

KORES Sustainability Value Report 2010

UNLIMITED

EARTH



Korea Resources Corporation (KORES) is committed to fulfilling the dream of becoming an advanced resources powerhouse through responsible resources development.

Summary of the report

The reporting period is from Jan. 1 to Dec. 31, 2010. For some quantitative records, data from the past 3 years were used to help the readers understand the relevant trends. The reporting scope includes the performance of KORES's, head office and branch offices within Korea; the records of some workplaces abroad are included in terms of some indicators. We have specified the reasons in linkage with the details concerned when the information provided in the previous report was revised. This 2010 Sustainability Report is our third one, and we are opening various opportunities to communicate with stakeholders through the publication of the sustainability report each year.

Principles and guidelines

The report was drawn up based on GRI (Global Reporting Initiative) G3.1 Guidelines. Material issues were drawn using AA1000SES, an international standard for stakeholder engagement. This report connects ISO 26000, an international standard for social responsibility, with the GRI Index. To enhance the credibility and quality of the report details, DNV Certification, Ltd has undertaken assurance work in accordance with DNV's Protocol for Verification of Sustainability Reporting (V.3.0). Readers may check the details of the assurance results through the third-party assurance statement contained in this report's appendix.

Additional information and contact details

Additional information on this report is available on our homepage (www.kores.or.kr). For further details, feel free to contact the following:

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1) GRI(Global Reporting Initiative) : Guidelines for sustainability reports jointly produced by CERES and UNEP

Cover story

The KORES Sustainability Report is titled "Unlimited Earth," which means that our planet, Earth, is a resource that we humans should coexist with unlimitedly. We have arranged stones into the infinity symbol shape and have portrayed children playing happily to depict the healthy images of our future generations who will dream of a better future and happier tomorrow on this unlimited Earth.

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Message from the CEO



KORES will spearhead the protection of resources territory, extending it to cover five oceans and 6 continents.

KORES has grown into the only public corporation specializing in resources development in Korea.
We seek to be one of the top 20 global resources developers by 2020.

My dear stakeholders!

Thank you for your unwavering support and encouragement. We published our sustainability report for the first time in 2009, and I am pleased to share KORES's economic, social, and environmental responsibilities and performances with our stakeholders through this third sustainability report.

Looking back at 2010

2010 was a year when KORES solidified its sustainable growth base. We invested KRW 366.4 billion in 33 projects in 15 countries worldwide to achieve our autonomous development objective earlier than expected and ensure global competitiveness. As a result, KORES realized autonomous development valued at KRW 6.96 billion for an autonomous development rate of 27%. In particular, we strove to acquire new strategic minerals including lithium and preoccupied lithium triangle markets in South America by penetrating the markets of Chile and Argentina as well as Bolivia, which boasts of the largest lithium reserves in the world. KORES also increased personnel in our South African Branch Office for investment activation in the African region where our entry base is weak and opened an investment support center in the Democratic Republic of Congo. KORES actually participated in 7 projects in 6 countries including the projects on uranium in Niger, bituminous coal in South Africa, chrome in Zimbabwe, cobalt in Zambia and Congo, and manganese in Tanzania and South Africa in addition to the Ambatovy nickel project in Madagascar. Concerning our domestic business, we improved profitability and value-added through metal mine redevelopment and modernization. Our management activities were acknowledged externally, having received the highest grades in the assessment of agency head, agency, and audit during the 2010 public agency management assessment.

Management environment in 2011

With regard to the business environment in 2011, risks including the global financial crisis, unstable raw material prices, fierce global competition to acquire resources, and environmental destruction as a result of resources development are widespread. KORES is committed to implementing the following activities to become a sustainable, respected company in resources development, by regarding such rapidly changing situations as an opportunity to grow:

First, we shall consolidate the base to achieve the W.I.T.H. KORES 2020 strategy through economic responsibility.

We shall accelerate the 2+2+α strategy to penetrate the African and South American markets, aggressively targeting minerals such as uranium, copper and scarce metals whose autonomous development is weak. Toward this end, we plan to participate aggressively in large-scale production and development projects by establishing big, balanced detailed strategies pursuing substantiality through efforts to find stellar projects and investment balance between new and existing projects.

Second, we shall preserve environmental values through responsible resources development.

KORES will create a new resources development paradigm through which natural environment destruction caused by resources development can be prevented and environmental values can be maximized. We shall establish an environmental management (Mgt.) policy to actively solve environmental problems arising in the course of Mgt., activities and put such policy into practice. In terms of technology, we shall thoroughly review environmental factors by the resources development stage including exploration, development, production, and restoration through eco-production and development system adoption and eco-refining technology development and reflect these on the projects. KORES shall make all-out efforts to save energy and minimize greenhouse gas emissions by actively taking part in the government's green growth policy.

Third, we shall grow together with communities.

Resources development should be implemented for mutual development with communities, not to mention the achievements of KORES. We shall actively pursue local economy activation, job creation, and human resources nurturing through the resources development business. The infrastructure improvement in Lapu-Lapu, Philippines and accessible road construction and reservoir development in Corocoro, Bolivia are typical cases, and KORES shall continue to implement such projects. We shall also share our warm hearts with communities through various social contribution activities including the "Beautiful Shop" operation in Korea.

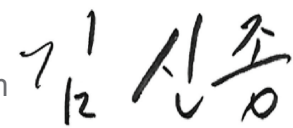
Lastly, we shall nurture employees who are equipped for global competitiveness.

In the course of its growth, KORES shall help employees become equipped for global competitiveness. Toward this end, we shall expand job training for employees and consolidate practical work and experience-centered field training so that they will be capable of implementing projects anywhere in the world. We shall establish measures for employees' safety and health in implementing projects and make our utmost efforts for employee protection. In addition, we shall strive to implement a sound performance-oriented Mgt. system to offer fair assessment opportunities to employees.

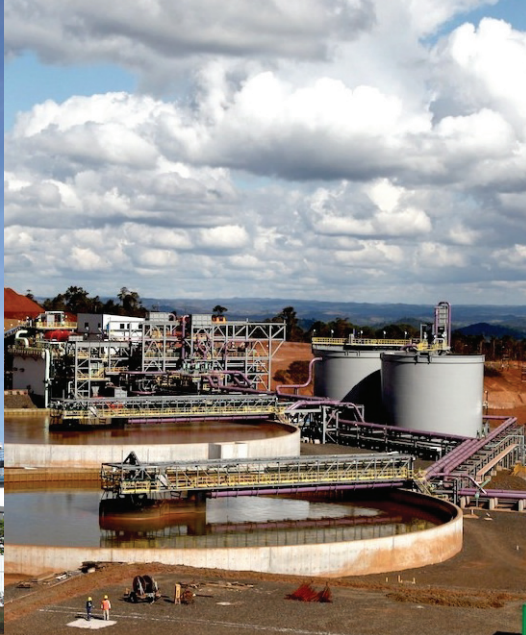
My dear KORES stakeholders

KORES has taken off as the only resources development public corporation in Korea, thanks to its stakeholders' constant interest, support, and encouragement. We shall do our very best to be one of the top 20 major resources development companies in the world by 2020. We shall exert our best efforts to reflect your various opinions on business Mgt. KORES is committed to consolidating its role as your partner in sustainable development.

I hope for your continuous support and encouragement.

President. Shin-Jong Kim 

Highlight 2010

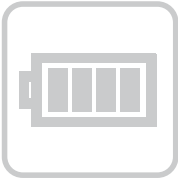


About the Company



First public agency to be rated “A” in the Government Management Assessment

KORES was rated “A” (excellent) in three sectors: agency, agency head, and audit --in the 2010 management (Mgt.) assessment targeting 100 public agencies, the first public agency to achieve such a feat. This result can be attributed to the high assessment on our conspicuous business Mgt. competence including autonomous development rate enhancement through remarkable international resources development achievements, performance-based annual salary system expansion, early adoption of the time-off system, job creation for young people, and crisis Mgt. system.



Securing new growth engines through the 2+2+α strategy

KORES channeled all its competencies into a system to acquire resources abroad so as to concentrate on international investment projects and implemented the 2+2+α strategy in 2010. This strategy involves concentrating all our competencies on the stable supply of core raw material minerals by adding scarce metals such as lithium to the existing 2+2 strategy. The strategy entails mainly investing in two types of minerals -copper and uranium- whose autonomous development rates are low and in two regions, South America and Africa, where new countries with rich resources are located. Consequently, we have secured resources development bridgeheads by participating in copper and lithium projects in America and 7 projects in 6 African countries.



Established a copper belt and lithium triangle in America

In 2010, KORES established the copper belt in America along with the projects of Boleo in Mexico, Cobre Panama, and Marcona in Peru, which we have already joined through entry into the copper mining project in Rosemont, USA. As a result of efforts to acquire new strategic minerals, KORES has achieved the feat of preoccupying the lithium triangle market in South America by penetrating the markets of Chile and Argentina as well as Bolivia, which boasts of having the world's largest reserves of lithium.



Consolidated sustainable management activities

Since KORES declared sustainable Mgt., in 2008, it has continued with its efforts to systematize sustainable Mgt. In 2010, KORES established the EHS (environment, health, and safety) Mgt. standard for the first time among public agencies in Korea. The EHS standard is an integrated environmental, health, and safety Mgt. standard that stipulates not only medical checkups for workers, hazardous substances Mgt., health education, and energy consumption measurement but also toxic materials control, facility inspection, and safety education and training. Based on the continuity of social contribution activities operated focusing on 18 tasks in the existing 4 fields, we have consolidated community communication and environmental protection activities further in international resources development sites.

KORES is a public resources development corporation.

As a public resources development corporation established in 1967, KORES contributes to national development by promoting the stable supply and demand of mineral resources. All this can be done by efficiently carrying out the following: exploration and development of mineral resources at home and abroad, support in the form of technologies and funds to develop mineral resources, stocking of scarce metals to cope with national crises, mineral ores tests, and analyses and valued-added technology development and dissemination.

Key businesses

Supporting resources development at home and abroad	Stocking mineral resources	Technology development and support	Direct investment in developing mineral resources at home and abroad
Exploration, development to acquire mineral resources at home and abroad, and support in the form of technologies and funds	Stocking mineral products to establish a stable supply base of mineral resources	Technology development and dissemination for mineral tests and analyses and value-added improvement	Direct investment in mineral resources development at home and abroad

Company profile

As of the end of December 2010

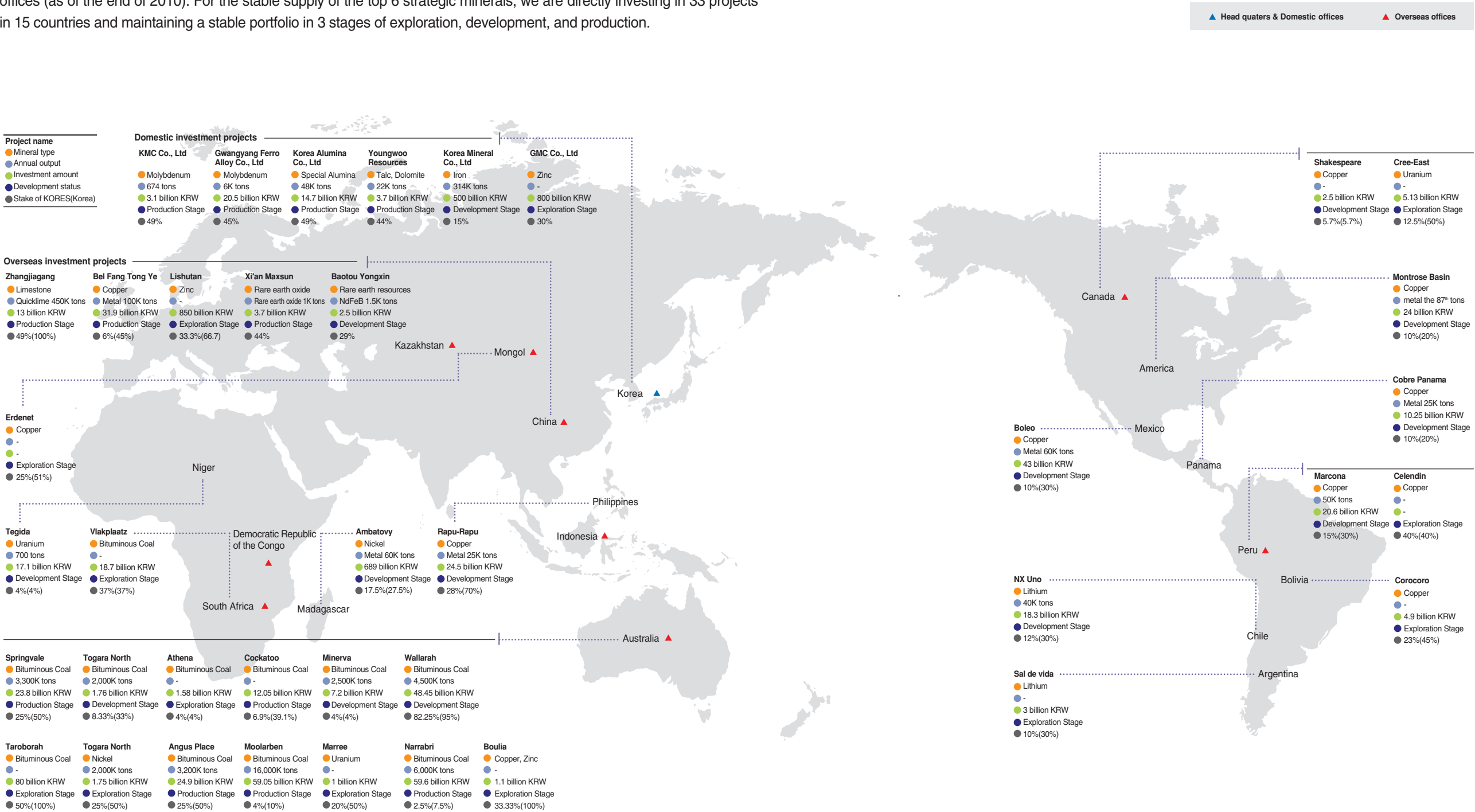
Company name	Korea Resources Corporation (KORES)
Establishment date	June 5, 1967
Grounds for establishment	Korea Mining Promotion Act No. 1935 (enacted on Mar. 30, 1967) KORES Act No. 9182 (revised on Dec. 26, 2008)
Establishment purpose	To contribute to national economic development by promoting the stable supply and demand of mineral resources through the nurturing of and support for mineral resources development at home and abroad, and the mineral resources industry
No. of employees	369
Organization	3 Divisions, 7 Departments, 35 Teams, 8 Overseas Branch Offices, 2 Branch Offices in Korea
Capital	KRW 790.3 billion (government: 99.7%; Korea Finance Corporation: 0.3%)
Net profit	KRW 23 billion

History

1960s	• 1967. 06: Established as a general mining shaping agency
1970s	• 1977. 11: Completed construction of a technology research institute • 1978. 03: Supported resources development abroad
1980s	• 1988. 12: Supported the stone and aggregate business and founded a labor union
1990s	• 1990. 04: Began to invest in the overseas resources development business • 1994. 04: Carried out resources development in North Korea
2000s	• 2001. 03: Launched the KOMIS • 2001. 07: Established a branch office in Toronto, Canada • 2004. 12: Signed a project financial agreement for the first time in the history of KORES • 2005. 11: Established a branch office in Almaty, Kazakhstan • 2006. 10: Signed a joint venture agreement to develop the Ambatovy Nickel Mine • 2007. 05: Completed construction of the Molybdenum refinery of Gwangyang Ferroalloy • 2007. 10: Stored mineral products • 2007. 11: Established a branch office in Lima, Peru • 2008. 12: Revised the KORES Act • 2009. 10: Established a branch office in Ulaanbaatar, Mongolia
2010s	• 2010. 05: Open an investment support center in the Democratic Republic of Congo • 2010. 06: Established a branch office in Jakarta, Indonesia

Status of Business

The head office of KORES is located in Seoul, Korea. KORES operates 2 domestic branch offices and 9 overseas branch offices (as of the end of 2010). For the stable supply of the top 6 strategic minerals, we are directly investing in 33 projects in 15 countries and maintaining a stable portfolio in 3 stages of exploration, development, and production.



Status of head office and domestic and overseas branch offices

Head office
606 Shiheung-dearo Dongjak-gu, Seoul, Korea
Tel. 82-2-840-5600

Iksan branch office
750-1 Namdang-ri, Hamyeol-eup, Iksan-si, Jeonbuk, Korea
Tel. 82-63-862-0041

Taebaek branch office
80-2 Hwangji-dong, Taebaek-si, Gangwon-do, Korea
Tel. 82-33-552-1261

South Africa
Korea Resources Corporation Pretoria Office
Lord Charles Office Park, Cnr Charles and Brooklyn Street, Brooklyn 0181, Pretoria, South Africa
Tel. 27-12-460-5824

Mongolia
Korea Resources Corporation Mongolia Office
Sukhbaatar district 1th khoroo chinggis avenue Monnis Tower 7F, Ulaanbaatar Mongolia
Tel. 976-1132-6875

Indonesia
Korea Resources Corporation Indonesia Office
Gedung Bursa Elek Jakarta(Jakarta Stock Exchange Building), Tower I, Suite 304, Jalan Jendral Sudirman Kav, 52-53, Jakarta 12190, Indonesia
Tel. 62-21-5140-0311

China
Korea Resources Corporation Beijing Office
Rm 1106/C, Star City 10 Jiuxianqiao Rd, Chaoyang District Beijing 100016, China
Tel. 86-10-5827-9086

Kazakhstan
Korea Resources Corporation Almaty Office
39 Gogolya Str., 1201 050002, Almaty, Kazakhstan
Tel. 7-3272-590-117

Canada
Korea Resources Corporation Toronto Office
8 King Street East, Suite 712, Toronto, Ontario, CANADA M5C 1B5
Tel. 001-416-929-8183

Democratic Republic of the Congo
Korea Resources Corporation Congo Office
No.54. Avenue Justice, Commune de la Gomba Kinshasa
Tel. 243-818-201-736

Peru
Korea Resources Corporation Lima Office
Av.Principal 190, Piso 10, La Vitoria, Lima, Peru
Tel. 51-1-226-6034

Australia
Korea Resources Corporation Sydney Office
Suite 901, 132 Arthur Street North Sydney NSW 2060 Australia
Tel. 61-2-9959-5444

UNLIMITED KORES

**KORES strives to go beyond its limitations,
for everyone's happiness to continue.**

KORES goes forward beyond Korea and toward the world, beyond today and toward an innovative tomorrow, beyond separation toward warm-hearted people. We earnestly strive for all stakeholders' happiness based on core technologies with global competitiveness.

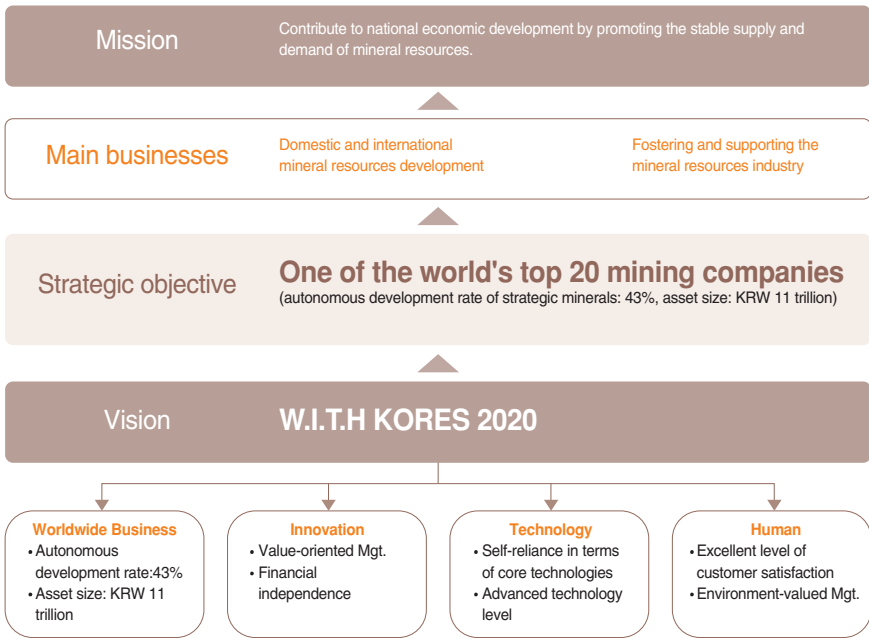


Vision and Strategy

KORES Vision

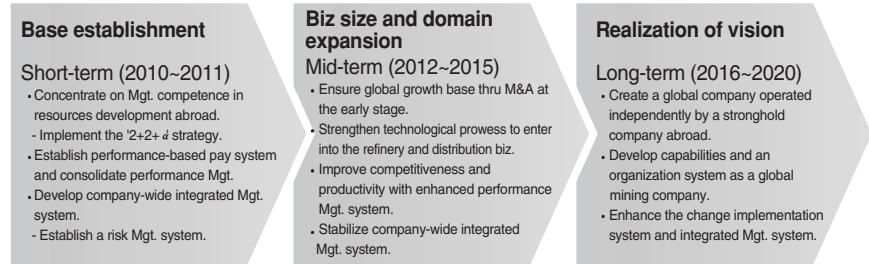
W.I.T.H. KORES 2020

KORES established the W.I.T.H. KORES 2020 strategy under the objective of ensuring the stable supply and demand of energy and mineral resources. We are doing our very best to achieve an autonomous development rate of 43% as well as asset size of KRW 11 trillion by 2020 through four strategies -Worldwide business, Innovation, Technology and Human-oriented (W.I.T.H.) Mgt.- as well as balanced growth in each field.



Mid- and Long-term Roadmap

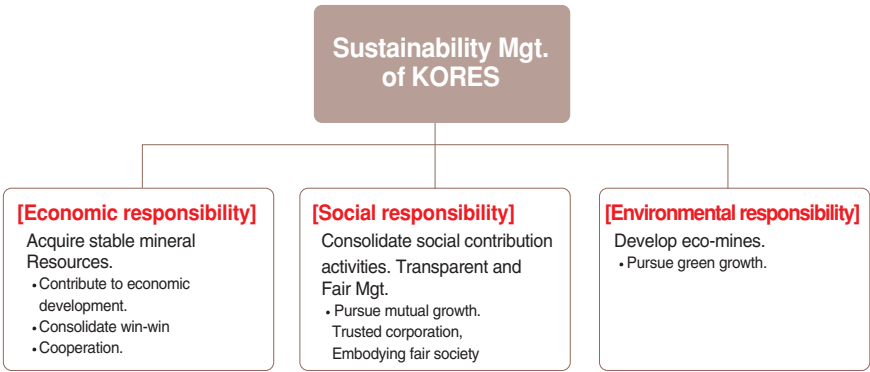
KORES is a public corporation specializing in overseas resources development, a large corporation aiming at becoming one of the world's top 20 companies in line with the government's policy direction of acquiring overseas resources and consolidating expertise. We plan to reorganize functions from domestic mining support to overseas resources development, change our investment strategy from equity investment focused on exploration into mid-and large-sized projects along with M&A, and ensure global competitiveness by fostering specialized personnel and technological prowess. Having built a growth base through the expansion of legal capital, organizations, and manpower, KORES will seek to achieve its objectives as a global mining company by :



Sustainability management strategy of KORES

Strategy direction

KORES regards stable resources supply and demand, responsible resources development, and transparent and ethical Mgt. as the strategic direction of sustainability Mgt. Toward this end, we are committed to building a balanced economic, social, and environmental growth base by reflecting various stakeholder issues.



Implementation system

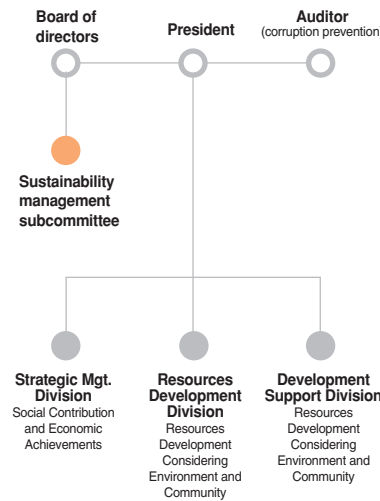
KORES founded a sustainability management subcommittee under the board of directors to supervise social contribution activities, customer-oriented Mgt., ethical Mgt., and environmental Mgt. activities. The committee supervises the sustainability Mgt. strategies and implementation results and plays a role in identifying sustainability Mgt.-related issues and offering advice in the mining business decision-making process in board meetings.

Key tasks in 2010

KORES drew implementation tasks in six fields for social responsibility implementation, established implementation plans, and implemented them in 2010.

Category	Detailed tasks	Dept. in charge
1. Improvement of customer satisfaction	<ul style="list-style-type: none">Selected as an excellent agency in a customer satisfaction assessmentActivation of VOC(Voice of Customer) collection channelCS(Customer Satisfaction) reform	Creativity Mgt. Team
2. Consolidation of sustainability Mgt. system	<ul style="list-style-type: none">Consolidation of sustainability Mgt. system	Creativity Mgt. Team
3. KORES' s brand value enhancement	<ul style="list-style-type: none">Implement PR via multi-channel and multi-function methods.Publicity system establishment	PR Team
4. Improvement in human resources Mgt. system	<ul style="list-style-type: none">Consolidation of performance-based HR assessment systemEstablishment of HR integration system	HR Development Team
5. Establishment of advanced industrial relations	<ul style="list-style-type: none">Advancement of industrial relations laws and systemsExpansion of position system and advancement of pay system	Labor and Welfare Team
6. Strengthening social contribution activities	<ul style="list-style-type: none">Strengthening social contribution activities	General Affairs Team

Organization chart for sustainability Mgt.



Governance

Composition and operation of the board of directors

Composition

The board of directors is the highest decision-making organization; the appointed non-standing director assumes the chairmanship of the board, and the ratio of non-standing directors is larger than the majority to enable them to fulfill their role faithfully in duty supervision and support. The President and standing directors are selected and appointed at the recommendation of the Office Recommendation Committee and the process specified in the Act on Public Agencies' Operation to enhance the quality and expertise of the management and ensure fairness in the selection and appointment procedure. The non-standing directors are selected and appointed by the same Act mentioned above at the recommendation of the Officer Recommendation Committee among the candidates meeting the competence criteria in each job for rational decision making and expertise in the economic, social, and environmental sectors. In 2010, the board meeting was held 16 times; 45 items on the agenda were handled including 32 cases of resolution and 13 cases of reporting.

[List of board of directors]

As of the end of September 2011

Position	Name	Age	Work experience	Tenure
President	Kim Shin-jong	1950(61)	Resources Policy Office Manager of the Ministry of Industry and Resources (MIR)/ Trade Committee standing member of MIR/ Climate-Energy Measures Task Force Committee member of Presidential Transition Committee/ Current president of KORES	2008. 7. 30 ~ 2012. 7. 29
Auditor (standing)	Kim Hong-gyu	1962(49)	Gangreung Municipal Council Chairman/ Standing committee member of Democratic Peaceful Unification Advisory Committee/ Vice president of Gangwon Municipal/Gun Chairman Council	2011. 3. 14 ~ 2013. 3. 13
Director (standing)	Park Seong-ha	1957(54)	KORES Planning & Coordination Dept. manager/ KORES Audit Office manager	2011. 8. 29 ~ 2013. 8. 28
Director (standing)	Song Jin-seok	1955(56)	Investment Development Dept. of KORES/ Investment Business Dept. Manager of KORES/ Overseas Energy Team 2 Leader	2010. 1. 27 ~ 2012. 1. 26
Director (standing)	Gang cheonn-gu	1955(56)	PR Dept. Manager of KORES	2009. 4. 1 ~ 2012. 3. 31
Director (Chairman of the board)	Gwak Young-sang	1942(69)	Current Korea Mgt. Strategy Institute Director/ Vice President of Korea Small Business Association/ Director of Korea Consultant Association	2009. 6. 22 ~ 2012. 6. 21
Director (non-standing)	Sul Seong-du	1948(63)	Representative of Park Valley Golf Club/ Busan and Daegu Branch Manager of National Intelligence Service	2009. 9. 1 ~ 2011. 8. 31
Director (non-standing)	Kim Gap-yong	1951(60)	Current CEO of GYK TAX CONSULTING/ Outside director of KEB, LG Card, GM Daewoo/ Manager of National Tax Service/ Bureau director of Local Tax Office/ Dept. Manager of NTS (ranked 12 thin the high-ranking officers' civil service examination)	2009. 9. 1 ~ 2011. 8. 31
Director (non-standing)	Ahn Jong-shik	1939(72)	Current adviser of New Fashion Pro., Jamew West (Mexico)/ Current chairman of the US Green Action Association, CEO of Modas America (Guatemala)	2010. 4. 2 ~ 2012. 4. 1

Operation of the Subcommittees

KORES has three subcommittees affiliated with the board of directors to enhance the decision-making efficiency of business Mgt. and consolidate the expertise of the board of directors. The Strategic Mgt. Committee supervises KORES's economic performance. The Investment Advisory Subcommittee handles issues on overseas resources development. The Sustainability Mgt. Subcommittee expands KORES's sustainability Mgt. activities by activating communications with external stakeholders and reports sustainability Mgt. achievements and plans.

Assessment of the board of directors' performance and reward

The operation of the board of directors is assessed by an external assessment group during the government Mgt. assessment each year. Internally, the board's internal evaluation by board members and operation performance evaluation by working-level team leaders are carried out semi annually. The assessment results are reflected on the following year's board operation plan establishment. The KORES President presents specific Mgt. objectives to realize the Mgt. philosophy and visions, signs a Mgt. agreement with the Knowledge Economy Minister, and receives performance-based pay differentially depending on the Mgt. performance evaluation results. Standing directors sign a performance agreement with the president and receive performance-based pay depending on the evaluation results.

Activation and consolidation of the board of directors

Key performance indicator (KPI) management

KORES set five KPIs and objectives for the evaluation of board operation performances. KORES carries out the board's own evaluation of role responsibility, composition, operation, and result utilization for performance assessment and feedback consolidation and operation performance evaluation of the expertise, rational decision making, and business contribution of non-standing directors. The evaluation results are disclosed externally on our homepage by being included in the Mgt. disclosure. Internally, the evaluation results are reflected in the establishment of the following year's board operation direction and activation measures and non-standing directors' competence consolidation measures.

Consolidation and use of non-standing directors' expertise

KORES has made efforts to support non-standing directors' role consolidation through the establishment of measures to strengthen expertise and build their use means with a system.

