



May 11<sup>th</sup>, 2017

Dear Shareholder,

Thank you for your support through yet another challenging year in which the Company's stock traded in a very narrow range largely independently of the direction of the broader resource market. A positive trend that developed during the year was the increasing volume in stock traded.

There are two main pillars to the Company: uranium and battery commodities.

**Uranium:** The uranium market continues to struggle; the spot price reached its lowest level of US\$18 per pound in December, 2016, and it has now gradually risen over 20% from that low. Within that international context our principal project, Laguna Salada, is in a country that plans to double its nuclear electricity output with the construction of two new reactors, and is committed to the small modular reactor ("SMR") market. Argentina believes that successful commissioning of its CAREM 25 SMR, one of only three prototypes being built in the world, will create an opportunity to capture 10% to 20% of the international SMR market that is estimated to grow to be worth about US\$400 billion by 2025-2030. Fundamental to the marketing of SMRs will be the support of Argentina's nuclear energy industry that spans reactor design, construction, fuel enrichment, the construction of the actual fuel rods that hold the uranium within the reactor core, as well as spent fuel storage capacity. The only component of this cycle that's missing is uranium production – and U3O8 Corp. is well positioned to fill that gap since its Laguna Salada Deposit is one of the most advanced projects - it is the only uranium deposit with a formal NI 43-101 preliminary economic study - in Argentina.

Our way forward is clear: to advance Laguna Salada to feasibility study efficiently and quickly so that it stands shovel-ready for production. Due to the low share price, the Board has not been willing to seek the \$7 million required to complete the feasibility study: instead, it has opted for smaller private placements that fund modular programs that build towards completion of that study.

Some of the most important results ever reported from Laguna Salada were released in Q1, 2017, with the discovery of gravels that are richer than those that yielded the lowest estimated cash costs of production in the preliminary economic assessment. Finding more of these higher-grade gravels is the first string to our bow in driving down production cost estimates. The second is metallurgy: test work continues on an alternative way of concentrating the uranium and vanadium from the gravel. If successful, this tweak to the processing of the gravels could help to drive down production cost estimates towards the levels of the lowest-cost producers.

There are positive signs in the uranium sector with Kazakhstan, which produces over 40% of the world's uranium, announcing a cutback in production amounting to about 3% of world supply. It is significant that the Kazakhs, who have previously had a market-be-damned attitude, are suddenly taking action via the production cut, to help strengthen the market. Furthermore, the decision by the Department of Energy in the USA to reduce its sales of uranium and other nuclear fuel products, effectively removes another 1% from the market. In addition, Japan is gradually restarting reactors. Two reactors are currently operating, while the Takahama 4 reactor is due to come back on stream later this month and the Takahama 3 reactor in June. In addition, the Genkai 3 and 4 reactors have been cleared to restart. In total, 24 of the Japanese reactors are in the permitting process for restart. In addition, demand from the 60 large reactors that are under construction around the world today is forecast to exceed supply in 2020/2021. Since it takes between 12 and 18 months for yellowcake to go from the mine-face to fabrication into fuel rods, the uranium market is expected to start to strengthen significantly in 2018.

**Battery Commodities:** The growing use of phosphate in batteries was the trigger for U3O8 Corp. to start marketing itself as a two-component company. Phosphate provides thermal stability which prevents lithium ion batteries from overheating. The size of the phosphate resource in our Berlin Deposit in Colombia is appropriate as a potential source for the battery industry. Of the list of commodities used in battery manufacture, the Berlin Deposit in Colombia contains phosphate, nickel and vanadium, while the Laguna Salada Deposit contains potential by-product vanadium. We have recently added cobalt projects to the portfolio with the aim of being a single supplier for the commodities, other than lithium and graphite, used by the battery industry.

Demand for vanadium from the battery industry is starting to grow exponentially – in 2016 it constituted only 6% of the international vanadium market, but is forecast to account for 25% by 2020. Vanadium demand will likely start to outstrip production in 2017, and vanadium prices have doubled off a 10-year low in response. Cobalt is considered to be in critically short supply, which has caused the price to rise sharply in the past year.

**Three-step Share Consolidation:** In the weak uranium market that set in after the Fukushima meltdown, while inventories of uranium built up because of the idled reactors in Japan, we were faced with a decision as to whether to close the Company down, or continue to move our projects forward at a measured pace. The Board chose the latter because the Laguna Salada Deposit is exceptional in its simplicity and is likely to have one of the lowest production costs in the uranium industry. In addition, the Berlin Project in Colombia contains a unique mix of clean energy commodities in its own right – at low forecast production costs.

