quarter ended May 31, 2017 was primarily due to the increase in transfer agent and filling fees and the investor relations and promotions expenses incurred in the quarter ended August 31, 2017. Other expenses were comparable and remained same.

The increased net loss in the quarter ended November 30, 2017 compared with the quarter ended August 31, 2017 was primarily due to the increase in legal and consulting fees incurred in the quarter ended November 30, 2017. Other expenses were comparable and remained same.

The increased net loss in the quarter ended February 28, 2018 compared with the quarter ended November 30, 2017 was primarily due to the increase in accounting and audit fees of $ 16,096, the legal fees of $21,147, the transfer agent filing fees of $1,860 for the year end reporting, and the consulting fee of $532. Other expenses were comparable and remained same.

The increased net loss in the quarter ended May 31, 2018 compared with the quarter ended February 28, 2018 was primarily due to legal fees of $28,838, property investigation expense of $32,127, and the transfer agent and filing fees of $5,887. Other expenses were comparable and remained same.

The decreased net loss in the quarter ended August 31, 2018 compared with the quarter ended May 31, 2018 was primarily due to the $32,127 payments paid for property investigation for potential properties in the quarter ended May 31, 2018 and the decreased legal and filing fees in the quarter ended August 31, 2018. Other expenses were comparable and remained same.

The decreased net loss in the quarter ended November 30, 2018 compared with the quarter ended August 31, 2018 was primarily due to the $21,262 legal fees incurred in the quartered ended August 31, 2018 for its compliance for the new mineral property acquisition. Other expenses were comparable and remained same.

LIQUIDITY AND CAPITAL RESOURCES

As of November 30, 2018, the Company had net working capital of $170,860 (February 28, 2018 – $478,359) and cash and cash equivalents of $156,669 (February 28, 2018 - $448,943). The Company anticipates similar general and administrative expenses over the next quarter and anticipates significant expenditures required on projects in Mexico and as dictated by option agreements for these projects (See MINERAL PROPERTIES section of this report). As at November 30, 2018, the Company had sufficient liquidity to meet its obligations for the current fiscal year. The Company may require additional financing to fulfill project expenditure requirements for the next fiscal year.

Nine months ended November 30, 2018

On August 8, 2018, the Company issued 1,500,000 common shares valued at $97,500 for the acquisition of exploration and evaluation assets.

Year ended February 28, 2018:

Shares and Options:

There were no share capital transactions and no options granted, expired, cancelled or exercised during the year ended February 28, 2018.

Warrants:

On June 1, 2017, 11,000,000 warrants, exercisable at $0.135, expired unexercised.

Cash Flow Activities:

Nine months ended November 30, 2018:

Cash balances decreased by $292,274 during the nine months ended November 30, 2018 and decreased by $94,397 during the nine months ended November 30, 2017.

During the nine months ended November 30, 2018, cash used in operating activities was $181,114 compared to cash used in operating activities of $97,072 during the nine months ended November 30, 2017. The cash used in operating activities in 2018 increased compared to 2017 because of the increased expenses associated with the newly acquired properties in 2018.

Cash used in investing activities during the nine months ended November 30, 2018 was $111,160 compared to cash provided by investing activities of $2,675 during the nine months ended November 30, 2017. The difference is primarily attributed to the cash acquisition payments and exploration and evaluation expenditures incurred in the Company's new properties, Rama De Ore Project, Magdalena Project, and Yautepec Project.

Year ended February 28, 2018:

Cash balances decreased by $136,104 during the year ended February 28, 2018 and decreased by $117,650 during the year ended February 28, 2017.

During the year ended February 28, 2018, cash used in operating activities was $141,152 compared to cash used in operating activities of $144,625 during the year ended February 28, 2017. The cash used in operating activities in 2018 was comparable to 2017, and management only incurred necessary compliance and operational expenses to conserve cash.

Cash provided by investing activities during the year ended February 28, 2018 was $5,048 compared with cash provided by investing activities of $26,975 during the year ended February 28, 2017. The difference is primarily attributed to the refunds received from the Quebec Ministry of Mines and Natural Resources and Revenu Quebec in 2017 and proceeds received for disposition of exploration and evaluation property in 2018.