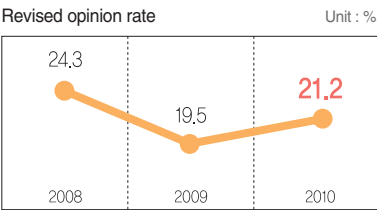
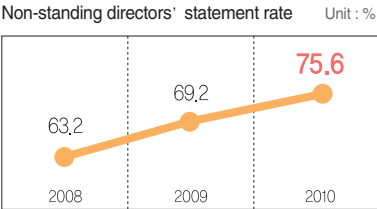
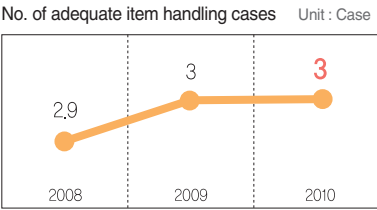
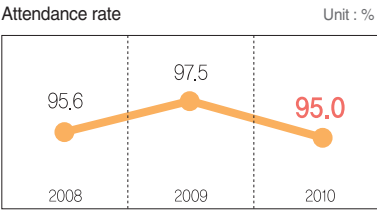
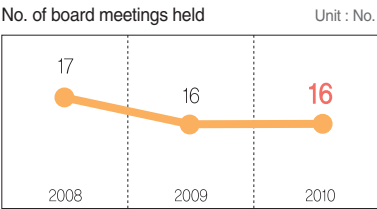
Category	Main Activities in 2010
Support for competence consolidation	• Orientation by field (4 sessions) • Offering Mgt. information (3 fields) • Enhancement of understanding of social contribution (2 sessions) • Visit to the resources development site (2 times)
Status enhancement	• Visit to the resources development site (2 times) • Participation in Mgt. activities (3 times)
Role consolidation	• Activation of the board's functions by presenting rational alternatives -Specialized opinions (44 cases), revised opinions (7 cases), policy suggestions(11 cases), action requests(24 cases) • Consolidation of pre-deliberation thru subcommittee activation • Checking the management thru revised opinions presentation on the items in the agenda
Development of a system for the measures to use non-standing directors' expertise	• Use of non-standing directors' expertise (internal training and thesis/report contribution) • Proposal to the government on the policy suggestions in the board meeting • Institutionalization of assignment of support infrastructure consolidating team to the worksite, training, and site visit

Consolidation of board's competence

KORES has made great efforts toward board function activation through board operation enhancement via activities such as inspection and improvement of organizations and processes and reinvigoration of the board meeting operation.

Category	Main Activities in 2010
Regularizing the board meeting's procedure and process	• Enhance the opinion presentation rate by promoting systemized, fair meeting procedure and free debate process. • Reflect the internal auditor's opinions by offering the auditor an opportunity to present his/her opinions (100% of auditor's attendance rate).
Composition of balanced subcommittees and expanded operation	• Expanded operation for balanced three subcommittees (3 sessions in 2009 -- 7 sessions in 2010) • Strategic Mgt. Subcommittee (1 session), Investment Advisory Subcommittee (4 sessions), Sustainability Mgt. Subcommittee (2 sessions)
Support for timely decision making	• Regular board meetings to be held every last Thursday of the month and temporary board meetings to be held for the deliberation on pending issues related to emergency Mgt. • A special report is made at a non-standing director's request on Mgt. conditions/resources environment and already decided items.
Regularizing non-standing directors' pre-presentation on the items	• Joint presentation in the senior non-standing director's office 2 days before the board meeting -Through the joint presentation, the direction for the supplementation/revision of items can be presented, and efficient debate is enabled in the board meeting. • The revised opinion decision rate rises, due to enhanced understanding of items through the joint pre-presentation.

KPIs for Board Operation



Status of Subcommittees Meetings Held in 2010

Category	Items on the agenda
Strategic Mgt. Subcommittee (one meeting)	Strategic Mgt. plan (2011 ~ 2020)
Investment Advisory Subcommittee (four meetings)	Reporting of the planned bituminous coal exploration project in Vlakplaats, South Africa
	Progress in sales of equity in Ambatovy Nickel Mine development project
	Status of Australia's resources tax reorganization
	Status of 2009 overseas resources development analysis
Sustainability Mgt. Subcommittee (2 meetings)	Establishment of EHS Mgt. standard proposal
	Reporting of sustainability Mgt. results in the first half of 2010 and plans in the second half of 2010

Risk Management

Risk management system

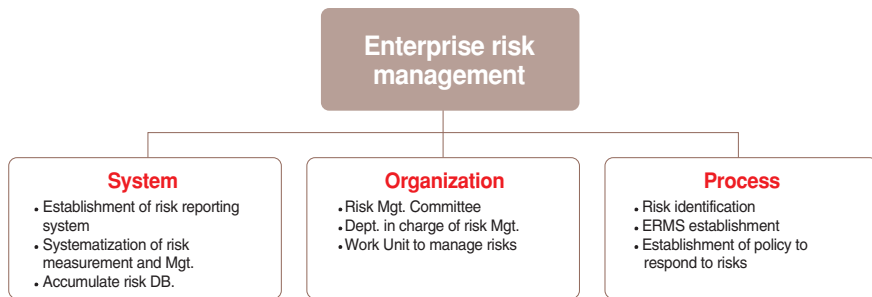
Risk management strategy

KORES has devised a system through which clear role and policy establishment can be reflected on the business during normal times based on management's solid commitment to manage risks efficiently and successfully. We have also been carrying out a strategy to enhance corporate values and promote sustainability management by implementing key businesses' successful operation and main functions without obstacles thru employee's voluntary participation in education/training programs for risk management competence consolidation by developing such programs.

Enterprise risk management system (ERMS)

KORES operates procedures to recognize, measure, evaluate, respond to, monitor, report, and feed back risks by building ERM (enterprise risk management) to cope proactively with new types of risks according to business sector expansion. Furthermore, we actually expanded ERM into ERMS. Through this system, we expect to carry out business efficiently and stably by checking and responding to risks prior to business implementation.

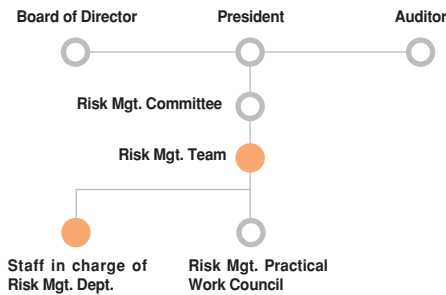
ERMS



Risk management organization

The Risk Mgt. Committee is the supervising and deliberating organization on overall risks generated in Mgt. activities. The committee deliberates on the basic enterprise risk policy, strategy and regulations, and risk Mgt. limit and comprehensive plan as well as risk-related items on the agenda. The Risk Mgt. Team is a newly established team to enhance enterprise risk control and communication system efficiency. The team mainly carries out risk policy strategy establishment, risk Mgt. system development, risk measuring model improvement and risk reporting system operation. The Risk Mgt. Practical Work Council mainly reviews items on the agenda as presented to the committee, risk trend and extent, and risk limit setting control and operates to consolidate practical review.

[Risk Mgt. Organization System]

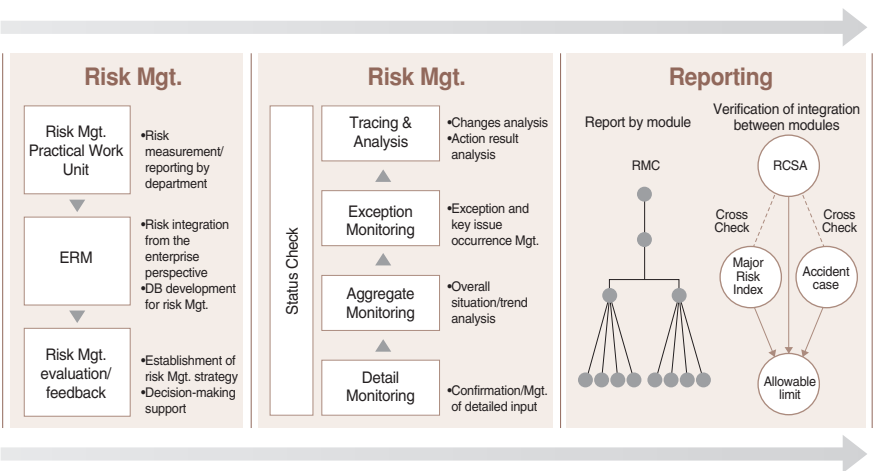


[Status of 2010 Risk Mgt. Committee Meetings Held]

Meeting sequence	Details
1st	• Review the interest rate swap of syndicated loan. • Report the status of foreign exchange risk.
2nd	• Report the ERM establishment. • Report the status of foreign exchange risk.
3rd	• Decide the interest rate of syndicated loan. • Report the status of interest rate risk.
4th	• Decide the interest rate of syndicated loan. • Report the status of interest rate risk.

Risk management and monitoring process

KORES develops its own risk assessment method, assesses the risks, and reports the assessment results to the Risk Mgt. Committee and routinely carries out enterprise Mgt. for efficient risk Mgt. We also monitor whether risk Mgt. is faithfully carried out in compliance with the defined strategies and regulations. We establish and operate a system through which the data created in the risk Mgt. process are converted into useful information for decision making and reported. Through this, we can cope with potential risks in advance.



Risk management measures

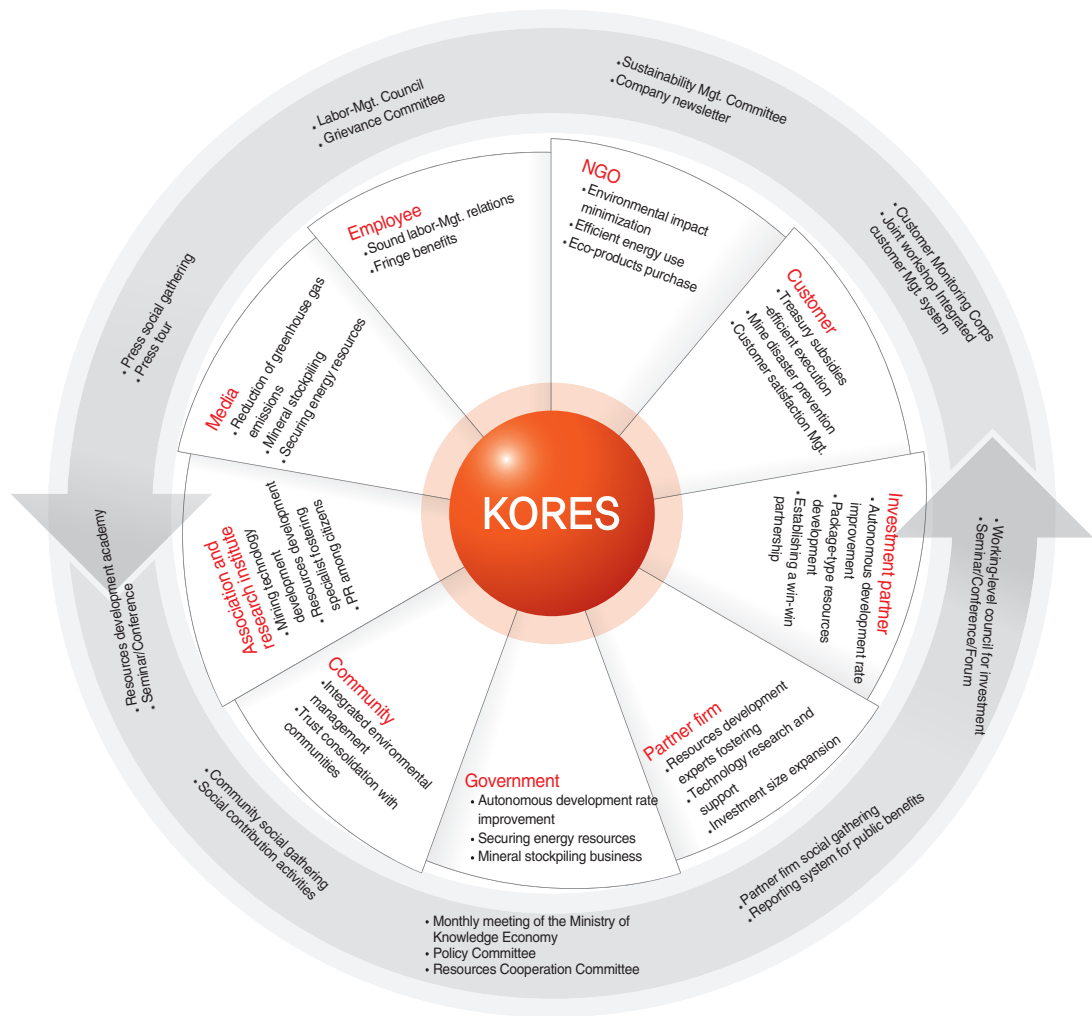
KORES operates ERMS by dividing risks into 12 types: 3 financial risks and 9 non-financial risks. For financial risks, we systematically manage them by adopting a quantified system. For non-financial risks, we manage enterprise risks by identifying them in general through the organic actualization of risk identification, analysis, responsiveness, and monitoring. We also cyclically control non-financial risks through the risk control self-diagnosis menu.

Category	Type	Responsiveness
Financial risks	Credit risk	• Develop measures to cope with each type of risk by collecting and analyzing each risk factor. • Manage risk thru foreign exchange hedge according to measures to cope with each risk type.
	Market risk	
	Liquidity risk	
Non-financial risks	Investment risk	• Upon making a decision on the investment business, manage within the risk allowable limit and establish adequate measures.
	Government policy risk	• Establish and manage measures to cope with government policy change by scenario.
	Operation risk	• Devise measures to cope thru Mgt. indicator Monitoring.
	Law compliance risk	• Consolidation of internal control system
	Environmental risk	• Monitoring whether regulations and job standards are observed, carrying out cyclical education/training
	Mgt. risk	• Develop a system to respond to business environment change.
	PR risk	• Check possibilities that negatively affect KORES thru press/media monitoring.
	Conflict risk	• Check possibilities of labor-management disputes and collective civil petitions.
	Disaster risk	• Control items that can damage the physical and personal resources of KORES including the number of fire incidents and number of power failure days.

Stakeholder Engagement

Stakeholder communication

KORES divides the stakeholders that wield huge economic, social, and environmental influence on the organization's Mgt. activities into customers, investment partners, partner firms, government, communities, associations and research institutes, media, employees, and NGOs. We effectively respond to stakeholders' demand by identifying each stakeholder group's main interests.



Stakeholder communication channels

KORES operates communication channels in line with stakeholders' characteristics, collects opinions and requirements, and continuously supplements and improves weaknesses through the feedback of stakeholders. We built a system for immediately responding to the Voice of Customer through the integrated Mgt. of all VOCs including a customer consulting section on the homepage, civil petition via telephone, electronic Shinmungo (through which citizens can lodge complaints), and customer suggestions. The accumulated customers' opinions are used as service improvement data by inputting them into a database.

Materiality test

KORES conducted a materiality test on the sustainability Mgt issues drawn from internal and external stakeholders. Through a priority test by issue, KORES selected key issues for which leadership needs to be acquired intensively in the future.

STEP 01
Issue confirmation

► Confirm internal issues.

- Mgt. strategy analysis
- Interviews with employees
- Questionnaire for employees

► Confirm external issues.

- Media analysis
- Interviews with external stakeholders
- Questionnaire for external stakeholders
- Benchmarking

123 STEP 02
Priority selection

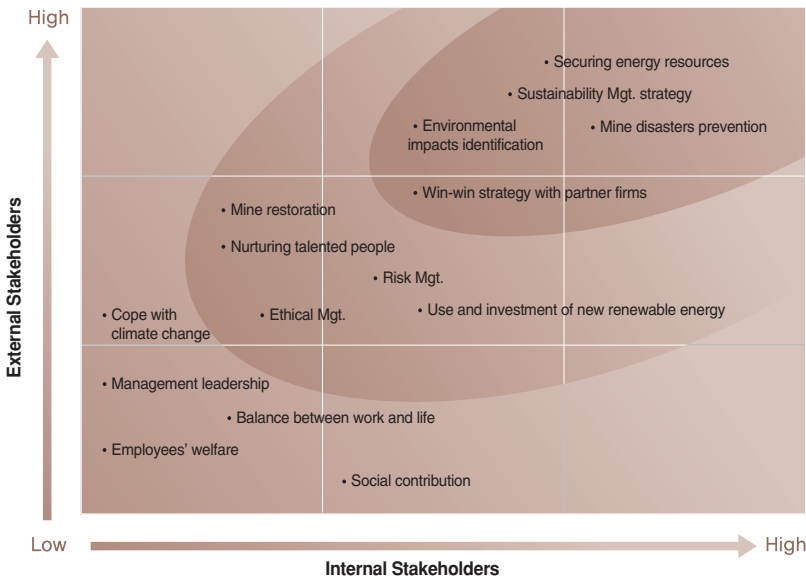
► Analyze influence on organization.

- Strategic materiality analysis
- Issues' urgency analysis

► Analyze stakeholders' interest.

- Frequency analysis by issue
- Stakeholder materiality analysis

✓ STEP 03
Materiality test



Material with great potential	Energy resource procurement, sustainability Mgt. strategy, identification of environmental impacts of resources development, mine disasters prevention activities, win-win partnerships with partner firms
Material	Mine restoration activities, nurturing talented people, risk Mgt, ethical Mgt. new renewable energy use and investment
Mediocre	Coping with climate change, management leadership, employees' welfare, balance between work and life, social contribution activities

Interviews with stakeholders

Jin-gyun, Han
Mineral Division Manager of
Daewoo International

Playing a role in enhancing the overall mineral industry level



Today is the era of competition in acquiring resources. For Korea, which imports about 99% of resources, acquiring resources is essential for future sustainable economic development. To achieve the W.I.T.H. KORES 2020 strategy beyond the current position of KORES in the market, we need to be equipped with several weapons. First, we need to have specialized and typical minerals. Although various minerals are developed by strategic selection, we can ensure international competitiveness only when we have specific and typical minerals. Second, we need strong bonds with communities. I have seen some cases wherein a business collapsed due to conflict with local residents. In other words, we need to share the perception that countries can grow together through resources development. To build credibility, a specific, patterned CSR program should be operated in advance from the early stage of resources exploration. Lastly, I hope KORES plays the role of a leader to enhance competence on minerals at the national level. I believe the role of KORES is important in enhancing the overall industrial level through strong partnerships with private companies from the business, technical, and talented people perspectives.

Dae-gyeong, Kim
Assistant Division Manager of LS Nikko
Resources Development Mgt. Office

Reliable corporation in the future as well



LS-Nikko forged a business relationship with KORES for the purpose of acquiring raw materials at the initial stage of business. Nowadays, however, we implement projects in almost all fields related to resources development from the business exploration stage together with KORES. Despite the high risk of the resources development business, we could take advantage of KORES's high credibility and competence in the course of carrying out projects with KORES. KORES has strong merits in business implementation abroad thanks to the combination of KORES's high credibility, best R&D competence in the mineral resources field in Korea, and various overseas market penetration experiences with LS-Nikko's overseas network and resources utilization capabilities. Currently, LS-Nikko regards the resources development business along with stable supply and demand as its future growth engine; toward this end, LS-Nikko maintains a close partnership with KORES. For KORES to develop continually, I hope KORES establishes continuous and long-term strategies and implements them aggressively. Through active investment in new projects, I hope KORES's new and existing businesses will be in good harmony to create a virtuous cycle. I also wish KORES turns those projects into good assets given its unique capabilities. I believe two-way communication consolidation is necessary for the competence concentration of KORES. KORES operates many programs including symposiums abroad for human resources capabilities improvement in the mineral resources field, and these activities help a lot in private companies' resources development. Still, I think the operation of more personal exchange and programs are necessary beyond simple education/training. I hope KORES will be a reliable corporation in the future, as it has been in the past and as it is at present.

Warm-hearted corporation that shares its heart with communities

Tae-gu, Kim
Director of the
Daebang Social
Welfare Center



KORES has been actively supporting the underprivileged class in the community as a key sponsor of our welfare center for 5 years since 2007. I regard KORES as a corporation having an advanced culture since it respects the welfare center's autonomy to the fullest by notifying us of their annual plans in advance through pre-consultation and by coordinating the plans at any time according to our opinions. I believe welfare is an activity based on integrated society-oriented distribution, and it is important to share warm hearts with communities in addition to physical distribution. Although many companies participate in social contribution activities, there is a strategic aspect to enhancing corporate image partially in such activities. In this context, corporate social contribution activities need to consolidate moral purity through the institutionalization and activation of volunteering that can expand communication and contact with communities, not to mention physical donation and sponsorship. In the social welfare field where private and public sectors' participation is essential, companies' participation has far greater influence compared to individuals. Thus, volunteering consolidation at the corporate level will have great effects and social ripple effects. In the past, physical volunteer work was the mainstream in volunteering focusing on facilities such as welfare centers or orphanages. Note, however, that the concept of volunteering is changing today when more interest should be given to relative rather than absolute poverty. The talent donation type of volunteering programs using human resources' personal capabilities of companies can be a good model of volunteering. I expect many companies to strengthen their participation in and support communities through volunteer services. Finally, I pray that our relationship with KORES Volunteer Corps, which has made great efforts for our welfare center and the local residents for five years, will last a long time.

Leading role expected in sustainable resources development

Jin-soo, Lee
Team Leader of Mine Damages
Research Center, Mine
Reclamation Corp.



Resources development has not only huge economic and social ripple effects but also colossal environmental impacts; hence the need for great efforts to protect the environment at all stages. Environmental and personal damages that inevitably arise in the mine developing process are regarded as mine damages. The mine damages prevention activities carried out by KORES can be an environment-friendly green business for sustainable resources development, becoming an essential part to secure resources development rights in developing countries. Therefore, cooperation between KORES and Mine Reclamation Corp., is very important not only in the environmental aspect but also in the international competitiveness enhancement aspect in overseas resources development and mine damages prevention markets. There are two suggestions that can be considered when KORES undertakes resources development. First is the maximization of synergy by commercializing resources development and mine damages prevention technology package and by penetrating domestic and international resources development markets. Supporting mine damages prevention technologies for eco-resources development enables the enhancement of the domestic and international autonomous development rate and international competitiveness; differentiation from other countries is ensured through the establishment of an eco-mining image. Second is building a mine damages cooperative system in all stages of the resources development life cycle from exploration to mine closure. Integrated environmental management is enabled through pre-environmental impacts assessment, step-by-step environmental restoration via the establishment and development of mine damages prevention facilities, and monitoring and establishment of measures to close the mine in question. In maximizing eco-resources use efficiency, I expect KORES -a public corporation for resources development- to be a global leading company in sustainable resources development, taking into account both resources development and environment through a close cooperative system with Mine Reclamation Corp.

UNLIMITED Economy

KORES brightens the future through stable resources supply.

KORES supplies energy and mineral resources essential to national environmental development through the stable procurement of mineral resources, domestic and international resources development, domestic mine industry activation support, and research on technology with high value-added. KORES fulfills its mission as Korea's leading public corporation for resources development.



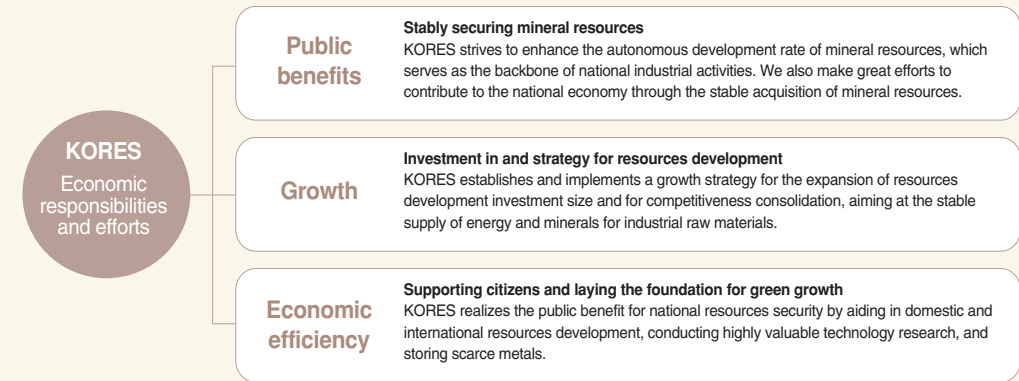
DMA

Disclosure on Management Approach

Our Approach

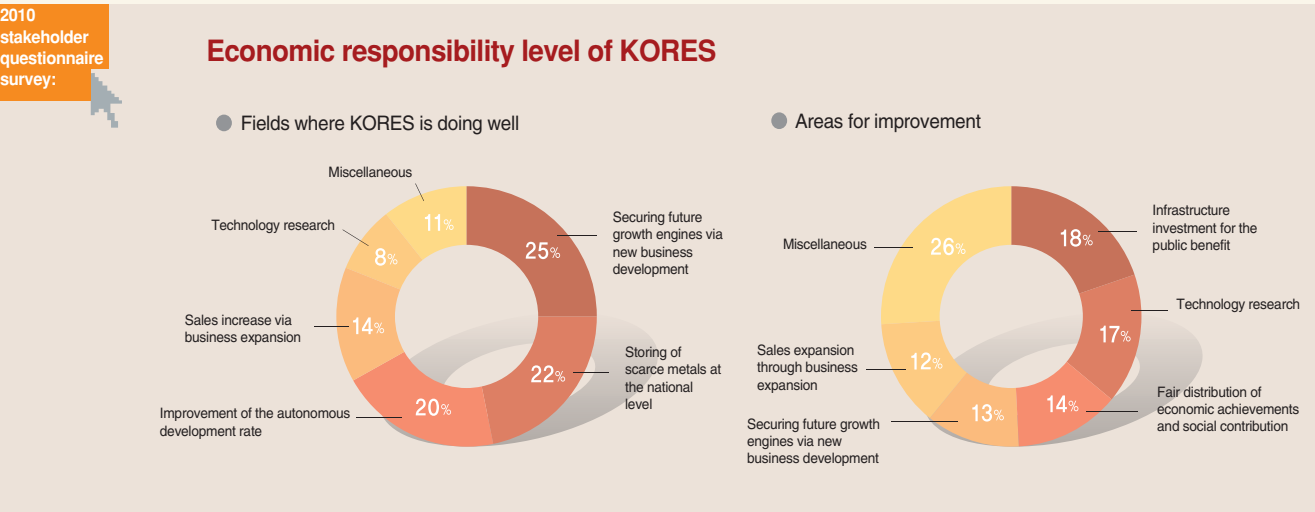
The economic responsibilities and achievements of KORES are divided into economic efficiency for stably securing mineral resources, realizing growth that shows its potential competence & possibility in the future, and ensuring public benefit for public value creation as a public corporation. We are actively investing in developing resources abroad for stably securing mineral resources. In addition, we lead the reinvigoration of Korea’s mining industry by reassessing mines and supporting mine development. Through the business of storing mineral resources, KORES consolidates abilities to cope with national emergencies and contributes to economic stability. With all these, KOREA plays its part as Korea’s ideal public corporation for resources development.

Overview



Major achievements

Category	Main issues	Target in 2010	Achievement in 2010	Target in 2011	Key stakeholders
Public benefits	Support for private businesses	KRW 163.8 billion	KRW 163.8 billion	KRW 167.8 billion	Customers, partner firms, government
	Storing scarce metals	1,679 tons	1,905 tons	6,866 tons	Government, associations, research institutions
Growth	Sales	KRW 135.1 billion	KRW 166.2 billion	KRW 152.4 billion	Government
	Investment size	Overseas	KRW 350.0 billion	KRW 366.4 billion	Investment partners, partner firms, government, associations and research institutions, media
		Domestic	KRW 7 billion	KRW 4.2 billion	
	Investment return	Overseas	KRW 38.9 billion	KRW 40.4 billion	Government, investment partners
		Domestic	KRW 1.6 billion	KRW 500 million	
Economic efficiency	Autonomous development rate	27%	27%	29%	Investment partners, partner firms, government, associations and research institutions, media



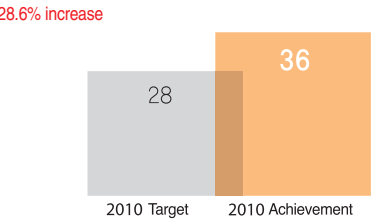
Public Benefits

Supporting resources development abroad

Consolidation of resources information support and cooperation

KORES strives to provide companies preparing for overseas resources development with useful resources information and price-forecasting data at an appropriate time. To bolster real-time information acquisition, we additionally secured two types of specialized information centers for overseas resources and communications centers in 3 countries in 2010. We upgraded KOMIS, our information offering system operated for the improvement of content accessibility and user satisfaction, built a one-stop service system and improved customers' search convenience. As a result, the number of KOMIS page views rose about 50% to 713,778 views compared to our target. We also recorded an information system failure rate of 0.126%, which was lower than the target rate of 0.5%; thus implying the much more stable system operation. In securing new business for minerals whose autonomous development rate leaves a lot to be desired including uranium, copper, and scarce metals, we bolstered resources cooperation; the number of cases of international exchange in 2011 stood at 36, up 30% compared to the targeted 28 cases. We plan to expand the information offering scope including in-depth price analysis service for strategic minerals and resources statistics system and establish the mid-and long-term resources cooperation master plan as well as enhance our execution ability with regard to the plan.

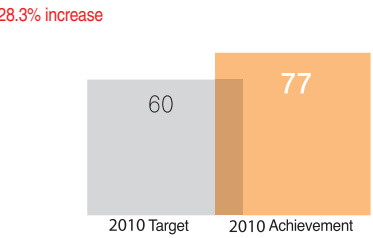
No. of International exchange and cooperation cases
Unit : No.



Consolidation of exploration support and technology

KORES supports overseas resources development projects through overseas survey and exploration technology development. In 2010, through the efficiency enhancement of the overseas survey business, we linked KORES with private investment and lending businesses in 15 projects. KORES also implemented a treasury subsidy support system improvement for the survey service substantiality and base for mutual growth. In particular, we secured three lithium mining projects in South America, five projects for rare-earth and scarce metals, and an investment support system in Africa by aggressively backing the '2+2+α' strategy. With regard to technical support, we adopted an advanced deposit modeling, built a geological 3D modeling system for geology and ore body, and confirmed 22 areas for potential uranium development using an aerial sensing technique. In view of all this, KORES continuously implements support function consolidation backed by its technological prowess. We plan to improve the survey service support system to nurture Korea's resources development service firms and SMBs and consolidate African resources survey support through financial and human resources. We shall also bolster support capabilities and effects by establishing and executing our own ore body modeling plan.

