


KORES Sustainability Value Report 2008

UNLIMITED EARTH



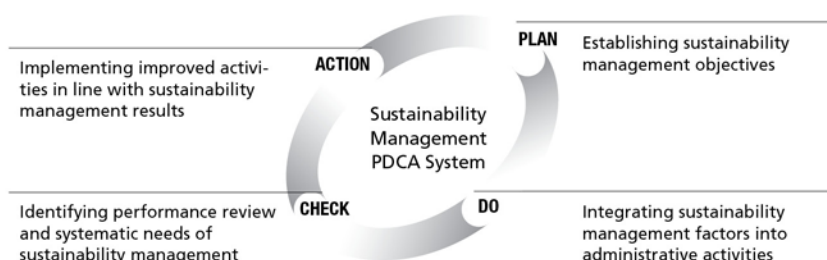


Realizing the dream - to become an advanced, resource rich nation - through the responsible development of resources

The management philosophy of KORES involves our commitment to refrain from irresponsible resource development and to pursue growth through sustainable development.

About KORES Sustainability Value Report 2008

The management objective of KORES is to contribute to the growth of Korea's national economy by providing a stable supply of mineral resources. In line with the recent expansion in the number of resource development projects, KORES is exerting its best efforts to fulfill its economic, social and environmental responsibilities while embracing "responsible resource development" as its highest priority. "KORES Sustainability Value Report 2008" is the company's first report that includes such sustainability management strategies and achievements. While preparing for this report, the company has integrated a diverse set of economic, social and environmental factors and has developed a Sustainability Management Plan-Do-Check-Act (PDCA) System. KORES hereby pledges to continue measuring and improving the results of its sustainability management initiatives, and to report relevant information to its stakeholders on an annual basis.



Basis of the Report

This report was prepared using the GRI¹⁾ G3 Guidelines, and the BSR Guidelines²⁾, and made references to the International Council on Mining & Metals (ICMM) Sustainable Development Framework³⁾ and the UN Global Compact. The scope of the report includes performance results of KORES Headquarters, its domestic project sites, and in certain indexes, its overseas project sites. KORES will gradually increase the scope of the report to include results of sustainable management activities on all areas of business. The reported period is from January 1, 2008 to December 31, 2008. The past 3 years' data were utilized for the Performance Index to identify trends. Unless otherwise specified, all of the data are as of December 31, 2008.

This report contains some statistics of the Korean mining industry, including accident rates and dependency ratios on imported minerals. This is because KORES, as the nation's leading public corporation, recognizes its responsibility for the sustainable development of Korea's domestic mining sector. KORES is determined to provide a wide range of support - including technological and financial support for the modernization of the Korean mining industry, training programs for safe mining practices, accident prevention activities and environmental consulting programs - to ensure the expansion of sustainability management in Korea. Related performance reports on these activities will be produced annually.

To preserve the objectivity of this report, KORES Sustainability Value Report 2008 has been certified in accordance with the AA1000AS⁴⁾ 2008 certification standards of the British Standards Institution (BSI). Details regarding the certification are set forth on page 86 of this report. KORES Sustainability Value Report will be published on the KORES website (<http://www.kores.or.kr>) in April of each year in both Korean and English languages. Should you require any additional information on this report or have any other inquiries, please send your request via e-mail to sm@kores.or.kr

1) Global Reporting Initiative (GRI)

Sustainability report guidelines jointly created by the Coalition for Environmentally Responsible Economy and the UN Environment Programme.

2) B.E.S.T Sustainability Reporting (BSR)

Sustainability management report guidelines jointly created by the Ministry of Knowledge Economy, the Korea Chamber of Commerce, and the Institute for Industrial Policy Studies.

3) International Council on Mining & Metals (ICMM) Sustainable Development Framework – ICMM Principles

Sustainable Development Framework – ICMM Principles: Framework for sustainable development established by the leading mining corporations

4) AA1000AS2008 International standards for evaluation, certification, and strengthening the reliability and level of sustainability



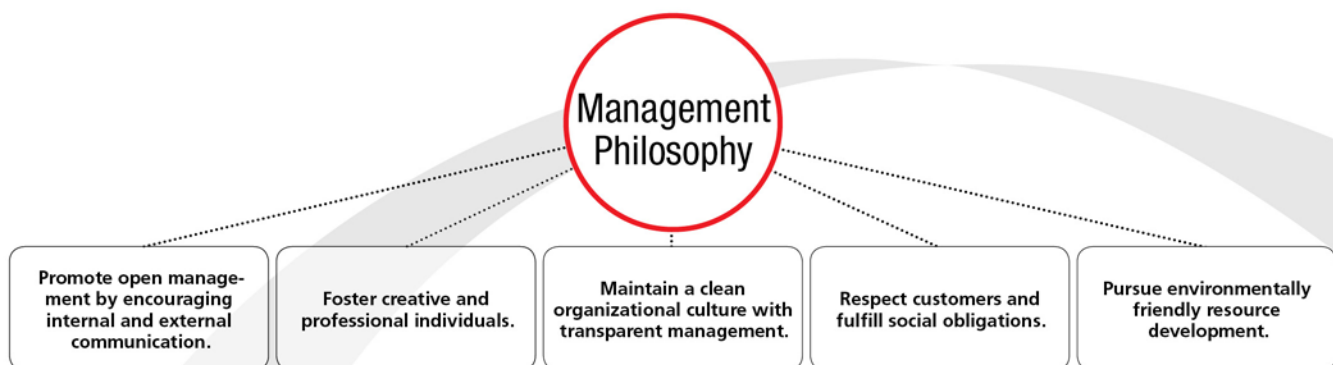
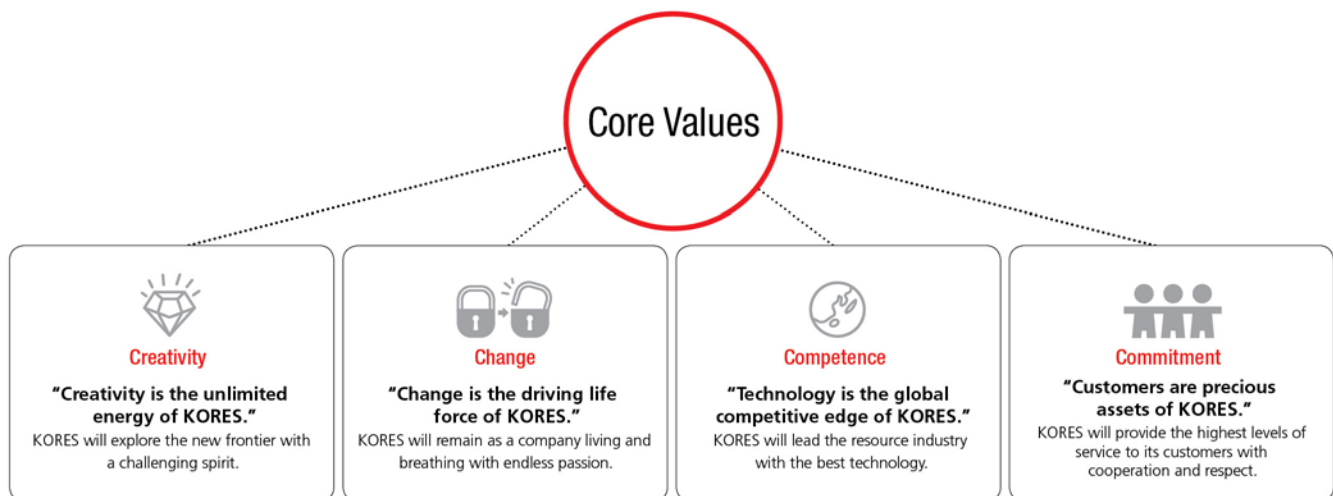
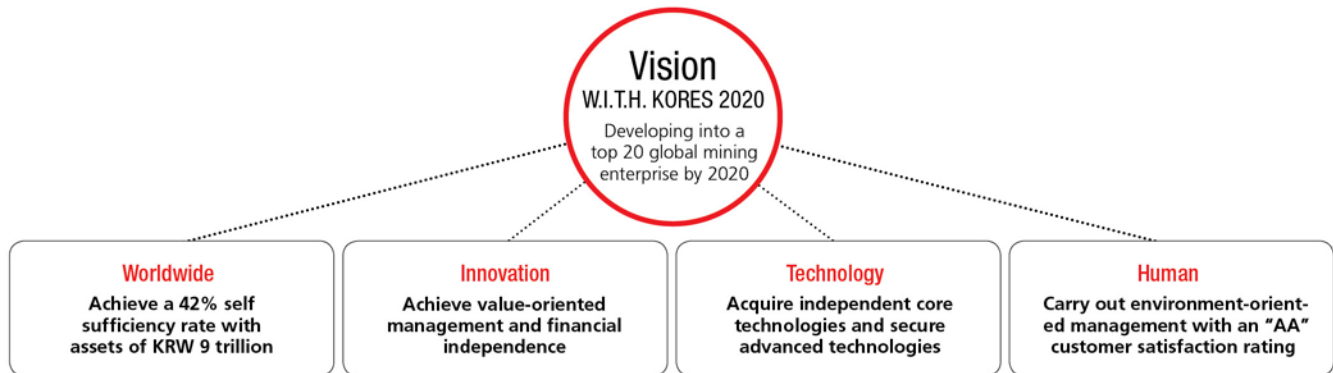
cover story

Expressing the Unlimited Earth concept.

The concept implies that resources must perpetually coexist with people and the planet. A child with a happy smile, signifying the future, and the image of the Earth are positioned inside an infinity symbol.

Vision, Core Values and Business Philosophy

W.I.T.H. KORES 2020 signifies our development roadmap for growth of the company in concert with our stakeholders, including customers and employees. It also represents our vision to develop into one of the top 20 global mining enterprises by 2020. Our Korean corporate slogan, "A Better World through Resources," reflects our passion for resources development, respect for mankind, responsibilities for society and pledge of environment preservation. Our missions and responsibilities as a public corporation specializing in resource development, are fulfilled by these core values and management philosophy.



The circular icon linked with the initial "K" represents the company in a corporate network and the cooperative relationship between Korea and the world. The orange and red colors signify the transformed corporate image of a dynamic and progressive KORES.

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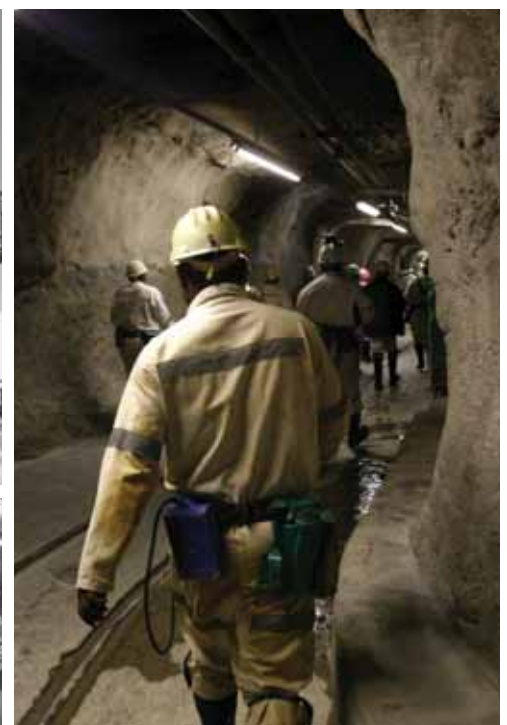
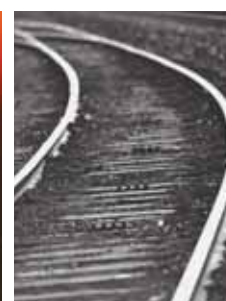
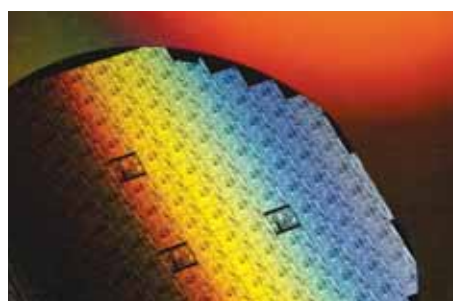
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Unlimited Earth

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IN ORDER TO PROVIDE A HOME OF HAPPINESS FOR MANKIND, THE EARTH MUST REMAIN INFINITE.

Resources are the earth! They are not objects of consumption, but are companions of coexistence.

Humanity must endlessly pursue happiness and prosperity on earth. The fruits bestowed to mankind on earth, known as 'resources' are ours to enjoy but at the same time, they also belong to our future generations. The earth requires the continuous interest and love of mankind to survive. The earth is not an object of consumption but a life source that co-exist with its inhabitants. Bearing in mind it is also the precious home that must be passed on to our future generations. We are merely its guardians, living and passing through time.

Korea Resources Corporation will exert its best efforts to carefully preserve our planet to nurture and enhance the value of its limited resources. We recognize and accept the responsibility that earth is a home that must sustain life for those who precede us. By doing so, KORES will strive to ensure that happiness of mankind will continue in perpetuity.



CEO MESSAGE



Dear Stakeholders of KORES,

2008 was a meaningful year in which KORES laid the foundation for taking a quantum step towards becoming a global enterprise. The company's major charter was transformed from a domestic focus of supporting and fostering Korea's mining industry, to a global focus which includes direct investment and development of overseas mineral resources. We have increased our capital from 600 billion won to 2 trillion won. Beginning 2009, we intend to elevate KORES in the global resource market through strategic alliances and M&As. This would be based on diversity of funding options such as paid in capital increases and sophisticated financial tools.

Continuation of sustainable growth through responsible resource development

The uncertainties in the international resource markets have been increasing lately. Alongside the global economic recession, the prices of mineral resources have undergone continuous fluctuations, while the competition amongst countries in securing resources has intensified. In addition, environment destruction, as a result of indiscriminate resource development in some countries, has also risen to become a serious social issue.

In order to react to such rapidly changing business environments and to lay a foundation for stable growth, KORES has established "W.I.T.H. KORES 2020," a strategic vision to become a global top 20 mining enterprise by 2020. In addition, by joining the UN Global Compact in October 2007, we have declared our determination to embrace and implement all aspects of sustainability management and have thus been pursuing a sustainability management practice that fulfills our responsibilities to our stakeholders, the environment and society. Moving forward, we will fully comply with the four areas of international standards (Human Rights, Labor, Environment, and Anti-Corruption) and will report our results annually.

In early 2009, we framed the KORES Guidelines, which incorporated all of the sustainability management factors that must be taken into consideration for resource development and investments. The development of independent guidelines on the environment and local communities for the first time in Korea signifies our will and efforts to take the lead in responsible development of resources. We will continue to grow into one of the world's major mining enterprises through responsible resource development with balanced consideration to society, the environment and our stakeholders.

Fulfill economic obligations through the improvement of self sufficiency ratings for strategic minerals

Our self sufficiency rating in 2008 reached 23.1%, which is a 4.6% increase from the previous year. Our return of investment rose significantly by 133% to US\$ 500 million. In 2009, we will pursue a 2+2 Strategy, which concentrates investments in 2 major minerals (uranium and copper) in 2 key regions (South America and Africa) to improve the comparably low self sufficiency ratings of strategic minerals and thus fulfill our economic obligations as a public corporation.

Promoting a joint growth with stakeholders

Reinvesting financial gains for the advancement of the resource industry and sharing them with our local communities are not only the responsibilities of KORES, but a source of pride for us as well. While carrying forward with our overseas resource development projects, we have significantly contributed to the development of our local communities and the revitalization of their economies primarily through job creations and human resource cultivation programs in countries such as Madagascar and Peru. In Korea, we have led efforts in resolving pending problems in mining regions through our social contribution activities while endeavoring to achieve mutual growth in concert with our stakeholders. This is accomplished mainly through financial support to universities that specialize in the field of resource development and contributing to educational systems. Moving forward, KORES will continue to implement such social obligations by integrating its community support and social contribution systems at home and abroad.

Resource development with consideration to the environment

With the expansion of overseas resource development projects, environmental issues are a challenge to which KORES must employ with its utmost efforts. The Ambatovy project in Madagascar and the Springvale project in Australia are some of the best examples. Animal and vegetation relocation activities were launched to protect the forestry and the diverse ecosystems of the Ambatovy region, and used mine water generated at the Springvale project was recycled in a nearby power plant to reduce its water consumption. In addition, as Korea is expected to be designated as a country subject to mandatory obligations to reduce its greenhouse gas by 2013, KORES is closely analyzing the effects of its obligation to reduce carbon emissions and is currently drafting plans and measures for compliance. In response to increasing environmental risks, we will continuously

roll out biodiversity preservation initiatives, as well as projects to reduce greenhouse gas emissions and wastes, based on KORES guidelines.

Healthy and Safe Work Environment for All

Above all, in the process of establishing its sustainability management strategies, KORES has set health and safety as the most important issue. We have been continuously pursuing various activities to reduce accidents in the mining industry. Through our support for safety facilities in mines such as safety training programs and accident prevention campaigns, the company's accident rates have been continuously declining each year. However, in line with our business expansion into developing nations, we anticipate that the health and safety risk for our local employees, as well as expatriate staff assigned to overseas projects will increase at an accelerated pace. Therefore, we strive to develop a healthy and safe work environment for everyone by applying the company's sustainability management framework to our overseas regions which may have high safety and health risks.

KORES will achieve Korea's dream of becoming a resource rich nation

To all the stakeholders of KORES who have continued to support the company and have provided your unreserved support and interest, I am very happy and proud to present to you with the first KORES Sustainability Value Report 2008 that articulates the company's determination in sustainability management and its achievements. I sincerely hope that this report will play the role of humbly soliciting your opinions and suggestions and becoming the communication window that will solidify our sustainability management system.

In response to your trust and support, KORES will realize its dream of transforming Korea into a resource rich nation through responsible resource development efforts.

Thank you.

March 2009

Shin-Jong Kim, President



HIGHLIGHTS 2008

ACHIEVED A SELF SUFFICIENCY RATE OF 23.1%

In 2008, under the corporate objective of developing a foundation for the stable supply of energy and mineral resources, KORES reached a self sufficiency rate of 23.1%, while operating 26 projects in 10 countries, including Australia. KORES will pursue strategic M&As, diversification of investment funds, improvement of core technological capabilities, and expansion of regional bases to attain a 38% self sufficiency rate by 2014.

AMENDED THE KORES ACT AND RENAMED THE COMPANY

On December 26, 2008, the company's Korean name has changed from Korea Mining Industry Promotion Corporation to Korea Mineral Resources Corporation and its CI was rebranded through the revision of the KORES Act. In addition, key functions of KORES were also transformed to be more focused on direct investment in overseas resource development.

DECLARATION OF SUSTAINABILITY MANAGEMENT

KORES joined the UN Global Compact in 2007 and has since complied with its ten principles pertaining to human rights, labor, environment and anti-corruption. Based on such efforts, the company has established sustainability management strategies and action plans in 2008 to develop into a global enterprise. To share the established sustainability management details with its stakeholders, KORES has expanded its communication efforts through activities such as seminars, conferences and investment forums. In November 2008, over 100 stakeholders were invited and a two day joint workshop was held.

LAUNCHED KOREA'S MINE REDEVELOPMENT ERA

KORES launched a program for the reevaluation of domestic mines, prompted primarily by the dramatic rise in the price of mining minerals and improvements in value-added technologies enabling more efficient extraction. Through re-exploration, mines with a competitive edge will be identified and developed to revitalize the domestic mining industry. In 2008, KORES conducted exploration on two mines in Geumsan (uranium) and Gagok (zinc), and selected the zinc mine for a redevelopment pilot project, entering into a joint investment agreement with a private company to pursue this opportunity.

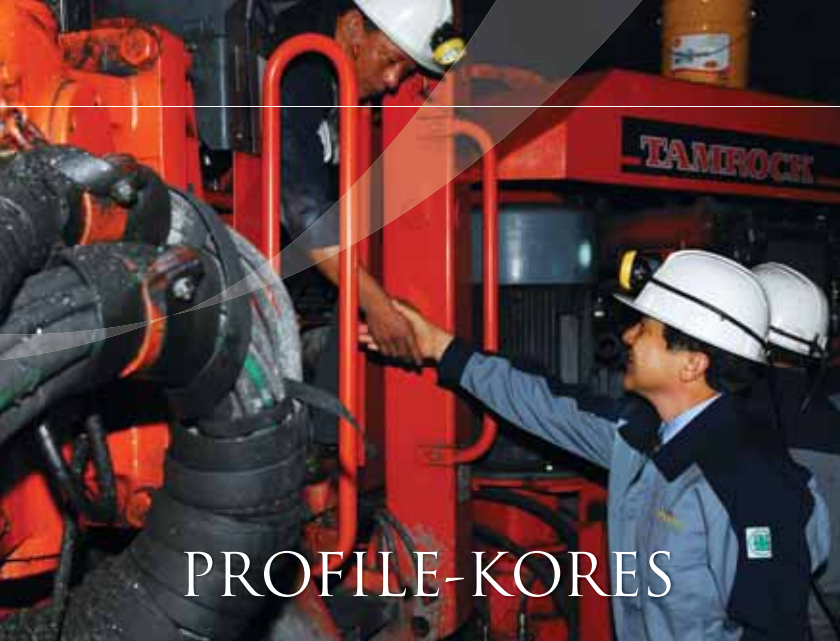
SELECTED AS THE OUTSTANDING INSTITUTION IN THE GOVERNMENT MANAGEMENT EVALUATION

In 2007, KORES was selected as an outstanding organization in the government's evaluation of management. The recognition was the result of the company's various efforts towards change and growth, reflecting its achievement of an AA (the highest) rating in customer satisfaction, implementation of five phases of innovation, expansion of overseas resource development, and establishment of new visions and long-term growth strategies.



