



Appia Energy Corp.
Tel: 416-876-3957
Fax: 416-218-9772
e-mail: appia@appiaenergy.ca
www.appiaenergy.ca

Appia Energy Corp. Shareholder Update

December 2010

Dear Shareholder,

During the last few weeks, the price of uranium has increased from about \$40 to \$60 per lb., resulting in renewed interest in the uranium sector. Appia is well-poised to take advantage of this renewed interest as it has:

- **a NI 43-101 Indicated Resource of 17,400,000 tons in the Teasdale Lake Zone grading 1.10 lbs. U₃O₈ /ton containing 19,000,000 lbs. of U₃O₈***
- **a NI 43-101 Inferred Resource of 78,315,000 tons in the Teasdale Lake and Banana Lake Zones grading on average 1.026 lbs. U₃O₈ /ton containing 80,338,000 lbs. of U₃O₈***
- **a Historical Resource of 215,985,000 tons in the Banana Lake, Canuc, Bouck and Buckles Zones with an average grade of 0.72 lbs. U₃O₈ per ton containing 155,377,000 lbs. of U₃O₈****

China, the world's largest producer and supplier of Rare Earth Elements (REE), has indicated that it will reduce its exports of REE. As a result, REE prices have increased and REE are now regarded as strategic materials. Nations around the world are looking to secure future supplies for their hi-tech industries.

Appia's Elliot Lake Uranium area is known to contain REE in conjunction with the uranium. More importantly, Elliot Lake is one of the only two areas in Canada that have ever produced REE commercially. Separating, processing, and recovering REE can be a very complex and expensive process. However, at Elliot Lake, the REE may be recovered fairly simply by bioleaching concurrent with the uranium at minimal incremental cost. This could significantly add to the value of Appia's resources in the Elliot Lake area. Appia is currently re-assaying drill core from its Elliot Lake property to assess the REE content of its uranium resources.

Furthermore, Appia has recently participated in staking a 15,000 hectare uranium prospect in the Saskatchewan Basin. This prospect contains numerous uranium occurrences and is located adjacent to a uranium mine. Appia will have 90% working interest in these claims.

In addition, Appia recently participated in staking three Rare Earth Elements prospects in Saskatchewan and will hold a 50% working interest in the properties. Government publications indicate one of the prospects has samples which contain up to 16% REE.

Appia expects to receive government approval of the staking of these prospects within the next 30 days and will announce the finalization of the acquisition upon receipt of the formal approval.

Appia's management intends to take the company public as soon as possible, ideally within the next few months. It is continuing to meet with members of the investment community and will continue to assess the various opportunities for financing and possible joint ventures.

In preparation for this event, management intends to raise, on a best efforts basis, up to \$5 Million in additional capital by offering \$5,000,000 of share units on the following terms:

- a) Working Capital Units at a price of CAD \$1.25 consisting of one common share and one half common share warrant exercisable within 12 months at a price of \$1.75. If Appia is not public within six months from the closing of this financing, the exercise price of the warrants will be reduced to \$1.50; and
- b) Flow Through Units at a price of \$1.50 consisting of one flow-through common share and one half working capital warrant exercisable within 12 months at a price of \$2.00. If Appia is not public within six months from the closing of this financing, the exercise price of the warrants will be reduced to \$1.50.

For more information, please see the attached Term Sheet.

Proceeds from this financing will be used for exploration and working capital purposes. It will also give existing shareholders the opportunity to participate at the pre-IPO price. This is relevant especially for shareholders who are located in jurisdictions where Appia may not be clearing a prospectus, as they may be restricted from participating in an IPO. In addition, it will allow the company to increase the number of shareholders to meet the requirements of the exchange in preparation for public trading.

Existing Appia shareholders will be given the first opportunity to participate and the offering will be made on a first come first served basis.

This offering is available only to accredited investors. Please indicate your interest as well as the jurisdiction of your residence so that we can send the appropriate Subscription Agreement to you.

Please see the attached Term Sheet and Appia's most recent PowerPoint Presentation. If you require additional information, please do not hesitate to contact me.

Thank you for your interest and continued support in Appia Energy Corp.

Best regards,

Tom Drivas

President & CEO

* A Technical Review of the Appia Energy Corp. Elliot Lake Uranium Properties, by Watts, Griffis and McOuat Limited (Nov. 19/09).

** Note: The above resources are Historical and although viewed as reliable and relevant based on the information and methods used at the time they do not satisfy the requirements set out by NI 43-101. Neither Appia nor its Qualified Persons have done sufficient work to classify the historical estimate as a current mineral resource and are not treating the historical estimate as current mineral resource. The Historical Resource should not be relied upon.