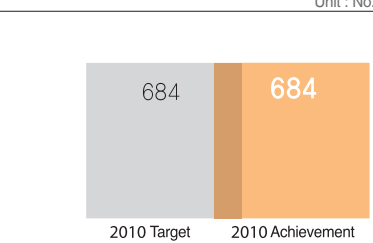
No. of overseas survey service cases
Unit : No.



Consolidation of fund and technology support

KORES implements a policy financing project to come up with the funds required for resources development abroad so as to foster the continual growth base of the resources development industry. KORES provided financial support worth KRW 67 billion or 98% of the 2010 budget of KRW 68.4 billion in strategic minerals to achieve the target autonomous development rate for 6 strategic minerals and induce the activation of overseas resources development in the private sector. In implementing the '2+2+α' strategy, KORES provided financial support worth KRW 22.9 billion for 5 projects including uranium in Imouraren, Niger. We also shelled out KRW 9.6 billion for five projects including Cobre in Panama to secure copper mines. In addition, we made an effort to improve lending efficiency and system improvement, having procured an additional KRW 164.0 billion for the Mineral Resourced Development Fund 2 and overcome our financial resources limitation by stably raising the investment/loan fund of KRW 600 billion. In terms of technology support, we succeeded in developing lithium core technology in Uyuni, Bolivia including lithium carbonate manufacturing technology. We also registered rare-earth metals technology in China, a powerful country when it comes to rare-earth metals. In other words, KORES realizes major achievements in the R&D sector, a future growth engine. We will continually consolidate the acquisition of intellectual property rights to enhance technological prowess.

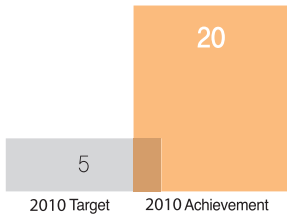
Loans for overseas resources development
Unit : No.



Secure new mineral volume

Unit : million tons

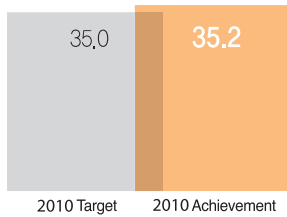
300.0% increase



Productivity of modernized mines

Unit : tons/person

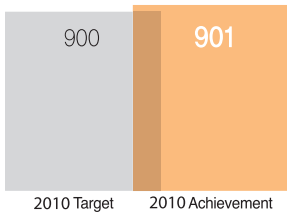
0.6% increase



Funds for domestic resources industry

Unit : billion

0.1% increase



Support for domestic business

Exploration support consolidation

KORES supports the exploration probe of new mine development and existing mine redevelopment to secure essential minerals for industrial raw materials for the purpose of mutual growth. Since 2000, we have been carrying out a precision probe of potential mining areas nationwide. By probing 480 mining areas nationwide until 2010, we secured 15.84 tons of new reserves. In 2010, we secured 2 billion tons of mineral reserves, about four times more than the targeted 500 million tons. Supported since 1967 to secure reserves of private mines with development potential, mining and drilling seek to identify the size, quality, and geological structure of ore body to determine the status of natural resources of ore body. We recorded 1,484 tons/m in 2010 and secured 1,419 tons/m of ore volume by digging through tunnels targeting the confirmed ore body. Concerning direct exploration, we plan to explore 50 mines for 10 minerals including copper and zinc by 2020 to secure new metal mines. Of these, we plan to link 22 mines through redevelopment by KORES and private companies. We actually performed direct exploration of 8 mines from 2004 to 2010 and developed the Geumeum and NMC Moreland mines.

Supporting the enhancement of the domestic mining industry's competitiveness

To bolster the follow-up action of the mineral resources industry advancement plan established in 2009, KORES made detailed plans by business and selected mines to support and reorganized the relevant committees. We also induced the industrialization of raw materials through improvement of productivity and high value-addition. In keeping with government policy, we disbursed national treasury funds early and improved loan support for tunnel digging projects and processes. In addition, we bolstered assistance to lay the foundation for high value-added limestone market share in terms of supply. All in all, KORES strives to improve its support system. For the smooth implementation of support services, we activated a stakeholder cooperative system including support service presentations, symposiums for mineral resources industry advancement, and social gatherings to advance the mining industry law and system. As part of efforts to improve the law and system of Korea's mining industry, we reviewed the system for importing minerals and the sales surcharge system and lobbied for the legislation of mining industry laws and systems. To prevent mine disasters, we established a rescue system for large-scale mine disasters and rationally improved the mine safety facilities support system to minimize damage and losses. In 2010, we conducted mine safety education/training for 3,169 people and inspected 456 cases of facilities. For eco-mine development, KORES carried out support activities to establish the eco-development system such as mine environment technology support in direct investment projects. We also established a greenhouse gas inventory using a post-combustion capture technology applying wet absorbent and devised measures to reduce greenhouse gas emissions.

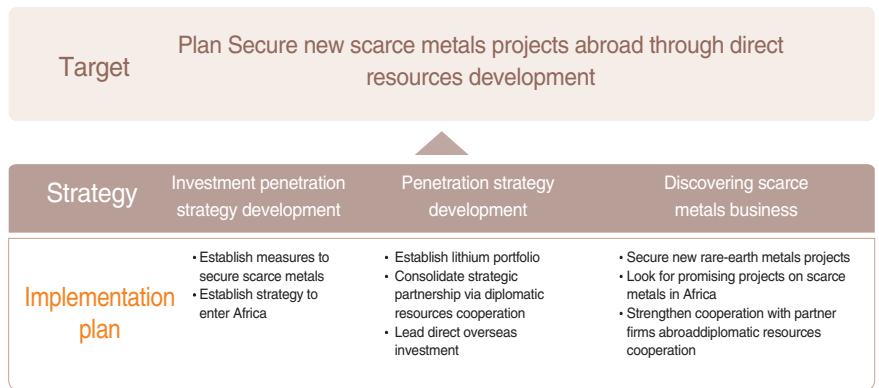
Support for funds and technologies

KORES disbursed support funds worth KRW 90.1 billion in 2010, 70% of which were for facilities funds with huge economic ripple effects and KRW 13.0 billion for mineral processing funds. For domestic economic activation, we executed 75% of the funds early in the first half, established a new loan system for funds to store minerals, and induced the stable development of metal mines. From the technical support aspect, we carried out R&D to support the development of scarce metal mines and won R&D orders targeting rare-earth metals, lithium, and uranium. In particular, we recorded 10 cases of technology development.

Securing scarce metals

Securing scarce metals through direct resources development

KORES implements direct resources development abroad for stably securing scarce metals. We designated lithium, rare-earth metals, manganese, chrome, molybdenum, and tungsten as the minerals to be secured through overseas direct development, and we are developing promising business-finding strategies in line with domestic and international environmental changes. To capture a Blue Ocean at the early stage, we promote entry into the markets of African countries including South Africa and DR Congo. In securing new energy resources such as lithium through the preoccupation of the lithium triangle in South America, we have established customized lithium mine portfolio by stage; we are also bolstering a strategic partnership through diplomatic resources cooperation.



Strategic storing of scarce metals

KORES actively consolidates the foundation for storing scarce metals and their purchase rationalization for sufficient, strategic storing of scarce metals.

Consolidation of foundation for storing projects | We designated potassium as a new mineral to store given its high future growth possibility and expanded the stored quantity of rare-earth metals and antimony. By reflecting domestic demand and supply change, we change the volume to be stored and reestablish annual storing plans. In view of all this, we establish and operate mid- and long-term operation plans for minerals resources storing. We bolster international cooperation through regular meetings among Korea, the US, and Japan, and the expansion of information exchange and cooperation channels with agencies to store such minerals abroad. KORES strives to secure financial resources including increase in the relevant budget and storing stations through communication reinforcement with the government.

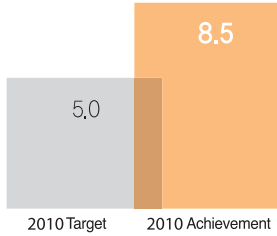
Rationalization of purchase of minerals to store up | KORES bolsters market trend analysis capability and purchase/management ability of minerals to be stored internally. We also activate opinion exchanges with Korea's user companies and distribution companies including social gatherings for the scarce metal industry and operation of rare-earth metals demand and supply inspection unit. All in all, we promote purchase rationalization through efforts to revitalize clients and advisory organizations.

Target and performance of storing business | In 2007, KORES began a storing business for 9 minerals -chrome, molybdenum, niobium, antimony, tungsten, titanium, selenium, rare-earth metals, and gallium- considering factors such as production reorganization, unstable market, and raw materials of the cutting-edge industry. As of the end of 2010, we stored 10,494 tons, which is equivalent to 8.3 days of consumption of Korea. Through annual investment of about KRW 50 billion, we plan to store about 78,400 tons or 60 days of Korea's consumption by 2016.

Autonomous development rate of new strategic minerals

Unit : %

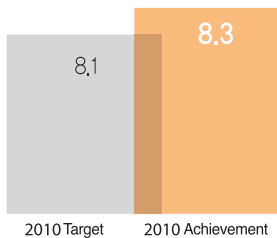
70% increase



Equivalent days of minerals storing

Unit : days

2.5% increase

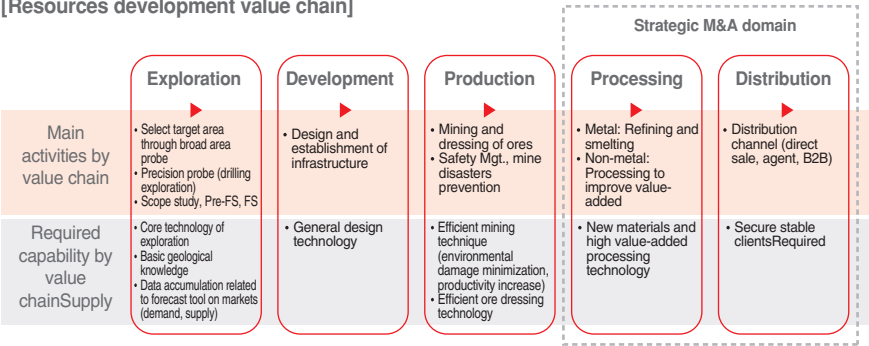


Growth

Expansion of resources development value chain

KORES focuses on the expansion of resources development value chain and direct development of resources overseas for resources development investment expansion and competitiveness consolidation.

[Resources development value chain]



Means to expand the value chain in each field

Category	Details
Specialized personnel nurturing	<ul style="list-style-type: none">Consolidate practical work capability by sending experts for investment businessOperate manpower pool in the processing, distribution/marketing fieldsEstablish and operate a roadmap to secure advanced technological prowess
Bolstering cooperative system	<ul style="list-style-type: none">Bolster cooperation with user companies/distribution and marketing, service companies
Bolstering cooperative system	<ul style="list-style-type: none">Enhance existing measures for procurementImprove earnings structureCompose optimal portfolio

The mineral resources development business consists of the exploration, development, production, processing and distribution stages. Of these, KORES participates only in the exploration, development and production stages. To grow into one of the global top 20 mine industry majors in 2020, we implemented the expansion of value chain step-by-step. For the value chain expansion of direct investment business, we have penetrated into the processing, distribution and marketing businesses. Toward this end, we are securing a domestic sales network, and carrying out joint research on refinement/smelting technologies with Korean partner companies. KORES has also built a cooperative system, through which we can procure minerals for raw materials abroad with overseas partner companies. As part of all these efforts, we are currently building a nickel smelting factory, and we strive to consolidate value chain expansion capability.

Direct resources development expansion

Consolidation of direct development project base

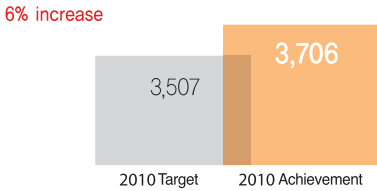
New investment strategy development and consolidation of cooperation on government policy

In 2010, KORES developed a new investment strategy and devised a suitable portfolio to lay the foundation for balanced investment between new and existing projects. Through comparative analysis on the world's top 20 companies' portfolios, we devised a short-term strategy, a big & balanced investment strategy until 2011, and a mid- and long-term strategy and a 2-track investment strategy until 2020. Based on these strategies, we will increase our typical revenue business, concentrate on minerals with high profitability, and secure and manage strongholds in strategic regions. In addition, we jointly made the 4th overseas resources development basic plan and set up a new organization to concentrate our competence on Africa by bolstering cooperation in keeping with the policy to enhance strategic implementation capability. In this manner, KORES laid the foundation for takeoff as a major global company.

Stable financial resource procurement for investment and operation efficiency enhancement

Our direct development investment amount at home and abroad rose to KRW 370.6 billion, thanks to our all-out efforts in 2010. This represents a 1.6 times increase in 2 years, and a 6% overachievement versus the existing target. Investment size is considered to increase continually given our leading role in investment. Toward this end, stable financial resource procurement is essential. We issued Global Bonds worth USD 300 million with long-term, low interest rates in 2010 for the first time in our history and diversified investment financial resources through CP issuance and increase of government investment. In addition, we organized a new team in charge of fund procurement and financial and risk Mgt. For the efficient operation of investment resources, we improved the financial structure by converting short-term borrowings into long-term ones and made an effort to improve the equity structure with the exit of non-performing partner firms. As a result, our financial expenses for fund procurement in 2010 went down 0.4% to 2.9% compared to the 3.3% target.

Direct development investment amount
Unit : billion



[New investment strategy]

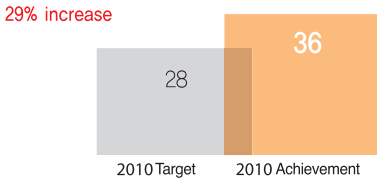


Discovery of resources development projects

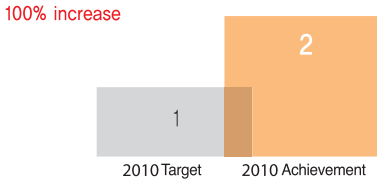
Global resources network expansion To secure a stable supply source in the resources market, KORES co-invests through linkage with domestic agencies focusing on the consolidation of networks between countries. In particular, for the efficient implementation of the '2+2 strategy', we try to build a network of high-ranking executives and expand the working-level network through cooperation with the government on the penetration of the Africa and South America markets, along with securing uranium and copper, which are insufficient in terms of autonomous development. We also devised measures to consolidate the Korea-Japan cooperation system focusing on partner companies - which are already our invested companies - and make an effort to find promising businesses. Moreover, we try to secure large-scale projects by organizing a Korea-Japan-Russia consortium.

Consolidation in finding overseas projects and leading investment in domestic projects As part of efforts to find promising projects abroad, we secured a stronghold in the US, an eastern belt of the American continent, and laid the foundation for belt expansion through M&A. We also penetrated the African continent's bituminous coal project. By bolstering leading investment to enhance the domestic self-reliance rate, we implement mine redevelopment through direct exploration and domestic mining activation by building a nickel smelting factory. Through all this, we laid the foundation for value chain expansion. All in all, we actively induce private companies' investment.

International exchange cooperation
Unit : cases



Acquisition of new mining rights abroad
Unit : cases



Economic Efficiency

Autonomous development rate improvement

Importance of autonomous development

Autonomous development rate refers to the resources volume secured by investing in overseas resources development through methods of equity participation, etc. This is an indicator of the stability of securing resources in resources supply crisis situations. Actually, the importance of autonomous development is increasing on the national resources security dimension according to frequent incidents occurrence, which can be an emergency situation in raw materials supply including mineral prices hike caused by speculated fund inflow, deepening monopoly and oligopoly of major mining companies, and using resources as a weapon stemming from new resources nationalism. KORES recognizes national economic stabilization through the stable procurement and supply of mineral resources as an economic responsibility and sets an autonomous development rate target to build a stable supply system of energy and mineral resources. Toward this end, we concentrate all our capabilities on mineral resources development abroad.

Strategy to enhance the autonomous development rate | KORES concentrates on substantiality through balanced investment in new and existing projects along with securing large-scale earnings projects to enhance the autonomous development rate from the short-term perspective and on investing in developing and producing strategic minerals from the mid-and long-term perspectives. Simultaneously, we plan to invest in scarce metals and large-scale exploration businesses to secure a growth engine source.

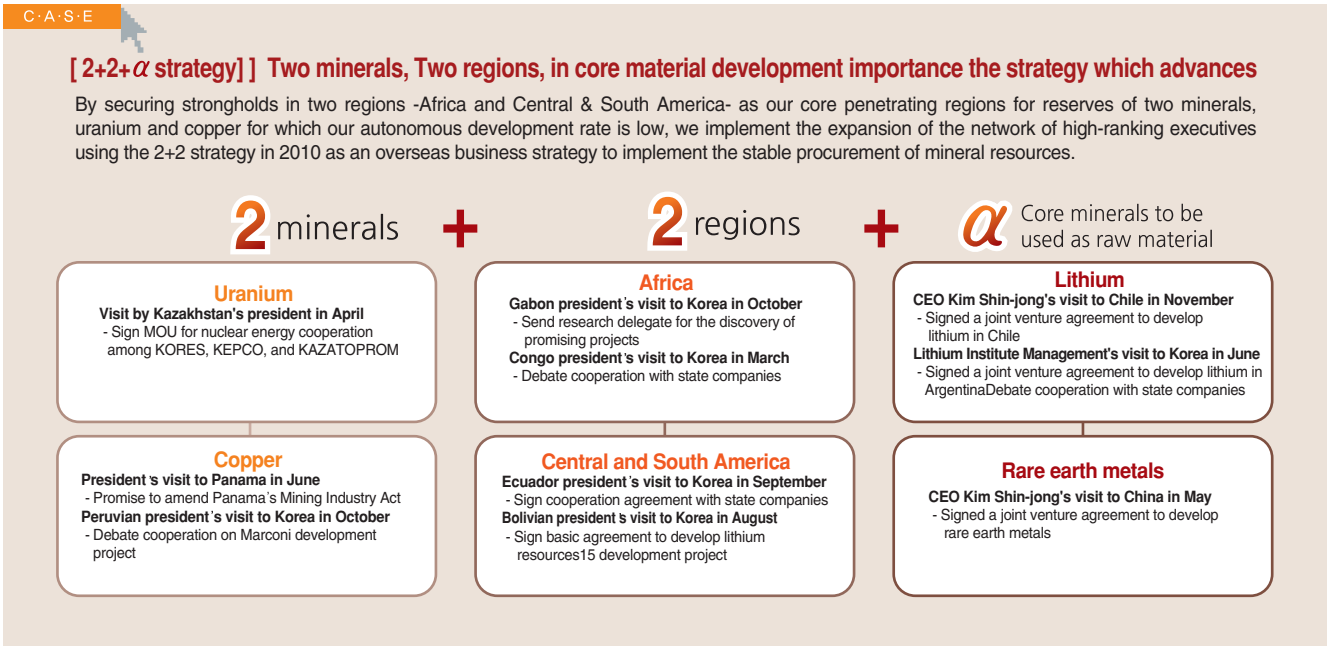
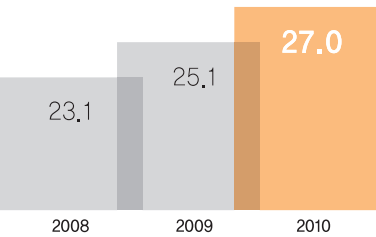
Six strategic minerals | Bituminous coal, uranium, iron, copper, zinc, and nickel are six major strategic minerals selected under the strategic mineral criteria specified in the basic plan for overseas resources development. Although the impact on the national economy is high with more than USD 100 million import size, they are minerals with an unstable supply structure with more than 90% import dependence. Actually, they are selected and managed by the Ministry of Knowledge Economy every 3 years. The strategic minerals' autonomous development rate is the ratio of autonomous development amount to the total import amount and is used as a government policy target. In 2010, 27.0% was recorded, up 1.9%, compared to the previous year. KORES plans to raise the autonomous development rate of strategic minerals to 42%. Toward this end, we establish and operate a strategy to achieve the target through demand and supply analysis and outlook by mineral.

New strategic minerals | Although demand for scarce metals such as lithium and rare-earth metals rises given the recent industrial enhancement, their supply is unstable because of control over these resources by countries with such resources. KORES continually invests in new strategic minerals to cope with demand pattern change, and it has achieved an autonomous development rate of 5%. This exceeds our 3% target. We will be the cornerstone for the new growth engine industry of Korea by continuously securing scarce metals.

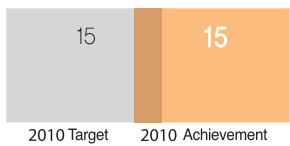
Status of achievements and implementation

In 2010, the volume for autonomous development rose thanks to the consolidation of existing major projects. With production in the Mulaven and Narrabri projects, we increased the bituminous coal supply base to about 3 million tons. Through the Northern partnership project's early-stage normalization, the autonomous development volume rose 132% compared to the previous year. We also laid the foundation to enhance sustainable autonomous development through new project discovery. In September 2010, we acquired equity in the US's Rosemont Copper Mine development project. In November 2010, we acquired a stake in the Vlak Plaatz bituminous coal project, and we are continuously expanding the stable supply base. In addition, we promote the M&A of specialized overseas companies to strengthen specialized capabilities and autonomous supply base at the early stage. We also try to acquire bituminous coal development right in the Warilla 2 project along with pilot production in the Ambatovy nickel mine by reinforcing the Mgt. function for the existing large-scale development projects' early production system.

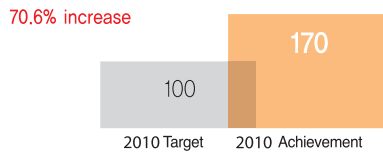
Autonomous development rate of strategic minerals Unit : %



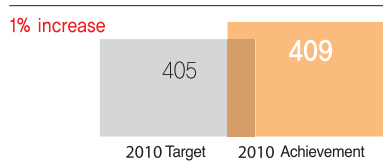
Follow-up linkage of Research project Unit : cases



No. of Technology trainees Unit : people



Return from direct development investment Unit : billion



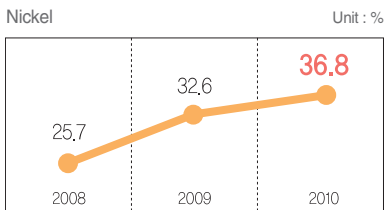
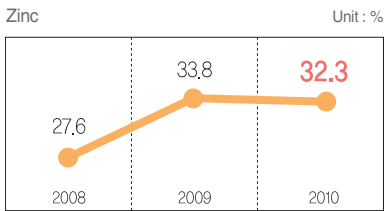
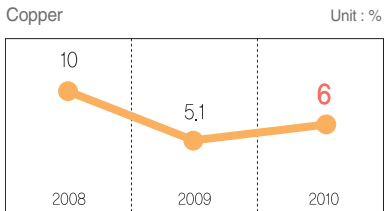
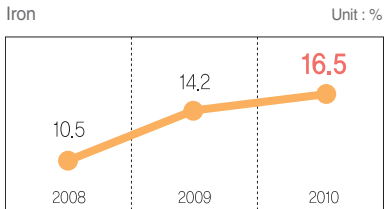
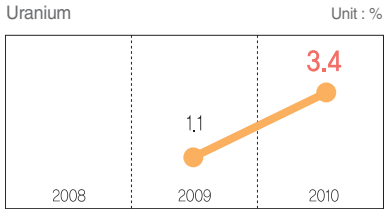
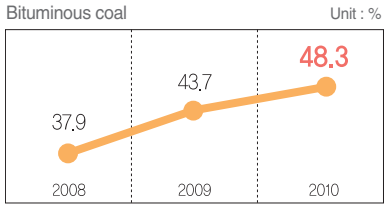
Enhancement of investment project operation and management

System establishment for systematic operation and Mgt. of investment business | KORES laid the foundation for efficient operation for investment business Mgt. through the closing and sale of non-core businesses, adoption of a global financial Mgt. system, and new establishment and expanded reorganization of the relevant organizations. We also enhanced job efficiency by improving the investment business Mgt. system via improvement of the direct development and investment process and new establishment of the investment business Mgt. system. Through the development of the enterprise risk Mgt. system, we have secured a proactive, systematic ability to cope with risks.

Consolidation of follow-up linkage of exploration development projects and improvement of production business Mgt. conditions | KORES makes an effort to improve exploration projects' efficiency. For the Marree project, we reinforced supervision on the operator through the cooperation of domestic participant companies. We recorded good achievements by applying a new exploration technique to the Cree East project. In the Boleo and Ambatovy projects wherein large-scale investment has been injected, we stably implemented mine development infrastructure construction by solving the partner company's fund problems. For Panama's Cobre and Marcona projects, production is likely to begin shortly through the diplomatic cooperation of high-ranking officials for the Mining Industry Act revision and environmental impact approval. KORES also makes all-out efforts for return maximization in the production business. The Lapu-Lapu project recorded a surplus by improving the futures operation system. An Australia subsidiary that has raised coal delivery contract prices through the enhancement of negotiation ability also posted the highest revenue.

Expansion and activation of sustainable resources development base | We established the EHS job standard for sustainable resources development, and set up a sustainable resources development base through measures to reduce environmental and social risks and technology research. Thanks to our eco-resources development efforts, environmental impacts were minimized through noise, dust expansion modeling in the Mulaven project. In the Ambatovy project for win-win Mgt., with the community, an assistance initiative for the demobilized workers program for current workers was devised. In the Marcona project, natural disaster restoration support was launched. In the Cobre project in Panama, we offered training support, medical assistance, and rescue activities. KORES is implementing resources expert fostering for sustainable Mgt., expanding the target and programs for education/training, and newly opening and operating negotiation expert nurturing programs.

Status of autonomous development rate of each mineral



Measures to achieve the autonomous development rate of each mineral

KORES establishes and implements customized strategies considering each mineral’s features to achieve the target autonomous development rate.

Mineral	Strategy		Country penetrated		Autonomous development rate target in 2019
	Increased production from the existing project and consolidation of new investment project discovery efforts	Role sharing and supplementation with the relevant company	Key invested country	Strategic invested country	
Bituminous coal	<ul style="list-style-type: none">• (Existing Projects) Linkage with production increase and production in 35 projects including Mulaven, Wallarah2 projects• (New Projects) 28 projects discovery including Kapuas, Indonesia and production linkage	<ul style="list-style-type: none">• Success rate enhancement via KORES's technology offering• KORES: Finding, review, implementation, and management of projects• User: Purchase guarantee and use of external credibility (KEPCO, POSCO)• Specialized companies: Use of expertise on region and technology (Samtan, Kyungdong)• Distribution company: Use of expertise on region and trade (SK, LG, Samsung C&T Corporation)	Australia, Canada, Indonesia, China	South Africa, Russia, Mongolia, Mozambique, New Zealand	50%
Uranium	<ul style="list-style-type: none">• (Existing Projects) Linkage of five projects including Tegida, Marree, Cree East• (New Projects) 40 projects discovery including Namibia, Australia, and Canada and production linkage	<ul style="list-style-type: none">• Success rate enhancement via KORES's technology offering considering the user's investment activation trend• Finding new investment projects in cooperation with KEPCO and Korea Water Resources Corporation (KWRC)• KORES's exclusive investment under KWRC's purchase guarantee in the case of impossible joint investment	Kazakhstan, Canada, Australia, Uzbekistan, Niger, US, South Africa, Namibia		30%
Iron	<ul style="list-style-type: none">• (Existing Projects) Contribution to private companies' invested existing projects including Posmec, Roy Hill• (New Projects) 40 project finding cases including 16 in promising regions such as South Africa and Indonesia and production linkage	<ul style="list-style-type: none">• KORES: Finding, review, implementation, and management of projects• User: Purchase guarantee and external credibility use (POSCO, Hyundai Steel)	Australia, India, Brazil	Africa including South Africa	35%
Copper	<ul style="list-style-type: none">• (Existing Projects) Implementation of large-scale mines in existing projects such as Boleo• (New Projects) Participation in projects focusing on operation right acquisition via M&A of specialized companies	<ul style="list-style-type: none">• KORES: Manage projects as the largest shareholder on the part of Korea and manage, find, review, and implement projects• User: purchase guarantee and external credibility use (LS Nikko, etc.)• General trading companies: Use expertise on region and international trade (LG Corporation, Samsung C&T Corporation)• Construction/plant projects: Infrastructure investment	Chile, Peru, Indonesia, Australia, Canada	Myanmar, Argentina, Mongolia, Zambia, Congo, Russia, Kazakhstan	38%
Zinc	<ul style="list-style-type: none">• (Existing Projects) Production increase and production of 6 existing projects including Lishutang• (New Projects) New investment in 15 projects including Australia and China, and production linkage	<ul style="list-style-type: none">• KORES: Finding, reviewing, implementing, and managing large-scale exploration projects• User: Purchase guarantee and external credibility use (Korea Zinc, Young Poong)• General trading companies: Use expertise on region and international trade (Samsung C&C Corporation, Daewoo International, SK Networks)• Construction/plant projects: Infrastructure investment	Canada, China, Australia, Peru, US, Kazakhstan	Democratic Republic of Congo, Iran	42%
Nickel	<ul style="list-style-type: none">• (Existing Projects) Production linkage and normalization of existing projects including Ambatovy• (New Projects) New investment in 9 projects including Indonesia and production linkage	<ul style="list-style-type: none">• (Existing Projects) Production linkage and normalization of existing projects including Ambatovy• (New Projects) New investment in 9 projects including Indonesia and production linkage	Madagascar, Indonesia, New Caledonia, Australia, Philippines		40%

Economic value creation and distribution

Economic value creation

KORES seeks to be one of the world’s top 20 mineral resources companies in 2020; it posted sales of KRW 166.2 billion in 2010, having been posting stable sales for the past 3 years. KORES recorded a net profit of KRW 23 billion, up 8% compared to 2009.