1 Inauguration of Korea Resources Corporation & CI Declaration

2 Selected as an outstanding organization in the government's management evaluation in 2007



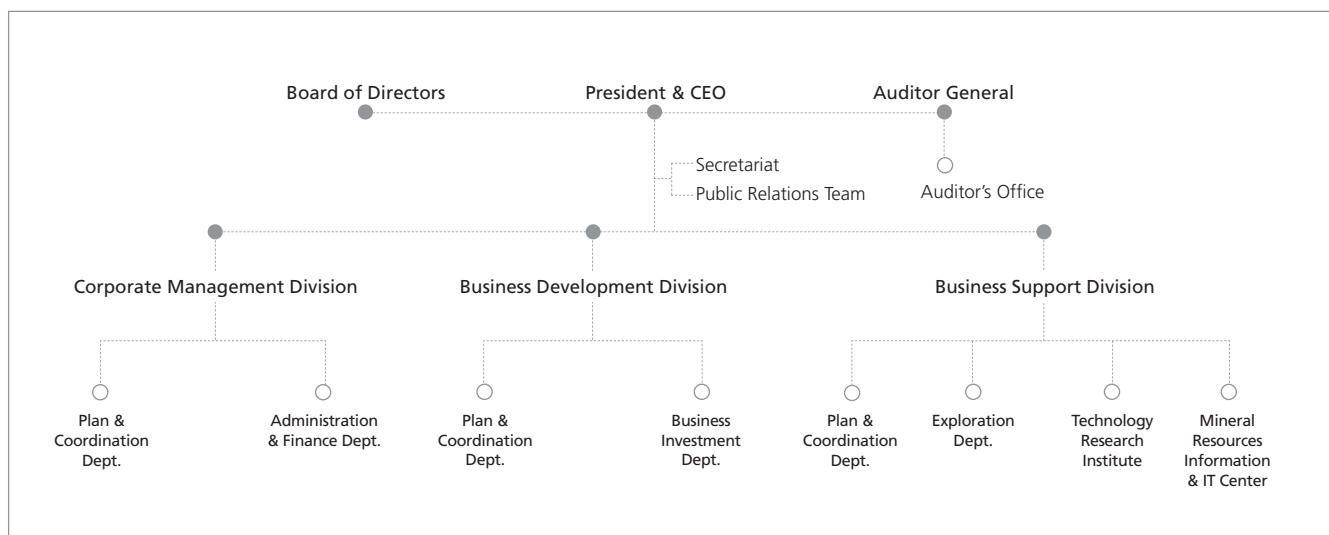
PROFILE-KORES

KORES IS A PUBLIC CORPORATION SPECIALIZING IN RESOURCE DEVELOPMENT.

Established in 1967, KORES is a public corporation specializing in resource development that supports and promotes Korea's mining industry. In line with its established objectives, the company undertakes diverse activities including mineral resources exploration and development, technological and financial support for the development of mineral resources, stockpiling of rare metals for preparations in case of any national crisis, mineral testing and analysis, and the development and distribution of value-added technologies. Following the reorganization of its functions with the amendment of the KORES Act in 2008, KORES is now increasing its investments in overseas resource development. A total of 26 mineral resource development projects are currently underway in ten countries.

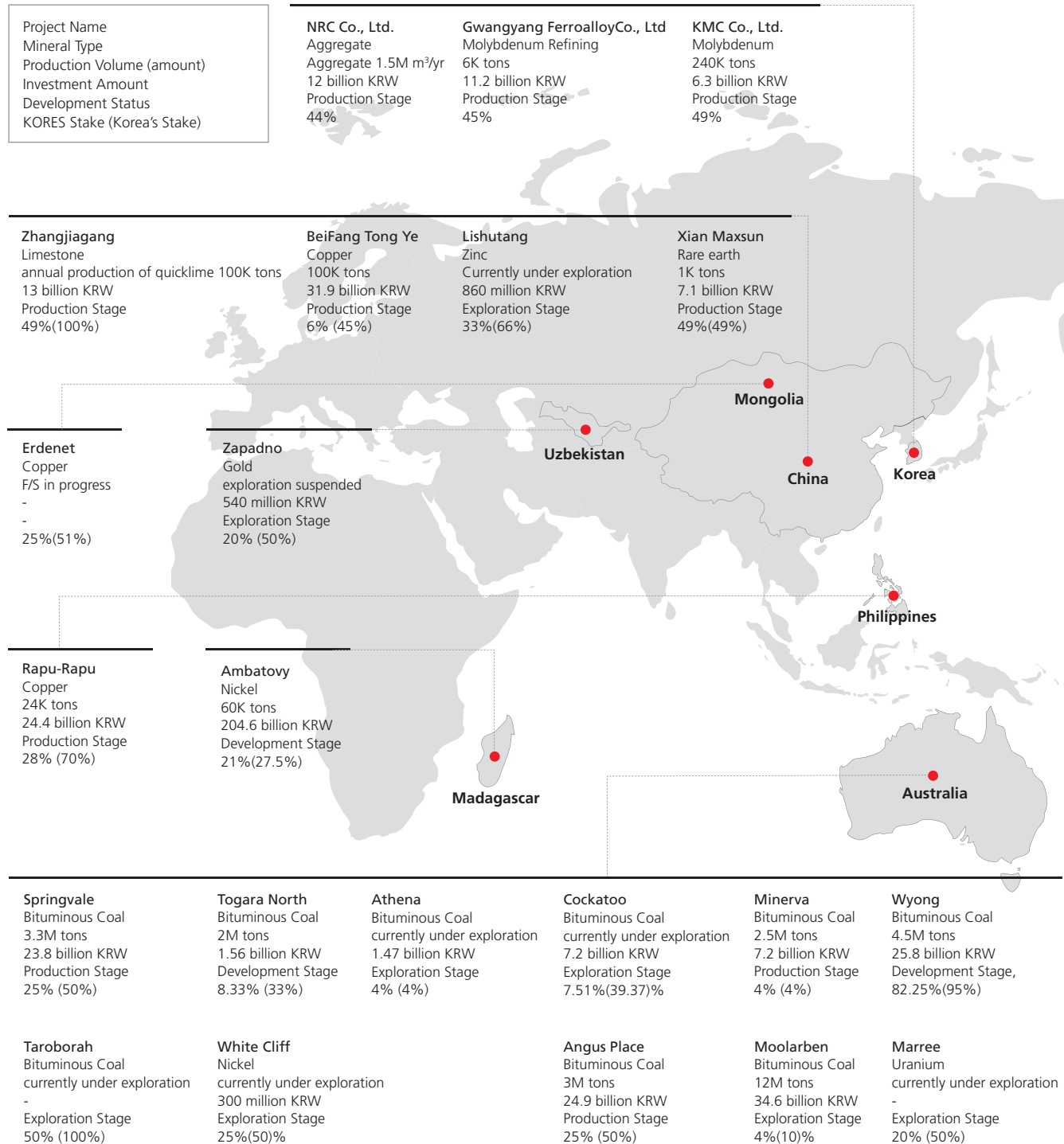
Major Business Activities of KORES

- Exploration, development, technological and financial support to secure mineral resources at home and abroad
- Participation in the collection of information, mine survey, and the development of mineral resources in North Korea
- Stockpiling of minerals to build a stable mineral resources supply infrastructure
- Development and distribution of technologies to test and analyze minerals and increase their value



WHERE WE OPERATE

KORES is headquartered in Seoul, Korea, and operates two domestic offices and six overseas offices (as of the end of 2008).



KORES is currently implementing investments to acquire a stable supply of 6 key strategic minerals. While maintaining a stable project portfolio in exploration, development and production stages, we are directly investing in 26 overseas resource development projects in ten countries. In addition, KORES is faithfully fulfilling its mission as a public enterprise specializing in the development of resources, by providing support to 53 overseas resource development projects in which 36 Korean private companies are participating.



Headquarters & Offices at Home and Abroad

Headquarters

79 Siheungdaero, Dongjak-gu, Seoul, Korea
Tel. 82-2-840-5600

Iksan Branch Office

750-1 Namdang-ri, Hapyeol-eup, Iksan-si,
Jeonlabuk-do, Korea
Tel. 82-63-862-0041

Taebaek Branch Office

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

Australia

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

China

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

Canada

Korea Resources Corporation Toronto Office
8 King Street East, Suite 712, Toronto, Ontario,
CANADA M5C 1R5
Tel. 001-416-929-8183

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

Kazakhstan

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

Peru

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

Mongolia, Russia

Expected in 2009

FINANCIAL PERFORMANCE

Summary of Balance Sheet as of December 31, 2008

(Unit: In millions of KRW)

Category		2008	2007
Assets	. Current Assets	139,246	180,886
	(1) Quick Assets	128,692	177,160
	(2) Inventory	10,554	3,726
	. Non-Current Assets	993,259	672,944
	(1) Investments	952,136	632,777
	(2) Tangible Assets	33,238	32,344
	(3) Intangible Assets	7,885	7,823
	Total Assets	1,132,505	853,830
Liabilities	. Current Liabilities	77,414	55,835
	. Non-Current Liabilities	445,980	378,304
	Total Liabilities	523,394	434,139
Shareholders' Equity	. Capital Stock	531,932	393,463
	. Capital Adjustment	(1,138)	(877)
	. Accumulated Other Comprehensive Income	63,868	21,124
	. Retained Earnings	14,449	5,981
	Total Equity	609,111	419,691
	Total Liabilities and Total Equity	1,132,505	853,830

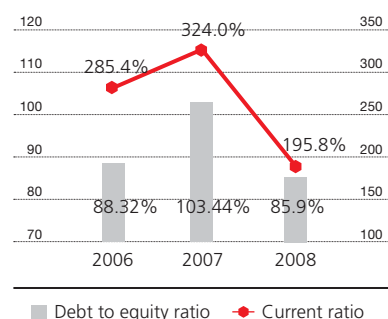
Summary of Cash Flow Statement

(Unit: In millions of KRW)

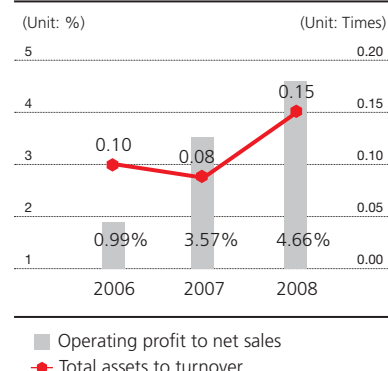
Category	2008	2007
. Cash Flow from Operating Activities	(155,569)	(12,834)
1. Net Income	9,355	4,374
2. Addition of Expenses without Cash Outflows	83,729	7,011
3. Deduction of Revenues without Cash Inflows	(106,506)	(17,261)
4. Changes in Assets and Liabilities due to Operating Activities	(142,147)	(6,958)
. Cash Flows from Investment Activities	(109,350)	(225,130)
1. Cash Inflows from Investment Activities	36,739	538,822
2. Cash Outflows from Investment Activities	(146,089)	(763,952)
. Cash Flows from Financing Activities	264,993	237,961
1. Cash Inflows from Financing Activities	322,578	282,259
2. Cash Outflows from Financing Activities	(57,585)	(44,298)
. Increase in Cash (+ +)	74	(3)
. Cash at the Beginning of the Fiscal Period	6	8
. Cash at the End of the Fiscal Period	80	5

Financial Stability

(Unit: %)



Profitability and Activity



Summary of Profit & Loss Statement

(Unit: In millions of KRW)

Category	2008	2007
. Sales	166,032	65,225
. Cost of Goods Sold	144,646	53,273
. Gross Profit	21,386	11,952
. Selling and Administrative Expenses	13,654	9,623
. Operating Income	7,732	2,329
. Other Income	2,454	2,601
. Other Expenses	831	556
. Income Before Income Tax Expenses	9,355	4,374
. Income Tax Expenses	-	-
. Net Income	9,355	4,374

The financial information above, is a summary of the data audited by the Hanyoung-Ernst&Young Accounting Firm. For detailed information, please refer to KORES website(www.kores.or.kr)

SUSTAINABILITY PERFORMANCE

Category	Item		2008 Goals & Status	2008 Performance	2009 Goals	Major Stakeholders
Economic Performance						
Economic Efficiency	Self sufficiency rate		23%	23.1%	25%	Investment Partners, Cooperative Companies, Government, Associations & Research Institutes, Media
Growth Potential	Sales		KRW 76.8 billion	KRW 166 billion	KRW 97.8 billion	Government
	Investment	Overseas	KRW 190 billion	KRW 225.6 billion	KRW 270 billion	Investment Partners, Cooperative Companies, Government, Associations & Research Institutes, Media
		Korea	KRW 20 billion	KRW 20.1 billion	KRW 15 billion	
	Investment Returns	Overseas	KRW 17 billion	KRW 42.1 billion	KRW 31 billion	Government, Investment Partners
		Korea	KRW 2 billion	■ - KRW 10.9 billion	KRW 3 billion	Government, Investment Partners
Public Benefits	Government Subsidy Payout		KRW 102.6 billion	KRW 102.6 billion	-	Customers, Cooperative Companies, Government
	Stockpile Reserves of Rare Metals		1,831 tons	2,590 tons	1,786 tons	Government, Associations & Research Institutes
	Joint Venture Resource Development		3	⬆ 4	-	Investment Partners, Government
Social Performance						
Employment	Total No. of persons		351	⬇ 349	440	Employees, Local Communities
Diversity	Female ratio		16.5%	⬆ 17.5%	18.0%	Employees, Local Communities, NGOs
	Handicapped ratio		2.5%	⬆ 2.6%	2.6%	Employees, Local Communities, NGOs
Health & Safety	No. of industrial accident victims		0	⬆ 1	0	Employees
Ethics	No. of participants in ethics training		650	⬆ 882	5% increase	Employees
Anti-Corruption	Code of Ethics Violations		2	⬇ 1	0	Employees, Local Communities, NGOs, Government
Training	Average training hours per person		31	⬆ 41	43	Employees
Products & Services	Customer satisfaction level		93 points	-	AA Rating	Customers, Local Communities
Local Community	Volunteer hours per person		6.1	10.7	11	Customers, Local Communities
Environmental Performance						
Energy	Direct energy		51.9 toe	⬇ 50.1 toe	5% Reduction	Government, NGOs, Employees
	Indirect energy (electricity)		263.3 toe	⬇ 253 toe	5% Reduction	Government, NGOs, Employees
Greenhouse Gas	Greenhouse gas emissions		645.2 ton CO ₂	⬇ 617 ton CO ₂	5% Reduction	Government, NGOs
Water	Usage		14,677m ³	⬆ 15,308m ³	5% Reduction	Government, NGOs
	Frequency of water analysis		-	⬆ 15	17	Investment Partners, Government, Local Communities, Media, NGOs
Waste	Waste Discharge		100 tons	⬆ 121 tons	5% Reduction	NGOs, Local Communities
General	No. of environmental law/regulation violations		0	0	0	NGOs, Local Communities, Media, Investment Partners

Goal Achieved

■ Goal Not Achieved

↑ YoY Increase

↓ YoY Decrease

In Process



UNLIMITED

KORES

**For the continuation of our happiness
KORES is always there, overcoming limitations.**

Extending beyond Korea and onto the world stage
Overcoming obstacles of today towards an innovative future
Overcoming severance and uniting people
Based on core technologies with global competitiveness
Together with customers, employees, and all stakeholders,
To achieve our never ending happiness
KORES will continue to strive forward.



SUSTAINABILITY INITIATIVE

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 contents of the ten main principles as well as relative activities are detailed on page 15 of this Sustainability Value Report.



International Council on Mining & Metals (ICMM)

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.



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.

BERLIN Guidelines

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 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.

Cat.	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 training Revised investment company personnel and welfare regulations Implemented training for human rights protection and ethical management Implemented 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 cases Total 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 members Status 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 rate Female employment rate Expansion 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 management Environmental Management Policy 	4,11	GR11
	8. Businesses should undertake initiatives to promote greater environmental responsibility	<ul style="list-style-type: none"> Environmental impact assessment Environmental restoration of closed mines Protection of biodiversity Environmental performance management Greenhouse 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 activities Environmental investment cost Global warming prevention activities 	EN5, EN6, EN7, EN10, EN18, EN26	EV4, EV5, EV18, EV23
Anti-Corruption	10. Businesses should work against all forms of corruption, including extortion and bribery	<ul style="list-style-type: none"> Establish and enter into Integrity Pact Operate Ombudsman Program Strengthen self-diagnosis on ethical management 	SO2, SO3, SO4	CO5, EM25, EM26

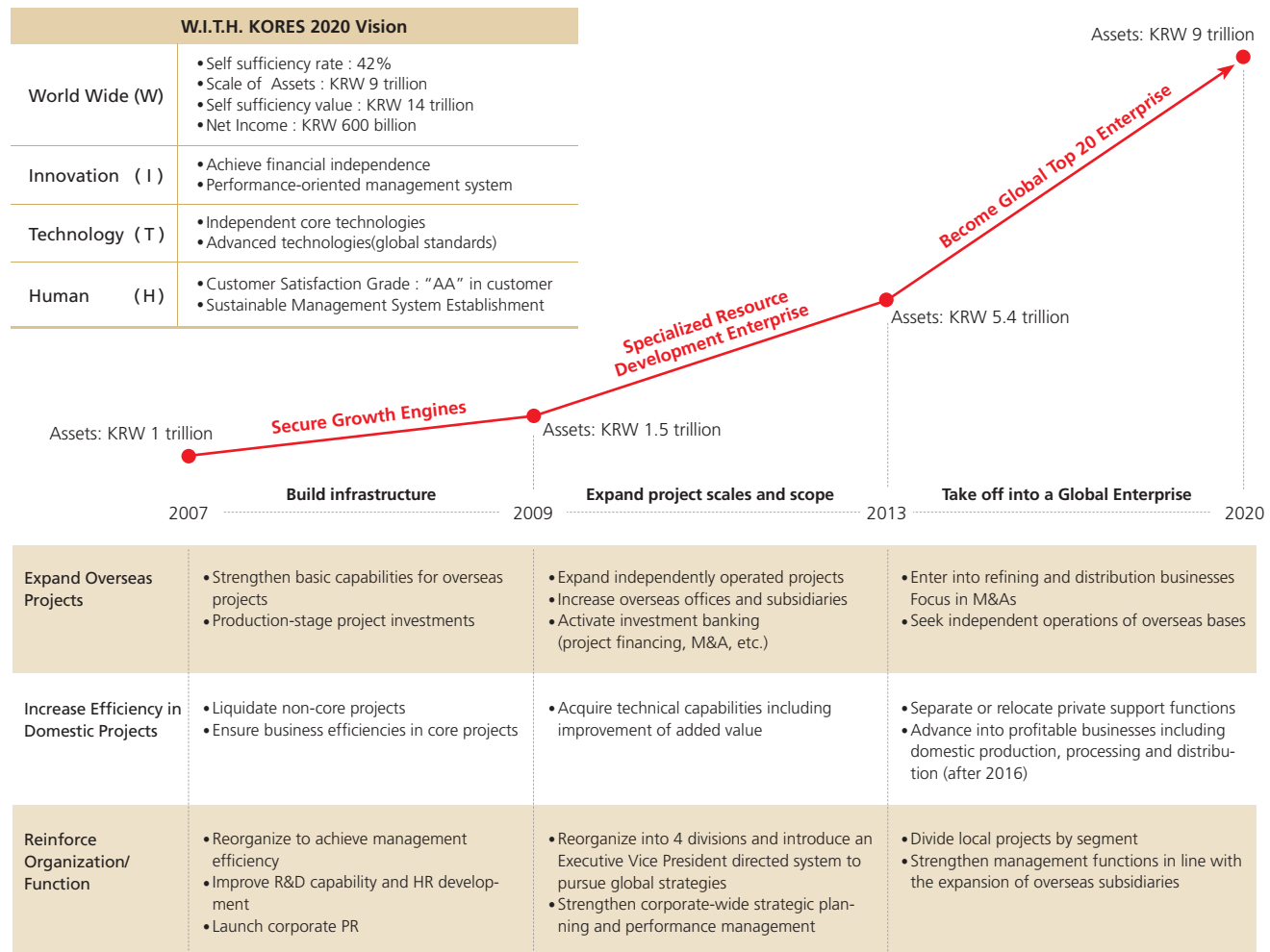
VISION & STRATEGY

KORES is actively pursuing overseas resource development projects as well as preparing to become one of the global majors in the mining industry in order to acquire stable supply of mineral resources.

The company's mission is to contribute to the national economic growth through stable supply of mineral resources. As Korea depends heavily on other countries by importing 92% of the mineral resources overseas, the need to secure mineral resources has become increasingly important. To survive in this highly com-

petitive market of mineral resources KORES has established its vision, called 'W.I.T.H. KORES 2020', and its strategies to become one of the Global Top 20 mining enterprises by year 2020.

KORES' Strategic Management System

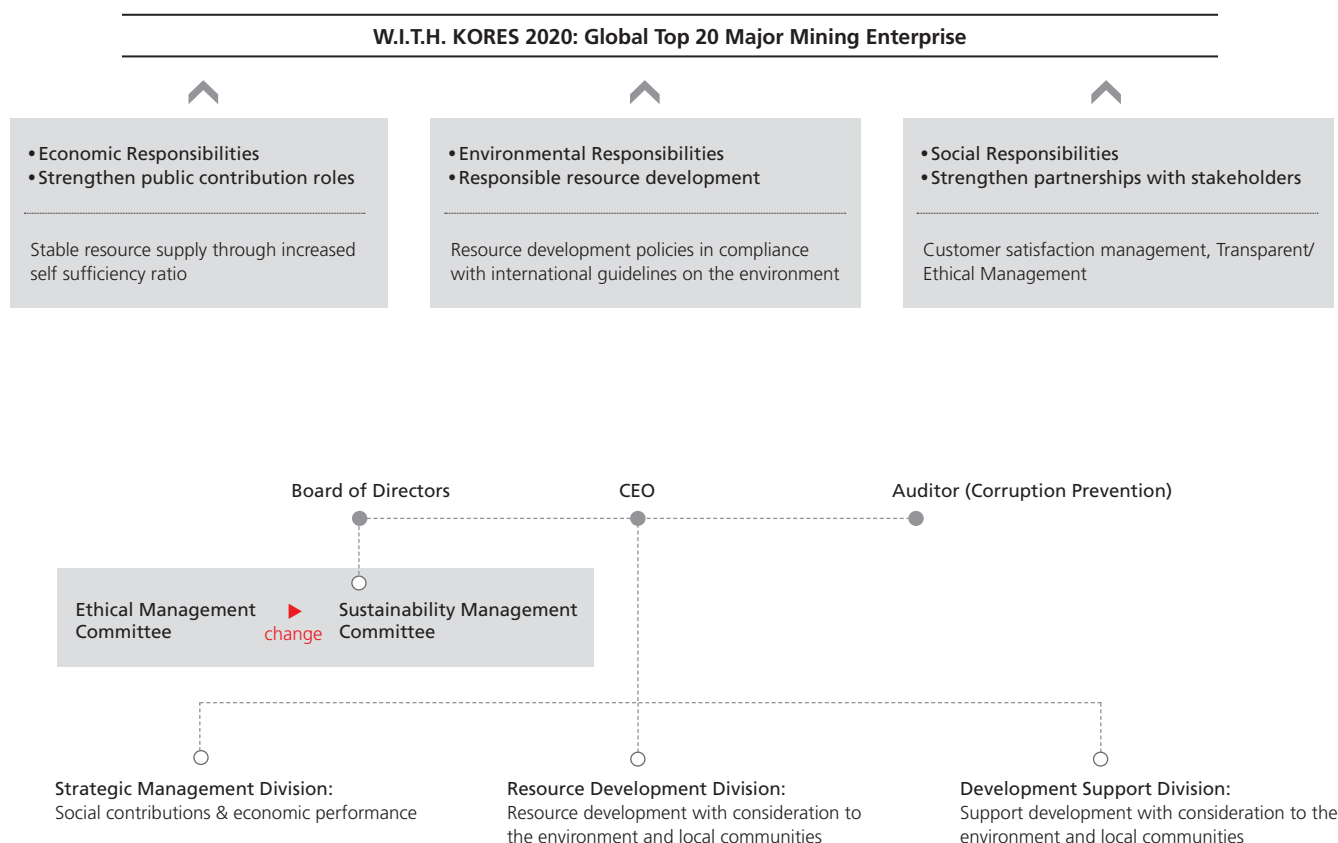


SUSTAINABILITY MANAGEMENT STRATEGIS

In line with global sustainability management practice trends and to participate in the government's basic policy for "green" growth, KORES has expanded its ethical management, with a focus on anti-corruption and transparent management to include its economic, environmental, and social responsibilities. In order to achieve our "W.I.T.H. KORES 2020" vision and to become one of the global mining majors respected by the people, we have established and implemented our sustainability management strategies. We are also identifying the key interests of our stakeholders to reflect them in our sustainability management strategies.