OUTSTANDING SHARES

Outstanding Share Data

	Number of shares		Share capital
Balance, February 29, 2012	17,796,716	$	4,133,551
Shares issued for private placement	11,000,000		1,100,000
Share options exercised	200,000		20,000
Fair value of options exercised	-		14,450
Shares issuance cost (agent's warrants)	-		(52,573)
Shares issuance cost	-		(74,250)
Balance, February 28, 2018	28,996,716	$	5,141,178
Share issued for exploration and evaluation assets	1,500,000		97,500
Balance, November 30, 2018	30,496,716	$	5,238,678

On June 1, 2017, 11,000,000 warrants exercisable at $0.135 expired unexercised.

As of the date of this report, there were 30,496,716 common shares and 825,000 share options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at November 30, 2018 or as of the date of this report.

TRANSACTIONS WITH RELATED PARTIES

The amounts due to/from related parties are amounts due to the directors and officers. The balances are unsecured, non-interest bearing and have no specific terms for repayment. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due to Related Parties

		November 30, 2018		February 28, 2018
Zara Kanji & Associates (Company controlled by CFO)	$	3,000	$	5,000
	$	3,000	$	5,000

During the nine months ended November 30, 2018 and 2017, the Company entered into the following transactions with related parties:

	Nine months ended	
	November 30, 2018	November 30, 2017
Expenses paid or accrued to directors of the Company, senior officers and companies with common directors and former directors:		
Management and directors fees	$ 45,000	$ 45,000
Professional fees	6,036	4,013
	$ 51,036	$ 49,013

Management compensation consisted of the following:

	Nine months ended	
	November 30, 2018	November 30, 2017
Company controlled by CEO	$ 27,000	$ 27,000
Company controlled by CFO	18,000	18,000
	$ 45,000	$ 45,000

CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may differ from these estimates and assumptions. The loss effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

ii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii) Income Taxes

The Company has not recognized a deferred tax asset, as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

iv) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

For a detailed summary of the Company's significant accounting policies, the readers are directed to Note 3 of the Notes to the audited financial statements for the year ended February 28, 2018 that are available on SEDAR at www.sedar.com.

RISKS AND UNCERTAINTIES

The Company believes that the following risks and uncertainties may materially affect its success.

Limited Operating History

The Company has no history of business or mining operations, revenue generation or production history. The Company was incorporated on September 24, 1984 and has yet to generate a profit from its activities. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

Exploration, Development and Operating Risks

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered would result in an increase in the Company's resource base.

The Company's operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, seismic activity; flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company.

Fluctuating Mineral Prices

The economics of mineral exploration is affected by many factors beyond the Company's control, including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, it may be determined that it is impractical to continue the mineral exploration operation.

Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals found on the Property.

Substantial Capital Requirements and Liquidity

Substantial additional funds for the establishment of the Company's current and planned mining operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures, operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, and pursue only those development plans that can be funded through cash flows generated from its existing operations.

Regulatory Requirements

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulation would not have an adverse effect on any exploration and development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulation and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs or require abandonment or delays in the development of new properties.

Financing Risks and Dilution to Shareholders

The Company will have limited financial resources, no operations and no revenues. If the Company's exploration program on its properties is successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

Title to Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot guarantee that title to the Property will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company, as the case may be, does not have title to the properties could cause the Company to lose any rights to explore, develop and mine any minerals on that property, without compensation for its prior expenditures relating to such property.

Requirement for Permits and Licenses

As the Company holds properties subject to the NSR and it and may need to acquire further permits or licenses necessary to carry on proposed exploration activities on the properties. A substantial number of permits and licenses may be required should the Company proceed beyond exploration; such licenses and permits may be difficult to obtain and may be subject to changes in regulations and in various operational circumstances. It is uncertain whether the Company will be able to obtain all such licenses and permits.