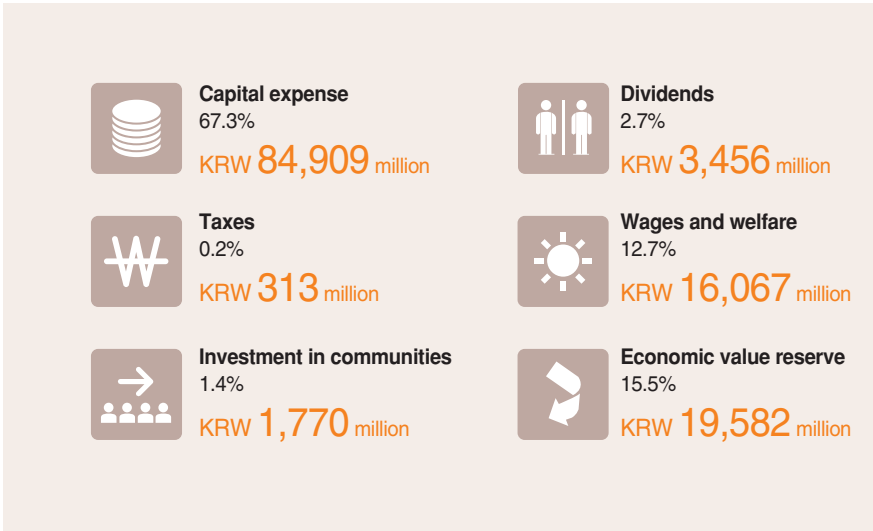
[Summarized 2008-2010 income statements]

Unit: KRW 1 million			
Account	2010 (44th period)	2009 (43rd period)	2008 (42nd period)
Sales	166,213	147,702	173,121
Cost of sales	128,091	113,528	147,319
Gross profit	38,122	34,174	25,802
Selling and administrative expenses	16,067	15,136	13,654
Operating profit	22,055	19,038	7,732
Non-operating income	7,884	4,700	2,454
Non-operating expense	3,725	2,453	831
Gross income and loss	26,213	21,284	13,770
Income tax expense	3,176	-	-
Net profit	23,038	21,284	13,770

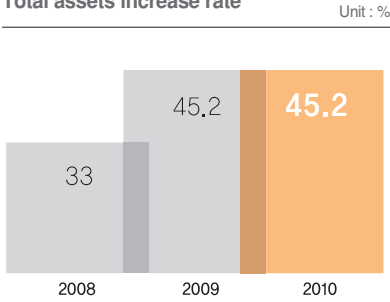
* The 42nd period's net profit changed, as equity investment in the copper mine project of China's Bel Fang Tong Ye was converted into loan.

Distribution for stakeholders

KORES distributes the economic value created by business activity to stakeholders in various forms including tax payment, job creation, contribution to communities and win-win partnerships with partner firms.



Total assets increase rate



UNLIMITED Society

KORES builds up a friendly world by sharing together with others.

We believe that the most valuable resource that humans have is love. KORES builds a trust-based relationship through active communication with stakeholders. KORES Volunteer Service Corps is committed to being a warm-hearted neighbor through our active volunteering service.



DMA

Disclosure on Management Approach

Our Approach

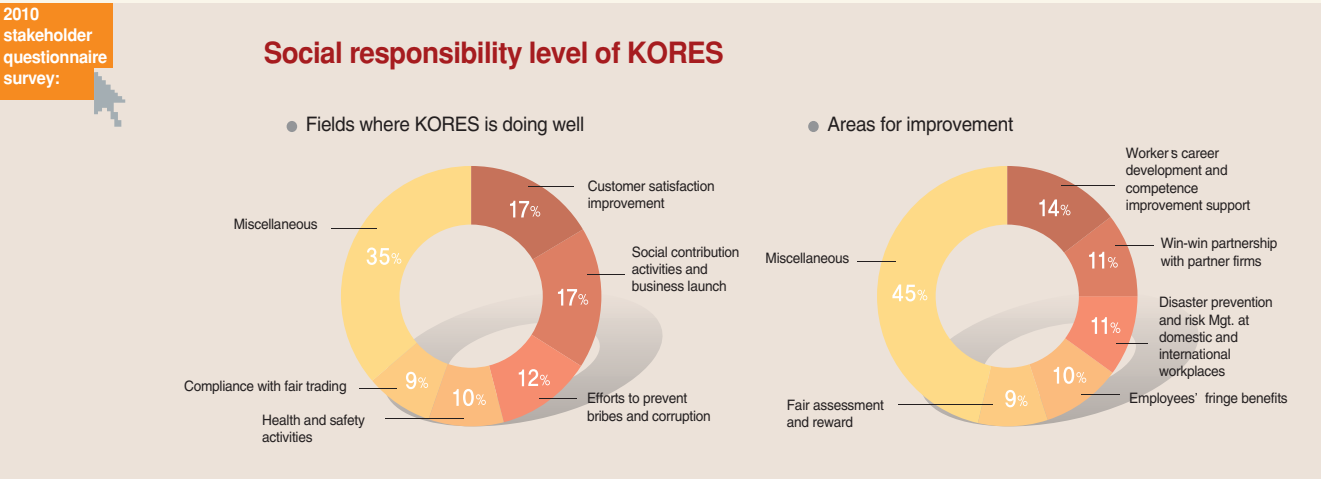
KORES is committed to growing as a trusted company for employees, customers, and communities through transparent and clean Mgt. We will also foster a Mgt. culture that can increase mutual profits with stakeholders through effective communication. Communities are our closest neighbors in a win-win cooperation. KORES pledges to grow and serve as the partner of communities as a community member through win-win partnership and management of sharing.

Overview



Major achievements

Category	Main issue	Target in 2010	Achievement in 2010	Target in 2011	Major stakeholder
Employment	Total number of employees	375	369	410	Employees, communities
Diversity	Women's rate	18.5%	19.5%	20.1%	Employees, communities, NGOs
	Disabled people' s rate	3.0%	3.5%	3.8%	Employees, communities, NGOs
Health and safety	Number of industrial accident victims	0	0	0	Employees
Ethics	Participants in ethical education	1,144	1,267	1,381	Employees
Anticorruption	Violations of code of ethics	0	0	0	Employees, communities, NGOs, government
Training	Average training hours per person	44 hours	60 hours	55 hours	Employees
Product and service	Customer satisfaction	Excellen	Excellen	Excellen	Customers, communities
Community	Volunteering hours per person	13 hours	13.4 hours	13.5 hours	Customers, communities

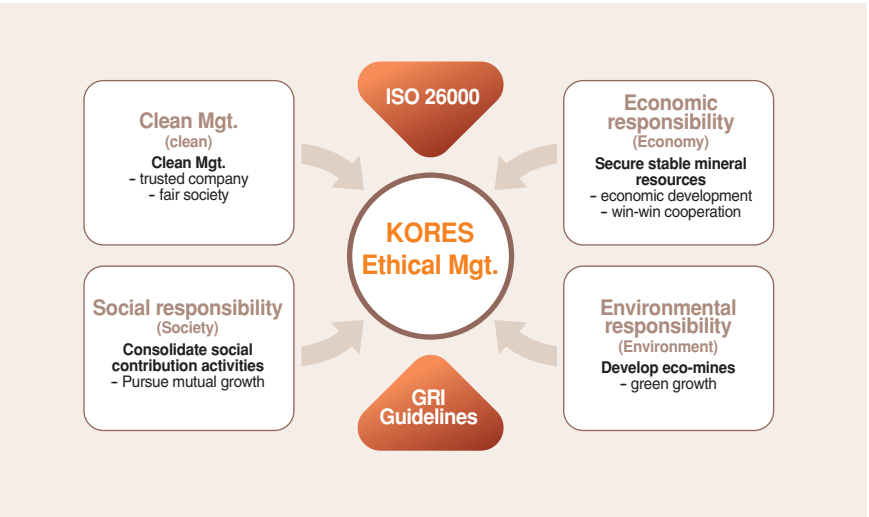


Ethical Management

Ethical management system

KORES-style ethical management model

KORES redefined the concept of ethical Mgt. in 2010 to develop a resources development company-style ethical Mgt. model and established the KORES Ethical Mgt. Model consisting of clean Mgt., social responsibility, and environmental responsibility.



Ethical management system

KORES has established the internal/external integrated implementation system based on the ethical norm. KORES's ethical Mgt. system systematically supports ethical education, programs to put ethics into practice, monitoring and assessment, and social contribution activities so that an ethical corporate culture can firmly take root.

Ethical norm | KORES's ethical Mgt., is based on an ethical norm consisting of the charter of ethics, code of ethics, code of conduct, officers' job integrity regulations, and standard of conduct. KORES executes the 'KOREA Internal Control Standard' it enacted, which contains the value judgment and basic conduct procedure and criteria to be observed in performing jobs. We also declared the code of ethics that should be observed by all employees in job performance. Through these, an ombudsman of law and regulation compliance can review compliance with laws and regulations and ethical attributes in advance; thus contributing greatly to legal and ethical risk reduction. KORES actually prohibits the donation of political funds in kind.

Organizations | KORES has created an organization consisting of internal and external individuals to put ethical Mgt into practice. The Sustainability Mgt. Subcommittee supervises ethical Mgt. policy establishment. To substantiate ethical Mgt. activities internally, KORES operates a monitoring organization such as the anticorruption and integrity promotional body, the 'Integrity Reform Planning Group', and Law and Regulation Compliance Ombudsman to check whether the internal control policy and ethical regulations are observed.

KORES ethical norm



Ethical management activities

Management’s effort to disseminate ethical management

KORES disseminates the importance of and need for ethical Mgt. through strategy meetings and an internal notice board as part of the CEO’s mentoring activities for the promotion of commitment to ethical Mgt. In April and December 2010, the CEO gave two lectures on ethics, business, and ethical norms. We simultaneously make an effort to diffuse ethical Mgt. externally through SNS including Twitter, an ethical Mgt. SM forum and the UN Global Compact. KORES made some 20 cases of newspaper contributions and granted broadcast interviews through press/media activities to disseminate its commitment to ethical Mgt.

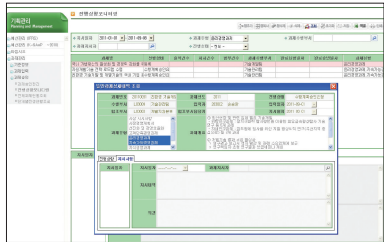
Operation of ethical management task control system

KORES operates a task control system online to check and evaluate in real time the ethical Mgt. tasks by team and the status of implementation of management’s instructions. Through this, quick feedback on the task performance is possible, and action is carried out for each team to execute the task concerned in a timely manner.

[Key systems and activities to institutionalize ethical management]

Activities	Details
Reflection of ethical Mgt. upon evaluating internal Mgt. performance	Weight of efforts for ethical and environmental Mgt.: 5-10 points (100 points as full marks) Weight of system improvement for integrity reinforcement and anticorruption: 2 points
Clean recall system	The service concerned is offered free of charge again when a customer’s request is placed due to an employee’s fault/mistake.
Clean budget reporting center	Receiving unjust budget execution reporting and ideas to save on the budget
Clean card system	For transparency enhancement of company credit card use, a clean card limiting 13 business types is used, and the card mileage points are used as a fund for social contribution activities.
Job-related crime prosecution guidelines	Job-related crimes such as accepting money and valuables/entertainment worth more than KRW 3 million and embezzlement will be prosecuted in addition to internal punishment.
Guidelines for integral conduct upon contact with job-related people	The conduct standard will be applied more strictly than the code of conduct upon contact with job-related people through meals and golfing.
Detailed conduct standard for unjust instructions	Unjust job instruction types are specified and a detailed conduct standard is devised so that a superior’s unjust instruction can be prevented, and a subordinate’s objection and reporting can be facilitated.
Clean monitoring group	By operating a clean monitoring group consisting of customers, corruption activities reporting and integrity enhancement are induced and loan service quality is evaluated.
Civil ombudsman system	The ombuds man is set up under the CEO, with rational measures for civil services pursued, and irrational systems and practices improved.
Public benefit reporting protection and rewarding system	Upon reporting unjust activities through the cyber reporting center, the reporter is thoroughly protected. When losses/damages are prevented in advance, a reward is offered.
Promotion period extension system	In the case of the ethics violator, the promotion limiting period is extended by two times compared to general violators, i.e., promotion will be restricted for the following period: reprimand -12 months, probation -18 months, pay cut -24 months.
Three-strike out system of corruption	An individual will be dismissed regardless of punishment extent and amount when unjust activities are detected 3 times or more while in service.
Guardian system	When a newcomer is employed, a senior employee is designated as a mentor who can give some advice on social life and ethical dilemmas.
Integrity survey	Through an in-house survey on officer’s integrity, internal job integrity, and integrity toward citizens, the integrity situation and implementation level will be examined; in particular, the survey results are used as HR data in the case of an officer.
Ethical education	Education through code of conduct education, external instructor invitational education, e-learning system, etc.
Revision of employees’ code of conduct	Require external lecture reporting; accepting of money and valuables is limited.
Preparation of special rules for contract work	Devise a conduct standard in contracting with foreign companies as the other party in the contract.

Ethical management task control system



Ethical management for employees

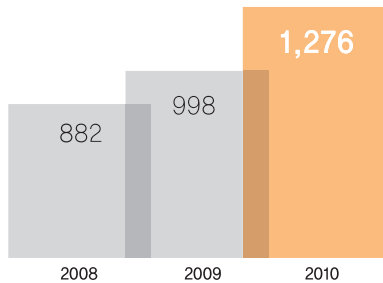
KORES has conducted education for the internalization of ethical awareness among employees. An average of 1,276 personnel including officers received ethical education on anticorruption and integrity in 2010, such as external expert invitational lectures and in-house education on the code of conduct. Since 2008, ethical Mgt. education has been offered through Mine-Edu, an internal online education site. We will strive to enhance employees’ integrity awareness and root out unjust conduct through various and cyclical ethical education.

[Status of ethical education operation]

Program	2008		2009		2010	
	Officers	Employees	Officers	Employees	Officers	Employees
Education on code of conduct	-	216	-	279	-	265
Expert instruction’s education	9	545	9	465	9	381
Cyber education	-	81	-	245	-	356
Externally entrusted education	-	-	-	-	-	-
Government agency integrity and ethics program	-	31	-	-	-	265
Total	9	873	9	989	9	1,267

Unit: people

No. of employees completing ethical education
Unit : people



KORES ensures ethical Mgt. is implemented with responsibility through carrying out enterprise ethical Mgt. sector evaluation by team. We link the completion hours of integrity and ethics education by team and the results of an anticorruption system improvement effort with personal mileage points, team bonus, and performance ratings. Externally, the Institute for Industrial Policy Studies, Strategy and Finance Ministry/Knowledge Economy Ministry, and Anticorruption & Civil Rights Commission of Korea (ACRC) regularly evaluate the ethical Mgt. system and integrity level of KORES. Likewise, we continually improve internal systems and institutions based on the evaluation results and actively reflect them in the performance rating.

C·A·S·E

KORES, selected as an excellent agency in public agency’s anticorruption

KORES was selected as an excellent agency in the anticorruption sector at the 2nd People’s Sinmoongo Awards organized by ACRC. As a result, KORES received the Prime Minister’s Commendation and a Sinmoongo -a large drum- as a prize. In the personnel sector, the auditor of KORES, Nam Joon-woo, received the Presidential Commendation for his anticorruption efforts. The anticorruption policy evaluation involves ACRC’s annual comprehensive evaluation of the establishment of an anticorruption infrastructure, the public agency head’s effort, the efficiency and adequacy of system improvement and anticorruption policy, the public official’s code of conduct, and comprehensive integrity targeting public agencies (105 agencies in 2009). “This is the most meaningful award among the many awards that KORES received so far, I think. I take pride in KORES as a clean public corporation, and we will do our very best not to break the tradition of a corporation without corruption.” Auditor Nam Joon-woo said. KORES focused on equipping itself with a preventive system including e-audit system adoption, a law and regulation compliance ombudsman system, and a corruption impact assessment in the previous year. We will focus on autonomous cultural establishment through integrity debate, education activation, and customer monitoring group operation via intranet. Thanks to our efforts, we received an excellent grade in the 2009 public agency’s integrity measurement; we were also named best corporation in the ethical Mgt. sector out of the 190 agencies of IIA Korea. KORES actually swept all the recognized awards evaluating public corporations’ integrity in the previous year.



Conferment ceremony of the Shinmungo

Employees

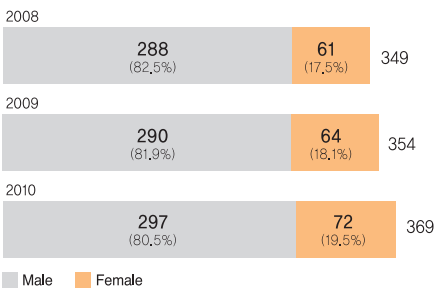
Status of employees

Policy of employees

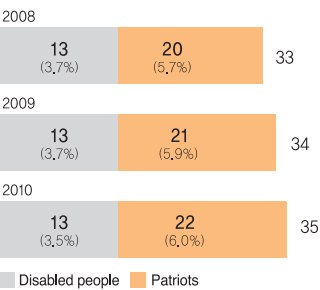
KORES focuses on the transparency and activation of HR Mgt. through fair HR Mgt., solves discrimination through job separation between regular and irregular employees via irregular manpower operation in line with the government policy, and improves treatment between irregular occupation types reasonably. We prohibit discrimination according to gender, age, religion, education, and physical disability and conform to the Labor Standards Act and ILO's coercive work prohibition regulations. Discriminative treatment on grounds of gender, religion, race, and age upon recruitment is banned.

KORES also bans child labor and coercive labor at all workplaces pursuant to ILO's Child Labor Prohibition Agreement and Pact on Coercive Work Abolishment along with Korea's Labor Standards Act, and there has been no case of such a violation. Since the number of workplaces abroad is forecast to increase, however, we plan to devise systematic programs and execute them to avoid child labor and coercive labor for the purpose of cost savings at the workplaces concerned.

[Status of employees]



[Employment of the socially underprivileged]



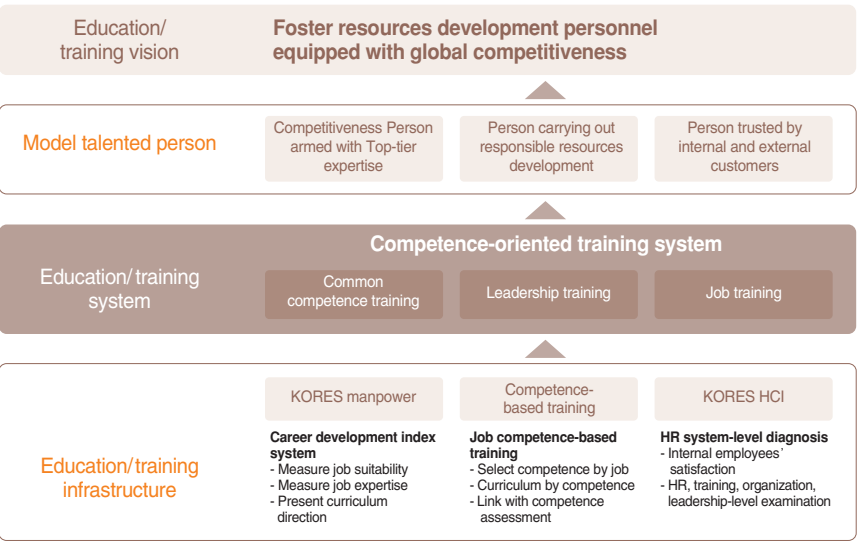
Total No. of employees | The total number of employees at KORES as of the end of 2010 was 369, increasing by 15 compared to the previous year. Of these, 367 were regular positions and 2 were contractual positions. The women's ratio was 19.5% (72 people), which is on a gradual rise. The wage of a college graduate newcomer is 233% higher than the legal minimum wage, and there is no difference in wages between male and female newcomers. KORES plans to continually increase the hiring of newcomers and expert employees. We forecast the total number of employees in 2014 to reach 680.

Employment of the socially underprivileged | KORES operates various programs to employ the socially underprivileged; thus embodying an employment policy that respects diversity and shuns discrimination. We also implement a recruitment policy (additional points on document) considering the socially underprivileged including disabled people and patriots. In 2010, we newly employed 22 patriots. The current employment rate of the disabled is 2.7%, and that of patriots is 5.7%.

Industrial disaster rate | KORES discloses statistics on employee's industrial disaster rate as of the end of June each year and supports all labor union members in receiving compensation for various disasters. The industrial disaster rate from July 2009 to June 2010 was 0%; only one case was recorded from July 2010 to the end of June 2011 for a rate of 0.12%.

Nurturing talented people

Talented people nurturing system



KORES implements education and training focusing on the improvement of employees' specialized resources development competence, global competence, and change competence, aiming at nurturing specialized resources development personnel armed with global competitiveness. KORES has adopted KORES Manpower, a career development index that improved the existing career development system by reflecting the public corporation's organizational culture features: complexity in operation and limited HR movement and assignment. This way, we analyze personnel expertise and career development direction and support our employees' growth as job experts.

Fair performance evaluation

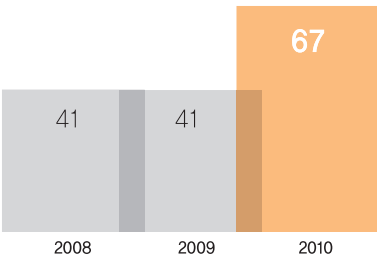
KORES fairly evaluates all employees' performances and gives benefits to high-performing people in the HR rating such as promotion and reward. For low-performing employees, we carry out education/training according to plans by sending them a job capability improvement encouragement letter and requesting them to draw up a job capability improvement plan. For those who are specially controlled after having garnered 60 points or less in the personnel assessment for two years in a row, their basic annual salary is reduced, and the performance-based annual salary is not paid. For those who get 80 or higher points in the work assessment, KORES nurtures them as core personnel by selecting them as trainees at graduate schools at home and abroad.

Education/training achievements

KORES maps the personnel competence factors and curriculum and registers them in the education/training system so that employees can receive better education/training by identifying areas for improvement. In 2010, KORES employees' education/training hours per person stood at 67 hours, up 63% compared to the previous year.

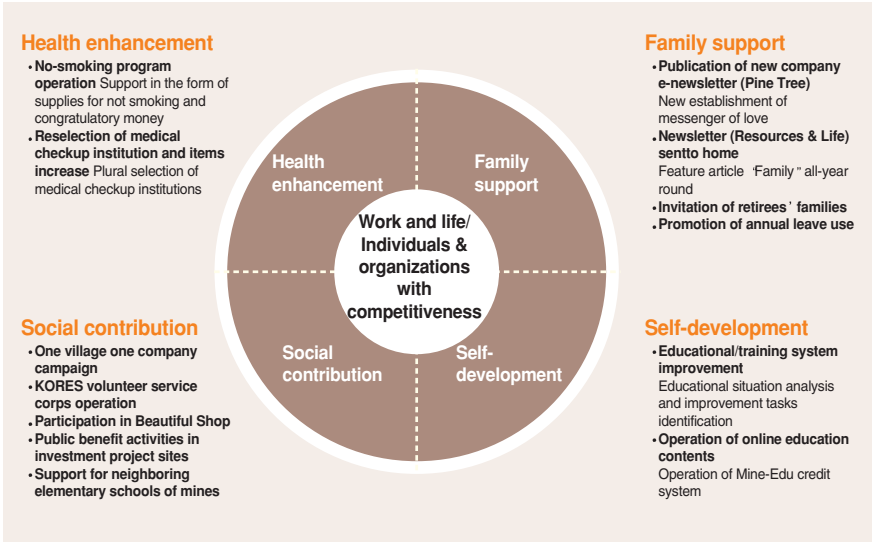
Basic program	Middle program	Language program	In-depth program	Expert program
• 18 newcomers	• 88 technology specialists • 43 negotiation experts • 172 miscellaneous trainees	• 5 experts on domestic regions	• 1 expert on overseas regions • 8 resources development academy specialists • Expert invitational training: 18 people	• 1 expert on overseas regions • 8 resources development academy specialists • Expert invitational training: 18 people

Education/training hours per person
Unit : hours



Welfare for employees

Employees' WLB (Work-Life-Balance) program



Welfare for WLB (Work-Life-Balance) | To promote productivity improvement through employees' work-life-balance, KORES offers various, specialized general welfare services. We create working conditions that strike a balance between work and home through the adoption of a flexible work system and child birth promotion subsidy system.

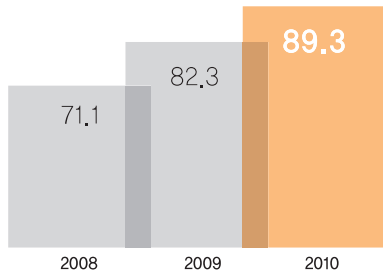
Fringe benefit system

Tailored welfare system | KORES operates a welfare system a la carte wherein employees can select fringe benefit items within the welfare points. We operate the home loan and Cheonsei (lease of home paying key money) loan system for non-home owning employees and living stability loan system for their living stability. We also have resort facilities that our employees can use as corporate members. In addition, we support internal club activities and souvenirs on KORES's foundation anniversary and labor union foundation date as well as reward employees working for the company for a long time.

Retirement preparation programs | KORES operates programs to support employees during their service period and even after retirement. We also run an occupational transfer support program targeting retirees wishing to change their occupation as well as re-employment training to help them design their second life after retirement. Moreover, we pay allowances each month for up to 21 months to retirees from overseas construction sites until they get a job.

Maternity protection activities | KORES conducts maternity protection activities for female employees' working condition improvement in line with the government policy dealing with the low birth problem. We make an effort to improve female employees' working conditions by implementing the following: female employee's resting room operation, child birth congratulatory bonus payment (KRW 500,000), adoption of spouse's child birth leave system (paid 3 days' leave), acknowledgement of female employees' breastfeeding time (an hour a day) and divided use of maternity leave. The female employees' return rate to KORES was maintained at 100% for past three years, and there is no disadvantage in employment, salary, and career path.

Internal employees satisfaction survey
Unit : points

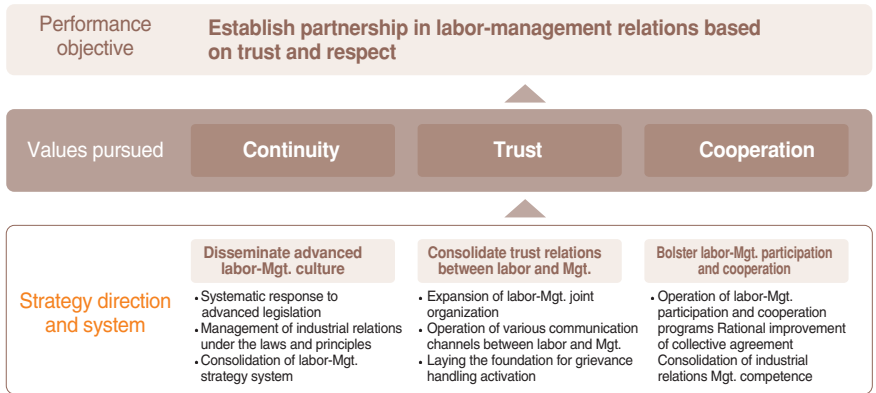


Sound industrial relations

Establishment of win-win labor-management culture

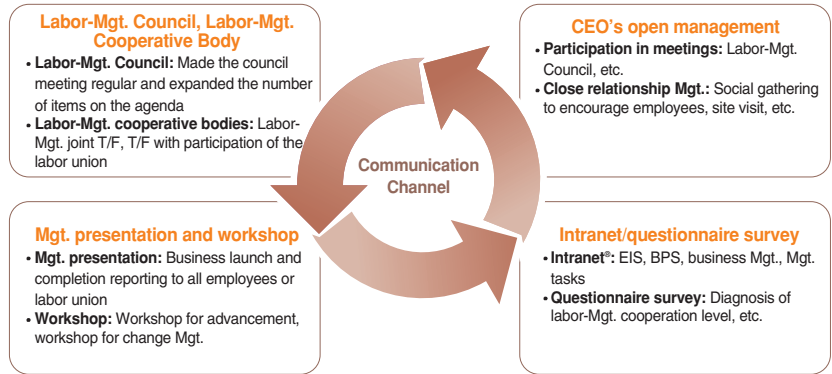
KORES consolidated linkage with an upper hierarchy strategy, i.e., human-oriented Mgt. through the reestablishment of an advanced strategy of industrial relations jointly by labor and management in 2010; thus developing a labor-management relations strategy through workshops organized jointly by labor and management. We set the following as the top 3 strategy directions: dissemination of advanced labor-management culture, consolidation of trust-based relations between labor and management, and bolstering of labor-management participation and cooperation. Based on these directions, we have drawn the top 9 strategic tasks and implement them.

[Strategy to advance industrial relations]



Activation of communication between labor and management

KORES has been forming rational industrial relations based on mutual understanding including joint investigation to identify working condition improvement tasks, at the same time expanding communication channels such as regular labor-Mgt. council to instill partnership awareness between labor and Mgt. In 2010, we set the second Thursday at the end of each quarter as the regular labor-Mgt. council meeting date and laid the foundation for efficient operation by reducing the number of council members. In this manner, we activated the labor-Mgt. council. Furthermore, KORES focused on activities to activate grievance handling by newly establishing a retiree interview system along with a grievance handling committee by department.

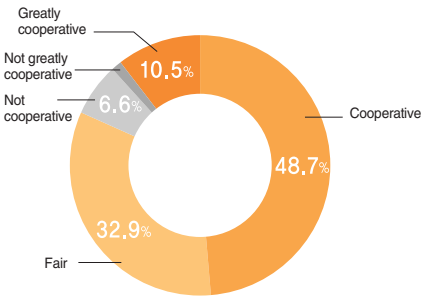


Status of the labor union

In the labor union established in 1988, all our employees can freely join and engage in activities except grade 3 or higher team leaders, staff in charge of HR, labor, pay, audit, and secretaries and drivers of the CEO and the auditor. As a result of autonomous labor-Mgt., culture establishment, we recorded zero labor disputes for 22 years from the first year of 1988 when the labor union was founded to 2010.

Diagnosis results of labor-management cooperation level

Unit : %
Q. Cooperation extent of labor with management



Status of labor union membership

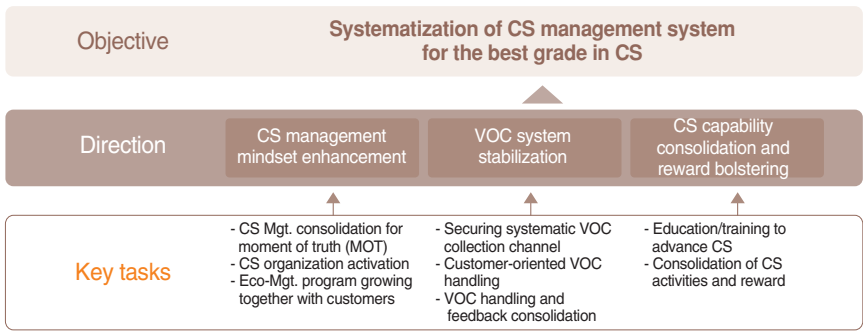
Unit : people			
Category	2008	2009	2010
Total No. of employees (people)	349	354	369
No. of Labor union objects (people)	278	281	292
No. of labor union members (people)	278	280	291

Customers

Customer satisfaction system

Objectives and strategies

KORES has set as strategic directions customer satisfaction(CS) Mgt. mindset enhancement, stabilization of voice of customer(VOC) system, CS capability consolidation, and reward bolstering to establish the best grade in agency status via a systematized CS Mgt. system. We identify the relevant tasks and implement them.