ORGANIZATION TO PURSUE SUSTAINABILITY MANAGEMENT

To efficiently manage the sustainability management activities of each business division, the Ethical Management Committee, established under the Board of Directors, will be reorganized as the Sustainability Management Committee. This committee will take general charge of our social contribution, customer-oriented management, ethical management and environmental management activities. It will also formulate strategies for sustainability management and supervise implementation results. Furthermore, the committee will also identify all issues relative to sustainability management and advise the board on key business decisions.



OPPORTUNITIES & CHALLENGES

CHANGE IN MARKET ENVIRONMENT

The monopolization of mineral resources by major mining companies is intensifying, with competition amongst nations to acquire resources becoming increasingly fierce. Recognizing the current global economic recession as an opportunity for further growth, KORES plans to increase its investment in overseas resource development. Through such initiatives, we will increase the self sufficiency ratio and build a stable network to secure resources.

RESOURCE DEVELOPMENT AND THE ENVIRONMENT

Environment-related regulations, such as the United Nations Framework Convention on Climate Change (UNFCCC), have increasingly become important issues for management activities, as global warming and environmental contamination including air and water pollution and the destruction of biodiversity are recognized as global problems. By designating environmental management as the highest priority, KORES is minimizing environmental pollution mainly through environmental impact assessments and the development of environmentally-friendly technologies.

COMMUNICATION WITH VARIOUS STAKEHOLDERS

As the business scope of KORES expand overseas, the scope of its stakeholders is also expanding. At overseas project sites Health, safety and human rights of local workers are important agendas for our sustainability management at overseas project sites. Therefore, we operate safety and health programs to ensure their health as well as safety, while strengthening our relationships with local residents through our community support activities.

UNLIMITED EARTH

To raise the value of the earth's limited mineral resources, KORES is enhancing each mine's economic efficiency through the development of exploration and mining technologies. Through such efforts, we will grow as a mining enterprise that embraces sustainable resource development.

Opportunity Factors	Risk Factors
<ul style="list-style-type: none">• Establish corporate enlargement strategies by revising the KORES Act• Facilitate investment financing through sound financial structures• Korean government's proactive overseas resource development policies• Possibility of acquiring mines at low cost• Possibility of purchasing mineral resources at low prices due to economic recession• Increased participation in overseas resource development through private sector• Increased productivity by resource development and advanced technology	<ul style="list-style-type: none">• Downfall of demand in mineral resources effected by economic recession• Monopolies and oligopolies by major mining companies• Mineral resources price fluctuations• Stringent international environment and human rights regulations• Limited mine deposits• Resource Nationalism

GOVERNANCE

Through Board of Directors as the core body in the management structure of KORES, KORES is continuously improving its professionalism and efficiency.

BOARD OF DIRECTORS

As the ultimate decision making body of the company, the Board of Directors (BOD) is composed of its president and CEO, three standing directors, and five non-standing directors. Pursuant to Article 18, Clause 4 of the Act on the Management and Operation of Public Agencies, the president and CEO takes the role of the Chairman of the BOD. To faithfully execute the supervisory and supporting roles for the management of the company, the ratio of non-standing directors is maintained at over 50%.

The CEO and standing directors are appointed through the recommendations of the Director Recommendation Committee, pursuant to the procedures set forth in the Act on the Management and Operation of Public Agencies, to ensure the highest qualifications and professionalism of top management and to achieve fairness in the appointment process. Non-standing directors are appointed to ensure informed decision making drawing on outside expertise in economic, social and environment areas. They are selected from candidates who possess the requisite capabilities through the recommendations of the Director Recommendation Committee and pursuant to the provisions of the same act stated above. Currently, our five non-standing directors include specialists in the fields of NGOs, finance, resource development, media, and a corporate CEO. Together, these directors are contributing a high degree of professionalism to the BOD's policy making processes by presenting suggestions and opinions on the company's domestic and overseas business operations.

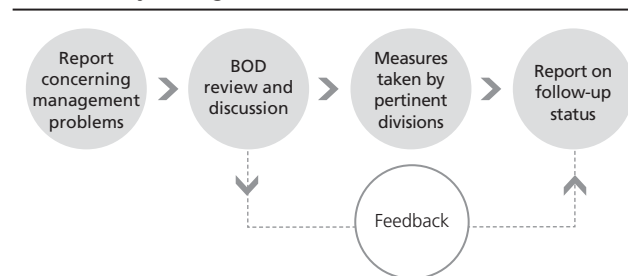
BOD OPERATIONS

To ensure professionalism in the conduct of BOD activities, our post-BOD meeting actions and feedback systems have been strengthened and a BOD Operational Performance Index is maintained. To ensure that there are no conflicts of interest, a regulation is placed in our articles of incorporation to exclude any director who may be affiliated with any specific agenda item or from any decision making process on that particular agenda. On important matters such as investment projects and mid-to long-term management strategies, a pre-review is con-

ducted to improve the efficiency of our decision making.

The BOD supervises the performance of our sustainability management by receiving reports on outstanding management problems and progress reports based on approved agendas. In addition, a feedback system is in place to ensure the enforcement of follow-up measures on previous agendas discussed during the BOD meetings. Furthermore, efforts such as outside directors' for on-site inspections and participation in the management process are continuously being carried out to ensure on-the-job supervision of sustainability management activities. There are four sub-committees established under the BOD to enhance its decision making expertise and to improve the efficiency of its operations. These sub-committees are composed of competent standing directors, non-standing directors and

Sustainability Management Performance Review Process



BOD Meetings and Agendas

Year	No. of BOD Meetings	No. of reviewed agendas	No. of discussed agendas	Adjusted decision rate	Attendance rate
2006	16	39	13	25.6%	97.1%
2007	12	39	16	23.1%	91.6%
2008	17	41	21	24.3%	94.9%

Details reviewed in relation to sustainability management

Environmental Issues

- Identified and prescribed solutions for environmental problems in neighboring areas caused by development during the acquisition of combined mines in Rapu-Rapu, Philippines.
- Discussed countermeasures for carbon dioxide emission regulations during the onsite inspection of the factories of TAEYOUNG EMC in Chungju and Ssangyong Resource Development in Donghae.

directors. They insure that the appropriate depth of detail has been considered as part of the decision making process by conducting preliminary reviews on important issues. Currently, the company's economic performance is supervised by the Strategic Management Committee while its environmental and social performances are overseen by the Ethical Management Committee.

Commencing in 2009, KORES is planning to expand and reorganize the Ethical Management Committee into a Sustainability Management Committee. The Sustainability Management Committee will consist of the current members of the Ethical Management Committee (total of nine members including three standing directors, directors of each division, head of the general affairs team, head of the audit office and the president of the labor union) with the addition of one non-standing director with NGO background. We will continue to expand our sustainability management activities by activating communications with external civic groups and environmental organizations through the non-standing director. Moving forward, the Sustainability Management Committee will carry out evaluations and reviews of the company's sustainability management performance, while supporting the establishment of sustainability management strategies. The Sustainability Management Committee meeting can be called at any time, while holding official meetings more than once annually.



REFLECTING EMPLOYEES' OPINIONS

Diverse communication channels between management and employees are utilized to encourage brisk two-way communications. These include the joint labor and management conference, labor-management meetings, Junior Board and informal gatherings between the CEO and employees by grade and division between heads and employees.

BOD PERFORMANCE ASSESSMENT AND COMPENSATION

The president(CEO) of KORES enters into a management agreement with the Minister of Knowledge Economy by presenting detailed management goals to achieve the company's corporate philosophy and vision. Bonus payments will be awarded based on the evaluation of management results. Standing directors will conclude performance agreements with the CEO and will be awarded bonus payments based on the results of performance evaluations.



Chairman. **Shin-Jong Kim** _
President and CEO



Auditor. **Joon-Woo Nam** _
Presents opinions to the BOD



Executive Vice President.
Min-Soo Jung _
Division Director



Executive Vice President.
Sung-Hoon Kang _
Division Director



Executive Vice President. **Yeon-Sik Lee** _
Division Director



Non-executive Director.
Kyung-Uk Ahn _
President of Korea-China Economic
and Cultural Exchange Center



Non-executive Director. **Min Jung** _
President of Chungjung Accounting
Firm



Non-executive Director.
Kwang-Hoon Chi _
Chief Engineer at Korea Institute of
Geosciences and Mineral Resource



Non-executive Director.
Yeon-Ho Ko _
President of Woojin Trading Co., Ltd.



Non-executive Director.
Joo-Young Yeom _
Director of Multimedia Division at
Seoul Daily News

RISK MANAGEMENT

KORES is continuously reinforcing its risk management capabilities from a strategic perspective, not only to prevent accidents but to create value.

ENTERPRISE RISK MANAGEMENT (ERM)

Uncertainties in business management are increasing, while the needs for responding to new risk are also growing in line with an expansion in the company's business domains. Accordingly, KORES has developed a corporate-wide risk management system to manage and respond to risks systematically.



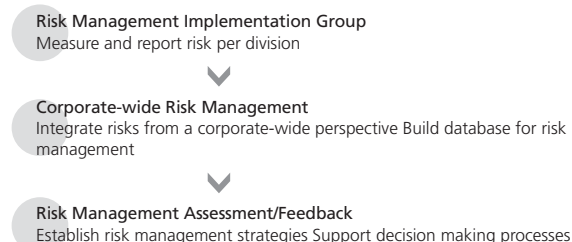
Risk Management organization

Organization	Role
Risk Management Committee	Take general charge of and review risks generated during management activities
Risk Management Department	Supervise establishment and implementation of risk management plans
Risk Management Implementation Group	Measure, analyze, report and monitor relevant risk

RISK MANAGEMENT PROCESS

We have formulated countermeasures against each risk through the risk management process. In addition, an independent risk assessment system has been developed to evaluate risks and to report the findings to the Risk Management Committee in accordance with their importance. Previously, risks had been responded separately by division. Efficient risk management has been made possible through the implementation of an independent risk assessment system, as risks can be managed at all times on a corporate-wide perspective. This also allows us to manage potential risks as well.

Risk Management Process



COUNTERMEASURES BY RISK TYPE

Risks are classified into "financial risk" and "non-financial risk" according to the nature of their source for more efficient management with each risk.

Classification	Type	Response
Financial Risk	<ul style="list-style-type: none"> Market Risk Credit Risk Interest Risk Liquidity Risk 	<ul style="list-style-type: none"> Each risk factor is gathered and analyzed to establish countermeasures by type Risk is managed primarily through hedging according to the appropriate countermeasures for each type of risk
Non-Financial Risk	Operational Risk	<ul style="list-style-type: none"> Develop system responses for environment changes Strengthen internal control systems Periodically inspect the operation status of the management warning system
	Investment Risk	Manage within the risk margin tolerance when making decisions on investment projects and establish appropriate counter plans
	Government Policy Risk	Establish and manage counter plans by scenario for anticipated government policy changes

RISK MANAGEMENT SYSTEM

KORES is planning to develop and operate a corporate-wide risk management system for comprehensive measurement, control and response to risk in 2009. We will strive to carry out our operations in an efficient and stable manner by identifying and responding to any risk through a computerized system.

STAKEHOLDER ENGAGEMENT

KORES is continually improving its sustainability by gathering opinions from its stakeholders to identify and strategically manage issues pertaining to its sustainable management initiatives.

IMPORTANCE OF COMMUNICATIONS WITH STAKEHOLDERS

KORES recognizes that it has both direct and indirect economic, environmental and social influences on its diverse stakeholders and that true sustainability management can only be achieved when these influences are precisely identified and effectively addressed. Based on mutual trust, we are actively communicating with our stakeholders. We will endeavor to further advance our sustainability management practice by maintaining solid trustworthy relationships through various communication efforts.

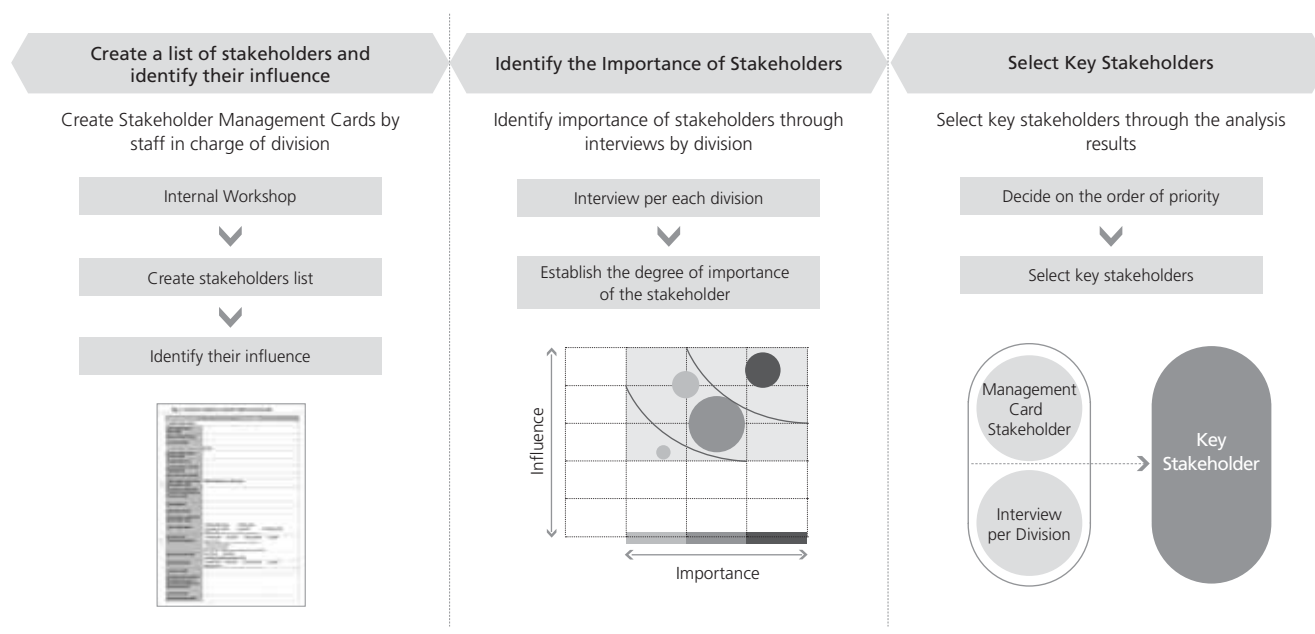
SELECTION OF KEY STAKEHOLDERS

KORES has selected its stakeholders through a systematic selection process. To identify the entirety of its stakeholders, an internal employee workshop was held to form a list of all the stakeholders and investigate their direct and indirect influences on the company. Interviews with each division were conducted to identify the importance of each stakeholder. After assigning the degree of influence and importance, the key stakeholders were selected.

KEY STAKEHOLDERS AND COMMUNICATION CHANNELS

As a result of the stakeholder selection process, customers, investment partners, cooperative companies, the government, local communities, mining industry related associations and research institutes, media, internal employees, and NGOs were selected as the Key Stakeholders of KORES. We are gathering their opinions and demands by utilizing communication channels, customized to the unique characteristics of each stakeholder group, while continuously complementing and improving any deficiencies by reflecting the feedback from our stakeholders.

Stakeholder Selection Process



Stakeholders' Opinion Feedback System



GATHERING OPINIONS FROM EXTERNAL STAKEHOLDERS

The levels and directions of sustainability management by KORES, as assessed by its external stakeholders, are important factors that must be reflected during the sustainability management strategy planning process. Accordingly, we have gathered opinions from our stakeholders at home and overseas including customers, investment partners, cooperative companies, the government, local communities, associations, research institutes and media. This data was sourced through surveys and interviews mainly via postal mail, fax, and e-mail.

GATHERING OPINIONS FROM INTERNAL STAKEHOLDERS

We analyzed issues related to sustainability management that our internal stakeholders considered important. Through such processes, we were able to identify and prioritize the areas of improvements to carry forward sustainability management. The opinions were gathered through surveys and interviews with Korea-based employees, as well as those assigned overseas mainly by using e-mail and our website.

Opinion Gathering from Stakeholders

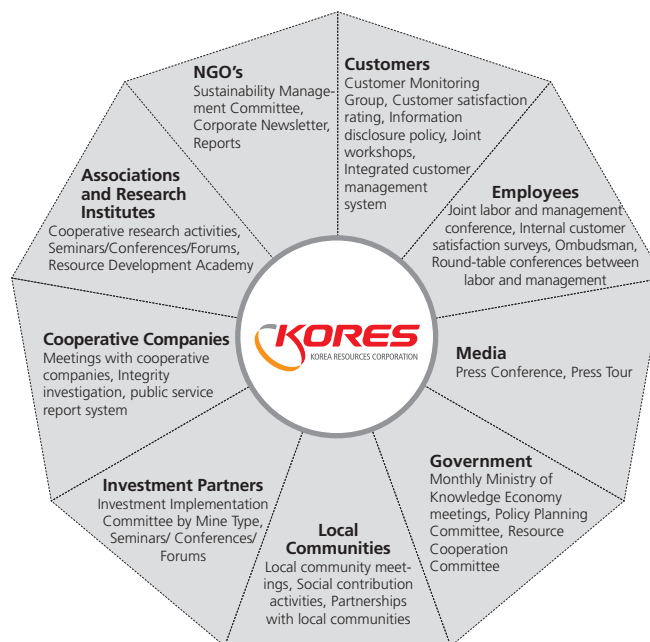
Category	No. of Participants	Method	Remarks
Internal Stakeholders ¹⁾	211	Survey	No. of samples : 348, Return rate : 61%
External Stakeholders ²⁾	114	Survey	No. of samples : 457, Return rate : 25%
Focus Group ³⁾	4	Interview	Face-to-face interview

1) Employees at KORES headquarters

2) Stakeholders of eight categories excluding employees

3) Representatives of academia, associations, and customers

Major Issues and Communication Channels per Stakeholder



Key Stakeholder Issues

Stakeholder	Issues
Customers	Effective execution of state subsidies, Reassessment of Korean mines and reinvestment, Mine accident prevention activities, Customer satisfaction management
Investment Partners	Improvement of self sufficiency ratios, Joint resource development ventures, Cultivation of resource development professionals, Expansion of investments, Establishment of win-win partnerships
Cooperative Companies	Improvement of self sufficiency ratios, Cultivation of resource development professionals, Expansion of investments, Technology research, Establishment of win-win partnerships
Government	Improvement of self sufficiency ratios, Effective execution of state subsidies, Mineral storage projects, Securing of energy resources, Ethical management, Establishment of win-win partnerships
Local Communities	Sharing with stakeholders, Enhancement of trust with local communities, Social contribution activities, Environmental impact assessment, Environmental pollutants management, Environment restoration
Associations and Research Institutes	Effective execution of state subsidies, Reassessment of Korean mines and reinvestment, Technology research, Cultivation of resource development professionals
Media	Mineral storage projects, Joint resource development ventures, Securing of energy resources, Environmental management, Greenhouse gas emission reductions
Employees	Cultivation of resource development professionals, Prohibition of discrimination, Systemized benefits, Sound labor-management relationships, Health and safety
NGOs	Environmental impact assessment, Preservation of biodiversity, Environmental management, Efficient energy usage, Green purchasing, Environment restoration

SPECIALISTS FOCUS GROUP INTERVIEW (FGI)

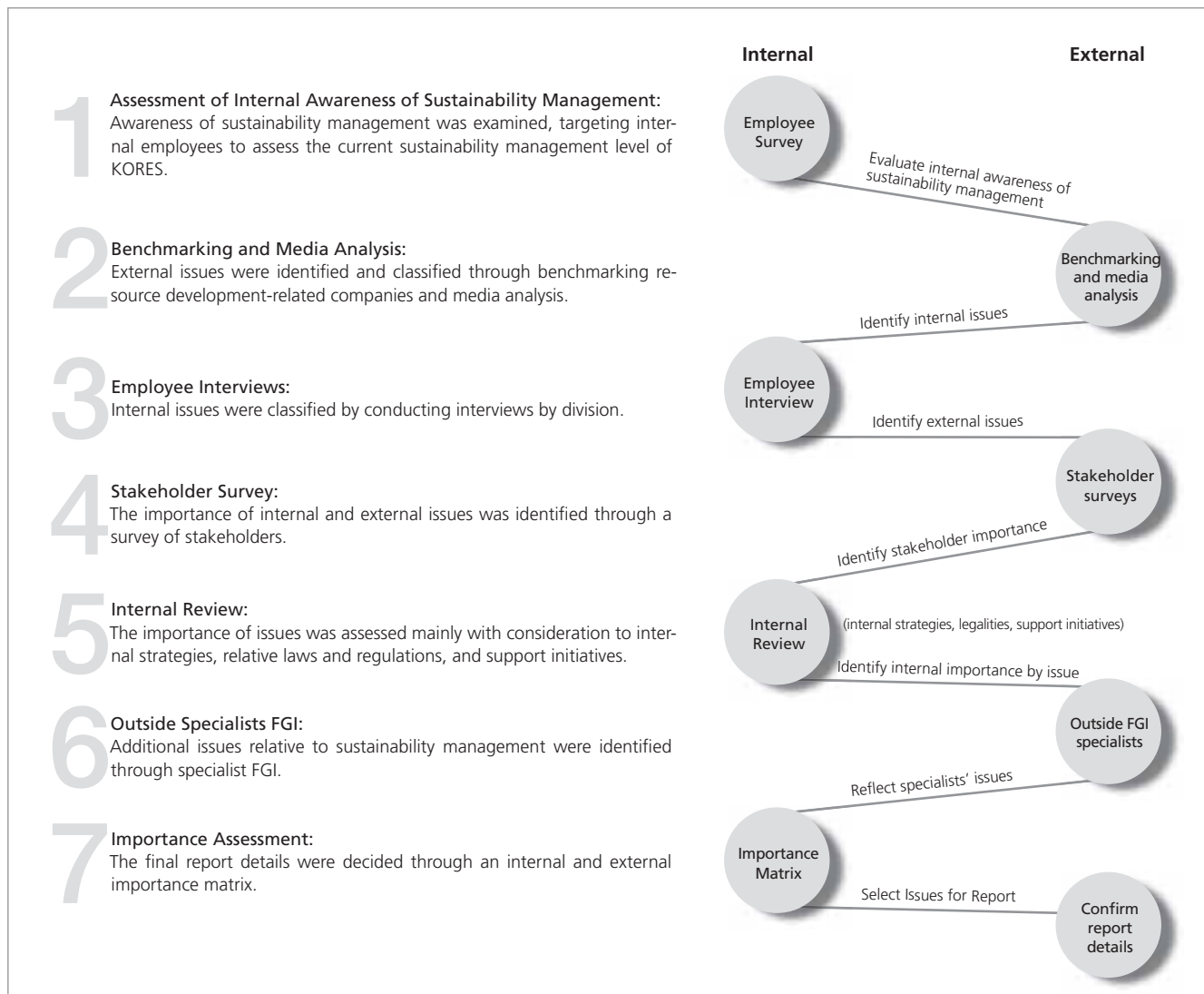
Focus group interviews were conducted, targeting individuals who represent academia, associations, and the resource development industries, both at home and abroad. Through the exchange of opinions from diverse backgrounds, we diagnosed the current sustainability of KORES and identified key issues to set our future course.