Raising modest amounts of cash to keep moving forward at prevailing low share-prices led to the Company issuing a large number of shares and we are now in a position in which potential investors, such as some institutions, are inclined not to invest in the Company because of its unwieldy share structure. The Company has already been relegated to the OTCQB trading platform in the USA because penny stocks are not permitted on the OTCQX. The stock price has failed to rally, despite the positive technical news that the Company has released on the Laguna Salada Deposit, despite the uptick in the battery commodities (especially vanadium), and despite the about-face in Argentina, where a pro-business government was voted into power. Consequently, the Board has concluded that a consolidation of the stock is necessary so that the Company meets the criteria demanded by a broader spectrum of institutional investors.

In addition, we have an extremely large shareholder base that resulted from U3O8 Corp. acquiring what are now its lead projects from Mega Uranium in 2010. The projects were purchased with U3O8 Corp. stock, and Mega chose to distribute that stock as a dividend in kind to its shareholders. So, U3O8 Corp. now has 18,500 shareholders, 13,500 of whom hold less than 1,000 shares. Less than 1% of the Company's issued and outstanding shares are held in these 13,500 accounts. Printing and mailing to such a large shareholder base costs the Company about \$40,000 for each shareholder meeting – this is cash that could be used on our projects.

So, we are asking your permission as a shareholder, to implement the following plan to simplify the capital, and shareholding, structure:

1. To do a consolidation of 1,000 shares to one new share. The Company would not issue fractional shares, so the 13,500 shareholders with accounts that hold less than 1,000 shares would be flagged for payout of the value of their shares;
2. A few minutes after the 1,000 for 1 consolidation, each share would be split to 1,000, to get back to the original share count. The sole reason for doing steps 1 and 2 is to allow the Company to pay out the 13,500 shareholders who hold less than 1,000 shares in a cost-effective way, leaving the Company with about 5,000 shareholders. Reducing the shareholder base in this way makes it far more practical and cost-effective for the Company to issue shares in spinout companies to its shareholders and to provide all of its shareholders the opportunity of acquiring more shares through rights offerings, for example; and

3. Undertake a stock consolidation in which 20 current shares are converted to one new share. Again, no fractional shares would be issued, and shareholders would not be paid out for fractional shares. The reason that fractional shares would not be paid out is that it would cost the Company approximately \$10 to issue and mail each cheque, whereas the maximum value that a shareholder could lose is that of 19 shares, which at current prices, are worth 67c.

The Board believes that this is the right time to undertake a share consolidation as the uranium market is rising gradually from a bottom defined in December, 2016, and as battery commodities extend their gains in response to demand from the energy storage sector that is growing at the very rapid rate of 10% per year.

The Board is requesting your authorization to proceed with the restructuring, which must be passed by a 2/3 majority of votes cast at the upcoming Annual Special Meeting scheduled for June 22, 2017, so please vote! In addition, the Board is providing ample time for shareholders who own less than 1,000 shares, to increase their shareholding to at least that minimum so that they can participate in the future growth of the Company.

**Precious Metal Spinout Company:** In the search for uranium and battery commodities, our geologists have identified other opportunities, some of which have been staked, while others are available for negotiation on reasonable terms. We are currently working on the concept of spinning some precious metal properties out of U3O8 Corp., along with other compelling gold properties that are available on reasonable terms, into a private company that would subsequently be listed after NI43-101 reports have been completed. The concept is to issue shares in this company to U3O8 Corp.'s shareholders. A similar route could be taken for the private frac sand company, South American Silica, in which U3O8 Corp. has a 39% shareholding, once the private company has reached a critical mass.

I would like to thank the Board and Management that have given their time and counsel to advance the Company while foregoing pay and waiving fees. I would also like to thank Darin Milmeister for his guidance, counsel and support during his term on the Board. Darin has offered to step down so that David Marsh may stand for election the Board. David is a distinguished metallurgist who led the team that built Paladin Energy's alkaline leach processing plant at Langer Heinrich in Namibia. His unique experience is going to be invaluable as we advance the Laguna Salada Deposit through pilot plant testing to feasibility study.

Again, thank you for your continued support as a shareholder of U3O8 Corp.

Regards,

"Richard Spencer"

President & CEO, U3O8 Corp.