Status of 2010 CS Mgt. Committee Meeting

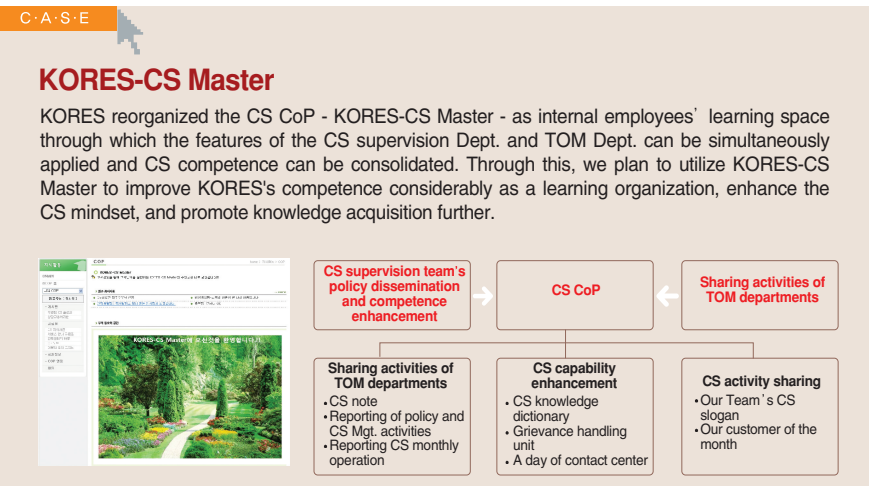
Sequence of meeting	Item
1st	Collection and handling of second VOC
2nd	Screening and selecting in the contest for closing words via telephone
3rd	Screening and selecting in the contest for closing words via telephone
4th	Mineral test fee receiving system improvement

Implementation organizations

KORES tried to bolster the role of the CS Mgt. Committee as an organization to induce CS activities and as a decision-making body by reinforcing its activities from 2010 for CS Mgt. organizations' reinvigoration. In April 2010, we set up 'High Think,' an organizing council for a customer contact center, and bolstered the two-way communication function by setting up a Twitter account in keeping with the activation of the social networking service (SNS).

Integrated customer management system operation

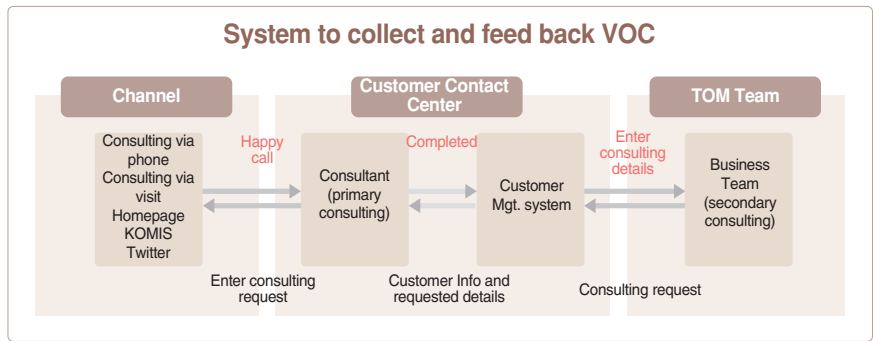
KORES operates an integrated customer Mgt. system (KO-CRM), unifies channels for online/offline VOC, and offers services focused on customer convenience so that customers can receive specialized consulting in each field without waiting. By simplifying MOT to the customer contact center, we offer one-stop services to our customers. For monitoring consolidation on the MOT department, we run the CS Team leader system and induce service quality improvement by reflecting service implementation standard performances on the department's internal assessment.



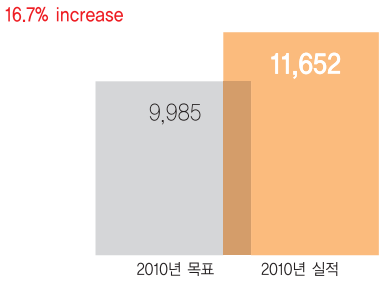
CS management activities

Development of a customer feedback system

KORES developed a system to collect and feed back VOC for the improvement of 2010 field services and systemized the collection channels and history Mgt. of the Customer Contact Center. As a result, the number of customer consulting cases through phone, visit, and Internet rose 16.7% compared to the previous year, and immediate handling rate of 99.6% was recorded.



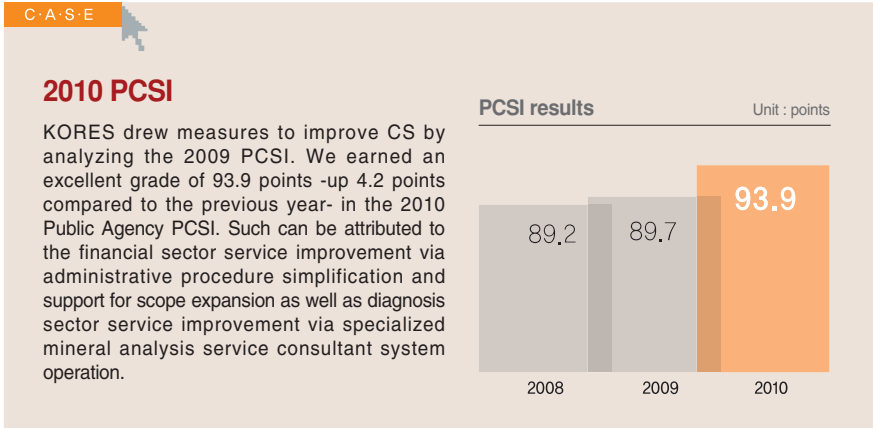
Consulting results of Customer Contact Center



Communication channel operation depending on customer type

KORES divides customers into seven types: service using customers, consulting customers, partner firm customers, general customers, internal customers, community customers, and resource industry customers. We try to consolidate opinion collection activities by operating direct communication channels by type of customer.

Category	Channel	Frequency
Service using customers	• CS survey • VOC campaign	Annually, one time
Consulting customers	• Survey via happy call	All-year round
Partner firm customers	• Working-level council (metals, bituminous coal) operation	7occasions
General customers	• Homepage operation of 'customer's suggestion'	All-year round
Internal customers	• CS survey • Social gathering for CS	1occasion/ 41 occasions
Community customers	• Hearings by project	One time each
Resources industry customers	• Demand survey for lending supporting companies • VOC collection via provincial customer's visit	All-year round



Partner Firms

Support for mutual growth

Strategic direction

KORES backs partner firms' competence consolidation, recognizing the need for growth together with, and strategic nurturing of, partner firms. We establish measures to support small and medium businesses' penetration into overseas markets and improve domestic small and medium mines' productivity as a key direction in support of mutual growth. In November 2010, KORES set up a new Task Force to implement mutual growth and systematically put the strategy into practice.

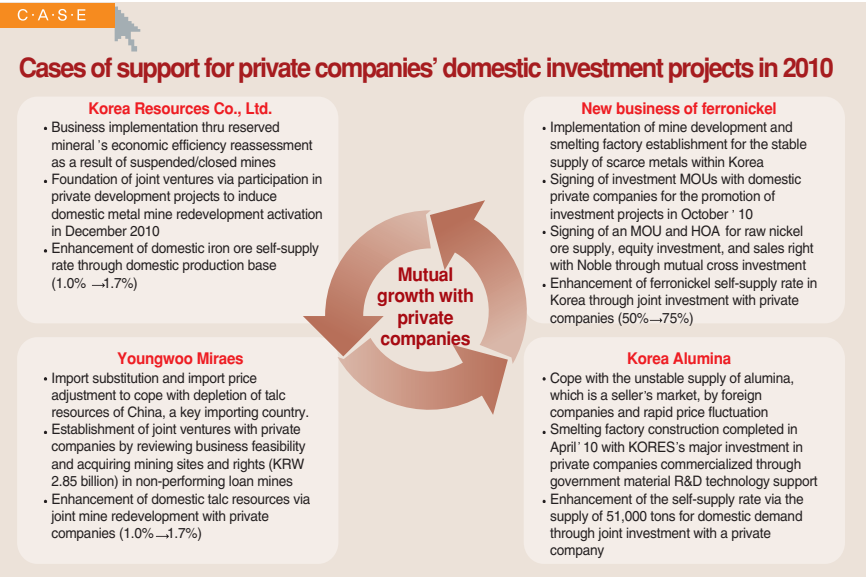
[Major achievements in 2010]

Tasks	Achievements
Devise overseas investment support system of SMBs	<ul style="list-style-type: none">Establishment of SMBs' info and technology support system- Building the Africa Investment Support Center in May 2010; Publication of six countries' resources investment guide in November 2010Improvement of thelegal and support system- Devising measures for the preferential treatment of SMBs engaged in overseas resources development business
Devise overseas investment support system of SMBs	<ul style="list-style-type: none">Selection and nurturing of mines to support by selecting 35-40 mines through selection and concentration- Productivity: 34.3 tons/person in 2009 →35.2 tons/person in 2010Assisting the modernization business through improvement of value-added of non-metallic minerals- Support for modernization (modernization equipment, facility +telephone within mine tunnel): KRW 2.9 billion in 2009 → KRW 4.3 billion in 2010Newly fostering and supplying specialized mining industry manpower (52 people in 5 fields including resources exploration)

Bolstering strategic partnership

Supporting the establishment of a base to penetrate into domestic investment projects

KORES carries out mineral resources development by composing consortiums with competent domestic and international companies and seeks win-win partnerships based on transparent trade practices and trust. We expand practical resources work exchange and cooperation with investing companies via the practical work council of each mineral and induce private companies' investment by bolstering forum and symposium activities. We also reduce investment risks by inducing domestic financial institutions' project financing participation. KORES pledges to develop partnerships by maximizing mutual profits with private companies and investment agencies in the future as well.



Mutual entry into overseas resources development

Overseas resources development is an industry with a broad scope of linked industries including plant, infrastructure construction, transport, and processing, not to mention mine construction. Although Korea's private companies recognize such facts and want to participate in overseas resources development projects, it is difficult to decide on investment due to the lack of specialized capabilities. KORES contributes to national economic development by sharing investment opportunities with private companies and inducing domestic private companies' participation after finding promising projects using the advantages of a public corporation and aids in private companies' profitability increase including infrastructure construction. For example, in the case of the Ambatovy project, we won an order worth USD 470 million through a joint investment with Korea's private companies. For KORES' s efficient role boost, KORES identified the needs of overseas resources development companies in July 2010, established the role of KORES, and developed an optimal cooperation system. As of the end of 2010, 26 out of 33 construction projects were joint investments with private companies. We will consolidate continual efforts for resources development through entry in foreign markets together with Korean companies.

New projects discovery achievements thru consortium composition with domestic and international partner firms

Mineral type	Mine	Partner firm	Status of implementation
Bituminous coal	Dighipara	POSCO, Korea Western Power, Luxon	Consortium MOU signing and selection of construction organization company
	Apsat	Hyundai Steel, Daewoo DSME	Agreement on field survey, investment negotiation, joint stake acquisition
	Sakhalin	Korea Middleland Power, Korean Southern Power	MOU signing for joint Sakhalin bituminous coal and port development project
	Tabantolgoi	Korea Rail Network Authority	Joint entry, MOU signing to link resources development and railway construction
	Alpha	STX	Pre-feasibility review and joint stake acquisition means under negotiation
	Viak Plaatz	CCL, Masau (South Africa)	Completion of joint equity investment contracting and execution of follow up action
Copper	Kapuas	Korindo (Indonesia)	Signing of joint implementation agreement and HOA signing, price negotiation underway after due diligence
	Rosemont	LG Corporation	Signing of joint venture agreement and completion of 20% stake acquisition
	KYZYL-TUU	Daewoo, Kazatomprom (Kazakhstan)	Joint development MOU signing, technical due diligence completion and investment negotiation underway
	Avaroy	Comibol (Bolivia)	Joint implementation MOU signing, technical due diligence underway
Uranium	Udokan	Daewoo, Baikal Mining (Russia)	Negotiation on investment structure within Korea's consortium and technology review underway
	Kazakhstan	KEPCO, Kazatomprom ((Kazakhstan)	MOU signing between Korea and Kazakhstan for cooperation in the nuclear power field
Iron	Rossing South	KEPCO, Extract	Signing of joint cooperation agreement between KORES and KEPCO and F/S under review
	Yangyang Iron Mine	Korea Electric Power Industrial Power, Daehan Iron Mine	Shareholder agreement signing and capital payment
Nickel	Nickel Smelter	Enertec, Union, Noble	Signing the shareholder agreement for consortium

Health and Safety

EHS (Environment, Health, Safety) management system establishment

Enactment of an EHS management Standard

KORES developed an EHS Mgt. system since a health and safety Mgt. system was required, focusing on the consolidation of health and safety-related laws and regulations and preventive system-centered health and safety Mgt. system. We will strive to reduce the number of disaster-stricken people to 10 or less per 1 million people by 2017 by controlling and removing potential hazardous factors in the environment, health, and safety areas. Since the number of overseas workplaces is forecast to increase, we plan to develop and apply various programs to create a healthy and safe working environment beginning January 2011.




EHS implementation organizations

The EHS activities of KORES are supervised by the Sustainability Mgt. Subcommittee within the board of directors, and the relevant departments will be in charge of detailed projects. Detailed plans and roles will be decided by the Sustainability Mgt. Committee through consultation.

EHS management areas

KORES plans to set specific objectives in each of the environment, health, and safety fields by workplace for the implementation of EHS and establish strategy in each sector and identify the status of implementation for performance improvement in each field. Through the regular monitoring of the head office and workplaces, we plan to measure performance in each sector, inspect the implementation level vs. objectives and set future Mgt. activities plans and objectives.

[Key issues by management field]

Environment 	Natural resources use	Use of energy, raw material, water, and land
	Emission	Air emissions, Water pollution, Soil pollution, Greenhouse gas
	Waste treatment	Incineration, landfill, recycling
	Community	Local stakeholders' permission
Health 	Health at work	Disease related to work / Health Mgt. at the workplace / Health Mgt. for those on business trips / Noise, vibration, heat/cold, radioactivity, air, local endemic, AIDS/HIV
	Absent from work	Absent from work, due to disease
	Health management	Worker's medical checkups Fatigue and stress
	Alcohol and drugs intake	Counseling and advice on returning to normal life Additional tests
	Disability	Industrial disaster
Safety 	Physical hazard	Accidents from cuts, hurt from fall, compression, and collapse
	Thermal hazard	Burn
	Electricity hazard	Electrocution accident
	Chemical hazard	Choking accident due to toxic gas / Oxygen deficiency accident / Fire, explosion
	Transport accident	Accident while transporting toxic substances

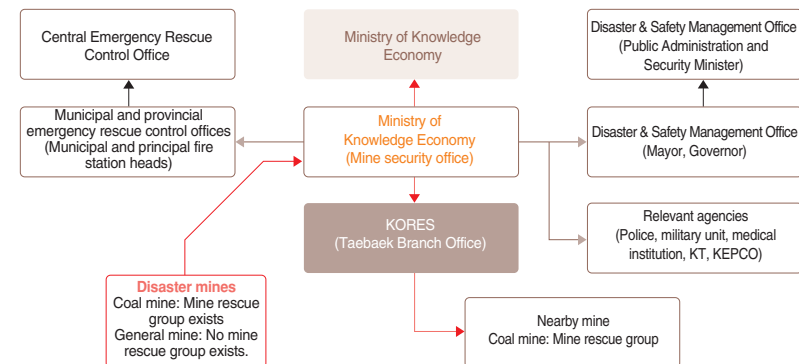
Support for disaster prevention

Support system improvement

KORES intensively improved the equipment transport and support system and bolstered safety facility modernization support for disaster-vulnerable mines and safety education/training. We always maintain various security equipment required for the prevention of mine disasters including flood disaster, inferior ventilation, and disaster rescue activities in an available state. Furthermore, KORES promptly provides backup upon request from a mine and contributes to mine disaster prevention in this manner. The number of safety accidents of domestic mines in 2010 was 34 cases, up 4 cases compared to the previous year. KORES plans to improve the support system continuously for mine disaster rate reduction.

Mine disaster prevention activities

Establishment of a rescue system for large-scale mine disasters | Since the mine accident in Chile, 2010, KORES has systematically analyzed the existing domestic mine rescue system and drew up measures for improvement. Based on these, we devised a mine accident manual by disaster type to minimize the losses of and damage to lives and property following the occurrence of a large-scale mine disaster.



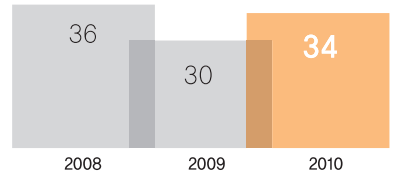
Emergency drill to cope with large-scale mine disasters | When workers are buried or casualties occur due to tunnel fire, water leak, and large-scale fall, the KORES Taebaek Branch Office carries out various rescue support activities. The rescue members of the KORES Taebaek Branch Office regularly carry out internal rescue drills and joint drills together with the relevant agencies such as fire stations or with mines to prepare for unexpected disasters.

Safe mine campaign | Disasters arising from worker's negligence due to lack of safety awareness, rather than acts of God, account for most of the disasters occurring in mines. The KORES Taebaek Branch Office posts safe mine campaign banners, distributes high-frequency disaster prevention PR handouts, supplies safety gear, and offers safety education before work starts.

Consolidation of health and safety management at workplaces abroad

As workplaces abroad are forecast to increase continuously, the importance of health and safety Mgt. among those workers and local residents around the workplaces is emphasized further. In the sites of underdeveloped countries that KORES tries to penetrate, the hazard of epidemic exists such as yellow fever, parasite infection, malaria, and HIV/AIDS. We plan to collect information on diseases that may develop in each exploration and development site and consolidate education, counseling, prevention, and treatment targeting the dispatched personnel and their families and community members.

No. of safety accidents in mines in Korea
Unit : case



Emergency drill to cope with mine disasters



Safe mine campaign



Communities

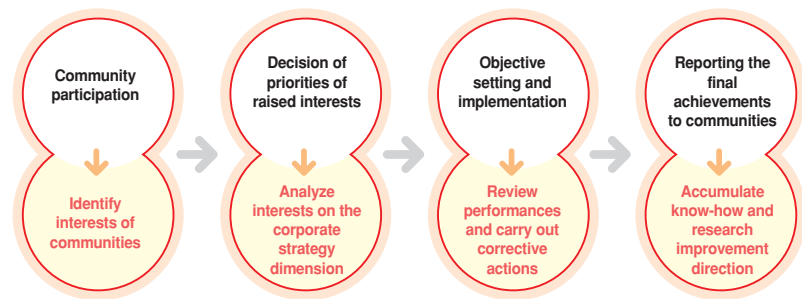
Consolidation of communication with communities

Analysis of project impacts on communities

KORES inspects potential factors that may affect local communities at each stage of exploration, drilling, and mining. In addition to environmental impact evaluation, which is a legal obligation, we provide information on the impacts of projects on local communities by offering project status presentations. KORES will endeavor to identify and cope effectively with principal interests raised in local communities at all domestic and international sites and social and environmental hazardous factors.

Community participation process

KORES explains the impacts of resources development on local communities from project launch to completion and establishes and operates community participation processes to collect local residents' opinions.



Consolidation of trust with local residents

KORES carries out assessment of the impacts of domestic mine development on underground water and pollution around closed mines. Through water system examination around mines, in-tunnel geological and underground water research, and site water quality probe, we have proven that there is very weak linkage between mine development and drinking water source pollution. For trust consolidation with communities, we shall strive further to find and share the information required by local communities.

Effort to minimize the negative impacts on communities

Business operation places priority on community values

KORES makes great efforts to share the profits generated from lengthy resources development projects with communities. We also assist in preserving various local cultural values so that the cultural heritage and natural environment can be protected and developed. We come up with and run various tailored programs in line with each region to minimize damage to communities through business and project operation.

Protection of local residents' rights

Mineral resources development can directly/indirectly influence local residents. All exploration and development activities are carried out through local residents' participation as a rule. Concerning factors that may affect local residents, we endeavor to respect local residents' rights to the fullest through negotiation. There was no case of breaching local residents' rights due to domestic business activities in 2010.

Support for community development

KORES supports various cases wherein local residents can be affected in terms of assets, income, residential environment, and social ties arising from mineral resources development: support for local residents' relocation due to mine or plant construction, preferential employment of local residents through manpower training and nurturing, local purchase, social infrastructure expansion, and preparation of measures for livelihood. In the case of Ambatovy, Madagascar in particular, KORES supports living expenses during the re-employment preparation period through assistance initiative for demobilized local workers.

C·A·S·E

AIDE (Assistance Initiative for Demobilized Workers)

In Ambatovy, Madagascar, since local manpower will greatly decline from 120,000 at the current construction stage to 2,000 to 2,500 people in the future operation and production stage, labor disputes arose, stemming from unstable employment. By composing a three-party council with resident representatives, the Madagascar government, and the Ambatovy Project company, they agreed to the preferential employment of local Ambatovy-hired manpower. As a result, we implemented the AIDE program in November 2010 to prevent labor-management problems and back the smooth employment shift. This program seeks to subsidize minimum living expenses when the Madagascar local residents hired during the Ambatovy construction period lose jobs after the completion of construction. Differential payment will be paid for 3 ~ 21 months according to the work period and work assessment. Note, however, that those who are dismissed due to illegal acts or involved in illegal strikes will be excluded from such support. We will continually monitor for efficient program implementation through consultation with the local government and with community leaders in the future. We will seek co-development from the long-term perspective through mutual trust-based relations.



C·A·S·E

Presentation for Ambatovy residents



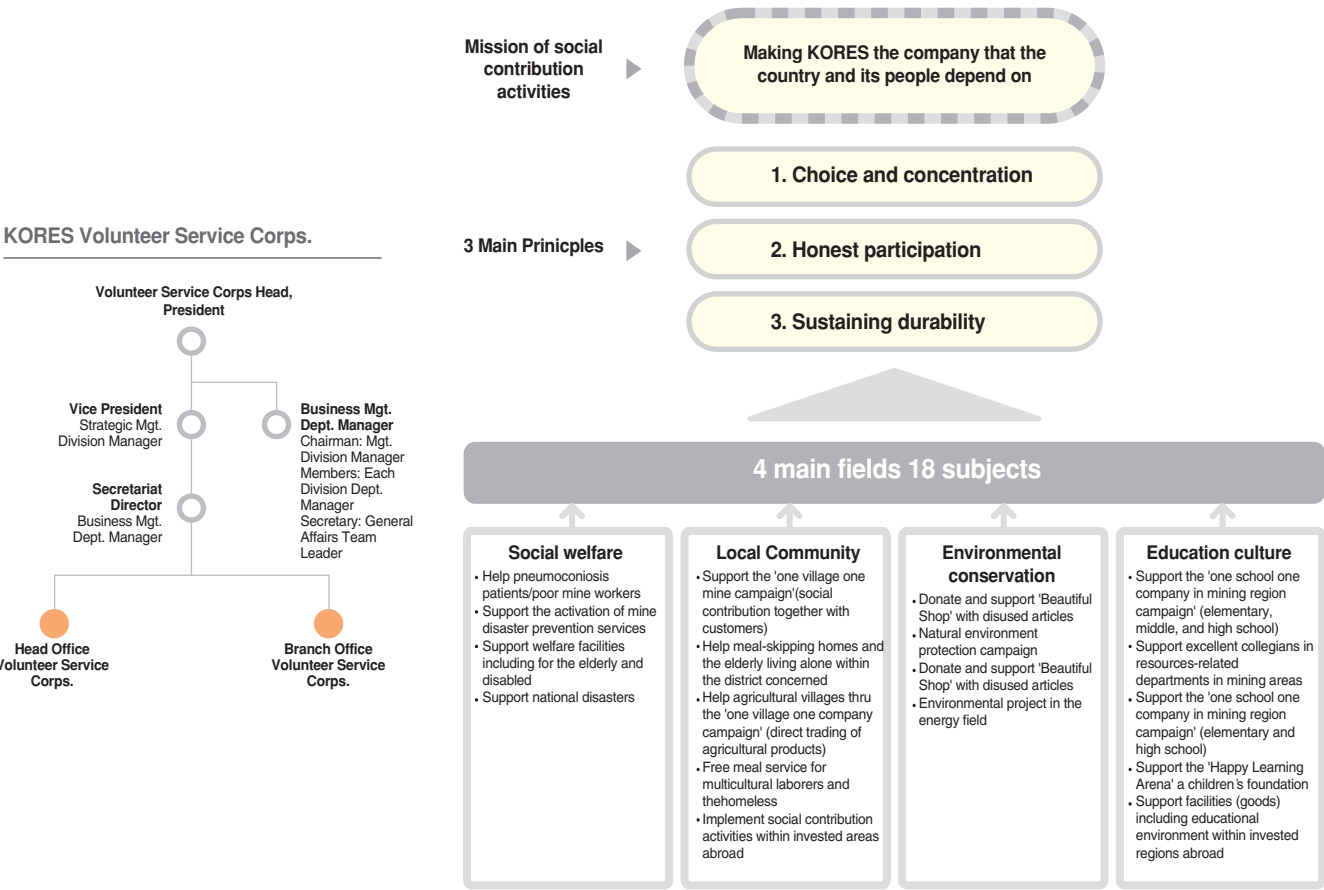
KORES realized that the consent of local communities and local residents is needed in advance for the Ambatovy project to be carried out successfully. Therefore, we launched research on communities beginning in May 2005, and conducted prior research on the social characteristics of local residents along with a demographic analysis. KORES held more than 150 sessions of presentations and explained the impacts of the project on local communities and future development possibility and sought the consent of the local residents. We improved homes and built new schools and clinics for the local residents who are expected to be affected by the mine and plant construction. Since then, the Ambatovy project CSR team continued to meet with local residents at anytime and collect opinions. For the security Mgt. of pipelines, we offered education/training targeting the local residents; thus, they become the security guard members leading the protection of pipelines.

Social Contribution

Enterprise social contribution activities system

Strategy

KORES implements enterprise social contribution activities through the joint participation of labor and management. We set the development of a cooperative system with communities and specialized NGOs and activation of volunteer services as the activity direction. We preferentially back four fields - social welfare, community, environmental conservation, and education & culture - for social contribution activities.

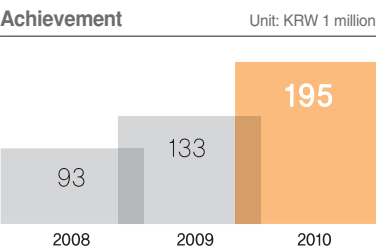


Organizations

KORES operates 15 KORES volunteer service corps. headed by the KORES President. We organized the Steering Committee to audit social contribution services and suggestions and play the role of offering ideas. Our social contribution activities are carried out mainly by the KORES Corps. As of 2010, all 369 employees at the head office and branch offices were involved in social contribution activities.

Financial resource procurement

KORES established basic plans for systematic contribution activities in 2005 to bolster the social safety net as a public agency and to inspire citizens with hope through various social contribution activities. In 2006, we organized the KORES Volunteer Service Corps., and began to engage in social contribution activities in full swing. We allocated KRW 207 million for 16 services and spent KRW 195 million, up about 47% compared to the previous year.











Status of social contribution activities

KORES has carried out domestic social contribution activities focusing on KORES Volunteer Service Corps., and provided KRW 195 million in support for 642 people in 2010 centered on four major fields. In the case of overseas activities, we implement by establishing region-specific social contribution activities plans. We make an effort to share the profits generated through resources development with communities.

Support results by field in 2010

Category	Support amount (KRW million)	No. of beneficiaries
Social welfare	75	211
Community	68	348
Environment	4	39
Education	48	74

	Social welfare	Community	Environment	Education
Domestic	<ul style="list-style-type: none">Help welfare facilitiesHelp pneumoconiosis-afflicted workersHelp the elderly/disabledSupport national disasters 	<ul style="list-style-type: none">Help the 'one village one mine campaign': Volunteer service in Jangchimi Village, Jecheon'One village one company campaign': Help a rural village in Batdo Naemaetul, Yeongwol, Gangwon-doHelp meal-skipping homes within the district 	<ul style="list-style-type: none">Environmental cleaning campaign for Boramae Park and Dorim StreamForest Loving Campaign (Picking up trash)Support 'Beautiful Shop' 	<ul style="list-style-type: none">Support scholarships for resources-related departments in GangwonSupport the 'one technical high school one company campaign' (Sunlin Internet High School)Support a study room for the underprivileged class (Guro-gu) 
Overseas	<ul style="list-style-type: none">Coro Coro, Bolivia P/J-Access road, reservoir constructionAmbatovy, Madagascar P/J-Operate transfer of occupation support center, retirement pensionCobre, Panama P/J-Signed a USD 5 million support Agreement per year. 	<ul style="list-style-type: none">Zhangjiagang, China P/J-Support for the elderly living alone (15,000 yuan)Rapu-Rapu, Philippines P/J-Opened a free hospitalMarcona, Peru P/J-Support for natural disaster restoration 	<ul style="list-style-type: none">Warilla, Australia 2 P/J-Environmental hearings with local residentsMarcona, Peru P/J-Protection activities for the nearby coast from minesAmbatovy, Madagascar P/J-Soil pollution improvement and forest restoration projects 	<ul style="list-style-type: none">Zhangjiagang, China P/J-Scholarship support (3,000 yuan)Xian Maxunin China P/J-Scholarship support (3,000 yuan)Lapu-Lapu, Philippines P/J-Free education for elementary, middle, and high school students 

PR to let people know about the importance of securing resources

KORES conducts PR activities through various media to let people know about the importance of securing mineral resources and to improve the industry's image. In 2010, our activities were introduced about 13 times in the following news: 'Joint Development of Bituminous Coal in South Africa,' 'Korea to Get Green Light for Preoccupying the Market for the Next-Generation Resource, Lithium,' 'The World is Now in a War for Scarce Metals,' and 'Korea, Chile Agree to Develop Lithium Jointly.' KORES abides by the 'Autonomous Deliberation Rules on Advertising' of the Korea Advertising Review Board in relation to advertising, and there is no case of breaching the rules. We plan to spread sympathy on the importance of the resources industry using various media such as airwave broadcast, newspaper, and online and carry out continuous PR to deal with the negative image of the mining industry.