MATERIALITY TEST

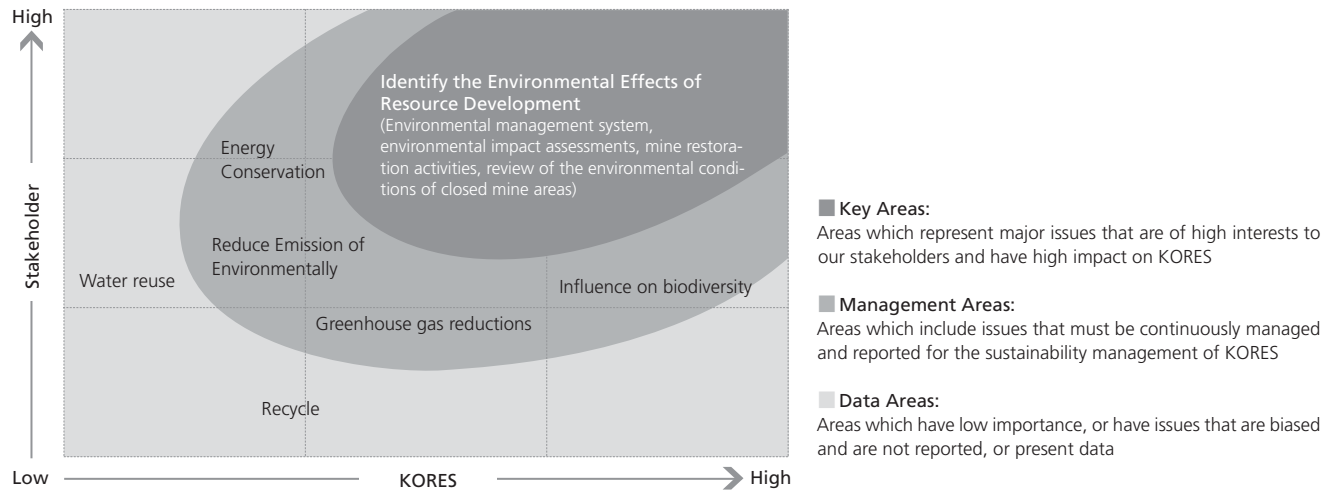
The reported issues were selected through an importance assessment of the stakeholders and within the company.

In order to select key report details, we identified a total of 490 issues by examining a variety of information and data related to sustainability management, including internal strategies, employee interviews, the results of benchmarking other major global mining companies, media analysis, and focus group interviews. In addition, external surveys and internal assessments were conducted on the identified issues to evaluate their importance, and based on such activities, the report details were selected.

The materiality test was conducted as follows:



Example of Materiality Test Matrix for Environment Sector



Materiality Test Results	Degree of Importance	Issue Details
Economy	Key Areas	Creation of direct economic value through resource development
	Management Areas	<ul style="list-style-type: none"> - Efficient management of state subsidies - Contribution to local economy through local community investments and activities - Development and distribution of added value enhancing technology - Storage of the nation's rare minerals
	Data Areas	<ul style="list-style-type: none"> - Investments in infrastructure for public benefits - Increase in local purchasing and employment
Society	Key Areas	<ul style="list-style-type: none"> - Assessment and management of impact by resource development on local communities - Accident prevention and risk management programs for domestic and overseas project sites - Environmental and social status information on resource development and investment areas - Support for employees' career development and capability enhancement program
	Management Areas	<ul style="list-style-type: none"> - Anti-discrimination policies and measurements for domestic and overseas project sites - Announcements on the environmental and social impacts that may be caused by resource development - Employees' complaints and problem resolution practices - Guarantee of employees' right to collective bargaining - Improvement of customer satisfaction levels through customer satisfaction surveys - Compliance with laws and regulations of relevant countries on resource development at home and overseas
	Data Areas	<ul style="list-style-type: none"> - Protection of personal information and data on KORES customers - Prevention of child labor and forced labor from occurring at domestic or overseas project sites - Guarantee of workers' freedom of association and right to collective bargaining - Prohibition of bribery of political parties/politicians - Vocational training and life-long education support for former employees
Environment	Key Areas	Identification of environmental impact of resource development
	Management Areas	<ul style="list-style-type: none"> - Energy conservation, reduction of environmentally harmful matter emission, impact of biodiversity, greenhouse gas reductions
	Data Areas	Water consumption volume, recycling





UNLIMITED Economy

**Resources are a key to the nation's competitiveness.
Through a secure supply, we will provide a bright future**

Relying heavily on imported energy resources, resource security is the most crucial factor for ensuring Korea's continuous economic development.

We are therefore dedicated to insuring the stable supplies of energy and mineral resources, particularly the six minerals that the Korean government has identified as strategic, through the development and sourcing of both domestic and overseas resources.

These six minerals include both the procurement and strategic storage of bituminous coal, uranium, steel, copper, zinc, and nickel. KORES, a state-run company, has been chartered to secure the future of Korea's resources.

Disclosure on Management Approach (DMA)

OUR APPROACH

KORES's economic responsibilities and performance are divided into three aspects: "economic efficiency" to secure mineral resources, "growth potential" to show its potential capacities and future possibilities, and "public benefits" to create public value as a state-owned enterprise. Our investments in overseas resource development over the past three years have surged more than fivefold compared to our accumulated investments since 1990. We are now expanding our business horizons throughout the world by increasing investments and exploring new development opportunities to secure mineral resources. In addition, we are taking the lead in revitalizing the domestic mineral industry by re-evaluating domestic mines and supporting their development. We are also contributing to the national security and economic stabilization through our mineral storage projects while helping private companies extend their businesses abroad through joint resource development ventures.

PRIORITIES AND STRATEGIES FOR ECONOMIC VALUE CREATION

We have established investment strategies to improve the self sufficiency rates of selected minerals, including bituminous coal, zinc, nickel, copper, iron, steel, and uranium that significantly affect Korea's industries. By carrying out customized investment strategies through environmental analysis by country to address the issues of resource nationalism and environmental regulations, and building up an investment portfolio by mineral type, our self sufficiency rate reached 23.1% in 2008. We have also established strategies for value chain expansion and funding source diversification to position us for growth and become one of the world's leading mineral companies.

To revitalize our domestic mineral industry, we completed a redevelopment plan for the nation's metal mines. The plan calls for the expansion of the domestic metallic mineral supply ratio from its current 1.06% level to 4.0% by 2020. We also set up plans to improve the systems for the operation and execution of state subsidies. These plans were designed to expand the scope of beneficiary mines and enable these subsidies to operate more efficiently. We also formulated a stored mineral purchase plan by reflecting the opinions of internal and external specialists to rationalize the purchase process of rare metals, and strategies to introduce joint overseas resource development ventures.

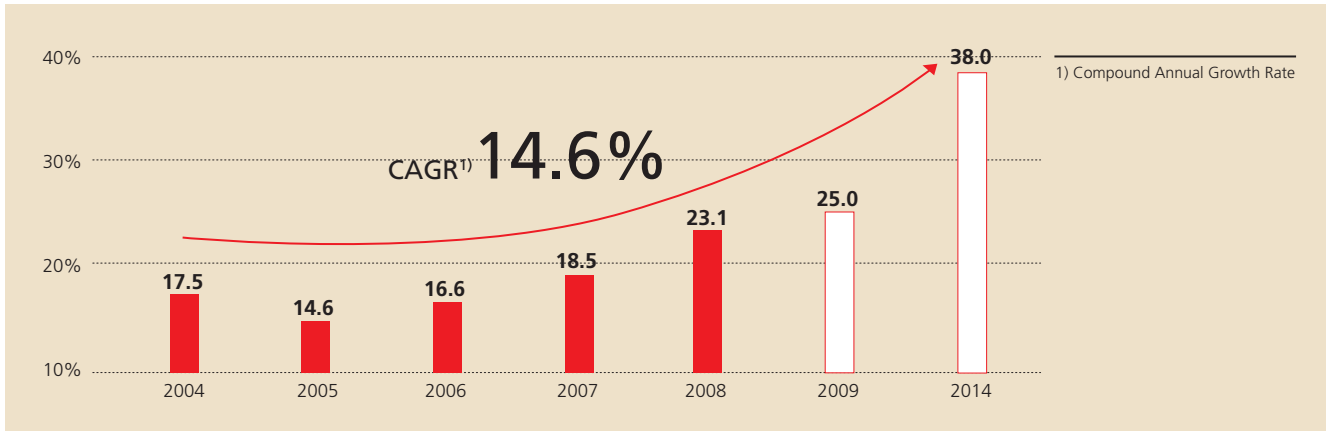
ORGANIZATIONAL RESPONSIBILITIES AND MONITORING

To carry out our resource development projects in a more efficient way, we integrated and reorganized our region-oriented division system into two units: a "BusinessDevelopment Division" in charge of direct investments, and a "Business Support Division" for supporting private enterprises (in the areas of information, exploration, development, and production). Additionally, we strengthened the deliberation function of our board of directors for resource development investments and their subsequent management to ensure efficient project operations. We also determine new business plans according to an annual evaluation process conducted at the end of each year's investment

Category	Item		2008 Goals & Status	2008 Performance	2009 Goals	Major Stakeholders
Economic efficiency	Self sufficiency rate (%)		23%	23.1%	25%	Investment partners, partnering companies, government, associations & research institutions, media
Growth potential	Sales		KRW 76.8 billion	KRW 166 billion	KRW 97.8 billion	Government
	Investments	Overseas	KRW 190 billion	KRW 225.6 billion	KRW 270 billion	Investment Partners, Cooperative Companies, Government, Organizations & Research Institutes, Media
		Korea	KRW 20 billion	KRW 20.1 billion	KRW 15 billion	
	Investment Returns	Overseas	KRW 17 billion	KRW 42.1 billion	KRW 31 billion	Government, Investment Partners
		Korea	KRW 2 billion	■ -KRW 10.9 billion	KRW 3 billion	Government, Investment Partners
Public benefits	Government Subsidy Payout		KRW 102.6 billion	KRW 102.6 billion	-	Customers, partnering companies, government
	Stockpile Reserves of Rare Metals		1,831 tons	2,590 tons	1,786 tons	Government, associations & research institutes
	Joint Venture Resource Development		3	↑ 4	-	Investment partners, government

Goal Achieved ■ Goal Not Achieved ↑ YoY Increase ↓ YoY Decrease In Process

ECONOMIC EFFICIENCY



To secure the supply of mineral resources, KORES strives to enhance self sufficiency, particularly improving the self sufficiency rate through customized strategies by mineral type.

SELF SUFFICIENCY RATE

Due to increasing price fluctuations of mineral resources and the intensifying monopolies and oligopolies of major miners, self sufficiency is more important than ever from the perspective of national resource security²⁾. As a secured resource barometer reflecting the investments of domestic companies in overseas resource development, the “Self sufficiency rate” is calculated by dividing the domestic companies’ volume of secured resources from overseas markets by the total volume of domestic imports. It is also used as an index to measure the stability of secured resources in a resource supply crisis.

KORES established self sufficiency rate targets to secure the mineral resources that serve as the raw materials for the energy industry and others, in protection against potential crises, including raw material supply & demand disturbances and supply chain failures. In order to attain these key resources, we are concentrating all our competencies on overseas mineral resource development.

Self sufficiency rate for Strategic Minerals³⁾

With an aim to anchor a safe supply system for energy and mineral resources which are critical to the nation’s industries, the self sufficiency rate in 2008 stood at 23.1%, up 4.6% compared to the previous year. By mineral, bituminous coal recorded the highest rate at 37.9%. Although a self sufficiency rate is not currently being posted for uranium, it is expected to gradually rise, thanks to exploration and development efforts in progress, although there have been no self sufficiency results as of yet.

Self sufficiency rate comparison between Korea and Japan (%)

Minerals	Japan	Korea
Bituminous coal	57.2%	37.7%
Steel	53.7%	10.7%
Copper	44.1%	4.7%
Zinc	12.3%	33.2%
Uranium	7.7%	0%
Nickel	31.8%	26.1%

(As of 2007)

Portfolio Optimization to Reinforce Self sufficiency rate

A mid- to long-term investment plan has been setup to enhance the self sufficiency rate. For the short-term, investments will focus on uranium and copper development and production projects, and then on other strategic minerals exploration projects. By 2014, the proportion of exploration projects will be expanded from 5% as of today to 30%, to improve the profitability through the continuous development of new mines. Furthermore, we will adjust our current bituminous coal and nickel-oriented investment portfolio while expanding the investment ratio of uranium and copper, to attain a more well-balanced, self sufficiency rate.

2) Resource security

Self sufficiency rate is more important than ever from a resource security perspective, due to raw material demand/supply emergencies stemming from skyrocketing raw material prices, cornering and hoarding, and the influx of speculative funds which occasionally occur. The economic responsibility of KORES is to stabilize the nation’s economy by securing and supplying mineral resources in a stable manner.

3) Strategic minerals

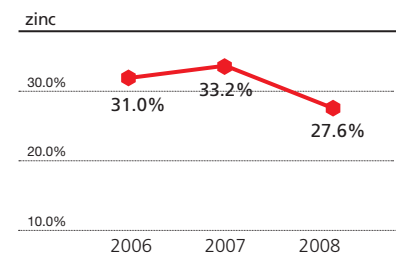
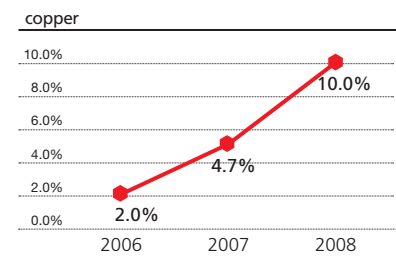
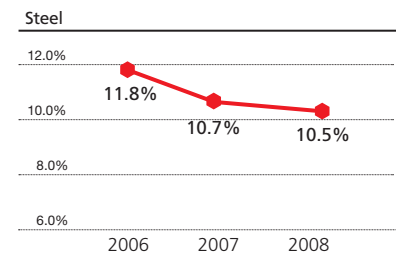
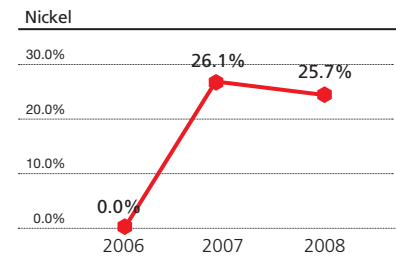
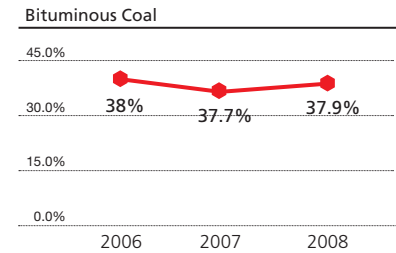
Identified by the Ministry of Knowledge Economy’s “basic plan for overseas resource development,” strategic minerals include bituminous coal, uranium, steel, copper, zinc, and nickel, which have a crucial impact on the nation’s industries with their import volume exceeding US\$ 100 million, or a more than 90% rate of import dependence.

PLANS FOR SELF SUFFICIENCY RATES BY MINERAL

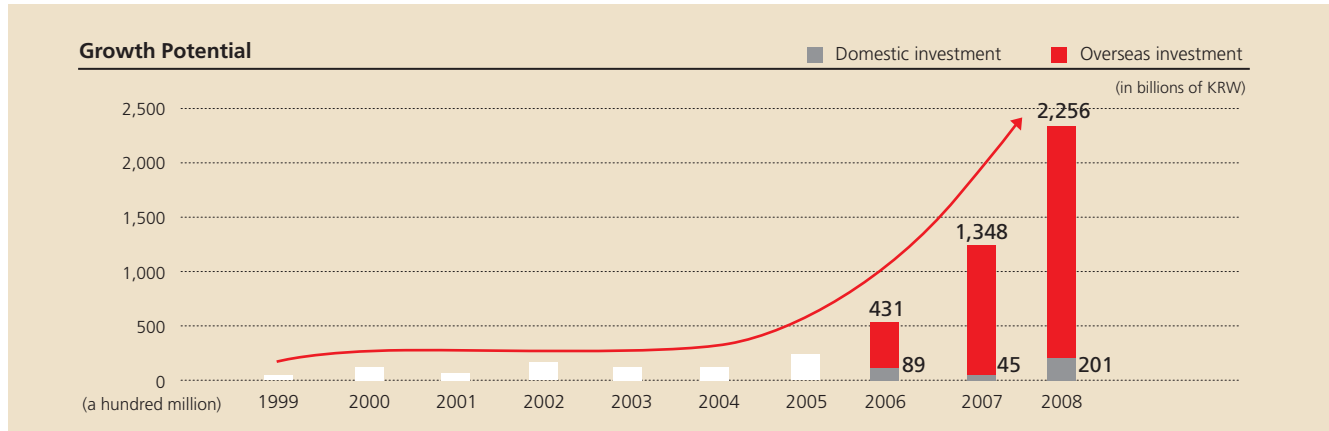
KORES is dedicated to enhancing Korea's self sufficiency rate by selecting "focus investment countries" and "strategic investment countries" by mineral type and developing customized procurement strategies, by nation. In 2009, we will endeavor to boost our self sufficiency performance by reorganizing our uranium portfolio and diversifying our investment countries.

Mineral	Strategies		Countries		Self sufficiency rate Target by 2014
	Expand the production capacity of existing projects and develop new investment projects	Share and supplement roles with related companies	Focus Investment Country	Strategic Investment Country	
Bituminous Coal	<ul style="list-style-type: none"> - Expand and link production of 24 existing projects including Pasir - Invest and connect production of 23 mines including in Russia 	<ul style="list-style-type: none"> - KORES : Search/inspect/implement/ manage investment projects - End-users: Guarantee purchase and utilize public reputation - Specialists : Utilize regional/ technical expertise - Distributors : Utilize regional/ trading expertise 	Australia, Canada, Indonesia, China	Republic of South Africa, Russia, Mongolia, Mozambique, New Zealand	50%
Nickel	<ul style="list-style-type: none"> - Expand and link production of 5 existing projects including Ambatovy in Madagascar - Search and invest in 4 new mines to secure long-term supply chain 	<ul style="list-style-type: none"> - KORES: Search/inspect/implement/ manage investment projects - End-users : Guarantee purchase and utilize public reputation - Trading companies : Utilize distribution/transport expertise - Construction/Plants : Invest in infrastructure 	Madagascar, Australia, New Caledonia, Indonesia, Philippine	-	30%
Steel	<ul style="list-style-type: none"> - Expand production of existing projects including Pos Mac and Jack Hills in Australia - Invest and connect production of 8 mines including Yalgoo in Australia 	<ul style="list-style-type: none"> - KORES: Search/inspect/implement/ manage investment projects - End-users : Guarantee purchase and utilize public reputation - Specialists : Utilize technical expertise for production 	Australia, India, Brazil	Republic of South Africa	30%
Copper	<ul style="list-style-type: none"> - Expand and link production of 4 existing projects including Marcona in Peru - Invest and connect production of 30 mines including Boleo in Mexico 	<ul style="list-style-type: none"> - KORES: Search / inspect / implement / manage investment projects - End-users: Guarantee purchase and utilize public reputation - Trading companies: Utilize regional/trading expertise 	Chile, Peru, Indonesia, Australia, Canada	Argentina, Mongolia, Zambia, Congo, Russia, Kazakhstan	35%
Zinc	<ul style="list-style-type: none"> - Expand and link production of 4 existing projects including Townsville in Australia - Invest and connect production of 17 mines including Lishutang in China and Boulia in Australia 	<ul style="list-style-type: none"> - KORES: Search/inspect/implement/ manage investment projects - End-users: Guarantee purchase and utilize public reputation - Trading companies: Utilize regional/trading expertise 	Canada, China, Australia, Peru, U.S.A., Kazakhstan	Congo, Iran	40%
Uranium	<ul style="list-style-type: none"> - Production linkage between Canada's Baker Lake and Cree East - Invest and connect production of Kazakhstan's Budenovkoye, Australia's Marree, Uzbekistan, and Mongolia 	<ul style="list-style-type: none"> - Search new investment opportunities through cooperation with KEPCO and KHNP - In case cooperation is not available, KORES invests alone with purchase guarantee of KHNP. 	Kazakhstan, Canada, Australia, Uzbekistan, Niger, U.S.A., Republic of South Africa, Namibia, Zambia	-	15%

Current Status of self sufficiency rate by Mineral



GROWTH POTENTIAL



KORES has built growth strategies to expand its investments and sharpen its competitive edge for resource development, with an aim to secure a stable supply of the mineral resources that provide both the energy resources and industrial materials for our every day lives.

Investment Volume Expanded

Almost all mineral resources for the nation's key industries are highly dependent on imports. Given that 92% of Korea's mineral resources are imported and that Korea's export driven economy relies on such products as semi-conductors and automobiles, the fluctuation of raw material prices, especially minerals, enormously affect the national competitiveness. Hence, KORES strives to secure resources and stabilize the national economy through direct investment in domestic and overseas mineral resources.