Competition

There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other mining companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of minerals claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon on the performance of the directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

No Mineral Reserves or Mineral Resources

The properties in which the Company holds an interest is considered to be an early exploration stage property, however no mineral reserve or mineral resource estimates have been prepared in respect of the properties. Mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of metals, as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies and the processing of new or different mineral grades may cause a mining operation to be unprofitable in any particular accounting period.

Environmental Risks

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

Governmental Regulations and Processing Licenses and Permits

The activities of the Company are subject to Canadian and provincial approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Although the Company believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner, which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company. Further, the mining licenses and permits issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Company's investments in such projects may decline.

Local Resident Concerns

Apart from ordinary environmental issues, work on, or the development and mining of the properties could be subject to resistance from local residents that could either prevent or delay exploration and development of the properties.

Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The British Columbia Business Corporations Act ("BCBCA") provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company shares. The Company does not intend to maintain insurance against environmental risks.

Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements. Forward-looking statements are projections of events, revenues, income, future economic performance or management's plans and objectives for future operations. In some cases, you can identify forward-looking statements by the use of terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. Examples of forward-looking statements made in this MD&A include statements about the Company's business plans; the costs and timing of its developments; its future investments and allocation of capital resources; success of exploration activities; requirements for additional capital; government regulation of mining operations. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including: general economic and business conditions, fluctuations in worldwide prices and demand for minerals; our lack of operating history; the actual results of current exploration activities; conclusions or economic evaluations; changes in project parameters as plans continue to be refined; possible variations in grade and or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes or other risks of the mining industry; delays in obtaining government approvals or financing or incompletion of development or construction activities, any of which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

While these forward-looking statements and any assumptions upon which they are based are made in good faith and reflect our current judgment regarding the direction of the Company's business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of the Canada, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying MD&A.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financing reporting, as defined in NI 52-109.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Accounting standards, amendments and interpretations not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") during the year. None of these are expected to have a significant effect on the financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The following standards and interpretations have been issued but are not yet effective:

IFRS 9 Financial Instruments – IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 is applicable to annual reporting periods beginning on or after January 1, 2018.

IFRS 15, Revenue from Contracts with Customers - IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service. IFRS 15 is applicable to annual reporting periods beginning on or after January 1, 2018.

IFRS 16, Leases - IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. IFRS 16 is applicable to annual reporting periods beginning on or after January 1, 2019.

The Company does not expect that the new and amended standards will have significant impact on its financial statements.

FINANCIAL AND OTHER INSTRUMENTS

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those, which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company classified its financial instruments as follows:

- Cash and cash equivalents are classified as *loans and receivables*.
- Marketable securities are classified as *available for sale*.
- Accounts payable and accrued liabilities except for flow through share provisions have been classified as *other financial liabilities*.
- Amounts due to related parties are classified as *other financial liabilities*.

The Company does not have any derivative financial assets and liabilities.

OTHER MATTERS

Legal proceedings

The Company is not aware of any legal proceedings.

Contingent liabilities

At the date of report, management was unaware of any outstanding contingent liability relating to the Company's activities.

PROPOSED TRANSACTIONS

The Company had no proposed transactions.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Detailed listings of general and administrative expenses and exploration expenditures are provided in the financial statements of the Company for the nine months ended November 30, 2018.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his/her interest and abstain from voting in the matter(s). In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

On August 9, 2018, Mr. David M. Jones has been appointed to the board of directors of the Company and shall also become a technical/ consultant to the Company in relation to its exploration activities in Mexico.

OUTLOOK

The Company's primary focus for the foreseeable future will be on reviewing its financial position, continuing evaluating exploration and development activities on its mineral properties, and the Company's ongoing evaluation of possible projects.

OTHER REQUIREMENTS

Additional disclosure of the Company's material documents, information circular, material change reports, new release, and other information can be obtained on SEDAR at www.sedar.com.

APPROVAL

The board of Directors of the Company has approved the disclosure contained in this Management Discussion and Analysis. A copy will be provided to anyone who requests it.

On Behalf of the Board of Directors,

"Dusan Berka"

Dusan Berka, P. Eng.

President, CEO and Director

January 28, 2019

MEGASTAR DEVELOPMENT CORP.

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Frankfurt Stock Exchange Symbol:	M5Q

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