UNLIMITED Earth

**The Earth, as the home of humans,
should be sustainably developed.**

What the Earth offers us under the name of resources is for both us and our descendants. KORES is committed to spearheading the protection of Green Earth, home to humans, which should be sustained.



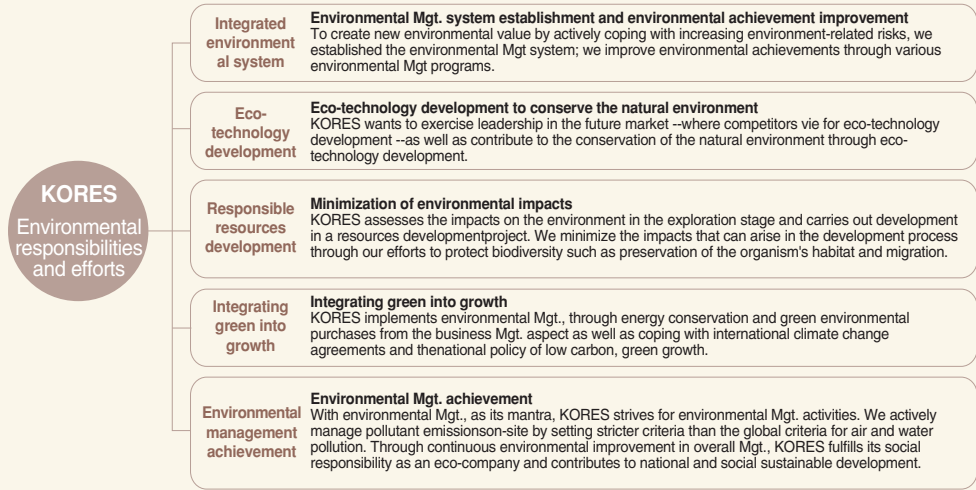
DMA

Disclosure on Management Approach

Our Approach

The environmental value of KORES is 'responsible resources development,' which is also its business philosophy on the coexistence between resources development and environment protection. Toward this end, KORES carries out global environmental management through support of and participation in the international guidelines for mineral resources development, ICMM, Berlin Guidelines, World Bank General Environment Guidelines, etc. Concerning the material debate on the environment, the issues are deliberated on and decided by the board of directors after pre-debate is held through the Sustainability Mgt. Subcommittee affiliated with the board of directors. The subcommittee inspects the environmental performance each year, based on which clear objectives are set and cyclical monitoring on environmental activities within the organizations is performed.

Overview



Major achievements

Category	Key issue	Target in 2010	Achievement in 2010	Target in 2011	Major stakeholder
Energy	Direct energy	57.0 toe	76.4 toe	72.6 toe	Government, NGO, employees
	Indirect energy (electricity)	271.0 toe	307.6 toe	292.2 toe	
Greenhouse gas	Greenhouse gas emissions	683.3 tCO2_eq.	802.4 tCO2_eq.	762.3 tCO2_eq.	Government, NGO
Water	Consumption	10,196 m3	11,626 m3	11,045 m3	Government, NGO
	No. of water quality inspections	Once	Once	Once	
Waste	Waste discharge	40 tons	71 tons	67 tons	NGO, community
General	No. of cases of breach of environmental laws and regulations	0	0	0	NGO, community, media, investment partner

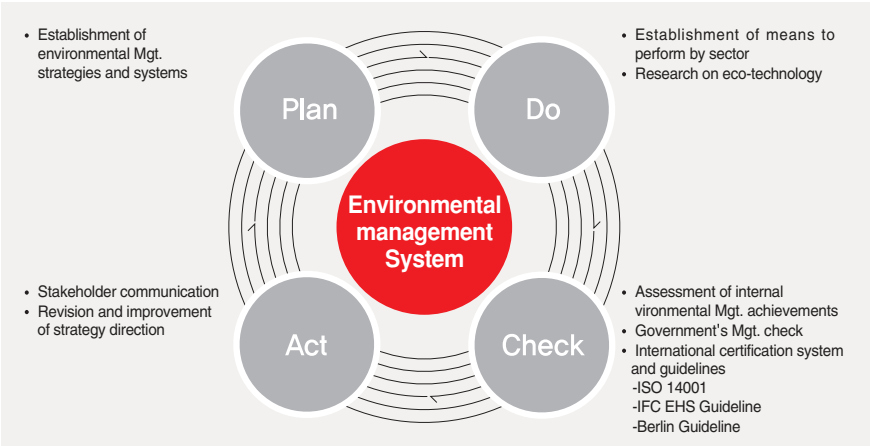
Integrated Environmental management System

Environmental management system

Environmental management strategy

KORES declared environmental Mgt. in 2005 for active environmental risk management, and established environmental Mgt. systems and strategies to lay the foundation for a sustainable growth base in 2008. We operate a Mgt. system through which development and the environment can be in harmony by identifying the environmental impacts of mine development processes. We actually consider the environment in business management.

[Environmental management system]



Environmental management organizations

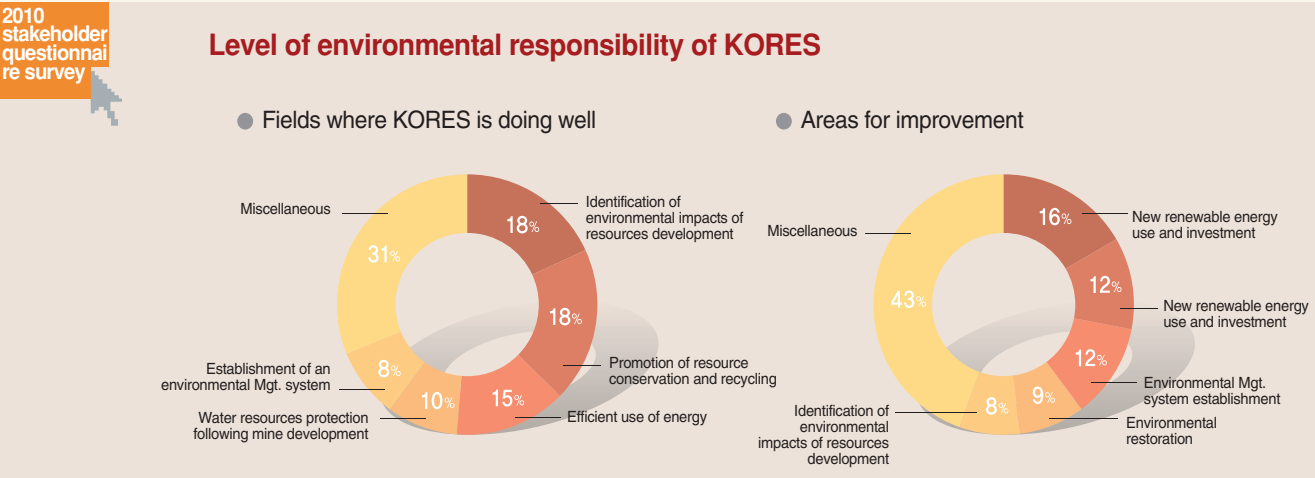
KORES enacted the 2010 EHS Mgt standard, and it implements environmental Mgt. by integrating health and safety activities. The Sustainability Mgt. Subcommittee is in charge of decision making on important issues related to EHS Mgt, with the Creativity Mgt. Team providing supervision. Likewise, each relevant department takes charge of detailed implementation. The environmental Mgt departments involved are the General Affairs Team and Development & Environment Team, and they make plans to cope with material issues related to environmental Mgt. They also develop environmental assessment indices that can diagnose environmental achievements to measure and improve those of the head office and each workplace together with the department in charge of the workplace, which then devises and applies criteria to minimize impacts on the environment from the production process design stage to establish a clean production system, performs environmental impacts assessment considering each workplace's characteristics, and subsequently establishes a system for reporting the results to the department supervising EHS.

Environmental achievement check

KORES's environmental achievements and performances are evaluated through mine visits by standing/non-standing directors and regular business reporting. Through the Sustainability Mgt. Subcommittee within the board of directors, various issues related to the environment are reviewed. Main items on the agenda are deliberated on and checked by the board. We at KORES will do our very best to substantiate environmental Mgt.

Compliance with international certification system and guidelines

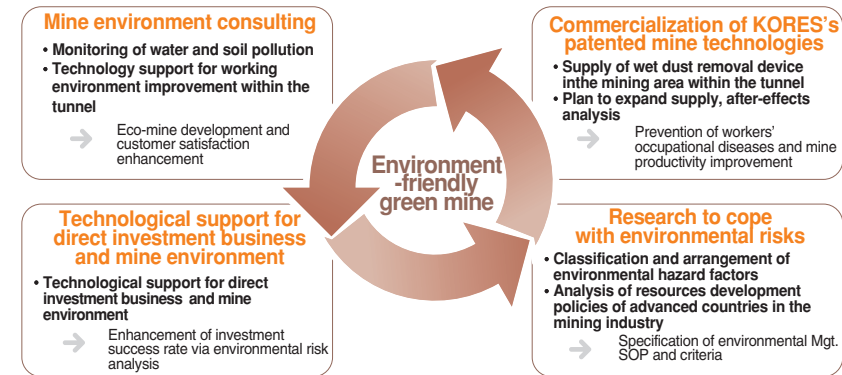
Workplaces abroad comply with the IFC EHS Guidelines and Equator Principles and carry out environmental Mgt. In 2008, the Xian Maxun rare-earth metals project in China acquired ISO 14001 certification. KORES will strive to promote environmental international certification acquisition for each workplace.



Environmental management direction

Establishment of eco-resources development system

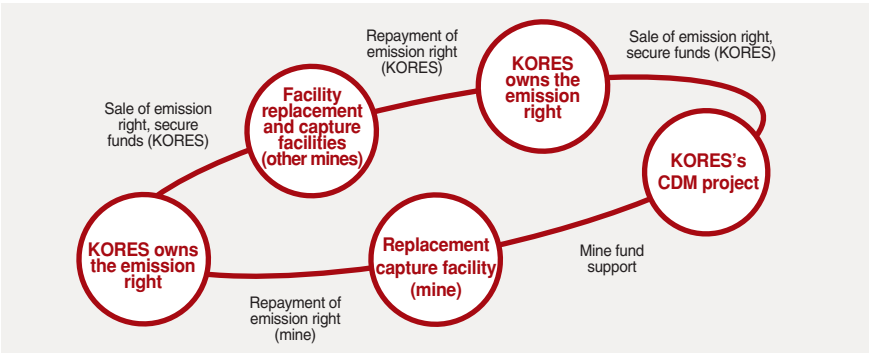
KORES builds an environment-friendly green mine base through mine environmental technology support. We assist in mine industry competitiveness consolidation based on mine environment consulting, commercialization of KORES's patented technologies, support for environmental technology in direct investment projects, and research on environmental risks. Through all this, we seek to establish an eco-resources development system in Korea's mining industry.



Establishment of system to cope with climate change for greenhouse gas emission reduction in domestic mines

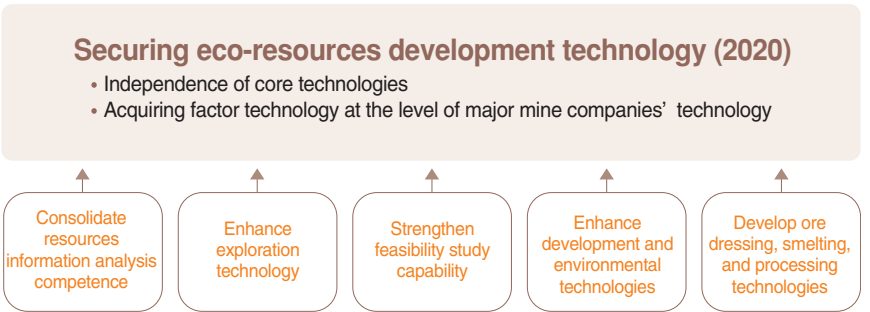
KORES assists in Korean mines' greenhouse inventory establishment to lay the foundation for sustainable growth development and contribute to check climate change and tries to realize a 493, 000 tCO₂eq reduction through inventory establishment. Most greenhouse gas emissions from the mine industry are attributed to fixed combustion using fuels for kiln, and those by process in the plasticity process of carbonate rocks (limestone, dolomite). When replacing fuel from anthracite to LPG, about 43% reduction in greenhouse gas emissions is realized in the fixed combustion sector. Moreover, about 22% reduction in CO₂ emissions can be realized through the development of capture technology for the CO₂ discharged from the quicklime plasticity process. KORES develops the capture technology through fund loan support and assistance and induces facility replacement such as kilns. Since Korea's mines are mostly small, however, it is difficult to develop the CO₂ capture technology in reality. Thus, we try to support them by implementing the CDM(Clean Development Mechanism) project. We estimated the greenhouse gas emissions through an examination of the facilities at each mine in 2009, secured CO₂ capture technology, and reviewed whether to replace kilns in 2010. We plan to install a CO₂ capture pilot plant by 2012. After that, we intend to increase the plant one by one each year. After acquiring the CO₂ capture and storage technology as a national policy task, we are scheduled to implement the CDM project in full swing.

[System chart of mine support through the CDM project]



Securing eco-resources development technologies

The productivity of resources-related companies is constantly improving through technological development including resources development and highly sophisticated sorting technology. In enhancing social perception on the environment, the adoption of a eco-resources development method has become an essential factor. KORES makes plans to develop and acquire technologies by sector, aiming at securing technological prowess that is on par with that of major mine companies and independence with regard to core technologies. Through this, we wish to create value-added and secure industrial competitiveness, not to mention the base for sustainable resources development environment.



Results of 2010 environmental management tasks implementation

Tasks	Detailed tasks	Duration (Y/M/D)	Dept. in charge
Global environmental Mgt.	<ul style="list-style-type: none">• Increase in eco-efficiency• Review of means to build eco-buildings	2010.01 ~ 2012.12	General Affairs Team
Total energy consumption target	<ul style="list-style-type: none">• Establishment of total energy consumption target• Enterprise energy savings	2010.01 ~ 2010.12	General Affairs Team
Eco-construction within the Ambatovy project	<ul style="list-style-type: none">• Implementation of biodiversity for balanced environment and ecological environment protection• Devising measures to recycle large-scale construction waste and waste materials within the plant• Control of weak ground in the construction area• River and water supply management	All-year round	Ambatovy Business Team
Eco-mine development	<ul style="list-style-type: none">• Making the mining, crushing, breaking, transporting, and smelting facilities within the mine tunnel eco-friendly• Supporting value-added improvement facilities for Korea's mining industry Mgt. improvement	2010.01 ~ 2010.12	Support Planning Team
Establishment of a system to cope with climate change	<ul style="list-style-type: none">• Nurturing specialized personnel to cope with climate change• Establishment of a pilot plan for CO2 capture facility to reduce greenhouse gas emissions• Establishment of a greenhouse gas emission inventory	2010.01 ~ 2010.12	Development & Environment Team
Shaping the eco-exploration base for the Zambia project	<ul style="list-style-type: none">• Drawing up, presentation, and approval of environment Mgt. reports• Launch of broad area exploration	2010.02 ~ 2010.12	Exploration Team 1
Shaping the eco-exploration base for the Zambia project	<ul style="list-style-type: none">• Radioactive impacts analysis at Geumsan Mine• Shaping the eco-mine development base through uranium properties research	2009.06 ~ 2013.12	Exploration Team 1
Drawing up guidelines for eco-rock sample extraction standard	<ul style="list-style-type: none">• Devising rock sample extraction criteria following an outdoor geological survey• Drawing up eco-rock sample extraction standard guidelines• PR and internal education/training	2010.03 ~ 2010.12	Exploration Team 3
Development of D3Q method and site application	<ul style="list-style-type: none">• Development of D3Q eco-exploration method and technology• Effort to remove environmental pollution sources at exploration site• Offering of technical data related to exploration and construction	2010.01 ~ 2010.12	HR Development Center

Eco-Technology Development

Technology development roadmap

Technology development direction

With the advent of environmental problems including climate change along with productivity increases thanks to technological development, the direction of technology development related to resources focuses on modernizing outdated equipment for productivity improvement, increasing value-added and securing industrial competitiveness through factory technology development, and shaping the sustainable resources development environment. For global competitiveness consolidation by securing technological prowess that is on par with the world mining industry's major players, KORES establishes and implements mid- and long-term plans to bolster technology development and research capabilities until 2020.

The company devises measures to secure core technologies through an R&D roadmap and master plan establishment and plans and accomplishes all cycle technology development tasks for the first time in the Knowledge Economy Ministry's resources development R&D. Based on mid- and long-term technology development plans, we plan to look for and carry out new R&D tasks continuously to acquire future growth engine technologies.

Objectives of mid-and long-term technology development

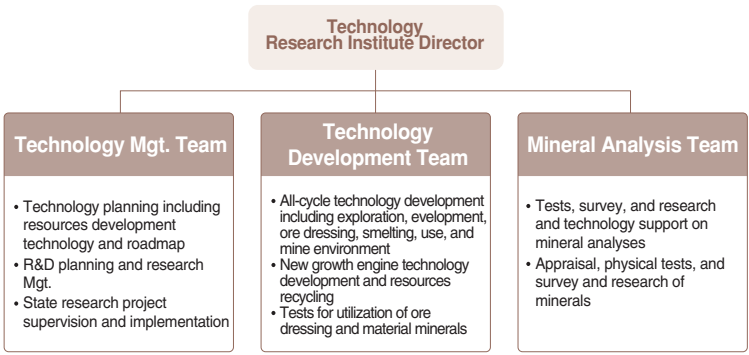
KORES induces production cost savings through the application of new technologies and large-scale resources development and treatment technologies and adopts eco-resources development methods. This way, KORES enhances the social perception of environment and mine-related stakeholders and aims at economic efficiency and environment-friendliness. We have set the following five major technology development fields: consolidation of resources information analysis capability, enhancement of exploration technology, F/S capability reinforcement, development/ environment technology enhancement, and ore dressing/smelting/processing technology development. We actually carry out R&D by identifying detailed tasks in each field.

[Tasks to implement by technology field]

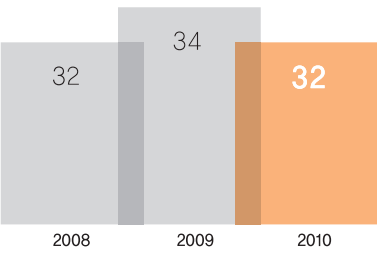
Field	Benefits	Tasks
Resources information analysis	Consolidation of resources information collection/analysis and adoption of a forecasting function	<ul style="list-style-type: none">Collection/analysis of resources technology information andservice offering-Differentiated information offering based on customer needs
Exploration technology	Enhancing the exploration success rate by securing core technologies of resources exploration	<ul style="list-style-type: none">Development of fusion exploration technology for uraniumDevelopment of exploration technology of tactite/porphyry depositsDevelopment of exploration technology on broad area-based scare metals
F/S capabilities	Consolidating business performance evaluation through F/Sconsolidation	<ul style="list-style-type: none">Organizing and operating the F/S strategy steamF/S competence consolidation
Development/ Environment technology	Inducing sustainable resources development through eco-mine development	<ul style="list-style-type: none">Research on measures to cope with environmental and social risks following mine development/investmentDevelopment of optimal design technique for tactite/porphyry deposits and eco-resources development technologyDevelopment of non-metal greenhouse gas emissions technologyDevelopment of technology for environment-friendly treatment of drainage water of mines
Ore dressing/smelting/ processing technology	Enhancing the business success rate through mine development and F/S technology support	<ul style="list-style-type: none">Development of physical and chemical uranium ore dressing technologyDevelopment of compound metal (lead, zinc, copper) ore dressing technology-Development of carbonated lithium manufacturing technologyDevelopment of value-added improving technology for scarce metals and non-metals

R&D Organizations

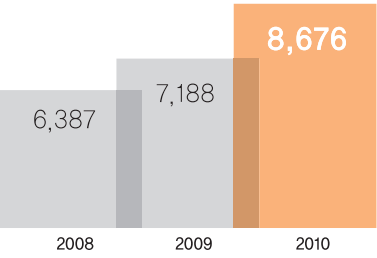
KORES's Technology Research Institute consists of the Technology Mgt. Team, Technology Development Team, and Mineral Analysis Team and supervises all R&D projects. KORES had 32 R&D personnel as of the end of 2010.



Status of R&D personnel Unit: people



R&D investment amount Unit: KRW million



R&D investment

KORES earmarked KRW 8.7 billion or about 21% more compared to the previous year for technology development investment; this accounts for about 5.2% of total sales. With a sales increase expected following business expansion and acceleration of technology development, we plan to increase investment to KRW 10 billion in 2011.

C · A · S · E

Deputy division manager Kim Sun-soo

Rapu-Rapu Mine

Master of ore dressing, Kim Sun-soo, Deputy Division Manager of Research & Development Team

Kim Sun-soo, deputy division manager of the Research & Development Team of KORES, developed a technology for eco-metal collection that can apply to the copper/zinc compound ore containing arsenic through the improvement of the ore dressing process at the Rapu-Rapu Copper Mine in the Philippines in October 2010, and the corresponding patent was acquired. Ore dressing seeks to enhance the value of an ore by separating the useful ingredients having economic values and other non-useful ingredients using the physical and chemical properties of the mined ore. Deputy division manager Kim is an expert in ore dressing with 28 years' experience. Through the process improvement, the copper collection rate at the Rapu-Rapu Mine rose from 40% to 75%.

Technology patent that realized both environmental protection and profit

In the Rapu-Rapu Copper Mine, it is important to make sure that zinc is not extracted along with copper, since there is more zinc than copper in the ore. The method of reducing arsenic content is also crucial because it is high in copper concentrate. When arsenic content is 0.2% or more in the copper concentrate, a penalty is imposed per 0.1%; in fact, some countries prohibit imports when the arsenic content is over 0.5%. Although, arsenic content rose to 1.3% in the Rapu-Rapu Mine, arsenic content finally went down to 0.3% as the collection rate increased by applying the technology, which is an eco-technology.

Generally, a restricted chemical called NaCN, a toxic chemical, is used to control zinc. When NaCN is dissolved in wastewater and discharged, an environmental problem may arise. Therefore, the permission procedure is complicated in the case of importing copper; the purification process and use control are also difficult. This innovative technology uses a NaCN substitute that reduces concerns of environmental pollution. KORES expects this technology to bring about cost savings and eco-mine operation effects with low-cost reagent use and omission of post-treatment process, along with a sales increase through high-quality concentrate production. This technology's patent was registered in Korea in October 2010, and patent application is pending in the Philippines.

R&D achievements

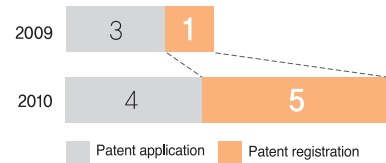
Securing intellectual property rights

KORES applied for 4 patents and registered 5 patents in 2010; thus acquiring a total of 9 intellectual property rights and realizing twice the achievements in this aspect. In particular, the rare-earth metals technology acquired in China is the first intellectual property right acquired abroad.

Patent registrations and applications

Unit: case

125% increase



Category	Names of invented technologies
Patent registration (5 cases)	<ul style="list-style-type: none">Red fluorescent particles manufacturing method of old-type, rare-earth metalsManufacturing method of old-type cobalt metal powderManufacturing method of old-type, high-purity nickel metal powderEco-copper concentrate sorting and collecting methodWet dust removal device of mining area within mine tunnel
Patent application (4 cases)	<ul style="list-style-type: none">High-purity lithium carbonate manufacturing methodHigh-purity lithium carbonate manufacturing method with improved collection rateEco-copper concentrate sorting and selecting methodBriquette manufacturing method using mine drainage sludge

Bagging new national R&D projects

KORES participated in national R&D projects for future growth engine technology development and bagged three new projects in 2010. By organizing the implementing organizations - industry-academe-research joint cluster - by project and the technology development business group, we carry out joint research with Korea's leading research institutions.

[Major national R&D projects won in 2010 by KORES]

Project	Uranium convergence exploration and physical/chemical ore dressing/smelter technology development	Development of sorting/smelter technology for lithium carbonate manufacturing from lithium-bearing mineral resources
Client	<ul style="list-style-type: none">Ministry of Knowledge EconomyKorea Energy Technology Assessment Institute	<ul style="list-style-type: none">Ministry of Knowledge EconomyKorea Energy Technology Assessment Institute
Project duration	Jun. 2010 ~ May 2013 (3 years)	Jun. 2010 ~ May 201 (3 years)
Project cost	KRW 8.280 billion	KRW 1.881 billion
Benefit	<ul style="list-style-type: none">Consolidation of exploration business capabilityin advance technology advantage in black shale-type uranium development with the largest reserves in the world	<ul style="list-style-type: none">Localization of lithium carbonate manufacturing technology and industrializationSecuring future demand technology via lithium extraction from lithium-bearing ore

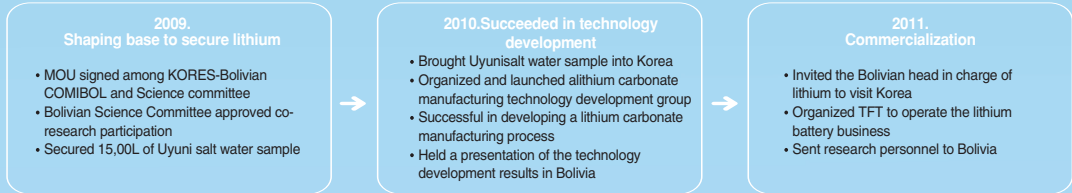
Acquired intellectual property rights abroad for the first time

- Rare-earth metals technology developed, patent registered in China, home to such technologies

KORES acquired a patent in China for the rare-earth metals processing technology dubbed 'Method for the preparation of spherical rare earth red phosphor particles by droplet-to-particle conversion' in June 2010. Rare-earth metals are used for permanent magnets, fluorescent material, catalyst for electric cars and wind power generation, and metal industry and abrasants. China is a rare-earth metals powerhouse, accounting for 96.8% of the world output. The technology developed by KORES is a new technology that turns the main raw material -rare-earth mineral- into a fine particle and circular powder type. The technology can be applied to displays such as plasma display panel (PDP) for wall mounting. Although we registered the patent in Korea in 2007, we acquired the patent in China within five years of filing a patent application. The fluorescent substance made by the existing method has bigger particles sized 3~6μm as well as a problem of decreased product quality in terms of light source with regular width, or luminance extent, i.e., brightness of reflected substance's surface or uniformity of light. Note, however, that the new technology of KORES can freely control the shape or size of particles measuring less than 1μm; luminance and other features also improved. Moreover, its process is simple, and universal usability can be an advantage. The fact that China -which dominates the rare-earth metal market- gave the relevant patent to a foreign company is truly meaningful, acknowledging the excellence of the technology.

C·A·S·E

Successful core technology development for securing lithium resources in Bolivia, a country with the world's largest lithium reserves



Competition to secure lithium

Lithium is a core material for the batteries used for next-generation electric cars. Although a relatively smaller amount -0.4~0.5g- was used for IT products such as mobile phones and laptop computers, there was no big problem in demand and supply worldwide. Note, however, that a maximum of 4,300g of lithium is used per electric car, which is equivalent to 10,000 times the amount used for a mobile phone. Therefore, the electric car's commercialization is expected to translate into explosive demand for lithium

Bolivia: country with the world's largest lithium reserves

Bolivia's lithium reserves account for about half of those in the world, but the country doesn't have its own technology to extract lithium. Thus, Bolivia requested the development of optimal lithium extraction technology using its own salt water to countries with advanced technologies. Bolivia promised to award the preferential right as lithium development partner to the country providing the most excellent technology development result. As such, there was fierce technology competition among many countries including Japan, France, and China.

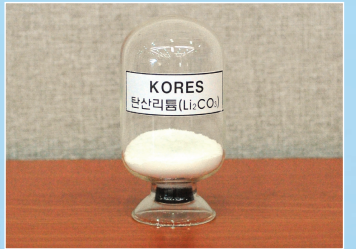
Successful lithium carbonate manufacturing process development

Korea signed an MOU for joint technology development with Bolivia in August 2009 and implemented research cooperation at the national level by organizing a technology development business group with only the relevant research institutions (RIST and KIGAM) in Korea. As a result, Korea succeeded in developing a lithium carbonate manufacturing process (3 processes of KB 1, 2, and 3) within one year of signing of the MOU. Bolivia's salt water poses disadvantageous conditions in lithium extraction compared to other salt water, and there were difficulties in developing the technology suitable for the salt features in Bolivia. The KB 1, 2, and 3 processes were developed as forced evaporation, absorbent application, and no-evaporation mode, thereby solving the problem of prolonged lithium extraction period due to Bolivian salt water's low evaporation rate. Bolivian salt water has lots of impurities and a low collection rate; hence the low purity of lithium carbonate. Korea improved economic efficiency through a method of removing impurities such as magnesium and subsequently making the salt water a resource. The result was assessed as the best technology in the presentation held in Bolivia for the Bolivian government and lithium experts. As such, Korea's technological excellence was proven. Korea actually gained comparative advantage in the technology competition with many countries in the world.

Commercialization

Following the good assessment on the technology, an MOU for lithium industrialization was signed between KORES and COMIBOL in August 2010. A special delegation including companies related to lithium batteries visited Bolivia in July 2011 and entered into an MOU to operate the lithium battery business. Through this, Bolivia officially acknowledged Korea as the strategic partner for the Bolivian lithium business. We plan to organize mutual TFT for the lithium battery business, establish a joint venture, and operate the lithium business.