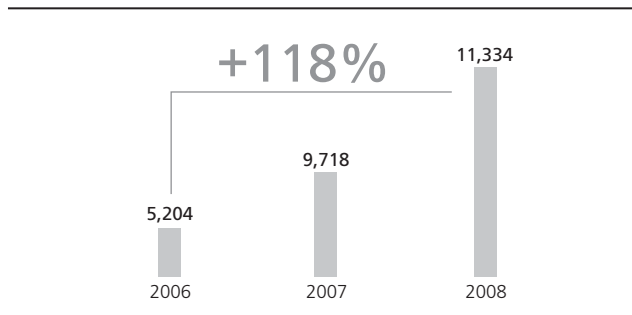
Overseas Resource Development Investments

Overseas resource development investments have been focused on mineral resources with a high import dependency rate. The volume of overseas investments has made great strides since 2006, resulting in a 67% growth compared to the previous year, amounting to KRW 225.6 billion in 2008.

Through our steady investment in overseas resource development, we have secured 6 new projects and additional stakes in existing projects. Currently, we are engaged in a total of 26 mineral projects, including bituminous coal and nickel, in ten countries including Australia.

Production of overseas invested mines

(In thousand tons)



The production volume of overseas invested mines and of all minerals increased. In 2008, 11.33 million tons were produced from overseas, a 16% improvement compared to 9.72 million tons in 2007.

2008 New Major Investment Projects

Projects	Summary	Performance
Moolraben (Bituminous Coal)	- Reserves: 615 million tons - Stage: Development	- Secured additional bituminous coal - Expanded investment opportunities
Marree (Uranium)	- Reserves : Unknown - Stage: Exploration	- Ensured uranium exploration projects
Selendin (Copper)	- Reserves : Unknown - Stage : Exploration	- Improved self sufficiency rate of copper
Corocoro (Copper)	- Reserves : 15million tons - Stage : Exploration	- Entered niche markets among major companies - Full process (Exploration to F/S) conducted by Korean Consortium
Boleo (Copper)	- Reserves : 277million tons - Stage : Development	- Improved self sufficiency rate of copper
White Cliff (Nickel)	- Reserves : Unknown - Stage : Exploration	- Secured promising exploration projects in their initialization stage

Domestic Direct Investment

Domestic investments are focused on mineral processing projects with high import substitution potential and high added values. To lay the groundwork for domestic mining production, we plan on operating five mines and constructing seven processing facilities by 2018.

In 2009, we were able to ensure stable operations through our support of existing projects. These stabilization initiatives included the achievement of an annual special alumina production capacity of 50,000 tons by completing a special alumina refinery, diversification of NRC's business, and the expansion of permissible development areas.

Domestic Direct Investment Performance

Projects	Project Summary
KMC Co., Ltd. (KeumumMolybdenum Mine)	- Mineable ore : 3,082 tons - Production capacity : MoS ₂ 500 tons per year
NRC Co., Ltd. (Stone mountain development)	- Mineable ore : 59.256 million m ³ - Production capacity: Aggregate 1.50 million m ³ per year
Kwangyang Ferro Alloys Co., Ltd. (Molybdenum refinery)	- Production capacity : 6,000 tons per year - Ranking 7 th in the world
Korea Alumina Co., Ltd. (Alumina refinery)	- Production capacity: 51,000 tons per year - Scheduled to build plants by 2009 Production in 2010

Investments in 2008

Market	Investment amount (in billions of KRW)
Overseas	Development & Production 2,157
	Exploration 99
	Subtotal 2,256
Domestic	Existing projects 53
	New projects 148
	Subtotal 201
Total	2,457

STRATEGIES FOR EFFICIENT INVESTMENT

We have implemented efficient investment strategies to enhance our competitiveness in the world resource development market

Customized Overseas Resource Development

Overseas resource development investments are faced with difficulties due to resource nationalism by resource producing countries and monopoly practices of major mining players. Hence, KORES carries out tailored investment strategies by region, coun-

try and mine while considering each characteristic. As a result, at the end of 2008, we had a total of 26 projects in 10 countries, up 24% compared to 21 projects in the previous year.

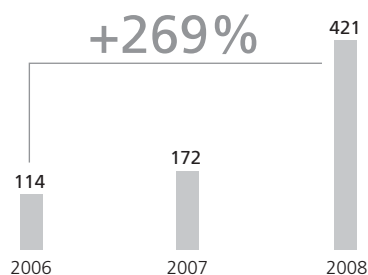
Customized Overseas Resource Development

Countries	Characteristics	Strategies
Africa, Central Asia	· Undiscovered region for resources exploration · Weak infrastructure · Control of central government	Resource diplomacy and expansion of joint resource development ventures
Central & South America, Southeast Asia	· Weak infrastructure · Resource nationalism	Resource diplomacy and expansion of joint resource development ventures
Australia, Canada	· Major players' market dominance	Aggressive M&A's

KORES has implemented a "2+2" strategy to focus its investment on uranium and copper which currently hold lower self sufficiency rates, and to focus its overseas expansion on Africa and South America regions where reserves are abundant, but global players have yet to materially penetrate. By increasing the number of our regional offices in key resource producing countries to 15 by 2020, and actively dispatching employees to these projects, we will secure more overseas strongholds.

Return on Overseas Investment

(In billions of KRW)



In 2008, the revenue from overseas resource development through constant investment and risk management jumped by KRW 24.9 billion to KRW 42.2 billion.



1 Signing for the establishment of a special alumina refinery



2 Inside the Molybdenum Refinery of Kwangyang Ferro Alloys Co., Ltd.



Inside the Copper Refinery
(Provided by LS Nikko Copper)

Diversifying Investment Style

To grow into one of the world's major mineral companies, KORES is diversifying its investment style and pursuing fundamental plans for M&As. We will continue to accumulate know-how in independent project operations by pursuing M&As in stages, targeting overseas resource developers with growth potential and expanding our investments to attain more operating rights. For the mid- to large-sized projects which we have secured, we will strive for earlier production, while continuing to seek more mid- to large-sized overseas resource development projects and operating rights for additional mines.

Expanding the Value Chain

Major players in the global market have established "low cost, high-efficiency" systems by entering all segments of the resources industry. We will strive to broaden our revenue base by expanding our value chain to include refining & smelting projects and distribution.

Varying Funding Sources for Investment

KORES issued a Mineral Fund I in 2007 to ensure a stable financing source for its investments. Hereafter, we will further diversify our investment financing structure to include mineral resources funds, corporate bond issuances, and project financings. In addition, we will seek to become a financially-independent state-run company through share disposals after expanding our earnings sources.

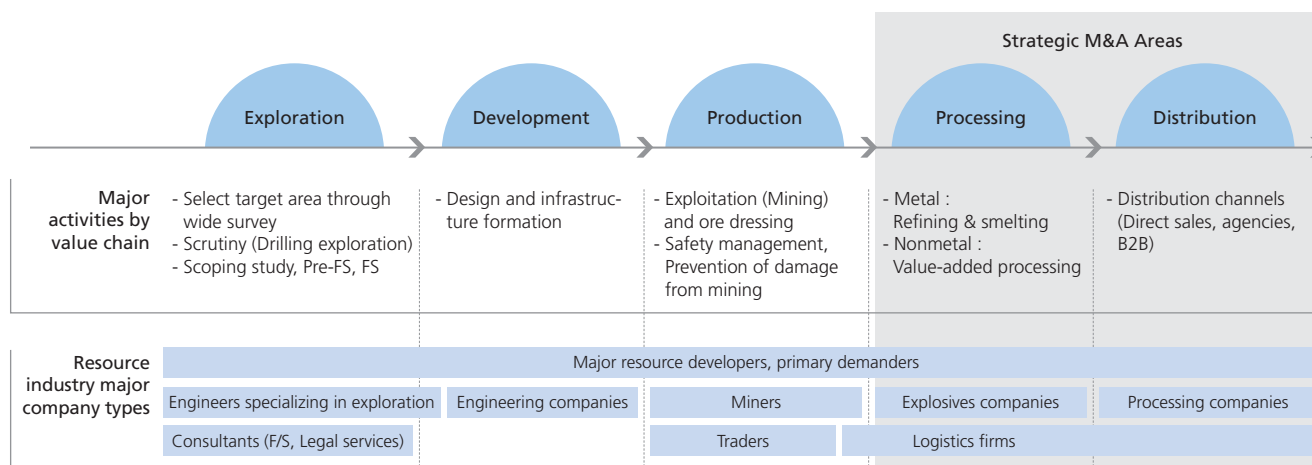
Business Partnership for M&A's

Categories	Details
Counterpart of Agreement	Credit Suisse Securities Ltd. Seoul Branch
Partnering Areas	<ul style="list-style-type: none"> - Review preparation list at each phase for M&As - M&A proceeding and execution - Funding sources for M&As, etc.

Strategic Business Partnership and Training

Partnering Institutions	Details
KDB (Korea Development Bank)	<ul style="list-style-type: none"> - Financial management and advisory support - Cooperative financial management through diverse financial techniques including project financing
KEIC (Korea Export Insurance Corporation)	<ul style="list-style-type: none"> - Support Comprehensive Resource Development Insurance
Advanced financial techniques training	<ul style="list-style-type: none"> - Participate in PEF and other fund simulation training - Form business networking

Exploration Development Production Processing Distribution



SEARCH TO THE END OF THE WORLD FOR RESOURCES!

Amid fierce global competition, securing resources is the most crucial task for the future of Korea, a resource-poor country with a 92% import dependency rate. To survive in a resources war, the nation needs to take first-mover advantage in leveraging untapped mines and reducing import volumes by expanding its self sufficiency rate. KORES is aggressively expanding its sphere of resource development by reaching out to every corner of the world.

1. Succeed in Australia, a leader in resource development

As the world-largest coal and iron ore exporting country, Australia possesses advanced mineral technology. KORES has achieved a splendid success in its first overseas mining development project in Australia, a leader in resource development. We have developed our Springvale mine using a "longwall" process, which is the most productive coal mining technology, thereby securing 20% of Korea's bituminous coal consumption. Notably, we have already recovered our full investment in this project. Furthermore, Wyong mine which became Korea's first mine to obtain operating rights in Australia, will start producing up to 4.5 million tons of coal annually from 2010 for export to Korea. Through such ventures, we expect to accumulate know-how in mining operations and enter into new project areas in the future.

2. Exemplary Korean-style project in Madagascar

Africa holds the world's largest reserves in five major minerals, causing a heated world-wide competition to secure these resources. By attaining the mining operation rights for Ambatovy, the world's third largest nickel mine, KORES is now able to supply 25% of Korea's nickel consumption in a stable manner. The Ambatovy project also involves the construction of infrastructure for mine development. Currently, Korean companies are significantly contributing to Madagascar's economic growth through the development of mines, roads, and harbor facilities. These contributions are also leading to an increase in trust in both Korea and KORES. In addition, we are fulfilling our social and environmental responsibilities through our efforts to protect the environment during the development process and favorably co-existing with our local communities.



3. Seek! Take! Corocoro Mine in Bolivia

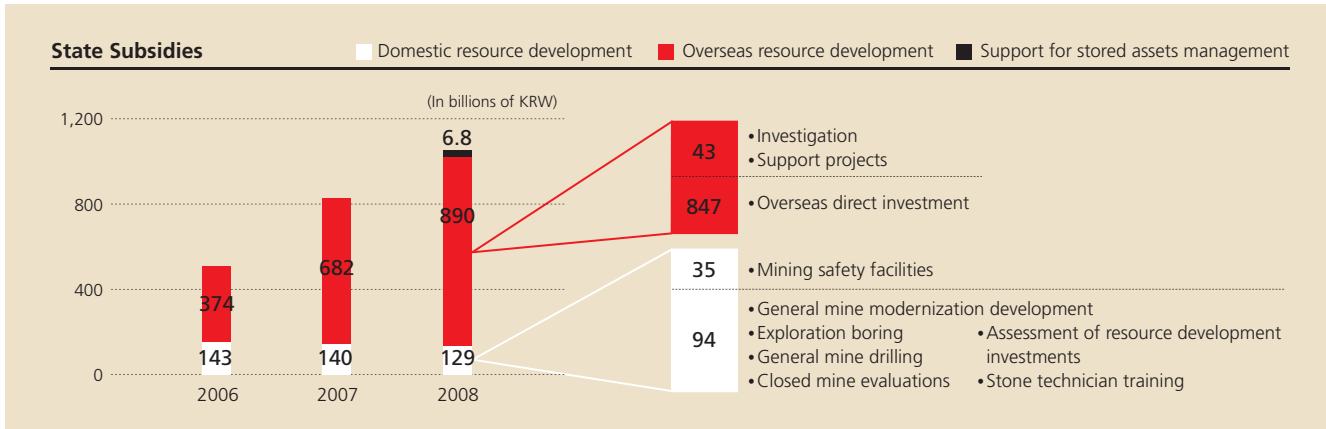
In Bolivia, a project to fulfill Korea's copper demand for the next 30 years is underway. With its proven reserves of 15 million tons and expected reserves of up to 100 million tons, the Corocoro Mine boasts the largest volume of copper in Bolivia. Securing this mine project is especially meaningful in that KORES successfully penetrated this niche market in competition against the major global players in the region.

4. Eyes to undiscovered resources in Mongolia's Tavan Tolgoi Mine

Despite its resource nationalism which creates an unfavorable climate for foreign investment, Mongolia, boasting the world's tenth largest mineral reserves, possesses high economic growth potential. As one of the most promising areas to become the world-largest coal mine, the development competition for Tavan Tolgoi Mine is higher than ever. Through a package of infrastructure development for resource rights, we are confident in our competitiveness against major global players.

The above contents have been excerpted from an MBC TV documentary program "Search the end of the world for resources!" broadcast on May 27, 2008. You can see its real-time streaming video on the KORES website, or "mms://media.onbinet.tv/onbinet/kores/2008/080530/mbc.wmv."

PUBLIC BENEFITS



KORES contributes to the public benefit and the nation's economic development by ensuring mineral resources through its support of the domestic mineral industry and overseas resource development.

EXECUTION OF STATE SUBSIDIES

KORES receives state subsidies from the Korean government to support mineral resource development projects. In 2008, we executed KRW 12.9 billion and KRW 89.0 billion, respectively, in domestic resource development projects including modernization of general mines and overseas projects including direct investment support. We also expanded the number of beneficiary mines, by improving the support system, rate, and process of these subsidies for domestic resource development. The grants were primarily used for mine safety equipment purchase, modernization of general mines, drilling, and evaluations of closed mines. In addition, we established databases on diverse support results by mine, reports, and the status of mining rights, to more efficiently manage and systematically support these activities, and linked these databases to the KOMIS¹⁾ and KMRGIS²⁾ which are operated by KORES.

State subsidies for overseas resource development were mainly utilized for overseas direct investment (capital subsidies), mineral resource development cooperation for target countries, and overseas resource development surveys (current subsidies).

REVALUATION AND REDEVELOPMENT OF DOMESTIC MINES

For the past five years, domestic demand for metallic minerals has increased by 92% (a CAGR of 20%, from KRW 5.9 trillion in 2003 to KRW 11.31 trillion in 2007), and it is expected to reach KRW 138 trillion by 2020. Unfortunately, only 1% of Korea's total metallic mineral demand can be supplied from

domestic sources, forcing Korea to rely heavily on imports. This situation has created urgency in revitalizing our domestic mining industry.

Activities to efficiently utilize state subsidies

Activities	Details
Support method improvement	<ul style="list-style-type: none"> - Support: Closed mine evaluations, safety facilities - Loan upon exploration success : Tunneling - Support + Loan upon exploration success : Drilling (Exploration rights/Mining rights) - Support + loan : Mine modernization development
Support rate adjustment (2008~2009)	<ul style="list-style-type: none"> - Exploration and drilling: 80% 70% - Modernization development equipment : 50% 40% - Valued added facilities: 50% 60% - Mine safety facilities: 70% (Other facilities : 60%)
Selecting mines to support and Grading its support rate	<ul style="list-style-type: none"> - Modernization development: Evaluation criteria (6 ~ 9 items including annual production in the preceding year), differentiated support by project budget (4 grades) - Safety facilities: Incentives for strong / weak safety management, and safety education
CEO forums and seminars	<ul style="list-style-type: none"> - Technological improvement through exchanges within the mining industry, and collection of industry's opinions to improve support system
Modernized equipment exhibition and demonstration	<ul style="list-style-type: none"> - Widen options for modernized equipment supported by government grants

1) Korea Mineral Information Service (KOMIS)

A website to provide up-to-date domestic/overseas mining information, targeted at the efficient advancement of both overseas resource development and the domestic mineral industry. (<http://www.kores.net>)

2) Korea Mineral Resources Geographic Information System (KMRGIS)

An internet website, created to serve as a repository of domestic underground resource information, offering geologic maps and mineral resources reports for mineral resource development and national SOC construction. (<http://www.kmrgris.net>)

As a result, KORES has been re-evaluating and redeveloping domestic mines since 2004 to improve the nation's selfsufficiency rate in metallic minerals. In the past, mines have been closed because of their low economic efficiencies. We plan to explore and redevelop some of these closed mines which have the potential to regain their viability through rising mineral prices, modernization of mines and value adding technologies. In 2008, two mines including Geumsan (uranium) and Gagok (zinc) were investigated, resulting in a joint venture with a private company in the latter, selected the Gagok mine as a model mine. By 2020, KORES will conduct exploration for ten minerals, including gold, silver, copper, lead, zinc, titanium, tungsten, molybdenum, and uranium, from 50 mines and will select 22 finalist sites for redevelopment. We are expecting approximately 4% of Korea's total mineral consumption to be sourced through these redevelopment activities, leading to the revitalization of the overall domestic mining industry, reducing imports by KRW 3.7 trillion, and providing new recruitment opportunities for around 2,200 mine workers.

VALUE-ADDED PRODUCTION TECHNOLOGY RESEARCH

The economic value of minerals is noticeably increasing through high value-added production technology. For instance, raw silica ore, which sells at an average of KRW 10,000 per ton, turns into a value of KRW 20,000~30,000 per ton just through simple crushing. We can further increase its economic value by

more than 300 times, however, to KRW 300,000 per ton by converting it into submicron silica powder. KORES's research center has established a mid- to long-term R&D roadmap and master plan to promote the mining industry's revitalization, while activating the redevelopment of domestic mines, and systematically supporting overseas resource development through R&D in the treatment and utilization of metallic minerals. Additionally, we will pave the way in organically connecting and supporting strong industry-academic research cooperation, as well as enhancing R&D activities and capabilities by nurturing research personnel through domestic and overseas training programs and modernizing research facilities. Hereafter, we will lead the development of technology to expand value-added



1 Employees exploring dormant domestic mines



2 Value-added production technology research

Raw Material Price Increases... Reactivating Unused Domestic Mines

<"KBS 9 O'clock News" broadcast on April 6, 2008>



The domestic mining industry used to be a declining sector until it began to be revitalized by the higher prices of international raw materials. Aside from rising prices, newly developed mining technology and improved equipment have bolstered the resurgence of this industry. Here is a mine in Geumseong-myeon in Jecheon City. After about twenty years of dormancy since its closing in 1985, the mine was recently reopened. Road construction work is now underway at the entrance to the mine. Thanks to the rising prices of international raw materials, the mine, which produces Molybdenum, an essential material in the production of high grade steel, was given new life.

"Three years ago, this mine's estimated reserve deposits were determined to be 3.8 million tons. Last year, KORES obtained the mining rights by investing KRW 20.0 billion and announced that the total expected revenues from this mine will reach approximately KRW 400 billion, based on current market prices. The factors governing the viability for revitalizing domestic mines involve more than just

the higher prices of minerals. The improved efficiencies in mining technology have also played an essential role in the decision. After its shut-down in 1997, this mine recently reopened with two lanes of traffic for all roads inside the mine compared to the early days' narrow and stuffy spaces. With fresh air supplied by ventilation shafts which were drilled 160 meters vertically into the mine's core, today's mine offers workers a similar work environment to their above-ground counterparts.

We are standing here 1,200 meters away from the entrance of the mine. We can see the fully-streamlined, bulk rock drills quarrying the ore. Drilling work in this tunnel averages 30 meters of forward progress every day. As you can see, only three to four persons including a rock drilling operator and less than two assistants are working at this site. Currently, six unused mines have been reopened for redevelopment or production in Chungcheongbuk-do (province). KORES revealed that it will continue to expand its investments in competent domestic mines since further upward movements in international raw materials prices are inevitable due to the combination of rising demand and increasing, resource protectionism around the world.

mineral resources technology, thereby building secure relationships with the major resources producing countries, and ensuring competitiveness.

MINERAL STORAGE

KORES has been operating a mineral storage business since 2007. This is to support low carbon green growth including solar cells and fuel cells, reinforce our capabilities to respond to a supply crisis for rare metals that are essential materials for cutting-edge industries including the aerospace industry, and secure the independent supply of minerals in linkage with overseas resource development.

By considering factors such as production/export concentration

rates, market instability, domestic production capacity, advanced industries' raw material needs and war supplies, eight rare minerals were selected as storage items through discussions at the government's Stockpile Control Council. They include chromium, molybdenum, niobium, antimony, tungsten, titanium, selenium, and the rare earth elements. Aiming to achieve a storage capacity of 76,000 tons by 2016, we have already stored 5,936 tons of six of the eight minerals as of 2008. In 2008 alone, we stockpiled 2,590 tons, an increase of 41% vs. the year's target of 1,831 tons, through a detailed environmental analysis by item and purchase efficiency improvements through our pricing analyses.

COOPERATIVE EXPANSION FOR RESOURCE DEVELOPMENT

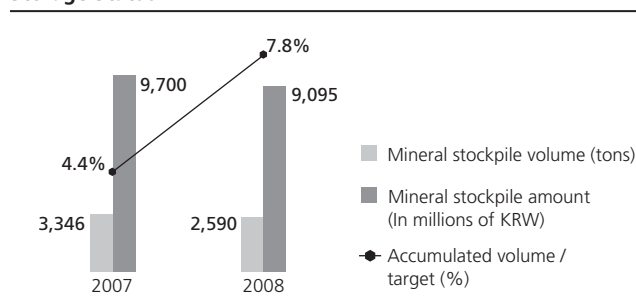
Through our cooperative resource development expansion model, KORES contributes to the nation's economic development by guaranteeing the participation of private domestic companies in the establishment of overseas infrastructure in the communities in which we invest. We also expand the consortium opportunities for Korean companies, to participate in this overseas development, helping Korean companies to make inroads into overseas markets by obtaining/reporting bidding opportunity information as early as possible to these companies. In the case of the Ambatovy project, the company has already retrieved US\$ 392 million, recovering 89.7% of its US\$ 437 million initial cash investment. Moreover, we have also improved the management capabilities of domestic state-run and private companies for large scale projects by participating in immense resource development and plant construction projects, while laying the foundation for domestic companies to secure long-term, profitable projects, including raw material supply projects through marine transportation.

