

Dear Shareholder:

Although financial markets continue to be volatile and appreciation in many uranium equities, including U3O8 Corp., has been restrained against a backdrop of uncertain uranium prices, we are seeing unprecedented growth in the nuclear power industry. In the face of a forecast shortfall in world uranium supply, new uranium discoveries will be needed to feed the global resurgence in nuclear power as the world strives to reduce the carbon footprint of its energy sources. Nuclear power is increasingly being recognized as the only large-scale source of clean energy that can be generated at competitive prices. U3O8 Corp. is well placed to benefit from this shift towards nuclear energy. We are a well-funded, dominant uranium explorer in South America with three advanced discovery opportunities in our project pipeline.

While we tempered our exploration activities in the first half of 2009 in response to the global economic crisis, U3O8 Corp. reestablished strong momentum in the second half of the year. We made excellent progress in showing that our uranium discovery in the Kurupung Batholith has the potential to host a large resource. We also sought new growth prospects, which resulted in an acquisition that increased the company's critical mass, strengthened its balance sheet, and added projects that we feel could be recognized as discoveries in 2010.

Strong Market Outlook for Uranium

The accelerating demand for clean nuclear energy is expected to be driven by such market factors as¹:

Escalating nuclear energy programs worldwide: <ul style="list-style-type: none"> • 438 nuclear reactors in operation, 52 under construction, 143 planned and 344 proposed • Asia – China is currently building 20 reactors; Japan plans 9 new reactors by 2020 and is proposing another 14 • Europe – Finland has granted permits for two new reactors; Italy is calling for nuclear power to produce 25% of its electricity by 2020; Britain approved up to 10 new nuclear plants over the next decade • U.S. – loan guarantees recently approved for two new nuclear plants, the first new builds in America in decades
Shift from gasoline-powered cars to electric vehicles: <ul style="list-style-type: none"> • China has mandated that 10% of new cars must run on clean, alternative fuels by 2012, a large percentage to be met through electric and hybrid vehicles • France is investing US\$3.6 billion to build its e-car infrastructure over 10 years with the goal of having two million battery-powered vehicles on the road by 2020; Germany aims to have one million e-cars on the road by 2020
Commercialization of mini-reactors: <ul style="list-style-type: none"> • Several companies are in the permitting process for mini-reactors based on nuclear submarine technology – the first installation planned for 2016 • These compact, sealed units (one design is five feet wide by eight feet high) have no moving parts, perform like a mega-battery that can power 20,000 homes, secured underground and refueled every 8-10 years • Can be clustered for higher capacity and replaced with refueled reactors shipped from the factory by road or rail • Costs ~US\$35 million, built in 2-3 years versus conventional reactors at >US\$3 billion, 5-7 years to build • Local power sources reduce costs of maintaining aging transmission lines between cities and power plants

Multiple Uranium Discovery Opportunities

For a junior resource company, shareholder value is created by making mineral discoveries – but a discovery is typically not immediately recognized by the market – it is a process of proving the validity of the discovery. U3O8 Corp. is in this discovery phase. In 2009, we defined a new uranium resource in the Kurupung Batholith in Guyana, and we are in the process of proving that the Kurupung is a uranium district of significant size.

In 2009, we started to look for the next discovery opportunity and to establish a larger growth platform in South America – a promising jurisdiction that we consider to be underexplored for uranium. In April 2010, U3O8 Corp. acquired Mega Uranium Ltd's South American uranium properties including \$4 million in cash. We added advanced projects with near-discovery potential in Colombia and Argentina. The Berlin Project in Colombia is a large historic resource that we feel may be upgraded to a National Instrument 43-101 ("NI 43-101") compliant resource at relatively low cost and within a short time-frame. In Argentina, the Laguna Salada Project has the potential to be the third near-term discovery in our pipeline.