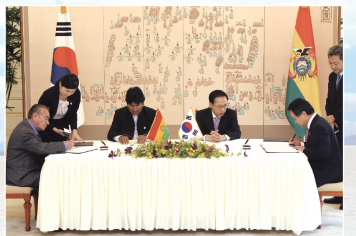
Lithium carbonate



Development process specifics

Category	Basic process	Development process
Targeted salt water	Atacama, Chile	Uyuni, Bolivia
Lithium recovery rate	25%	≥ 80%
Purity of lithium carbonate	≥ 99%	≥ 99%
Extraction period	2~3 years	About one year

Bolivian President's visit



*Background photo: View of the Salt Desert of Uyuni in Bolivia

Responsible Resources Development

Mine development process



Exploration Domestic: 1 Overseas: 12	<ul style="list-style-type: none">• Acquisition of project information and collection of data• After acquiring the exploration right, broad area exploration is carried out to identify roughly the geological structure and reserves conditions (estimation of reserves).• Precise exploration is carried out focusing on probe exploration to find out core exploration by making holes.• A rough feasibility study is carried out via prior economic efficiency analysis.
Development Domestic: 1 Overseas: 11	<ul style="list-style-type: none">• Drilling and foundation probe in the project site• Feasibility study reflecting the drilling result, estimated price, means to procure funds• Acquisition of various permits including an environmental impact assessment• Plan confirmation including production, sales, funding, and remittance of investment money• Installation and purchase of mining area and auxiliary facilities
Production Domestic: 4 North Korea:1 Overseas: 10	<ul style="list-style-type: none">• By mining the mineral, secure economic efficiency of the final outcome .• Execute optimal size of performance suitable for the project feasibility study results.• After crushing and separating the mined ore, make the concentrate by collecting effective ingredients.• Sell the concentrate itself or by raising value-added through processing including smelting.
Restoration Overseas: 1	<ul style="list-style-type: none">• After closing a mine, restore it to the nearly natural-environment state prior to mine development.• In resources development, mine closure and restoration are recently emerging as an important factor. The presentation of a restoration plan is essential for fund procurement and government approval.• A specific plan for the restoration fund and type should be established in advance.

Exploration

Environmental impacts review

A general environmental impact assessment procedure for mine development is carried out in the order of environmental impacts review (pre-review) and environmental impacts assessment. KORES analyzes in advance possible environmental impacts of exploration and establishes countermeasures. This way, we put environmental Mgt into practice. Concerning the Mukumbi project in Zambia, we analyzed the possible social, economic, and environmental impacts due to exploration along with damage to forests caused by exploration equipment and soil and water quality pollution due to fuel leakage and presented countermeasures to the Zambia government. As a result, we obtained approval for the environmental Mgt., report required for exploration in July 2010.

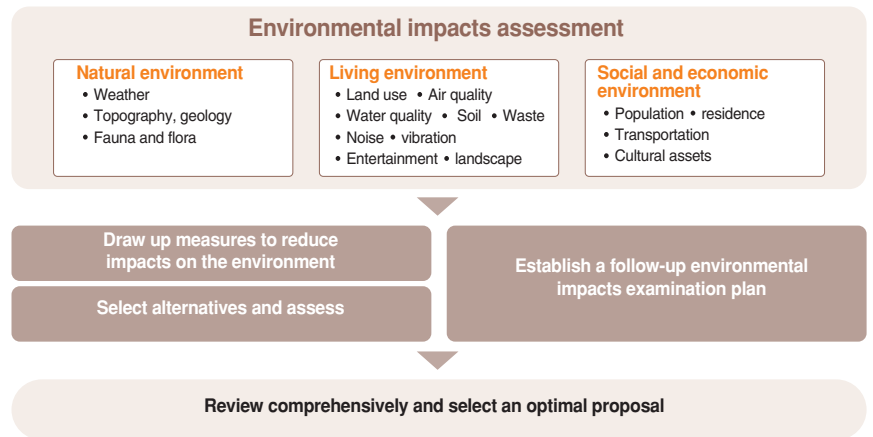
Environmental impacts assessment

Resources development begins with exploration to find resources buried underground. KORES carries out an assessment of future environmental impacts due to mine development along with economically valuable mineral exploration in the exploration stage. We carefully review the things that can affect the environment and seek methods to prevent or minimize them. Toward this end, we manage the environment beyond the legal regulations by applying mine industry-and environment-related international initiatives including ICMM, Berlin Guidelines, and World Bank Guidelines. After finishing the comprehensive environmental impacts review, we carry out resources development in the direction of minimizing environmental impacts.

In the case of the Marcona Copper project in Peru, we carried out various environmental impacts analyses according to mine development including the main environmental factors of four seasons over 3 years from 2007 and obtained environmental impacts approval in September 2010. We are currently preparing for development.

Concerning the Warilla 2 project to develop bituminous coal in Wyong, Australia, ground subsidence was cited as a major issue as a result of the environmental impacts assessment. Thus, the area was excluded from the mine development region; we then devised a measure to change the mine design. Considering the community's concerns over the depletion of underground water and pollution, we established mine water recycling and comprehensive water treatment measures and had them verified through a specialized agency. In addition, we planned the continuous monitoring of noise and flying dust caused by mine tunnel development and completed an environmental impacts assessment through community hearings. We applied for environmental impacts approval to the Australian government in 2010 to acquire the development right.

[Process of environmental impacts assessment]



Development

Biodiversity protection

Eco-resources development affects development approval, permission, and fund procurement together with climate change and has a direct influence on national resources competitiveness. In this context, efforts for eco-resources development can be a global trend. KORES recognizes biodiversity as a core factor in coping with climate change, securing sustainable mineral resources, improving the quality of life for mankind, and realizing a green economy. We apply strict criteria to preserve biodiversity around mines.

We scientifically analyze the impacts on the surrounding ecosystem of mine development sites from the planning stage, preserve biodiversity as much as possible, and apply the design and construction method that minimizes topographic change and vegetation damages. Among various alternatives, we carry out an environmental impacts examination prior to the development launch so that we can select an environmentally sound, sustainable alternative. After the launch, we carry out thorough management to monitor the surrounding region's ecosystem change through a follow-up environmental impacts investigation.

In the case of KORES's head office and domestic branch offices, there have been no regions where environmental problems related to biodiversity occurred. Concerning overseas projects, we make various efforts for habitat preservation and migration in project areas that may affect biodiversity.

Production

Development and application of eco-production technologies

In the exploration, development, and production stages of resources development, various equipment and technologies are used, and lots of energy is consumed in the drilling, tunnel digging, and smelting processes. Therefore, using highly efficient equipment and technologies is an important activity in coping with climate change and from the cost aspect.

Of the copper concentrates produced in the Rapu-Rapu Copper Mine in the Philippines funded and operated by KORES, the quality of copper concentrates declined due to the large amount of arsenic. Therefore, a toxic material, NaCN, was used to solve the problem but posed a serious environmental pollution risk. To solve the problem, KORES's technology Research Institute came up with an effective control method for arsenic in the copper concentrate. KORES used SMBS instead of the environmentally regulated material, NaCN, and effectively addressed concerns of environmental pollution in the process. As a result, the mine was selected as an outstanding mine in environmental Mgt by the Philippine government. KORES pursues continuous growth through technology development and application suitable for the project's characteristics with the environment as priority. We are doing our very best to enhance business Mgt. efficiency as well as the economic efficiency of projects.

Discharged materials control

KORES supports the control of discharged materials through environmental consulting on domestic mines and simultaneously develops the relevant technologies.

Greenhouse gas and air pollutants | KORES supports the greenhouse gas inventory establishment by Korean mines to reduce GHG emissions in the mine industry and minimize in advance any shock following Korea's designation as a country for green growth base establishment and mandatory GHG emissions reduction. We plan to implement jointly the CDM project together with mines and create a new source of income to build a sustainable, eco-mine development base. Since 2009, KORES has been examining the facilities of each mine workplace and estimating the emission to build an inventory. Based on this, we expect 493,000 tCO₂eq reduction in Korean mines' GHG emissions through GHG emissions reduction projects.

Mine waste | KORES carries out R&D to prevent environmental pollution due to mine waste, such as waste stone generated during mine development and ore remnants generated in the ore dressing and smelting processes. In 2010, we carried out research tasks by identifying the physical and chemical characteristics of mine drainage water, ore dressing wastewater, and anore sludge and heavy metal response mechanism to enhance heavy metal processing technological prowess. In addition, we developed the technology of recycling the sludge generated following the mine's acidic drainage processing mixed with coal as an auxiliary raw material of briquette. KORES also implements projects to purify soil polluted by heavy metal in line with technological development. We have been carrying out soil and underground pollution treatment such as Jinhae Naval Base for 17 months since June 2010 and Taereung shooting range for 34 months since January 2010.

Water for mine | KORES regularly measures the mine's water quality so that water pollution may not arise from polluted water flowing from the mine tunnel and to prevent water pollution due to foul water and wastewater from the ore dressing area. We also support wastewater treatment and technology. In Springvale and Angus Place, Australia, the leachate within the mine tunnel is used as cooling water for an adjacent thermal power plant. Through this, not only water quality improvement but also treatment cost saving effect is realized. In particular, 5.6 billion liters of water was recycled in 2010.

C·A·S·E

Biodiversity protection activities in the Ambatovy Nickel project site in Madagascar

KORES is participating in the global Ambatovy nickel mine development project in Madagascar, Africa by organizing a consortium with Korean companies. Madagascar is an island country located in the East of Africa, and 3/4 of the animals and plants of some 200,000 species living in the area are scarce species that cannot be found in other areas. Madagascar is regarded as a haven for animals and plants.

The project area is a place where many protected animals and plants species live. To protect such an ecosystem, we have devised a plan to preserve biodiversity at the project site for execution. At the site, we manage species by dividing them into CR (critically endangered), EN (endangered), and VU (vulnerable) according to the bio species control grade designated by the IUCN (International Union for the Conservation of Nature). SOC (species of concern: native species) are also protected by being designated as separate control objects. As of April 2011, the protected bio species include 327 animal species and 261 plant species. At least 4 species are CR, 8 species are EN, and 2 species are VU, and they are controlled according to the IUCN grade. SOC include 191 species. Among mammals, 16 species of lemur monkeys endemic to Madagascar are included. Of the fish species, five are very important in terms of evolution; the remaining 4 species are native fishes. Among the plants, 82 species of orchids are included, with 12 species are classified as SOC.

Category		IUCN			SOC	Total controlled species
		CR	EN	VU		
Animals	Mammal	2	3	2	-	49
	Bird	-	4	-	-	117
	Reptile	1	-	-	-	66
	Amphibian	1	1	-	-	86
	Fish	-	-	-	-	9
Plants		-	-	-	191	261
Total		4	8	2	191	588

* CR: Critically Endangered
* EN: Endangered
* VU: Vulnerable
* SOC: Species Of Concern



Restoration

Environmental damage (mine damage) caused by mine development

Generally, mine damage involves damaging nature and people due to ground subsidence, polluted water discharge, waste oil outflow, flying dust, noise and vibration caused by land drilling (boring), destruction and crushing of rocks, transportation, and ore dressing in the process of mine development. The extent of mine damages differs depending on the mine development type and extent, kinds of ores and geographical environment, and industry surrounding the mine in question. Mine damage occurs persistently and on a long-term basis. Unless actions on the environment are taken in a timely manner, chronic damage occurs in the natural and artificial environment in the area concerned. KORES strives to minimize the impacts on the environment at all stages of mine development.

[Causes and phases of mine damages]

Cate gory	Mine activities	Mine damage causes	Mine damage phases
Damage taking place during work	Open air development	Forest and land damage	Damage to natural landscape, landslide
	Mining	Waste stone carried away, noise, vibration	Soil pollution, depletion of underground water, marsh formation, deterioration of the residential environment (noise)
	Drift drilling	Outflow of acidic tunnel water (including floating matter, heavy metal), ground subsidence and crack	Water pollution, damage to crops, destruction of river ecosystems, soil pollution, damage to structures including buildings, railways, roads, etc.
	Ore dressing	Ore remnants carried away Ore remnants carried away	Water quality deterioration, soil pollution (heavy metal)
	Transport	Flying and scattering dust, noise	Air and water pollution, deterioration of the residential environment
Damages after mine closure		Underground backfill (common to underground)	Ground subsidence, depletion of water for agriculture, marsh formation, destruction of structures including roads
		Tunnel water, ore remnants, leachate	Water and soil pollution, Flooding around mines
		Neglect of mine facilities	Damage to natural landscape and aesthetics of the city

Case of mine damage prevention at Sanmak Mine

Developed from the late 1970s to the late 1980s, Sanmak Mine (gold, silver, lead, zinc) in Bonghwa-gun, Gyeongbuk was closed and abandoned in the course of development. Tailings of more than 1,092 tons were carried away to the river and ore dressing site; hence the resulting mine damage. The Development & Environment Team of KORES carried out mine damage prevention activities for the 14,413m² tailings yard and 15,717m² ore dressing area around Galsan-ri, Jaesan-myeon, Bonghwa-gun. We successfully completed the mine damage prevention service, such as prevention of soil pollution and activities to improve water quality by carrying out the following: interruption of the tailings yard, removal of ore dressing waste structures, closing of the waste tunnel through fence installation, planting of 5,620 shrub trees, road pavement, and maintenance, slope supplementation through breast wall construction and underground and rain water pipe installation.

Before construction



After construction



After completion



Closed mine management

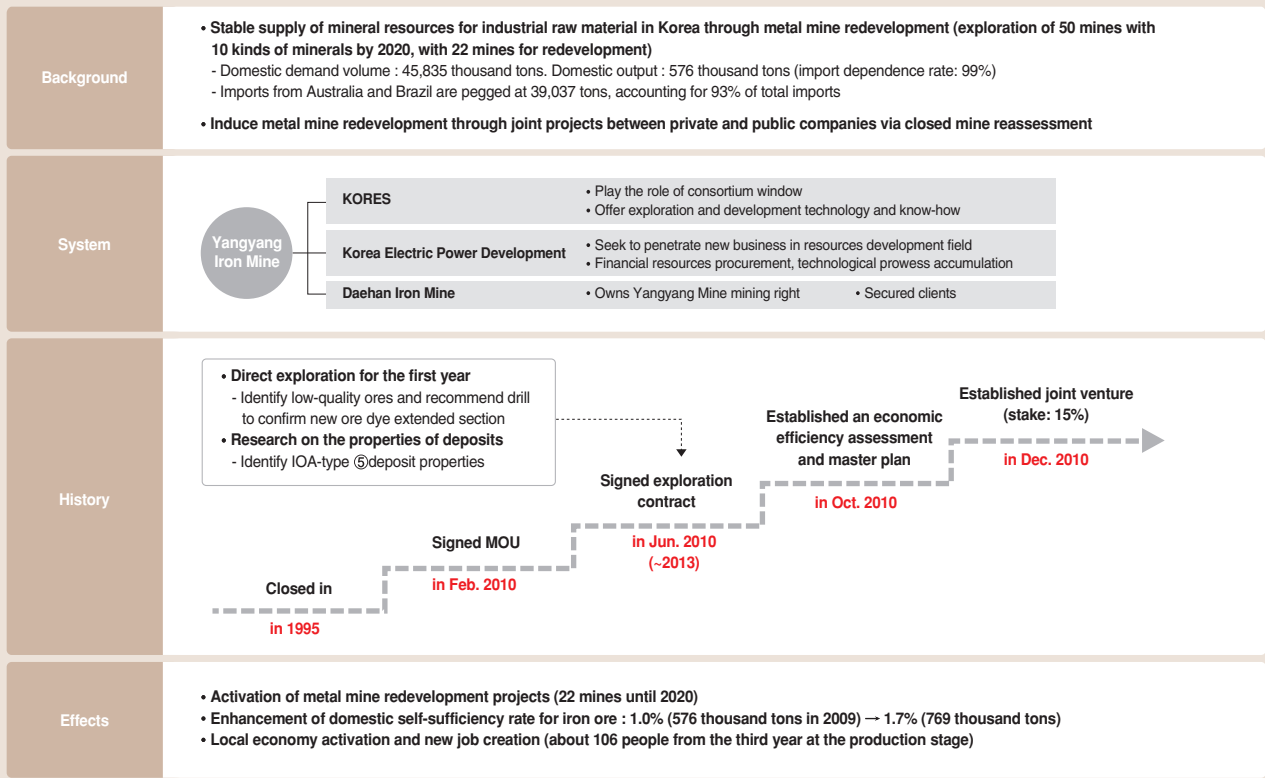
When a mine, whose development was suspended owing to uneconomical reserves or economic inefficiency is neglected, environmental problems such as soil pollution, water pollution, and ecosystem destruction may occur. KORES carried out investigations to identify potential environmental impacts targeting suspended or closed mines; at the same time, it develops technologies related to environment restoration.

Closed mine redevelopment

As part of enhancing the domestic self-sufficiency rate, we promote the redevelopment of closed mines through our exploration of those closed metal mines in Korea. In 2010, KORES carried out a redevelopment review and implemented business involving Gagok and Hwagok mines (lead and zinc) and Pocheon mine and Yangyang (iron). We plan to redevelop 22 mines through the exploration of 59 mines involving 10 kinds of minerals by 2020.

C · A · S · E

Development Case of the Yangyang Iron Ore Mine



Follow-up environmental impacts examination

KORES investigates whether the established measures to reduce environmental pollution and environmental impacts on adjacent areas are implemented after mine closure as necessary. When unexpected environmental damage occurs, immediate measures need to be devised. This way, the review of the environmental status is carried out, and the installation of various environmental impacts-reducing facilities is systematically investigated including topography, geology, fauna and flora, air quality, water quality, soil, waste, and noise and vibration.

Putting Green Growth into Practice

Electricity consumption and target

	2008	2009	2010
Objective	1,296,700	1,300,800	1,356,610
Target	1,177,874	1,327,990	1,431,203

Putting Green Growth into Practice

KORES set the annual energy use target for energy conservation and efficient use and devised the top 8 measures to eliminate energy waste factors and 10 major issues to put into practice by team; these are then carried out at the company level. To enhance energy efficiency, we carried out the repair/maintenance of worn-out facilities and conducted internal PR and checking for improvement of employees awareness through turning off of PC monitors during lunch break, automatic turning off of office lights, and notice of electricity consumption on a day-to-day basis via the internal computerization network.

A total of 431 multi-outlets within the head office and branch offices of KORES were replaced with artificial intelligent outlets; thus enabling automatic power saving. As a result, about 3.3% energy saving effect is expected annually compared to the target. With the adoption of the automatic lights-out system with a timer function due to the limitation of lights-out in offices during lunch breakthrough our own Energy Keepers (individual persons in charge of electricity savings), we carry out actual energy conservation. We actually removed halogen lamps, which consume large amounts of power, and replaced those with the highly efficient, eco-lighting LED lamps. We plan to concentrate on energy conservation by purchasing highly efficient energy equipment, complying with cooling and heating temperature criteria, and carrying out intensive control of many energy-consuming facilities.

Reduction of greenhouse gas emissions

KORES has adopted a videoconference system to enhance job efficiency between workplaces and to promote quick and precise decision making. By replacing part of the job consultation between the head office and workplaces including overseas workplaces with videoconferencing, we minimize direct/indirect expenses including business trip expenses and an operational vacuum. In line with the public agency energy use rationalization policy, we carry out a car operation suspension system according to a designated day to cut indirect energy related to our employees' going to and coming from the office.

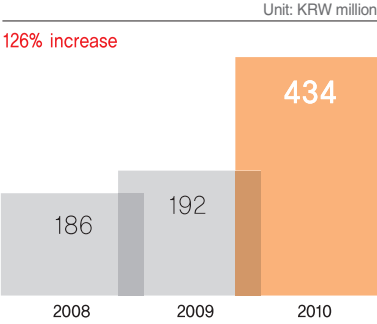
Green product purchase

The government certifies products reducing environmental pollution and minimizing the use of hazardous substances as green products. Thus, KORES purchases green products preferentially. In 2010, we spent KRW 434 million or 76.3% of the total green product purchase amount of KRW 568 million on green products for a 24.6% increase compared to the previous year.

Recycling of resources

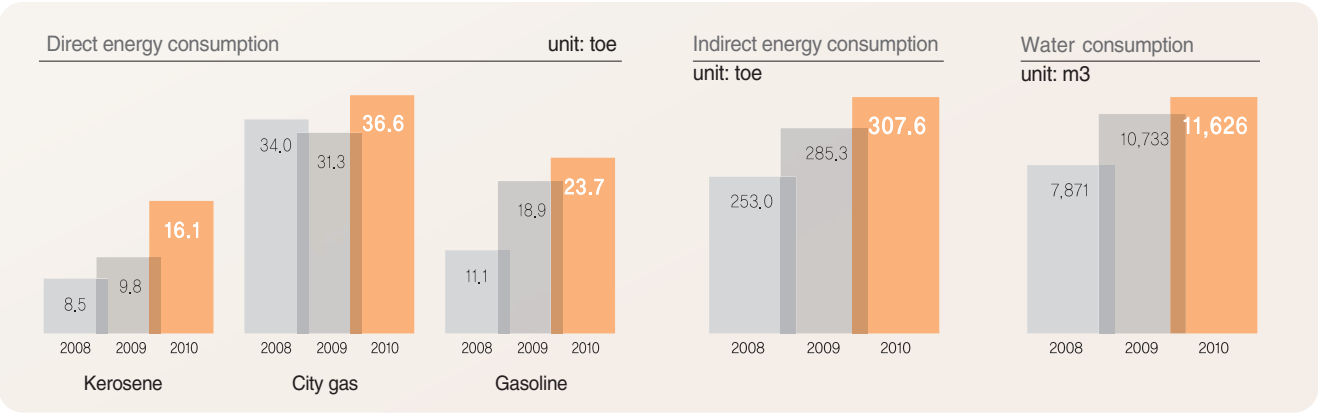
KORES did not simply dispose of disused equipment at the HR Development Institute but sold them in division to recycling companies; thus earning KRW 125 million. In this manner, we are recycling resources.

Green product purchase ratio



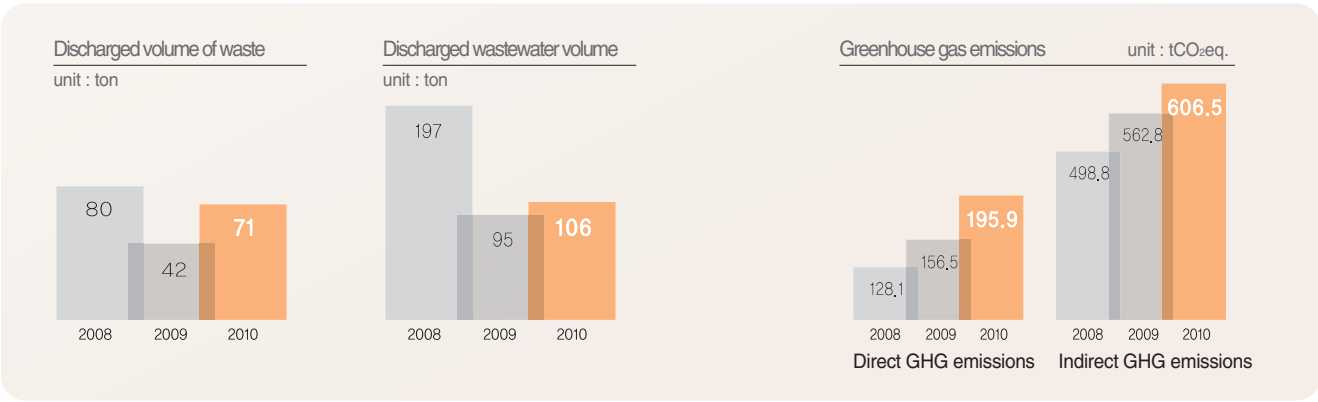
Environmental Management Achievements

Efficient resources use



Direct energy consumption using kerosene, city gas, and gasoline at KORES's head office in 2010 was 76.4toe, up 27.3% compared to the previous year. We also used electricity of 307.6toe (1,431Mwh) or 7.8% more compared to the consumption in 2009. These increases can be attributed to the increase in hours of using heating and cooling equipment owing to expanded TFT work and technology research institute's sample analyses along with work during holidays and overnight work due to service work augmentation by Financial & Accounting TFT. Water use volume grew 8.3% to 11,626m3 compared to 2009 because of the continual increase in the number of employees. The water used flows out to the sewer treatment plant nearby for purification. We will strive to reduce water use persistently through internal PR and adoption of efficient equipment.

Strict control of discharged materials



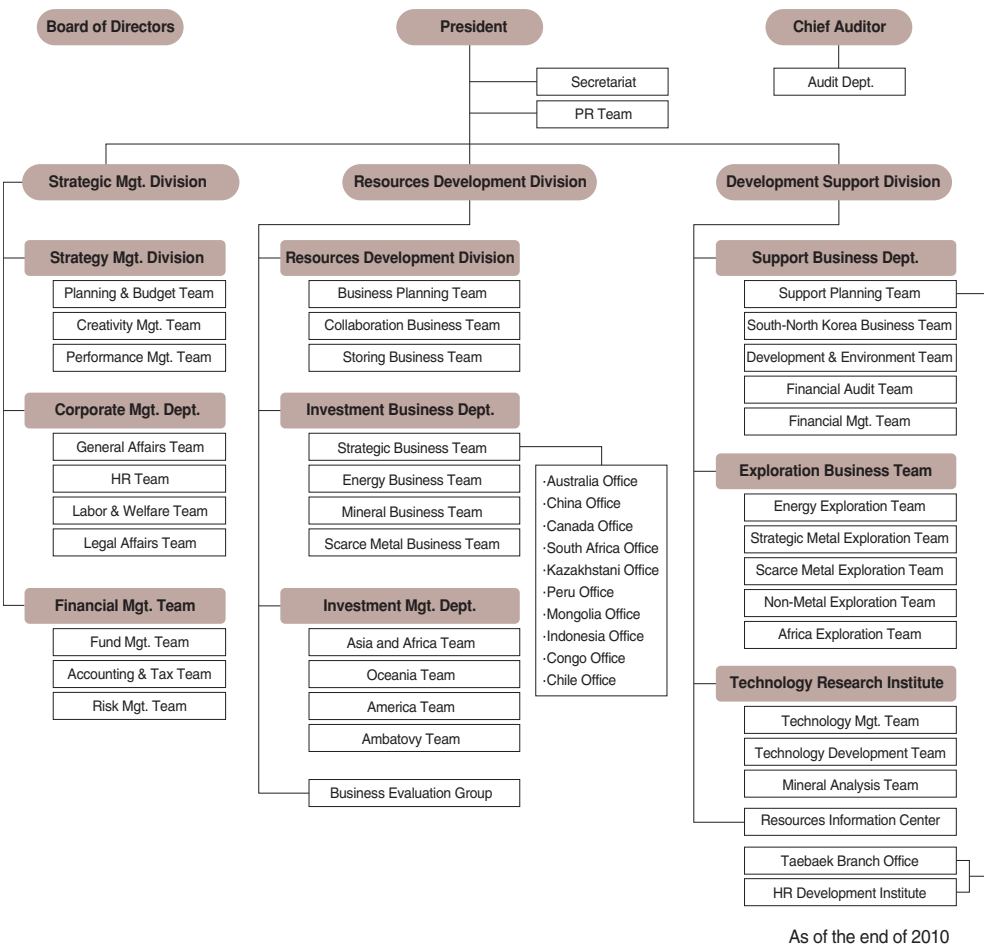
The waste volume discharged from KORES's head office in 2010 was 71 tons, up 69% compared to 2009. The waste is discharged by a designated waste processing company. Wastewater was 106 tons up 12% compared to 2009. Direct GHG emissions from the use of kerosene, city gas, and gasoline were 195.9tCO₂eq., and indirect GHG emissions from electricity use were 606.5tCO₂eq. Total GHE emissions stood at 802.4tCO₂eq., up 11.5% compared to 2009. KORES strives to reduce GHG emissions from energy consumption in addition to the reduction of energy costs through efficient energy use, highly efficient energy facility installation, and replacement of vehicles for business with light vehicles and hybrid cars.

APPENDIX

- Organization, Status of Participation in Associations and Bodies, and Awards
- Charter of Ethics
- Sustainability Initiatives
- UN Global Compact
- 10 Principles of ICMM
- Third-Party Assurance Statement
- GRI 3.1 Guidelines and ISO26000 Index
- Terminology Explanation

Organization, Status of Paticipation in Association and Bodies, and Awards

• Organization



• Status of Participation in Associations and Bodies

Name	Details of Activities
Mining Association of Korea	Details of Activities
Korean Energy Foundation	Exchange of information and promotion of businesses
Public Corporations' Council for the Korean Pact on Anticorruption and Transparency	Takes a leading role in fulfilling social responsibilities, practicing transparency, and adopting and promoting the ethical standards demanded by society
Ethical Mgt. Foruma	Recognition of ethical Mgt. as the firm's core source of competitiveness; pursuit of corporate sustainable development in the domestic and international markets
Public Agency Directors' Innovation Forum	Establishing and implementing joint strategies with other public agencies to enhance innovation and competitiveness
Korean Red Cross	Contributing to building a better society by participating in charity fund raising
UN Global Compact Network Korea	Participating in workshops and symposiums related to human rights, labor, environment, and anticorruption

• Awards

Year	Details	Organized by
2005	Urban Rural Exchange of the Year Award	Ministry of Labor
2006	Good Company for New Management- Employee Culture	Ministry of Labor
2007	Korea e-Business Award	Ministry of Commerce, Industry, and Energy
	Grand Prize-Korea's Most Respected CEO Award	Hankyoreh Economy 21
2008	Medal of Excellence -Peter F. Drucker Award for Nonprofit Innovation (Creative Management category)	Peter F. Drucker Society of Korea
	Green Productivity Sector at the National Productivity Convention	Korea Productivity Center
2009	Forbes Quality Management Award	Korea Society for Quality Management
	Selected as an Excellent Sustainability Report	UN Global Compact
2010	Selected as an Excellent COP Business	UN Global Compact Korea Network

Charter of Ethics

Details on our Charter of Ethics, including the Code of Ethics and the Code of Conduct may be found in the Ethical Management section of the company's homepage (<http://eng.kores.or.kr>).

Charter of Ethics

Korea Resources Corporation is a national company that has contributed to Korea's economic development by efficiently providing a stable supply of industrial materials and energy mineral resources to meet the needs of the nation.

By moving our corporate vision and philosophy forward with concomitant pride and self-confidence, we aspire to be a world-class public company that specializes in resource development with trust and support from the public.

To this end, we realize that it is essential to maintain a transparent and fair ethical culture. Consistent with that target platform, we intend to provide the following charter of ethics which is integrated into all our resolutions, in order to uphold the highest standards and values to which our employees shall abide.

We will share core values, accomplish our missions with creativity and excellence, and conduct our businesses in an honest and fair manner, while observing all of the relevant laws and regulations, based on high ethical values.

We will seek co-prosperity with our customers by providing the finest products and services, with an emphasis on respect.

We will strive for continuous improvement of our corporate values and sustain growth and development through fair competition and innovative activities.

We will respect the personality and creativity of our individual employees, treat them fairly according to their ability and achievements and endeavor to enhance their quality of life.

We will contribute to the development of the nation and society, by complying with all relevant laws and regulations at home and overseas, protecting and preserving the environment, and positively participating in public service activities as a responsible member of society.

Sustainability initiatives

To implement our global standard sustainability initiative in accordance with the expansion of overseas businesses, KORES supports an international initiative. Through our initiatives in the mining industry, we have established sustainable management processes and systems to advance our stature as a major player in global mining.



