

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:

<p>Escalating nuclear energy programs worldwide:</p> <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
<p>Shift from gasoline-powered cars to electric vehicles:</p> <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
<p>Commercialization of mini-reactors:</p> <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.

Clear Path to Optimize Discovery Pipeline

Looking into 2010, U3O8 Corp. is poised to potentially make three uranium discoveries, and we have embarked on clear exploration programs to advance these projects, which are:

Kurupung Project, Guyana: We have delineated uranium mineralization in eight structures so far. An initial NI 43-101 Indicated resource of 5.8 million pounds at an average grade of 0.10% U₃O₈ and Inferred resource of 1.3 million pounds at an average grade of 0.09% U₃O₈ has been defined on the first two structures². Geologically similar albitite-hosted deposits elsewhere in the world typically host resources in the 50-130 million pound U3O8 range, within multiple structures. Through scout drilling, U3O8 Corp. aims to show that the Kurupung could host a conceptual target of 20-30 million tonnes at a grade of 0.08% to 0.10% U₃O₈ (for an estimated 30-50 million pounds U₃O₈).

2010 objective – Given our exploration success in identifying new mineralized zones, the scout drilling program is scheduled to continue until mid-2010. At that time, we will decide whether to continue to expand on the potential size of the Kurupung or move to infill drilling towards a larger NI 43-101 resource.

Berlin Project, Colombia: The Berlin Project has a historic uranium resource³ of 12.9 million tonnes at a grade of 0.13% U₃O₈ (38 million pounds U₃O₈), with associated vanadium, molybdenum and phosphate, defined in only the southern 4.4 kilometres of a 10.5 kilometre long mineralized trend. Our first trench results⁴ show similar grades to historic assays, and constitute the first step in verifying the historic resource. In addition, the Berlin Project contains high vanadium grades⁴ – a commodity with huge potential for use in green technologies such as quick-charge batteries for e-cars and storage of solar and wind energy.

2010 objective – We aim to complete the trenching program in the southern area by the end of May, advance to drilling in July, and then to metallurgical test work in the latter half of 2010. We are working to be in a position to undertake a NI 43-101 resource estimate on the Berlin Project in 2011.

Laguna Salada Project, Argentina: The Laguna Salada Project hosts uranium within three metres from surface in soft gravel, offering a potentially low-cost mining opportunity. The project is currently being prepared for potential resource estimation.

2010 objective – We aim to complete a NI 43-101 resource estimate on this project by the end of 2010.

In closing, U3O8 Corp. is well positioned to potentially make successive uranium discoveries in the short-term – aimed at generating value for its shareholders. We have the Board and Management with a track record of discovery, and the commitment to advance these projects in an environmentally and socially responsible manner for the benefit of our shareholders, neighbours and partners in South America.



Richard Spencer
President & CEO

May 21, 2010

¹ Sources: World Nuclear Association, Business Week, Telegraph.co.uk, Reuters, Associated Press, Asian Times Online, Hyperion Power Generation

² For further details, refer to the technical report dated January 19, 2009 and entitled "A Technical Review of the Aricheng North and Aricheng South Uranium Deposits in Western Guyana for U3O8 Corp. and Prometheus Resources (Guyana) Inc." available on the company's website at www.u3o8corp.com and on SEDAR at www.sedar.com.

³ The Berlin resource estimate is historical and is reported in Castano, R. (1981), *Calcul provisoire des reserves geologiques de Berlin, sur la base des resultants des sondages*, unpublished Minatome report, 15p. There has been insufficient exploration work completed to verify the historic estimate. U3O8 Corp. is not treating the historical estimate as current mineral resources and it should not be relied upon or considered a NI 43-101 compliant resource. As the 38 million pound U₃O₈ historic estimate is based only on 11 widely-spaced drill holes, it is regarded by U3O8 Corp. as merely an indication of the magnitude of the uranium resource potential of the southernmost 4.4 kilometre long portion of the syncline containing the Berlin uranium mineralization.

⁴ Based on 13 trenches on the Berlin Project to date, the grade ranges from 0.038% to 0.213% U₃O₈, 0.51% to 1.38% V₂O₅, 3.65% to 19.92% P₂O₅ and 33ppm to 839ppm Mo (refer to press release dated April 29, 2010 titled "U3O8 Corp. reports significant grades of uranium, vanadium, molybdenum & phosphate from trenching in the Berlin Project, Colombia". Potential quantity and grade are conceptual in nature. There has been insufficient exploration to define a mineral resource on the Berlin Project to date, and it is uncertain if further exploration will result in the project being delineated as a mineral resource.