Rare Metal Stockpile

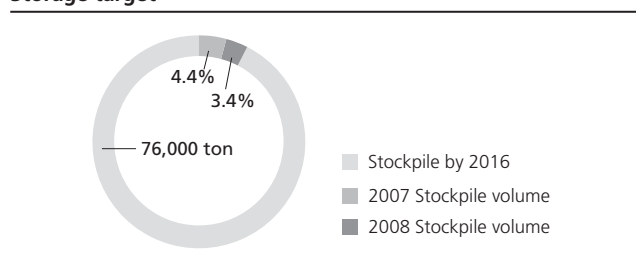
(Unit: Tons, millions of KRW)

Mineral	2007 Storage		2008 Storage		2016 Target (accumulated)	
	Volume	Amount	Volume	Amount	Volume	Amount
Chromium	3,136	4,699	2,200	3,544	69,700	75,900
Molybdenum	90	3,808	100	2,260	2,280	123,669
Antimony	-	-	200	1,395	1,650	8,357
Titanium	100	583	50	349	800	8,524
Tungsten	20	610	10	317	44	1,503
Niobium	-	-	30	1,230	360	5,276
Selenium	-	-	-	-	2	220
Rare Earth Elements	-	-	-	-	1,164	4,878
Total	3,346	9,700	2,590	9,095	76,000	228,327

Storage Status



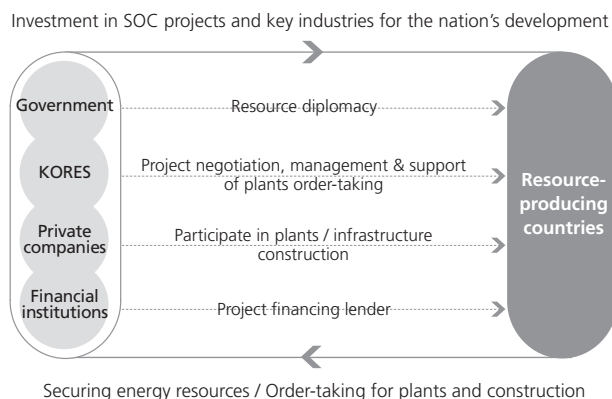
Storage target



Joint Resource Development Ventures for the Ambatovy Project

Cases	Time	Contract amount (in millions of US\$)	Domestic companies awarded orders
Coal cogeneration plant	2007. 2	175	Hyundai Engineering, Daewoo International, Keangnam Enterprises
Plant site maintenance work	2007. 4	16	Keangnam Enterprises
Electric devices & equipment supply	2007. 10	17	Daewoo International
Limestone storage	2008. 1	2	STX
Plant site construction	2008. 3	14	Keangnam Enterprises
Process linkage between plants	2008. 3	100	Keangnam Enterprises
Ammonia unloading and transportation facilities	2008. 3	68	Daewoo International Consortium
Total		392	

Cooperative Resource Development Model



Cooperative Expansion Model

Due to the growing scale and budget of today's resource development projects, individual companies often face difficulties undertaking such sizable projects. Our "Cooperative Expansion Model" creates win-win situations by investing in SOC construction projects and key industries which aid the economic development of resource-producing countries, while at the same time securing energy resources and orders of plants and construction projects for Korea's interests.

SECURING MINERAL ENERGY RESOURCES

Uranium

Nuclear power has surged as one of the world's major clean energy sources to cope with climate change and the growing need for the development of alternative energy sources amidst rising oil prices. Currently, Korea's nuclear power generation represents 36% of total electric production, and the ratio is expected to grow further gradually. Additionally, nuclear power is being recognized as a future energy source which can minimize greenhouse gas emissions that cause global warming.

Uranium & Bituminous Coal Demand Anticipation

Mineral	2008	2009	2010	2011	2012
Uranium (Tons)	3,695	3,695	3,915	4,355	4,575
Light-water reactor	3,286	3,286	3,506	3,946	4,166
Heavy-water reactor	409	409	409	409	409
Bituminous Coal (in Thousand Tons)	87,033	96,956	98,634	101,440	101,610
for power generation	58,333	65,156	66,634	66,440	66,410
for making iron	21,900	24,900	24,900	27,900	27,900
Cement	4,400	4,500	4,600	4,600	4,700
Others	2,400	2,400	2,500	2,500	2,600

(Based on the 3rd basic power supply/demand plan, The Ministry of Knowledge Economy, Dec. 2006)

KORES has been dedicated to securing uranium, the raw material for nuclear power generation, in order to meet the national demand and cope with climate change. As a result, we are pursuing opportunities in four source countries including Australia and parts of Africa, through four projects of varying stages from a completed contract, to two MOUs and a contract now under negotiation. In particular, we have secured deposits of more than 20,000 tons of uranium, by concluding a KORES-led investment agreement for Australia's Marree exploration project in October 2008. By 2016, we will invest US\$ 195 million to further develop an additional 900 tons of uranium in order to supplement Korea's deficiencies in uranium supply.

Bituminous Coal

Bituminous coal is an essential mineral for the nation's power generation. Therefore, demand for bituminous coal is also expected to rise following a rise in demand for power generation. Recently, due to the growing energy demand from third world countries, the supply/demand equations for bituminous coal are increasingly faced with disruption. Thus, KORES has been taking steps to improve Korea's self sufficiency ratio for bituminous coal as one of six strategic minerals. Currently, we are carrying out 14 bituminous coal projects in five countries around the world, resulting in 9.52 million tons of production in 2008.



1 Signing for the establishment of a special alumina refinery



2 Inside the Molybdenum Refinery of Kwangyang Ferro Alloys Co., Ltd.

Six Strategic Minerals



Witness of civilization - Iron (Fe)

As the fourth most abundant element on earth, following oxygen, silicon, and aluminum, iron makes up about 5% of the earth's crust. Iron is utilized in many fields including auto, aircraft, ships, electronic products, and other personal goods.



For longer product life spans - Zinc (Zn)

With its main purpose as gilding, Zinc is an indispensable industrial material. It is mostly used for coatings for a wide range of products, including steel and copper, as well as use in dyes, insecticides and medicines.



Environmentally friendly energy resource-Uranium (U)

Uranium is an energy mineral of increasing significance to Korea's electric power generation. It is also an environmentally friendly energy source, thanks to its low levels of greenhouse gas emission, which are 40~100 times lower than thermal power generation.



Key material for electric supply -Bituminous Coal (C)

77% of Korea's total electric power is generated by bituminous coal and uranium. As the most widely consumed material for thermal power generation, bituminous coal plays an essential role in Korea's electric power supply.



Metal preservative-Nickel (Ni)

Nickel is a shiny, silvery metal that is highly resistant to corrosion, rich in malleability, and used as an alloy for specialized stainless and alloy steels, compound metals, metal plating, rockets and nuclear reactor construction.



Center of electric products-Copper (Cu)

With its high level of electric conductivity, second only to silver, copper is utilized as a key material for electric power facilities, telecom and electronic products. It is used not only for a variety of end-user products, but also for electric cables used in power transmission.

ECONOMIC VALUE CREATED FOR STAKEHOLDERS

KORES shares the economic value which is created from its business operations with its employees and the society as a whole, to which it belongs.

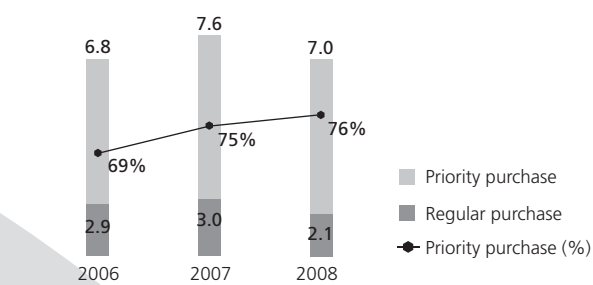
Employees

In 2008, the amount of economic value which KORES shared with its employees, including salaries and other employee benefits, totaled KRW 23.3 billion. In our domestic work sites, we are enabling our employees to enjoy economic stability through improved purchasing power, in turn improving their work satisfaction levels, by paying our new recruits 175% of the minimum wage standard dictated by law.

Through the enactment of guidelines for the management of retirement pension assets and the Retirement Pension Committee, we have established target yields and permissible risk limits for our retirement annuities. We also operate retirement pension programs that observe the standards for asset allocation, risk management, and asset management performance evaluation. Currently, 229 and 120 employees, respectively, are eligible for defined-benefit type and defined-contribution type pensions. For defined-benefit pensions, we have put aside KRW 3.9 billion, adhering to the 30% legal reserve ratio.

2006~2008 Priority SME Purchases

(Unit: In millions of KRW)



Sustainable Purchase Policy

KORES's economic activities go beyond profit-oriented resource development. We are exporting economic value through job creation, wage payment, tax payment, and procurement. In particular, recognizing the importance of small- and medium-size enterprises (SMEs) which make up 99% of the nation's businesses and 87.5% of our employees, we practice a policy of giving priority to the purchase of SME products to fulfill our social responsibility as a state-run enterprise. In 2008, 76 % of our total procurement expenditures were for SME products.

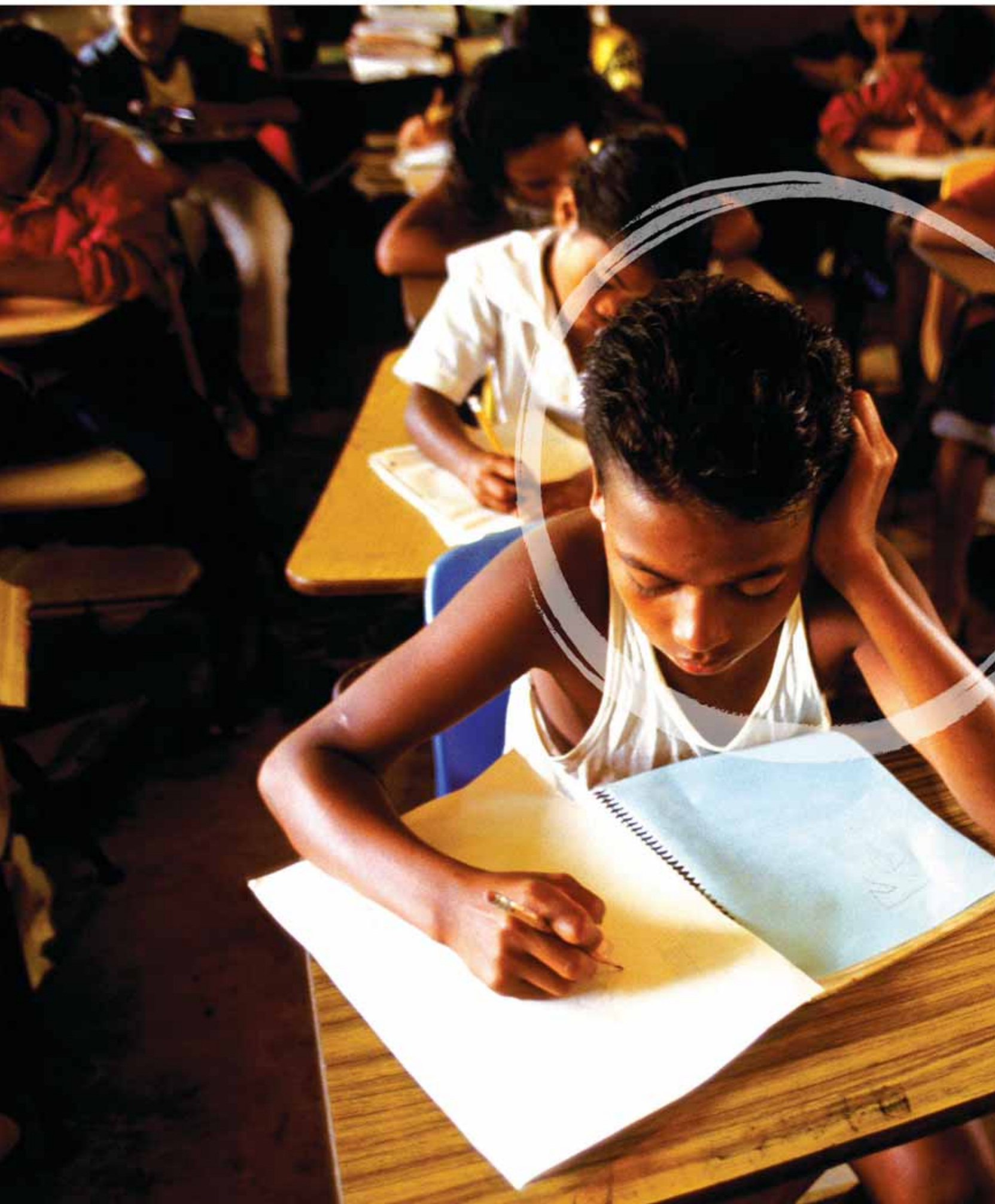
Government

Thanks to its profitable performance, KORES completely retired its carry forward losses in 2007, leading to the first dividend payout to its main shareholder, the Korean government, in 15 years. The amount of dividends paid totaled KRW 480 million, representing 11 % of net income in 2007. By achieving the profitability levels that enabled our dividend resumption, we were able to publish our management results for both internal and external consumption, enhance our role as a state-run company, and secure a stable platform for additional investments.

Creation & Allocation of Economic Value

(Unit: In millions of KRW)

Items	2006	2007	2008
1. Direct economic value created			
a. Revenue	66,056	65,226	166,032
2. Economic value allocated			
b. Operating expenses	14,973	15,005	15,350
c. Salaries and other employee benefits	20,686	21,420	23,302
d. Capital costs	23,760	20,572	112,711
e. Taxes and dues	262	275	425
f. Investment in local communities	306	91	327
Economic value reserved (1-2)	6,069	7,908	13,917





Society

UNLIMITED

**Holding hands and breaking down barriers,
we are creating a warm world of sharing.**

We believe that mankind's most valuable resource is love.

We deliver warmth everywhere in the world where help is needed.

We will always be one step ahead of others in tearing down the walls
of separation in dark and alien places.

KORES Voluntary Service Corps is always there as a warm neighbor to
serve not only through its heart but also in its practice.

Disclosure on Management Approach (DMA)

OUR APPROACH

KORES aims to grow into a company which is trusted by its employees, customers, and local communities through its clean and transparent management practices. Additionally, we will develop a management culture which promotes mutual benefits with our stakeholders through effective communication. We will also continue to elevate our sustainability management levels by expanding corporate-wide social responsibility activities based on a reliable and inter-respective organizational culture.

PRIORITIES AND STRATEGIES FOR SOCIAL VALUE CREATION

KORES constantly carries out educational programs and monitoring to promote employees' voluntary participation in ethical management. In 2008, misconduct was reported. We will continue to thoroughly eliminate the possibility of any misconduct through constant surveillance, preventative action and strengthened post facto management. We will also endeavor to retain and nurture resource development professionals, mainly by improving our capability enhancement programs, organizational culture, and working conditions. In addition, we will raise our customer satisfaction levels by introducing an integrated CRM system, while continuously fortifying the trust of our local communities through the ongoing improvement of local community participation processes. Furthermore, we will expand our domestic and overseas social responsibility activity programs, to enhance our reputation as a responsible resource development company.



ORGANIZATIONAL RESPONSIBILITIES AND MONITORING

Our social performance has been evaluated primarily in the context of our respect for the diversity of our employees, our efforts in developing a clean organizational culture, and volunteer service in our local communities. Hereafter, we will improve our monitoring levels for our sustainability management status by developing and managing a large variety of social contribution indices.

Category	Item	2008 Goals & Status	2008 Performance	2009 Goals	Major Stakeholders
Employment	Total No. of persons	351	↓ 349	440	Employees, Local communities
Diversity	Female ratio	16.5%	↑ 17.5%	18.0%	Employees, Local communities, NGOs
	Handicapped ratio	2.5%	↑ 2.6%	2.6%	Employees, Local communities, NGOs
Health & Safety	No. of industrial accident victims	0	↑ 1	0	Employees
Ethics	No. of participants in ethics training	650	↑ 882	5% increase	Employees
Anti-corruption	code of Ethics Violations	2	↓ 1	0	Employees, Local communities, NGOs Government
Training	Average training hours per person	31	↑ 41	43	Employees
Products & Services	Customer satisfaction level	93 Points	-	AA Rating	Employees, Local communities
Local Community	Volunteer hours per person	6.1	10.7	11	Employees, Local communities

Goal Achieved ■ Goal Not Achieved ↑ YoY Increase ↓ YoY Decrease In Process

ETHICAL & TRANSPARENT MANAGEMENT



Clean and transparent management activities are a vital prerequisite to strengthening the trust of our stakeholders.

We are reinforcing our systematic support for the practice of ethical management, while planning to assist all of our business partners so they are better equipped to uphold and execute our ethical and transparent management principles.

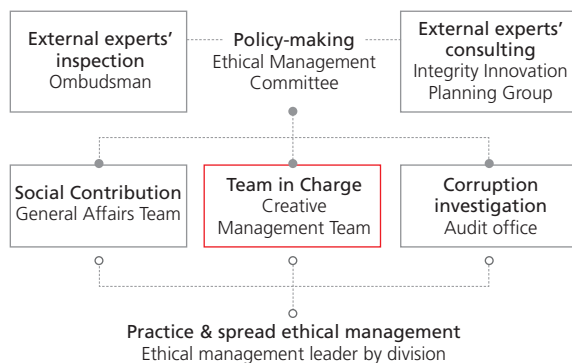
Ethics Management System

KORES undertakes many efforts to instill a corporate culture of integrity. We have set up an ethical management system, in alignment with our CEO's management philosophy that "A careless moment about ethical management is the beginning of a problem." Our ethical management system is primarily designed to support the systematic fulfillment of ethics training, practice programs, monitoring and evaluation, and social contribution activities this allowing an ethical corporate culture to root firmly.

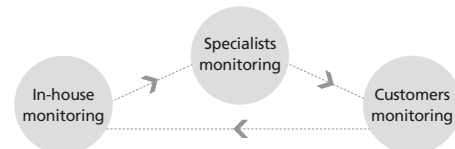
Ethics Management Committee and Monitoring System

We operate an Ethics Management Committee under the BOD as a decision-making body for our ethics management policies. The committee consists of nine persons including three standing directors, division directors, and the manager of the general affairs team, auditor, and representatives from the labor unions. We are continuously conducting specialist monitoring, in-house monitoring, and customer monitoring on our ethics management in order to internally materialize substantial ethics management.

Ethical Management Promotion Organization



Ethical Management Monitoring Cycle



Monitoring System for Ethics Management

Integrity Innovation Planning Group	Formed by external specialists, the group inspects the status of ethics management and anti-corruption practices, providing recommendations on a quarterly basis.
Civil Ombudsman	Under direct control of the CEO, it advises on policy reforms and orders audits by reviewing major complaints.
Customers' Monitoring Group	Through periodic surveys of key businesses including loans, it inspects service quality and monitors for any misconduct.

Code of Conduct Observance

Despite the best intentions and efforts of KORES's ethical management initiatives, three incidents of ethics violations occurred during the 2006 to 2008 period, as revealed through internal auditing. The violations involved a company which had taken out a domestic resources development loan and submitted a falsified tax invoice documenting a completion inspection for which an internal employee received money and other articles in 2007. Since this was the first ever corruption incident since the inception of KORES, it caused a great shock to both the company and its employees. In accordance with KORES's internal regulations, the employee was dismissed from office, followed by a clear disclosure of this violation on the company's website.

KORES Ethical Standards



For details, visit the "Ethical Management" section on our website(www.kores.or.kr).

Transparent Management Strengthened

The misconduct that occurred in 2007 made all employees realize that constant efforts towards maintaining an ethical corporate culture were necessary. By selecting 2008 as "a year of ethical management enhancement," a number of related corporate-wide activities were held to enhance employees' ethical awareness. This started with the CEO's official clarification on ethical management. All executives and team leaders signed Contracts of Integrity with the CEO at a joint workshop with customers, which provided for the return of salaries, dismissals and prosecution in the case of illegal acts. Employees carried out a "Promise to Myself" commitment to practice ethical management, while holding a "Fair Play Campaign" promoting fairness at the work place for a year. Within the Domestic Loan Team, where the ethics violation had occurred, review and management functions were separated to block any possibility of impropriety, while introducing monitoring systems such as cross-inspections and mandatory reports by inspectors and supervisors for building completion. Additionally, to completely eliminate potential misconduct, a dual responsibility will be imposed on both the violators and their superiors, as well as any counterparty companies, thereby expanding our enforce-

ment and punishment measures. KORES will continue to foster an ethical corporate culture through its "Fair Play Campaign" in 2009.

Ethics Training

KORES held educational programs to instill ethical awareness for all employees. Through external guest speakers, and internal education on the company's code of conduct, a total of 882 persons including executives went through our anti-corruption and integrity-related ethics training programs. In 2008, we started an online education website, "Mine Edu" for ethics management training. Hereafter, we will enhance the integrity of our employees and strive to eliminate unacceptable behavior through diverse, periodic educational programs.

Human Rights Education

KORES held a sexual harassment prevention education program in December 2008, targeting all employees. The program is held more than once a year. There have been no charges of sexual harassment during the 2006 to 2008 period. In the future, we plan to expand our periodic training programs for human rights protection to employees in charge of security, to prevent the infringement of others' human rights in the work place.

Prohibition of illegal collusion and dishonesty hindering market competitiveness

KORES requires an Integrity Pledge for all business cooperation and purchase contracts. In this pledge, we take an oath to eliminate any obstructions to free competition, including illegal collusion and dishonest acts. For the past three years, there have been no records of violations of the Fair Trade Commission guidelines.

No. of Code of Ethics Violations

Corruption Cases	2006	2007	2008
Internal employees	-	1	1
Partner companies	-	1	-

Measures for Code of Ethics Violations

Type of measures	2006	2007	2008
Dismissal	-	-	1
Discipline	-	-	1
Total	-	-	2

Political Funds Donation Prohibition

In accordance with Article 6 of the Political Fund Law which prohibits the donation of political funds by business enterprises, KORES expressly prohibits any donations of political funds or goods.