UN Global Compact

The UN Global Compact was established in 2000 by the UN to ensure that corporations fulfill their social responsibilities based on the principle of voluntary participation. In the 4 major areas of human rights, labor, the environment, and anti-corruption,the UN Global Compact presents ten principal guidelines and promotes the continuous balanced development of the global economy. KORES joined the UN Global Compact in October 2007 and has incorporated ethical management into its corporate strategies. It has also tightened supervision to prevent human rights violations and corruption. The content of the ten main principles as well as relative activities are detailed on page 15 of this Sustainability Value Report.



ICMM (International Council on Mining & Metals)

The ICMM is an alliance of mining industry corporations, aligned to improve their member's management strategies and performances.

The council has presented ten principal guidelines to achieve sustainable growth. Its principles are composed of details relating to corporate ethical management, stakeholder engagement,environmental protection and social contribution. KORES employs business practices based on these guidelines as part of its commitment to achieve sustainable management.



ISO 26000

ISO 26000 is an international standard aimed at supporting organizations in contributing to sustainable development by carrying out the following: offering guidelines for social responsibility integration, implementation, and promotion based on the concept, terminology, background and trends, characteristics, principles and practices, core themes and disputes, and organizations of social responsibility for all types of organizations regardless of the organization's size and location as well as communications on the organization's obligations and performance related to the identification and engagement of stakeholders and social responsibility.



Berlin Guidelines

The Berlin Guidelines are a collection of environment related guidelines for sustainable growth of the mining industry and presents principles pertaining to environmental management systems and environmental laws and regulations. It presents the basic guidelines for the mining industry to protect the environment. In order to fully comply with the environmental principles presented in the Berlin Guidelines, KORES has established an environmental management system through which its environment strategies are established and associated environmental risks are managed.



World Bank General Environment Guideline World Bank Operational Directive - Involuntary Resettlement

These guidelines are established and presented by the World Bank to minimize the environmental damage caused during the development process and to stabilize the relocation of residents in the event of an involuntary resettlement. KORES carries out its resource development at its overseas project sites in full compliance with this environmental guideline. In Ambatovy, the company has implemented relocation procedures in accordance with the World Bank Operational Directive – Involuntary Resettlement. As such, KORES is voluntarily complying with the World Bank guidelines in all of its overseas resource development processes.

UN Global Compact

KORES joined the UN Global Compact alliance in October 2007 to become a model company that fully practices and fulfills its corporate social responsibilities. Through such action, we have publicly declared our determination to comply with the ten principles of the UN Global Compact and renewed our pledge to put these principles into practice. We will disclose our compliance status with these Global Compact Principles in our Sustainability Value Report every year.



Category	Principle	Activity & Performance Index	G3	BSR
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights	<ul style="list-style-type: none">Employee trainingRevised investment company personnel and welfare regulationsImplemented training for human rights protection and ethical managementImplemented training for the prevention of sexual harassment	HR1, HR2, HR3, HR4, HR5, HR6, HR7.	PN2, PN3, EM7, EM8, EM9, EM10, EM30
	2. Businesses should make sure that they are not complicit in human rights abuses	<ul style="list-style-type: none">Total No. of discrimination casesTotal No. of violation cases against the rights of local residents	HR4, HR8	EM7, CO2
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	<ul style="list-style-type: none">Status of labor unions and total number of union membersStatus of labor disputes	HR5, LA4, LA5	EM8, EM12, EM13
	4. Businesses should uphold the elimination of all forms of forced and compulsory labour	<ul style="list-style-type: none">Compliance with the Labor Standards Law, the ILO, collective agreement	HR7	EM10
	5. Businesses should uphold the effective abolition of child labour	<ul style="list-style-type: none">Compliance with the Labor Standards Law, the ILO, collective agreement	HR6	EM9
	6. Businesses should uphold the elimination of discrimination in respect of employment and occupation	<ul style="list-style-type: none">Handicapped employment rateFemale employment rateExpansion of employment opportunities to local residents	HR4, LA2, LA10, LA13, LA14	EM2, EM3, EM5, EM7, EM17, EM27
Environment	7. Businesses should support a precautionary approach to environmental challenges	<ul style="list-style-type: none">Non-financial risk managementEnvironmental Management Policy	4,11	GR11
	8. Businesses should undertake initiatives to promote greater environmental responsibility	<ul style="list-style-type: none">Environmental impact assessmentEnvironmental restoration of closed minesProtection of biodiversityEnvironmental performance managementGreenhouse gas reductions	EN12, EN13, EN14, EN18, EN21, EN22, EN26, EN30	EV1, EV2, EV4, EV16, EV17, EV23, EV26, EV27
	9. Businesses should encourage the development and diffusion of environmentally friendly technologies	<ul style="list-style-type: none">Energy conservation activitiesEnvironmental investment costGlobal warming prevention activities	EN5, EN6, EN7, EN10, EN18, EN26	EV4, EV5, EV18, EV23
anticorruption	10. Endeavor to eradicate all types of corruption including unfair and unlawful profits and bribes.	<ul style="list-style-type: none">Signing and adopting an Integrity contract systemOmbudsman system operationConsolidation of in-house diagnosis of ethical management	SO2, SO3, SO4	CO5, EM25, EM26

10 Principles of the ICMM

ICMM was organized by the world's major mining companies in 2001 to promote good practices and improved performance within the sector. In 2006, in order to support the sustainable development of its members, this CEO-led industry group proposed ten principles. KORES upholds these principles and continuously strives to put them into action.



- 1. Implement and maintain ethical business practices and sound systems of corporate governance.**

 - Develop company statements of ethical business principles, and implement policies and practices that eliminate any avenues for bribery and corruption.
 - Comply with the requirements of all host-country laws and regulations.
 - Work with governments to achieve appropriate and effective laws and regulations that facilitate the sector's contributions to sustainable development.
- 2. Integrate sustainable development considerations into the corporate decision-making process.**

 - Integrate sustainable development principles into company policies and practices.
 - Implement good practices and innovate to improve social, environmental and economic performance.
 - Provide sustainable development training to our employees and contractors.
- 3. Uphold fundamental human rights and respect the cultures, customs and values of our stakeholders in all our dealings**

 - Ensure fair remuneration and work conditions for all employees
 - Prohibit the use of forced, compulsory or child labor and eliminate harassment and unfair discrimination in all aspects of our activities.
 - Ensure that all workers are provided with appropriate cultural sensitivity and human rights awareness, training and guidance.
 - Minimize involuntary resettlement, compensate fairly for any adverse effects on the community where unavoidable, and respect the culture and heritage of our local communities.
- 4. Implement risk management strategies based on valid data and sound science**

 - Consult with interested and affected parties in the identification, assessment and management of all significant areas of impact associated with our activities.
 - Ensure regular review and update of risk management systems.
 - Develop and maintain effective emergency response procedures.
- 5. Seek continual improvement of our health and safety performance**

 - Take all practical and reasonable measures to eliminate workplace fatalities, injuries and diseases amongst workers.
 - Implement regular health surveillance of employees.
 - Implement a management system to improve our safety performance
- 6. Seek continual improvement of our environmental performance**

 - Assess the environmental impact of all new projects.
 - Rehabilitate land disturbed or occupied by mining operations in accordance with appropriate post-mining land use protocols.
 - Implement an environmental management system to improve our environmental performance.
- 7. Contribute to conservation of biodiversity and integrated approaches to land use planning**

 - Respect legally designated protected areas.
 - Promote practices and experiences in biodiversity assessment and management.
- 8. Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products**

 - Improve the understanding of mineral properties and their lifecycle effects on human health and environment.
 - Promote the use of technologies and production methods that are safe and efficient in their use of resources.
 - Support the development of scientifically sound policies, regulations, and product standards that encourage the safe use of mineral and metal products.
- 9. Contribute to the social, economic and institutional development of the communities in which we operate**

 - Contribute to community development through project development closure, in collaboration with our host communities and their representatives.
 - Ensure that appropriate systems are in place for ongoing interaction with our communities.
 - Encourage partnerships with governments and non-governmental organizations to ensure that community contribution activities are well designed and effectively delivered.
- 10. Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders**

 - Report on our economic, social and environmental performance and contributions to sustainable development.
 - Engage with and respond to stakeholders through open consultation processes.

Third-Party Assurance Statement



Introduction

Det Norske Veritas Certification Ltd. (hereinafter referred to as 'DNV') has been commissioned to carry out assurance engagement on Korea Resources Corporation (hereinafter referred to as 'KORES') Sustainability Report 2010 (hereinafter referred to as 'the Report') in accordance with the DNV Protocol for verification of Sustainability Reports (VeriSustain™) and considering the Global Reporting Initiative (GRI) 2011 Sustainability Reporting Guidelines (G3.1). KORES is responsible for the collection, analysis, aggregation and presentation of all information within the Report. Our responsibility in performing this work is in accordance with terms of reference agreed. The stakeholders of KORES are the intended users of this Assurance Statement. Our conclusions are based on the assumption that the data and information provided to DNV is complete and true.

Scope of Assurance

- The scope of work agreed with KORES includes the following:
- Report coverage: qualitative and quantitative information on social, environmental and socio-economic performance in 2010, presented in the printed Report. Detailed testing of source data, the operating effectiveness of processes and internal controls are not included in the scope of assurance engagement.
 - Reporting period: data and information were verified for the 12 months period from January 2010 to December 2010.
 - Reporting boundaries include the head-office in Seoul and sites in Korea.

Verification Methodology

Based on the limited level of assurance, the verification was conducted in August 2011 by a multidisciplinary team of qualified and experienced DNV sustainability report assurance professionals, in accordance with the DNV Protocol for Verification of Sustainability Reporting. During the assurance engagement, DNV has taken a risk-based approach, meaning that we concentrated our verification efforts on the issues of high material relevance to KORES' business and stakeholders.

- The Report was evaluated against the following criteria:
- Adherence to the principles of Materiality, Completeness, Neutrality, Reliability, Responsiveness and Stakeholder Inclusiveness as set out in the DNV Protocol; and
 - GRI G3.1 content (standard disclosures and performance indicators) and Mining & Metals Sector Supplement (MMSS).

- As part of the verification, DNV has critically reviewed the sustainability-related assertions and claims made in the Report and assessed the robustness of the underlying data management and communication processes, and associated controls. To this end, we have carried out the following:
- Examined and reviewed documents, data and other information made available to DNV KORES;
 - Visited the head-office located in Seoul;
 - Conducted interviews with representatives (including data owners and decision-makers from different divisions and functions) of KORES;
 - Performed sample-based audits of the processes and mechanisms for implementing KORES' own sustainability-related policies, as described in the Report, and for assessing the materiality of issues to be included in the Report;
 - Performed sample-based checks of the processes for generating, gathering and managing the quantitative data and qualitative information included in the Report;
 - Reviewed the use of relevant economic data and information from the 2010 certified financial statements and its presentation in this Report. Economic data was verified by another third party. DNV verified the consistency in the presentation of the same data in the financial statements and this Report.

The verification focused primarily on the Report, and not on the adequacy, effectiveness or efficiency of KORES sustainability management practices. It also excluded sustainability management, performance or reporting practices by any external supplier or other third parties mentioned in the Report. Interviews with suppliers or external stakeholders were not made during the assurance engagement.

Conclusion

Based on the scope of work carried out, DNV concludes that the Report provides a reliable and fair representation of KORES' sustainability strategy, management systems and performance in 2010. Regarding the level of adherence to reporting principles, we conclude the following:

Opportunities for Improvement

Materiality: Good. The Report generally provides an account of performance on the issues that are most significant to KORES activities and which are most relevant to its stakeholders. The material issues were identified and prioritised based upon the stakeholders' opinion

Completeness: Acceptable. The scope and boundary of the Report cover the issues and activities that are of most significance to KORES and relevance to its stakeholders. No material omissions were identified in data or information verified. It is evident that KORES acknowledges the need for continuous improvement and is committed to gradually expanding the reporting scope and boundary.

Neutrality: Good. The information in the Report is generally presented in balanced manner.

Reliability: Acceptable. Data and information presented in the report are generally reliable. No systematic errors were identified. However, internal assessment of data management and data checks need to be implemented.

Stakeholder Inclusiveness: Acceptable. KORES engages with a wide range of stakeholders regarding sustainability issues in various ways to reflect their concerns and expectations into the sustainable management. However, material issues which is industry-specific needs to be identified via overseas stakeholder engagement as overseas investment and project development increases.

Responsiveness: Acceptable. Stakeholders' views, interests and expectations are considered in the preparation of the Report and in the formulation of KORES' sustainability management approach. However, the clear process to reflect the concerns and expectations of stakeholder into sustainability management needs to be established.

- The following is an excerpt from the observations and opportunities reported to KORES management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.
- To conduct internal audit on all data and information to be disclosed to ensure its accuracy and reliability.
 - To manage systematically key process for producing the sustainability Report, from data gathering, analysis and reporting (for example documented procedures).
 - To identify material issues which is industry-specific via overseas stakeholder engagement as overseas investment and project development increases.
 - To report the progress and/or plan of implementing various initiatives which KORES voluntarily declares to support.

DNV 's Independence

DNV confirms that, throughout the reporting period there were no services provided which could impair our independence and objectivity and also maintained complete impartiality towards people interviewed during the assurance engagement.

DNV expressly disclaims any liability or co-responsibility for any decision, whether investment or otherwise, a person or entity may make based on this Assurance Statement.

8, 2011, Seoul, KOREA

Kwak, S.H. Leader, Verification Team Det Norske Veritas Certification	Antonio Astone Manager, Sustainability Services DNV Business Assurance AS	Ahn, I.K. CEO Det Norske Veritas Certification
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Note: Assurance engagement was conducted based on the Report written in Korean. In the event of ambiguity or contradiction in the Report between English version and Korean version, Korean one shall be given precedent.

GRI 3.1 Guideline and ISO 26000 Index

● Fully Reported, ◐ Partially Reported, ○ Not Reported

Profile				
Strategy and analysis				
GRI Number	Details	ISO 26000	Pages and reasons of no application	Whether to meet
1.1	Statement of the CEO	6.2	4-5	●
1.2	Description of key impacts, risks and opportunities	6.2	4-5	●

Organizational profile				
Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
2.1	Name		7	●
2.2	Primary brands, products and services		7	●
2.3	Operational structure and major divisions	6.2	7, 73	●
2.4	Location of headquarters		9	●
2.5	Countries of operations		8-9	●
2.6	Nature of ownership and legal form		7	●
2.7	Markets served		8-9	●
2.8	Scale of reporting organization		8-9	●
2.9	Significant changes during the year		33	●
2.10	Awards received		73	●

Report parameters				
Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
3.1	Reporting period		2	●
3.2	Date of previous report		2	●
3.3	Reporting cycle		2	●
3.4	Contact point		2	●
3.5	Process for defining report Pages		2	●
3.6	Boundary of the report		2	●
3.7	Limitations		2	●
3.8	Report boundary that may seriously affect comparability of information		2	●
3.9	Data measurement techniques		2	●
3.10	Revision of information provided in the previous report		2	●
3.11	Significant change in report scope & boundary or measuring method		2	●
3.12	GRI Content Index		80–83	●
3.13	Policy and current practice with regard to seeking external assurance of the report		2	●

Governance, commitments and engagement				
Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
4.1	Governance structure including committees	6.2	14–15	●
4.2	Independence of the chair	6.2	14	●
4.3	Independence of Board	6.2	14	●
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the board	6.2	13–14, 18	●
4.5	Linkage between compensation and performance	6.2	14	●
4.6	Process to ensure conflicts of interest are avoided	6.2	13–14	◐
4.7	Process for determining qualifications of board	6.2	14	●
4.8	Internally developed relevant statements of mission or principles	6.2	4–5	●

● Fully Reported, ◐ Partially Reported, ○ Not Reported

Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
4.9	Procedure for risk identification and compliance	6.2	14–15	●
4.10	Process for evaluating board’s own performance	6.2	14–15	●
4.11	Explanation of use precautionary approach	6.2	14–15	●
4.12	Externally developed charters, principles and other initiatives endorsed	6.2	74	●
4.13	Memberships of associations and advocacy bodies	6.2	73	●
4.14	List of stakeholders	6.2	18–19	●
4.15	Basis of identification of stakeholders	6.2	18–19	●
4.16	Approaches to stakeholder engagement	6.2	18–19	●
4.17	Key topics and concerns of stakeholders	6.2	18–19	●

Economic performances				
Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
EC	Disclosure on Management Approach		24	●
EC1	Direct economic value generated and distributed	6.8 6.8.3 6.8.7 6.8.9	33	●
EC2	Financial implications and risks due to climate change	6.5.5	17, 56	◐
EC3	Pension support scope		42, 51	◐
EC4	Significant financial Significant financial assistance from government		62	●
EC5	Ratio of standard entry level wage compared to local minimum wage at significant areas of Operation	6.4.4 6.8	40	●
EC6	Policy, practices and proportions of spending on locally-based suppliers at significant locations of operation	6.6.6 6.8 6.8.5 6.8.7	51	◐
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	6.8 6.8.5 6.8.7	51	◐
EC8	Development and impact of infrastructure investments and services provided for public benefit	6.3.9 6.8 6.8.3 6.8.4 6.8.5 6.8.6 6.8.7 6.8.9	25–26	●
EC9	Indirect impacts	6.3.9 6.6.6 6.6.7 6.7.8 6.8 6.8.5 6.8.6 6.8.7 6.8.9	33	●

Environmental performances				
Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
EN	Disclosure on Management Approach		56	●
EN1	Weight of materials used	6.5 6.5.4	71	●
EN2	Percentage of materials used that are recycled	6.5 6.5.4	N/A	N/A
EN3	Direct energy consumption by primary source	6.5 6.5.4	71	●
EN4	Indirect energy consumption by primary source	6.5 6.5.4	71	●
EN5	Energy saved due to conservation and efficiency improvements	6.5 6.5.4	70	◐
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements	6.5 6.5.4	70	●
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	6.5 6.5.4	70	●
EN8	Total water withdrawal by source	6.5 6.5.4	71	●
EN9	Water sources significantly affected by withdrawal of water	6.5 6.5.4	Only waterworks used	N/A
EN10	Percentage and total volume of water recycled and reused	6.5 6.5.4	68, 71	◐
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5 6.5.6	66–67	◐
EN12	Description of significant impacts of activities on biodiversity in protected areas and areas of high biodiversity value	6.5 6.5.6	66–67	●

● Fully Reported, ◐ Partially Reported, ○ Not Reported

Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
EN13	Habitats protected or restored	6.5 6.5.6	64, 67	●
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	6.5 6.5.6	67	●
EN15	Number of IUCN Red List species and national conservation list species with habitats in are as affected by operations, by level of extinction risk	6.5 6.5.6	67	●
EN16	Total direct and indirect greenhouse gas emissions by weight	6.5 6.5.5	71	●
EN17	Other relevant indirect greenhouse gas emissions by weight	6.5 6.5.5	71	◐
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	6.5 6.5.5	58, 68, 71	●
EN19	Emissions of ozone-depleting substances by weight	6.5 6.5.3	N/A	N/A
EN20	NOx, SOx, and other significant air emissions by type and weight	6.5 6.5.3	N/A	N/A
EN21	Total water discharge by quality and destination	6.5 6.5.3	71	◐
EN22	Total weight of waste by type and disposal method	6.5 6.5.3	71	●
EN23	Total number and volume of significant spills	6.5 6.5.3	No hazardous substances	●
EN24	The transport, bringing in/bringing out/processed volume of the waste, and waster ratio carried out abroad, which are set forth in the Appendixes I, II, III and IV of the Basel Convention	6.5 6.5.3	N/A	N/A
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by discharges of water and runoff	6.5 6.5.4 6.5.6	67	◐
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	6.5 6.5.4 6.6.6 6.7.5	65, 68-69	●
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	6.6.6 6.7.5	N/A	N/A
EN28	Value and number of significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations	6.5	N/A	N/A
EN29	Significant environmental impacts of transporting products and other goods and materials	6.5 6.5.4 6.6.6	66	◐
EN30	Total environmental protection expenditures and investments by type.	6.5	53	◐

Labor achievements				
Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
LA	Disclosure on Management Approach	6.2 6.4 6.3.10	36	●
LA1	Total workforce by employment type, employment contract, and region. Percentage of materials used that are recycled	6.4 6.4.3	40	●
LA2	Total workforce by employment type, employment contract, and region.	6.4 6.4.3	No numerical data available	○
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	6.4 6.4.3 6.4.4	42	●
LA4	Percentage of employees covered by collective bargaining agreements.	6.4 6.4.3 6.4.4 6.4.5 6.3.10	43	●
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	6.4 6.4.3 6.4.4 6.4.5	43	◐
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. Total water withdrawal by source	6.4 6.4.6	43	◐
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	6.4 6.4.6	40	◐
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	6.4 6.4.6 6.8 6.8.3 6.8.4 6.8.8	42, 48-49, 52-53	●
LA9	Health and safety topics covered in formal agreements with trade unions.	6.4 6.4.6	40, 42, 48-49	●

● Fully Reported, ◐ Partially Reported, ○ Not Reported

Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
LA10	Average hours of training per year per employee by employee category.	6.4 6.4.7	41	●
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	6.4 6.4.7 6.8.5	42	●
LA12	Percentage of employees receiving regular performance and career development reviews.	6.4 6.4.7	41	●
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	6.3.7 6.3.10 6.4 6.4.3	14, 40	●
LA14	Ratio of basic salary of men to women by employee category.	6.3.7 6.3.10 6.4 6.4.3 6.4.4	40	●
LA15	Return to work and retention rates after parental leave, by gender.		42	●

Human rights				
Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
HR	Disclosure on Management Approach	6.2	36	●
HR1	Percentage and total number of significant investments and agreements that include human rights screening	6.3 6.3.3 6.3.5 6.6.6	No numerical data available	○
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	6.3 6.3.3 6.3.5 6.6.6	No numerical data available	○
HR3	Employee training on policies and procedures concerning aspects of human rights	6.3 6.3.5	39	●
HR4	Total number of incidents of discrimination and actions taken.	6.3 6.3.6 6.3.7 6.3.10 6.4.3	N/A	N/A
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	6.2 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.3 6.4.5	43	●
HR6	Operations identified as having significant risk for incidents of child labour	6.3 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10	40	●
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour	6.3 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10	40	●
HR8	Percentage of security personnel trained in policies or procedures concerning human Rights	6.3 6.3.5 6.4.3 6.6.6	No numerical data available	○
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	6.3 6.3.6 6.3.7 6.3.8 6.6.7	50-52	●
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		37-39	◐
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.		N/A	N/A

Social performances				
Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
SO	Disclosure on Management Approach	6.2 6.6 6.8	36	●
SO1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	6.3.9 6.8 6.8.5 6.8.7 6.6.7	50	●
SO2	Percentage and total number of business units analysed for risks related to corruption	6.6 6.6.3	37-39	◐
SO3	Percentage of employees trained in organisation anti-corruption policies and procedures	6.6 6.6.3	39	●
SO4	Actions taken in response to incidents of corruption	6.6 6.6.3	38-39	●

● Fully Reported, ● Partially Reported, ○ Not Reported

Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
SO5	Public policy positions and participation in public policy development and lobbying.	6.6 6.6.4 6.8.3	37	●
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	6.6 6.6.4 6.8.3	37	●
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	6.6 6.6.5 6.6.7	N/A	N/A
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	6.6 6.6.7 6.8.7	N/A	N/A
SO9	Operations with significant potential or actual negative impacts on local communities.	6.3.9 6.8 6.8.5 6.8.7 6. 6.7	50-51	●
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	6.3.9 6.8 6.8.5 6.8.7 6.6.7	50-52	●

Quality responsibility performances				
Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
PR	Disclosure on Management Approach	6.2 6.6 6.7	36	●
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	6.2 6.6 6.7 6.6 6.6.3	48-49	●
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	6.3.9 6.6.6 6.7 6.7.4 6.7.5	49	●
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9	18, 45	●
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9	N/A	N/A
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9	44	●
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	6.7 6.7.3 6.7.6 6.7.9	53	●
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	6.7 6.7.3 6.7.6 6.7.9	53	●
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	6.7 6.7.7	N/A	N/A
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	6.7 6.7.6	N/A	N/A

Mining industry auxiliaries				
Index	Details	ISO 26000	Pages and reasons of no application	Whether to meet
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.		65	●
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place.		67	●
MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks.		65	●
MM4	Number of strikes and lock-outs exceeding one week’s duration, by country.		N/A	N/A
MM5	Total number of operations taking place in or adjacent to Indigenous Peoples’ territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples’ communities.		No numerical data available	○
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples.		N/A	N/A
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes.		50	●
MM8	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.		N/A	N/A
MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.		51	●
MM10	Number and percentage of operations with closure plans.		50	●
MM11	Programs and progress relating to materials stewardship.		N/A	○

Terminology Explanation

Boring
Excavation through a tunneling process, producing a cave type formation

Boring sludge
Deposits generated from the boring process

Carbon Disclosure Project (CDP)
A global project to demand, collect, research and analyze accurate information related to carbon emissions that are major causes of “climate change,” and short-term corporate management strategies of the world’s major listed companies on such relevant issues.

Concentrate
A residual product that has been concentrated through the removal of most of the waste rock, also called a target product. The refining process is repeated several times to obtain a high-grade concentrate which will become the raw material for smelting.

Damage from mining
Damages caused by pollutants generated during ground disturbances due to the mining process, discharge of mine water and wastewater, the accumulation of debris or the refining process

Development
Activities including mining, ore dressing, refining, processing (related to mining, concentration of ore, and refining, etc.) and other supplementary projects

Drilling
Digging holes of various depths in the earth to explore underground resources or to examine the structures or conditions of geological stratum

Environmental impact assessment (EIA)
①A system to assess the possible impact that development projects may have on the natural environment, positive or negative ②Generally this process allows (1) the governments to fully review and consider the ensuing environmental impacts of proposed measures and countermeasures to avoid or mitigate their environmental impact and (2) enables citizens to understand proposed plans and policies and present their opinions to policy makers beforehand.

Exploration
① Searching usable minerals or mineral deposits for fossil fuel. This includes investigation of land surface areas and underground deposits through such means as remote sensing, aerial photograph geology, geophysical exploration, and geochemical exploration, to verify and assess the properties of known ore deposits, as a preparatory stage of development

Feasibility Study (F/S)
A way to determine the profitability of a business idea beforehand. Large-scale, long-term projects require detailed investigation and analysis of fluctuations in raw material prices and product demand to examine their return on investment feasibility.

Grade
The weight, as a percentage of total weight, of specific elements or compounds that are contained in ores and ground metal. It is usually indicated by % and g/t (% or Kcal/kg for coal).

GRI (Global Reporting Initiative)
As an independent, nonprofit organization presenting guidelines related to sustainability management reporting, GRI presents guidelines divided into three categories: economy, environment, and society.

IFC EHS Guideline
Set by the International Finance Corporation (IFC) which provides project development loans and investment advisory services for private sector development projects in the developing world, these guidelines contain information on cross-cutting environmental, health, and safety issues potentially applicable to all industry sectors. It is to be used together with the relevant industry sector guidelines to evaluate the environment, health and safety (EHS) standards of each project for which funding have been applied.

IPCC (Intergovernmental Panel on Climate Change)
Established by the World Meteorological Organization (WMO) and the United Nations Environmental Programme (UNEP) to cope with environmental issues related to climate change, the IPCC provides guidelines to calculate the amount of greenhouse gas emissions and absorption and assessment reports on climate change.

ISO 14001
ISO 14001 is a global common standard through which all activities or businesses of an

organization are systematized and an efficient Mgt. system is developed to the fullest. This is the certification through which the following are objectively proven: a company implements, maintains, improves, and assures environmental Mgt. systems and minimizes the ill-effects on the environment caused by corporate activities, and; the consumption and recycling of energy and resources are carried out efficiently.

ISO 26000
Guidance on social responsibility consisting of 7 sectors: governance, human rights, labor, environment, fair business practices, consumer issues, and community participation.

Joint resource development ventures
A mutually beneficial, win-win model to invest in those SOC construction and infrastructure industries needed for the national development of countries which have resources, securing their energy sources and receiving infrastructure construction projects from those entities.

Mining blocks
Areas where mining rights have been registered with the Mine Registration Office of the Ministry of Knowledge Economy, authorizing the development and production of ore, as prescribed by the Mines Act.

Mining rights
A right to enter and/or occupy a specific registered area of land for the purpose of mining, either by underground excavation or open mining, to extract the mineral ores deposited therein (Article 5, Mines Act)

Ore dressing
An operation enhancing the quality of useful ore and removing harmful ingredients by separating the target ores from byproduct resources to maximize the use of all available industrial raw materials such as crystals and coal.

Rare metals
Metals that are rare in their natural abundance, or that are abundant but limited in the amount of high-grade enriched ores, or that are abundant but are difficult to be extracted as pure metals

Recovery ratio
Yield or the recovery rate refers to the percentage of concentrate to usable elements in feed ore. It is used as reference data to evaluate ore grades and screening performance

Refining and Smelting
Smelting refers to the overall process of extracting metals from ore to a required degree of purity by using electrolysis or blast furnaces to transform the raw materials into metals. Refining refers to the second stage process of enhancing the degree of purity to attain finished product status.

Self sufficiency ratio
The volume of resources which a Korean company has secured through its investment in overseas resource development, calculated by dividing its share of overseas production volume for a given year, by the total volume of domestic imports (self sufficiency amount/total import amount)

Stakeholder
Stakeholders refer to individuals or groups having interests in a company; the workers, consumers, and partner firms as well as shareholders and debenture holders are regarded as stakeholders.

The Equator Principles
Developed by private sector banks and modeled on the environmental, health and safety (EHS) policies of the International Finance Corporation (IFC), the Equator Principles (EP) are a set of environmental and social benchmarks for managing environmental and social issues in globally financed development projects. Once adopted, the Equator Principles commit the adoptees to refrain from financing projects that fail to follow the processes defined by the Principles.

TOE
Short for Ton of oil equivalent, TOE is a unit indicating energy volume. 1 TOE refers to the energy generated when 1 ton of oil is burned.

UNGC (UN Global Compact)
A voluntary social responsibility international compact to support and uphold 10 principles in the human rights, labor, environment, and anticorruption sectors through partnership between businesses and UN organizations.

This report can be downloaded in the format of a PDF file from our homepage (<http://eng.kores.or.kr>).

We express our heartfelt thanks for
your sincere interest in the sustainability
management activities of KORES.



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