Ethics Education

Education Programs	2006		2007		2008	
	Executives	Employees	Executives	Employees	Executives	Employees
Code of Conduct Education	-	305	-	262	-	216
Special Lecture	5	175	9	270	9	545
Online Education	-	-	-	-	-	81
Outsourced Education	-	127	-	78	-	-
Government Integrity & Ethics Courses	-	17	-	31	-	31
Total	5	624	9	641	9	873



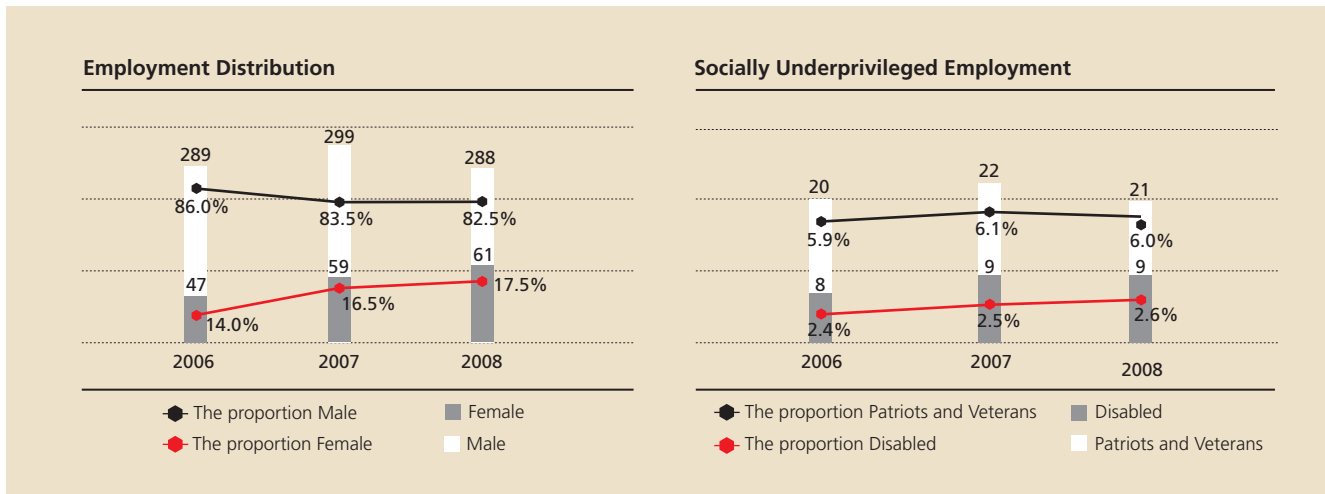
1 CEO's pledge for ethical management and promulgation of sustainability management

2 Leading the domestic resource industry's participation in ethical management through joint pledges

Major Policies and Activities for Ethical Management

Activities	Details
Reflect ethical management in the evaluation of internal management performance	Additional 5-10 points for efforts in ethics & environmental management (on a 100 point scale) Additional 2 points for improvements in integrity and anti-corruption policies
Clean Recall Policy	In cases where our employees fail to meet our customers' requirements, we will offer the relevant services again for free
Clean Budget Report Center	Report illegal budget practices and receive budget-saving ideas
Clean Card Policy	Utilize "Clean Card," a corporate credit card, with restricted use in only 13 business activities. This enhances transaction transparency, while utilizing the card's mileage benefits to fund social contribution activities
Guidelines for prosecuting business-related crimes	Major duty-related crimes, including acceptance of money and other goods and entertainment worth more than KRW 3 million, and embezzlement will not only be subject to internal punishment but will be prosecuted to the full extent of the law.
Integrity guidelines for off-duty contacts	Stronger behavioral guidelines, beyond the code of conduct, will be applied to employees engaged in off-duty, company related business activities such as meals and golf
Detailed behavior standards defining abuse of power	Detailed definitions of unfair work directives and behavioral guidelines for interactions between a superior and their subordinates have been established to prevent the unfair abuse of power by superiors and to facilitate a channel to receive formal objections by subordinates
Clean Monitoring Group	A "Clean Monitoring Group," made up of customers, is operated to induce reports on illegal acts and improve integrity while evaluating the quality of loan services
Civil Ombudsman Policy	Under the direct control of the CEO, the Ombudsman seeks ways for the rational resolution of civil complaints and improves the company's systems and practices
Protection and reward for whistle-blowers	In the event of a report of a dishonest act through the online report center, the reporting party will be thoroughly protected and awarded compensation if the report has prevented a loss
Promotion delay policy	A policy to delay the promotion of ethics violators up to twice the duration of those being punished for other disciplinary infractions, including a 12 month reprimand, 18 month disciplinary confinement and 24 month salary reduction
"Three strikes" policy for corruption	Eliminate persons who are prosecuted more than three times without question of disposition or penalty
Mentoring system	Provide mentors for new recruits, offering guidance on social issues and ethical dilemmas
Integrity survey	Inspect integrity status and practice levels through in-house investigations mainly on the integrity of the company's executives, internal operations, and civil services. The results are reflected in the personnel files and used in the executive's evaluations
Ethics education	Through Code of Contact education, external guest speaker lecture programs, and e-learning systems, 11.2 hours per person of educational opportunities were given in 2007

EMPLOYEES



Employees constitute one of the most essential assets for KORES's growth as a world leading mining company. Thus, we will grow into a competitive enterprise, mainly by treating our employees with fairness, providing diverse opportunities for career development, and creating a healthy and pleasant working environment.

EMPLOYMENT STATUS

We can only achieve sustainable growth when our employees are satisfied with their duties and do their best in all of their roles. Accordingly, we are raising our corporate competitiveness, mainly by guaranteeing equal opportunities in recruitment, strengthening educational programs to secure expertise, offering various welfare benefits, and establishing stable labor-management relationships.

Total Number of Personnel

The number of employees at our Korea work sites is 349 (including 343 regular-based personnel and 6 contract-based staff on indefinite terms of employment). Nurturing professionals and supplying them to the broader domestic market by expanding recruitment in the resource development areas, is considered part of our mission. To this end, we will continue to increase new employment and recruits of professionals. The number of our employees is expected to reach approximately 680 by 2014.

Employment of Socially Underprivileged People

We must respect diversity and realize non-discriminatory employment to earn the trust and respect of our employees. Currently,

the proportion of female workers stands at 17.5% (61 persons) of the total workforce, with a steady growth trend. Additionally, we provide a special recruitment policy (including additional points for documentation) for socially underprivileged people, including the differently abled and physically challenged military veterans. In 2008, we hired three new physically challenged military veterans. Currently, the differently abled and physically challenged military veterans represent 2.6% and 6.0%, respectively, of our total workforce.

Employment Turnover Rate

In 2008, a total of 13 regular employees separated from their positions, posting a 3.8% employment separation rate. The employee separation rate has been showing an upwards trend during the past three years, due to the growing number of retiring employees over the age of 50. We will strive to maintain our low separation rate by making efforts to enhance our employee satisfaction levels.

2008 Personnel Status

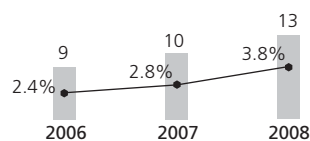
(Persons)

Category	Male	Female
Executives	4	0
1st grade	9	0
2nd grade	45	0
3rd grade	149	14
4th grade	41	19
5th grade	32	24
Supporting Position	2	4
Temporary Position	6	0
Total	288	61

Employee Turnover Rate

(Persons)

Age	2006	2007	2008
20s	1	-	1
30s	3	2	1
40s	3	2	1
Over 50	2	6	10



Job Fair Event

CREATING A FAIR AND UNBIASED CORPORATE CULTURE

Creating a fair and unbiased corporate culture is the most significant factor in developing a great workplace. KORES does not discriminate against employees by gender, academic background, religion, region, or disability, while making sure that they are treated fairly based on individual ability and performance. Particularly, we recognize that maintaining cooperative relationships with our employees, customers, and local residents with diverse backgrounds, is essential for us to succeed in our expanding overseas projects. To this end, we support the establishment of a corporate culture that respects diversity.

Nondiscrimination in the Workplace

In observance of internal regulations, including collective bargaining agreements and recruitment guidelines, we are creating a non-discriminatory work environment with respect to human rights. We also strive to ensure nondiscrimination in the workplace in the areas of duties, promotion, welfare, and basic salaries. Specifically, we prohibit discriminatory treatment of female employees. Thusly there is no wage disparity between female and male personnel within the same job classes. We utilize an internal monitoring system including internal audits and an ombudsman to respond to discrimination. As a result, there was no record of discrimination in the period from 2006 to 2008.

Fairness in Performance Evaluation

KORES adopts fair performance evaluations for all employees. For evaluation of personal duty, we apply comprehensive assessments including performance achievement levels based on job function specifications, personal goal attainments and the level of difficulty of the assigned duties. Furthermore, in an effort to support an unbiased fairness and objectivity in promotion deliberations, we are utilizing multifaceted assessments and the results of balanced scorecards (BSC).

Prohibition of Forced Labor and Child Labor

KORES expressly prohibits child labor or forced labor in its all work sites in accordance with Korea's Labor Standards Act, the International Programme on the Elimination of Child Labour (IPEC) and the Special Action Programme to Combat Forced Labour (SAP-FL) of the International Labour Organization (ILO). We have recorded no violations. As our overseas operation will be expanded in the future, we will provide systematic programs to prevent child and forced labor that may be caused by cost-saving efforts. In our Marcona worksite in Peru, we are currently expanding educational opportunities for local children in a bid to prevent the possibility of child labor from occurring.



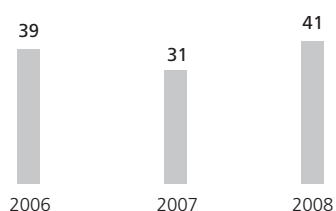
Seeking happiness of employees through a fair and unbiased corporate culture

NURTURING PROFESSIONS TO LEAD RESOURCE DEVELOPMENT AT HOME AND OVERSEAS

To grow into a specialized, resource development company, armed with global competitiveness, we operate a variety of education and training programs centered on the improvement of “expertise in resources development,” “global competitiveness,” and “change management.” These include special training initiatives to boost expertise in resources development by job and position, study trips to overseas graduate schools specializing in resources to develop professionals by region, and training programs for regional experts. In addition, we have established a foundation to nurture and supply professionals in a systematic manner, by concluding industry-academic co-operation agreements with eight universities offering resource development-related majors.

Education hours per person

(Hours)



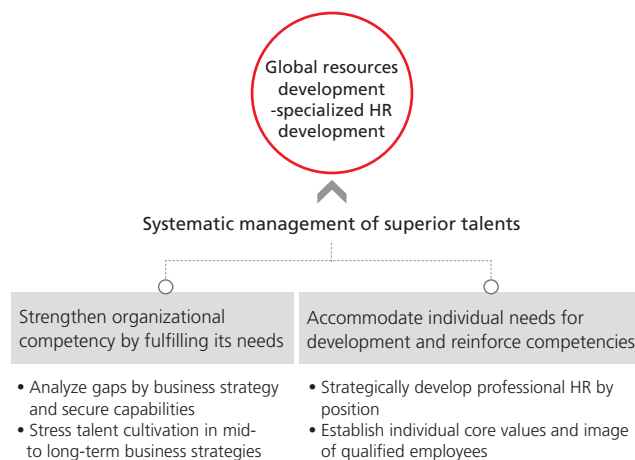
Average education hours by position in 2008

Position	Hours
1st grade	38
2nd grade (Leader of Team higher)	8
3rd grade (assistant managers, managers, Deputy Director)	59
4 th and 5 th grade support positions (Staff, Senior Staff)	56

Fostering Totally Insightful Experts

We strive to nurture “T-type” human resources (HR) who possess multi-dimensional thoughts and comprehensive insights. Thus, all employees of less than three years are required to undertake diverse general courses including geology, mining, accounting, and law. This is followed by specialized in-depth vocational training in such areas as resources exploration and development, management law, and resource utilization for all employees with more than three years in the company. Through such an HR development system, we are nurturing resource development professionals with broader insights.

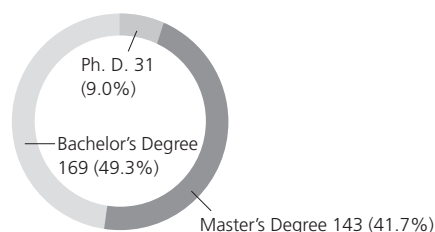
HR Development System



“T-type” Resource-specialized HR development structure



Resource development specialists



The majority of KORES staff is comprised of professionals in resource development (31 doctorate holders and 143 master's degree holders).

Education & training to strengthen competencies in 2008

Competency	Details	Remarks
Resource development expertise	<ul style="list-style-type: none"> • Education & training programs to enhance project managers' capabilities • Nurturing specialists in feasibility tests in overseas project's management units 	<ul style="list-style-type: none"> • Resource development overseas graduate courses: 8 persons • Short-term project manager training: 19 persons • Resource development academy: 5 persons • F/S specialists training: 12 persons • Regional specialists: 1 person
Global competitiveness	<ul style="list-style-type: none"> • Systematic language and information education 	<ul style="list-style-type: none"> • Language courses including English: 82 persons • Information education: 9 persons
Change management	<ul style="list-style-type: none"> • Management ability education by class 	<ul style="list-style-type: none"> • Annual required courses through e-learning system • Participation in top management courses for the development of managerial skills



INSTITUTIONAL BENEFITS FOR EMPLOYEES

KORES operates diverse welfare programs to improve employee satisfaction and the quality of their lives in addition to the four basic insurances including national pension, health insurance and worker's compensation in accordance with the legal welfare system requirements. Through our selective integrated welfare system, we operate a flexible welfare policy sensible to the various needs of our employees. There is no difference between regular and temporary position employees regarding their access to our welfare policy.

In 2008, we published a guide book for the better understanding of our employee welfare policy. Moreover, we recently took a survey regarding 15 welfare issues. From the employee input, we have focused on the expansion of leisure facilities and access to medical consultation for health exams, as priority items for improvement.

Overseas Dispatches Advantages

Due to our overseas expansion, the number of overseas postings is increasing. Thus, we offer distinctive welfare programs for employees who are dispatched abroad. By joining local insurance programs and supporting medical expenses we protect their health and safety, while providing plentiful support to relieve them from any burden. Moving forward, we will maintain our efforts to continue raising their satisfaction levels by reinforcing our special regional service allowances and institutional assistance for health and safety.

Maternity Protection Activities

To pursue the government's policy to address the social issues of low birth rates and improve the working conditions of our female employees, we carry out maternity protection activities. In specific terms, we provide rest areas for female employees, delivery celebration bonuses (KRW 500,000), spouse delivery leave (3 days with pay), female leave for breast-feeding infants (an hour per day), and split leave periods for nursing babies.

Retirement Provision Programs

We operate diverse programs for retiring employees, and including outplacement training programs for employees who have worked at KORES for more than 20 years, and job switching services (labor-management outplacement centers).



Employees exploring overseas projects.

HEALTH & SAFETY

We build a consensus on health and safety management through our joint labor-management conferences and collective bargaining agreements. By continuously expanding our institutional support, we will create a safe and healthy workplace both at home and abroad.

Health Examination

KORES provides special health examinations for workers in hazardous and dangerous working environments, while holding regular health examinations once a year and comprehensive exams every other year for general employees. Furthermore, we offer temporary rest and work hour reductions for employees with illness discovered in the health exam process, according to the progress of their disease and symptoms. We also provide consultation and education for smokers through non-smoking clinics, while helping them to quit smoking by rewarding them with a KRW 200,000 bonus when they attain six months of no-smoking.

Accident Compensation

KORES supports all employees who are victims of accidents or various disasters with accident compensation. In case of injury or diseases caused by workplace accidents, we cover additional medical expenses beyond the standard outlined in the Industrial Accident Compensation Insurance Act, while paying salary during their period of absence in accordance with the relevant laws.

Working Environment Improvement

In observance of the Law of Industrial Security and Health, we regularly inspect our work environments, identifying factors in advance which can affect the health and safety of our employees. Based on the inspection results, we carry out any appropriate renovation work on the facilities and equipment in question. In 2008, we replaced the underground heating pipes at our technology R&D center, while carrying out waterproofing work on the roof. We also offered new rest areas and convenience facilities to improve our employee satisfaction levels.

Employees' Wellbeing Support System

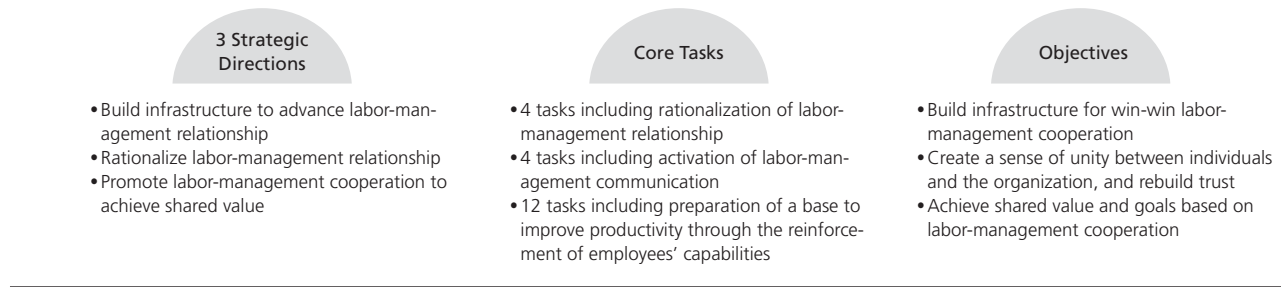
Support		Major benefits
For all employees	Stable housing & living	<ul style="list-style-type: none"> Housing loans and company houses for employees Loans for stabilization of livelihood
	Children's education	<ul style="list-style-type: none"> Education funds for middle and high school children Student loans for university students
	Leisure activities	<ul style="list-style-type: none"> Sports and leisure expense support inside the company, recreation facilities operation, and clothing expense support
	Maternity protection	<ul style="list-style-type: none"> Maternity leave Periodic health exam during pregnancy
	Others	<ul style="list-style-type: none"> Welfare card, rewards, funeral support
For overseas dispatched employees		<ul style="list-style-type: none"> Local social security insurance, medical expense support, house rentals, and air travel support for special events

Support	Efforts for the health and safety of employees
Health examination	<ul style="list-style-type: none"> Regular health exam/special health exam and comprehensive exam/spouse health exam
Accident compensation coverage expansion	<ul style="list-style-type: none"> Brain, blood vessel, heart, and kidney diseases are considered as occupational cases
Evaluation and improvement of work environment	<ul style="list-style-type: none"> Inspection of work environment/Installation and improvement of facilities and equipment



Support for sports activities and hobbies including badminton, tennis, soccer, table tennis, and bowling at work.

Master Plan for Labor-Management Relationship



SOUND LABOR-MANAGEMENT RELATIONSHIP

We have endeavored to maintain the sound labor-management relationships already in place by establishing three strategic directions: "Build an infrastructure to advance the labor-management relationship," "Rationalize labor-management relationships" and "Promote labor-management cooperation to achieve shared values."

Strengthened Labor-Management Communication

We operate a joint labor and management conference to improve employees' welfare and support sound corporate development. Through regular and special conferences held four times a year, we discuss and improve managerial issues including organization, personnel, and compensation programs by seeking mutually beneficial conclusions. Additionally, in accordance with internal regulations, the members of the conference may obtain materials upon their request, and all major agenda items are reported seven days ahead of the opening of each conference to enable adequate preparation. The participants of the labor-management forum, held every Thursday, was expanded from the CEO and labor unions leaders, to include three directors and the general director of the labor union. Moreover, according to our collective bargaining agreement, all important business changes are reported to labor unions in advance of their enactment. In 2008, we formed a task force



A tea party, celebrating the 20th anniversary of the Labor Union

with the labor unions to discuss issues related to change in our organizational structure, in advance of any action.

Ombudsman System

By selecting four ombudsmen, representing labor and management from the joint labor and management conference, we collect employees' grievances and complaints. All employees are allowed to report their difficulties to the ombudsman either verbally or in writing, and the ombudsman is required to notify them of relevant corrective measures or results within ten days. In 2008, one complaint was received and solved by the ombudsman.

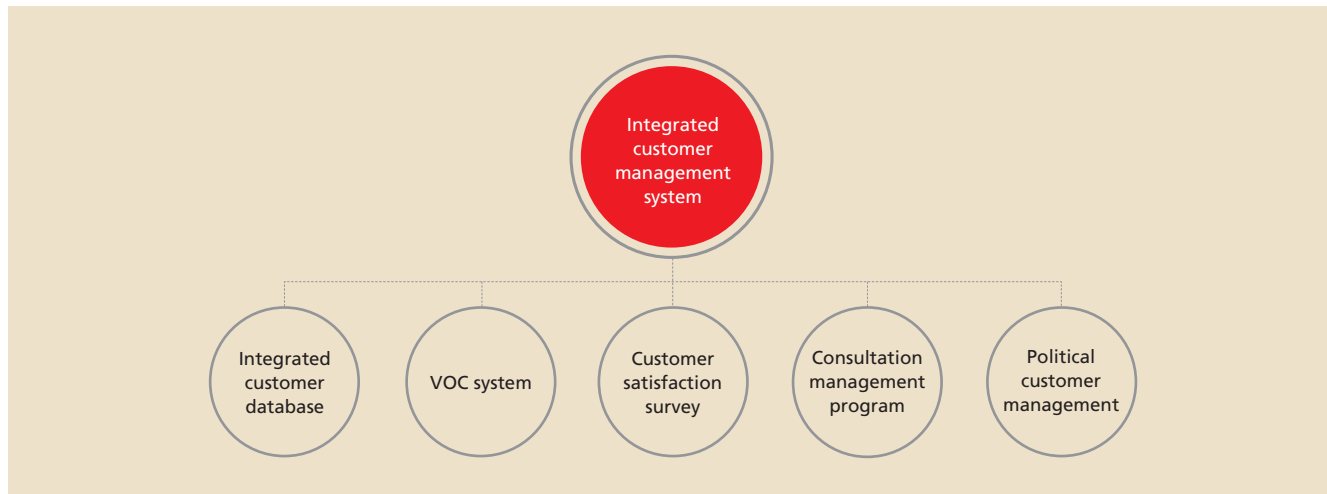
Labor Unions Status

KORES respects and protects the three basic labor rights (the right to organize, the right to bargain collectively, and the right to act collectively). We also respect the formation of labor unions and the rights of employees to join a union. KORES's labor union was organized in 1998, and as of 2008, it had 280 members, making up 81% of our total employees.

Operation of the Joint Labor-Management Conference

Category	2006	2007	2008
No. of meetings held	3	7	6
No. of agenda items	17	27	31
Key agenda items	<ul style="list-style-type: none"> • Company's labor welfare fund contribution • Wage agreement • Employees' dependent support expansion • HR system innovation plans 	<ul style="list-style-type: none"> • Reorganization plan • Wage peak system improvement • Retirement age extension • No. of employees expansion • Internal nurturing facilities operation 	<ul style="list-style-type: none"> • Employee funeral support policy improvement • Labor conditions and welfare improvement • Wage peak system improvement • Childcare leave expansion • 2009 education & training plans

CUSTOMERS



KORES is undertaking systematic initiatives to enhance customer satisfaction. By building an integrated and efficient customer management system, we will continue to improve the quality of our customer services.

Integrated customer management system

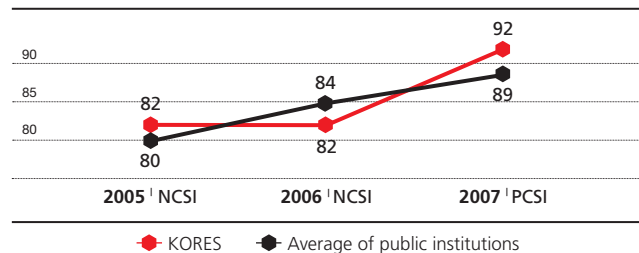
We plan to complete a customer management system in May 2009 to provide integrated, differentiated and customized customer services by unifying our customer management activities. This system will include programs to build an integrated customer database, handle our voice of the customer (VOC) activities, survey customer satisfaction levels, manage our political customers and enable the inspection of government offices. At the same time, we will offer our customers services of the highest standards and reduce the burdens on our employees for customer consultations and other services, by establishing a contact center. In addition, the system is expected to expedite our customized servicing of each customer, and revitalize our customer feedback capabilities.

Improvement of customer service at contact points

KORES strives to improve its services at all of its customer contact points. By monitoring the attitude of our employees on telephone calls and visits, we give prizes and rewards to excellent and/or improving divisions and employees. In 2008, we conducted training to solve problems that were discovered through the process of monitoring the attitudes of our 158 employees. We also operated in-service training for CS activities, targeting 17 employees at customer contact point divisions,

and published a CS manual to promote a CS mind. Moving forward, we will improve our quality of service at customer contact points by implementing standardized customer services by division.

customer satisfaction measurement



NCSI : National Customer Satisfaction Index
PCSI : Public-Service Customer Satisfaction Index
2008 survey results are scheduled to be announced in March 2009.

Customer Management

KORES has made it mandatory to upload and share its customer consultation journals on its Intranet, "MineNet", on a weekly basis. Furthermore, we have reinforced the speedy feedback on customer demands for improvement and suggestions and improved our two-way communications, mainly through the Happy Call and SMS systems. Meanwhile, companies which have failed to be selected as the beneficiaries of our support

projects may become dissatisfied. Therefore, we proactively endeavor to prevent such complaints primarily through person-to-person interviews, fully disclosing our selection criteria and presenting follow-up measures.

Customer satisfaction survey results

KORES obtained a score of 92 points in the 2007 public enterprise customer satisfaction survey. Going forward, we will strive to attain sustainable customer satisfaction management by comprehensively analyzing the diverse factors which can influence customer satisfaction through an integrated customer management system.

Customer-oriented website

KORES has structured its homepage, to reflect the perspectives and needs of its customers, placing customer convenience as its priority. The scope and guidelines for our customer oriented website include composition and content updates based on customer demand, the operation of a bulletin system for customer consultations, mandatory replies within four hours after receiving consultations online, an online cyber minerals exhibition center, and the disclosure of fundamental business data.

Korea Mineral Resources Information Service (KOMIS)

KORES has provided information service (KOMIS) through the Internet (www.komis.or.kr) since March 2001. Its purpose is to promote the global competitiveness of Korea's resource industry via smooth overseas resource development and efficient development of the domestic mining sector. With the number of registered members totaling 27,113 (as of December 2008), the service is growing as Korea's authoritative portal site for resources information. We will improve the system further so that it can offer segmented, tailored information specific to the customer (including both the general population and resource development-related companies).

Provision of KORES's businesses through its website

Domestic resource development support services	Detailed investigations, mining technology research, prospecting drilling, support for tunnel boring, support for mine safety facilities, support for modernization and development, safety education and training, mining facilities inspection, loans for domestic resource development
Overseas resource development support services	Investigation of investment conditions, basic exploration, overseas resource development loans, resource information services
Mineral testing services	Assay testing, mineral appraisal/physical test



1 Held joint workshop with customers



2 An MBC documentary shot in Madagascar

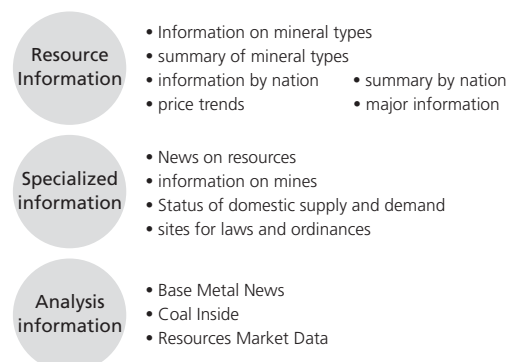
Korea Mineral Resources Geographic Information System (KMRGIS)

Operated by KORES, the KMRGIS has been offering GIS-related data (including 1:5,000 geological maps of mines) necessary for the efficient investigation and development of domestic mines through its internet site (www.kmrgis.net) since March 2006. Its purpose is to provide convenient access to information to those with mining rights and resource development companies.

Protection of customer information

The importance of personal information has been highlighted in line with a rise in damage cases due to the exposure of private information. KORES operates a security system to protect customer information related to its support projects, such as loan reviews. Particularly, we have strengthened our security efforts all the more following the accidental exposure of personal information on some of our applicants in our 2006 recruitment program, and since then we have not had any additional accidents related to personal information exposure.

Composition of information provided by KOMIS



Publication of a journal on mineral resources

Our monthly "Resources & Life" periodical carries feature stories and articles on mineral resources, as Korea's only journal on mineral resources. The journal offers specialized information on mineral resources through its "forum of the month" section, while introducing readers to diverse resource-rich countries and providing resource-related information through such features as "The Journey to the Resources of Africa ." We publish 2,000

copies every month which are primarily distributed to the government, national assembly and mineral resources-related organizations. We approach this publication as an opportunity for communicating the importance of minerals and publicizing our roles and activities in this arena. Meanwhile, with respect to the journal's advertising activities, we strictly obey the guidelines on the self-regulation of advertising set by the Korea Advertising Review Board, no related violations reported thus far.

Integrated customer management system

KORES plans to offer differentiated and customized customer services. To this end, we will operate an integrated customer management system by simplifying customer information. In the past, this has been managed within each operating division, and building a centralized customer database. The new system will allow for systematic management of our stakeholders and will positively influence the continual improvement of our sustainability management.

Problems arising from the absence of a customer management system

The absence of a systematic customer management system leads to the creation of such problems as delays in customer response and incorrect guidance, adding to the customer's dissatisfaction. In addition, opportunities to remedy corporate problems and inefficiencies are missed because the VOC is not shared and the customer's valuable input is underutilized.

Customer Contact Center

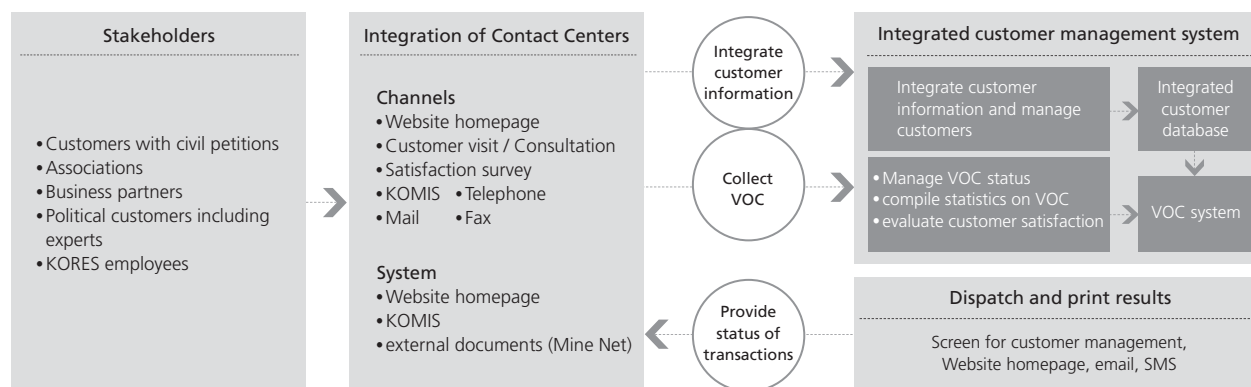
KORES plans to operate a Customer Contact Center, by integrating its existing customer communications channels and systems, in order to solve customer response problems which are attributable to "misconnecting calls." At this center, experienced employees will take primary charge of the VOC that will be received through a variety of channels including telephone, fax, email and the homepage. It will enable the company to immediately respond to basic-level civil petitions, and when additional information is needed, calls can be connected to the relevant divisions with subject matter expertise. This will reduce customers' waiting time and improve service quality, thereby enhancing customer satisfaction levels.

Integrated customer management system

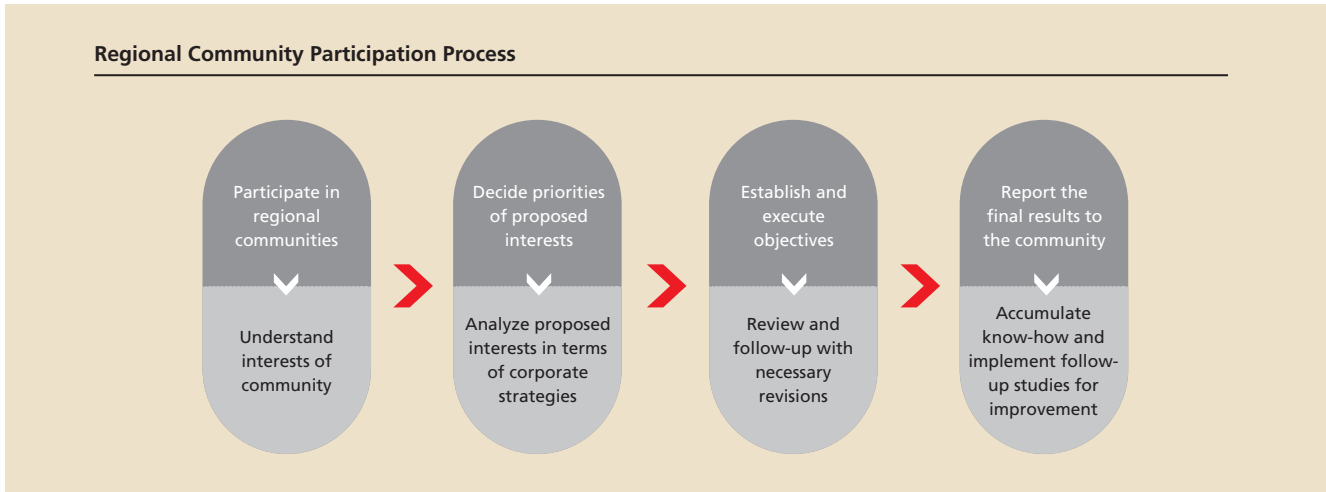
An integrated customer management system will manage customer information and the VOC in a systematic manner. This will enable us to continue our core businesses without delay, by providing customized customer services based on the integrated customer database. The VOC system will serve to prevent customer complaints before they occur, by notifying stakeholders about the transactions of civil petitions and conducting surveys to monitor satisfaction levels and take pre-emptive measures to improve satisfaction.

Linkage with sustainability management

The integrated customer management system will enable us to monitor customer satisfaction levels on a real-time basis, even when we are not conducting separate surveys. We can also grasp our stakeholders major issues by examining repeated civil administration activities through the analysis of our VOC statistics. We will identify the major interest issues of our stakeholders and share them on a company-wide level in order that they may be incorporated into our sustainability management.



COMMUNITIES



KORES is seeking healthy, trusting relationships and active communications with its local communities. Through constant improvements to our local community participation process, we will further grow into an enterprise which can share in the difficulties and problems of the communities it serves.

Analyze the impact of projects in local communities

We have investigated a wide range of potential elements which might influence local communities at each stage of our resource development processes including exploration, drilling, and mining. Besides the environmental impact assessment which is a legal requirement, we provide information on the impact of our business operations in local communities, primarily by holding presentations on the progress of our projects. KORES will do its best to effectively identify and respond to major concerns and interests of local communities and social and environmental risk factors for all of its domestic and overseas projects.

Strengthen trust with local residents

At the early stages of domestic mining project development, we execute a field survey on underground water and potential environmental pollution that might be caused by exhausted or unworked mines. By implementing various surveys on the hydrosphere, soil analysis of mining pits, and water quality tests from underground and jobsite sources, we proved there was minimal connectivity between mine development and the contamination of drinking water resources. Particularly, we analyzed the samples of rivers and water flows in the

neighborhoods of seven mines which had been suspected of water contamination, out of 15 unworked mines located in Yangpeong-gun, Korea. The results showed that there was only a minimal possibility of contamination in their water system. Moving forward, we will make efforts to identify and share information and knowledge with our communities to build up mutual confidence and trust.

Rights of Local Residents and Violation Cases

Mineral resource development may impose direct or indirect influence on the residents of its host communities. Therefore, we make it a policy to engage local residents in all our exploration and development activities. We also strive to ensure that their rights are fully respected, mainly through discussions of those factors that might affect their lives. In 2008, there were no cases of rights violations related to our domestic projects.

Participation in Public Policies

KORES closely communicates with the government authorities or agencies when they set up policies related to mineral resources, to present its opinions and proposals on such government policies. By reflecting our expertise and know-how in policies on the nation's stable mineral supply on a nation-wide

level, we help to achieve more efficient resource development. In addition, we have endeavored to attain our self-developmental goals by closely linking our strategic management plans with the government's policies.

Participation in Public Policy Making

Responsible government authorities	Participation in Public Policy Making
Ministry of Knowledge Economy Activities	Presentation on overseas resource development projects (1)
	Monthly meetings with the Ministry of Knowledge Economy (8)
	Mineral resource investment forum (7)
	Government's 3rd basic plan for overseas resource development
	Promotion of "Mineral Resources Day"
	Plans for "Revision of Mining Laws" and enactment procedures

Building Partnerships with the Project Partners

KORES is carrying forward its mineral resource development in consortium with many competent enterprises. We are also aiming for win-win partnerships based on transparent transactions and mutual trust. In addition, we are expanding exchanges on resource operations with investment companies through working level meetings. We are also strengthening academic meetings and symposiums to induce investments by private enterprises, while inviting financial institutions to provide



The 3rd Symposium for International Cooperation on Resource Development

project financing to reduce investment risk. In the future, we will continue to develop partnerships which maximize mutual benefits.

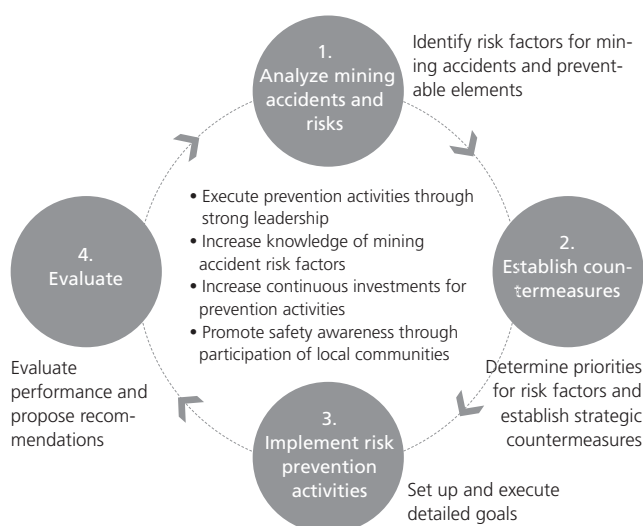
Enhance Protection of Human Rights

We plan to take a greater interest in our efforts for the protection of human rights at our partner companies as well, expected to produce a surge in overseas expansion through partnerships with other enterprises. There had been no contracts with our partners that included an article on human rights protection until 2008. Going forward, we will establish institutional foundations whereby the protection of human rights would be addressed in all future contracts with our project partners.

ACTIVITIES FOR PREVENTION OF MINE DISASTERS/ACCIDENTS

We are fulfilling our social responsibilities through such diverse activities as "Mine safety training," "Safety equipment provision," "Dangerous facility inspection," and "Vulnerable period management" to prevent accidents at domestic mining sites. Through these programs, we will reduce the number of accident victims to less than ten per million by the year of 2017. In addition, we will organize diverse programs to create a healthy and safe working environment at our overseas worksites.

Accident Prevention Process



Prevention of Roof Cave-In Accidents

For the past ten years, roof cave-in accidents have shown the highest accident frequency rate amongst all mining accidents occurring in Korea. Accordingly, we have secured up-to-date technologies to establish a foundation for the prevention of such accidents and improve working conditions. As a result, many tunnel reinforcements have been completed for gangways and transportation systems in the hazardous sections of mines.

Held mining relief technology contest

KORES has successfully helped to reduce mining accidents by providing standard operating procedures (SOP) according to individual disaster risk factors for prompt and timely rescue operations in case of large accidents at mines, and improving relief technologies through practical training and competition. Model cases were chosen through a contest in October 2008, and manuals for emergency relief, rescue operations and SOP guidelines by accident type were distributed.



Training for mining relief teams

“Contest for “Mining Accident Prevention Programs” & Presentation of Winning Cases

KORES has endeavored to prevent mining accidents by voluntarily introducing up-to-date techniques and know-how and sharing them across its mining locations. Specifically, the first contest for “Mining Accident Prevention Programs” was held in October 2008 with 18 winning cases presented by 10 mines. The winning cases were compiled and published in a collection, contributing to the activation of voluntary accident prevention efforts.

Improvement of Support Systems

We have improved the transportation of equipment at work-sites and support systems for emergency aid of mine security appliances to shorten the gaps between work processes and enhance the speed of operations. In addition, our support has been focused on the modernization of those mine facilities vulnerable to accidents, while strengthening safety education and training. Looking forward, we will continue to improve our support systems to reduce the accident rates.

Reinforced Safety and Health Management at Overseas Worksites

Since overseas project sites are expected to increase steadily, the importance of safety and health management for their workers and local residents is gaining greater attention. Many risks for endemic diseases exist such as yellow fever, parasitic infection, malaria and HIV/AIDS at the project sites of developing countries where we wish to develop. Therefore, we plan to collect information on those diseases that can be contracted at each site and strengthen our activities for education, counseling, prevention, and treatment, targeting our dispatched employees, their families and the members of our local communities.

In case of our Marcona project site located in Peru, it was found that endemic diseases were poorly controlled. Therefore, KORES initiated necessary efforts and activities to improve the

community's health. For example, we are unfolding a campaign for “Clean Hands, Clean Beach” to increase public awareness for a clean environment, and an educational program to prevent sexually transmitted diseases. At our Rapu-Rapu site in the Philippines, we striving to improve the residential environment there to prevent diseases, mainly by helping local residents to maintain clean toilet facilities. At the Ambatovy site in Madagascar, we operate safety education programs, targeting its employees as well as visitors. Because it is an open-pit mine, we take a variety of measures to make sure safety management is not ignored, by making it compulsory for them to wear safety helmets, jackets and goggles in order to prevent any possible accidents.

Likewise, we will continue to strengthen our support so that any wrong customs, behavior, or systems within the local communities can be corrected to create a sound and healthy working environment.

Efforts to prevent accidents

Category	Support activities to prevent accidents
Improvement of mine safety facilities	State subsidies of KRW 3.5 billion paid to 26 operators
Modernization and development of general mines	State subsidies of KRW 3.4 billion paid to 26 operators
Mine security education and training	Held 115 times for 3,793 persons

In 2008, the number of domestic mine accident victims totaled 36, representing a decrease from 55 in 2007.

Category	Modernized Support Projects
Training	Training by external experts and field training for civil engineering
Research and contracting	60 meter-long modernized support construction
Seminars and Operational Manuals	Prepare manuals on applications and operations

Overseas Case 1: Ambatovy Nickel Project in Madagascar

Project management focused on the value of community

KORES is participating in the global Ambatovy nickel mine development project in Madagascar, Africa, by forming a consortium with other Korean companies. It is expected through this project that Korea, as the fourth largest nickel consuming country in the world, will be able to secure a stabilized supply of this mineral. During the project period of about 30 years, we will exert our best efforts not only for Korea's national interests, but also for sharing our benefits with the Ambatovy community which is experiencing economic difficulties. The culture of Ambatovy is one of its most precious heritages, and these assets should be well protected even after the project is completed. Accordingly, we are committed to helping them to preserve and develop the value of their culture in all our operations underway there.

Mutual understanding and consensus making with the community and its people

In order to successfully execute the Ambatovy mine project, it is a prerequisite for the investment group to obtain an understanding and consensus with the community and its people. For this project, we started conducting research and investigating the local community, beginning in May 2005, undertaking demographic analyses to understand the area's social characteristics. In addition, more than 150 public hearings were held with local residents to explain the project's impacts on the community and the future growth possibilities brought forward by the project, and finally to obtain their approval.

Influence of the Project Development on the Community

It was found that most of the residents who had to relocate due to the mine or plant construction failed to benefit from the social infrastructure (such as schools and public healthcare centers), and access roads were also poor. They were also forced to abandon their farmlands due to the project development. Therefore, we contributed to their support by building and providing modern housing, schools, and health centers, and through the enactment of a priority policy to purchase their farm products.



Visit to Ambatovy mine site by investment shareholders

Social Characteristics of Ambatovy Residents

- Majority of the people belonged to the low-income bracket.
- Few people had ownership of land
- Few people had completed higher study courses beyond elementary education.
- Most of their household income came from manual labor outside their residential areas.
- Some of their household incomes were generated from small scale farming or sales of fruits and vegetables.
- Some other incomes were generated from sales of home-made handicrafts.
- Their buying and selling of living necessities were mainly transacted in the Toamacina area.
- The power of decision-making was mostly held by senior males residing in the area.
- A strong, close social bond was formed, centering on clans.

Ambatovy Nickel Project

- Total investment : About US\$ 3.7 billion
- Total Mining Area (Moramanga) : About 143 km²
- Plant construction site (Toamacina) : About 20 km²
- Length of Pipeline connecting the mine and the plant : About 220 km
- Commencement date : 2007
- First year for nickel production : 2010
- Yearly nickel production capacity : 60,000 tons
- First right to purchase by Korean consortium : About 30,000 tons (50% of total production)
- Participants : Korean Consortium 27.5%, Sheritt (Canada) 40%, Sumitomo Corp. (Japan) 27.5%, SNC Lavalin (Canada) 5%
- Korean Consortium : KORES 21%, Daewoo Int'l 2.75%, KyungNam Enterprise 2.75%, STX Corporation 1%

Resettlement Action Plan

Resettlement of the local residents may be required during the execution of mine development projects. The resettlement action plan for the Ambatovy Nickel Mine Project covers resettling residents from around the tailing dam to Bohitrabato and the local residents living around the refinery construction site to Marobato village.

KORES supports the successful migration and resettlement of local residents according to its well-designed resettlement action plan. In particular, special attention is given to any possible negative impact on their assets, income, residential environment and social bonds due to their resettlement.

Preferential Treatment for Employing Local Residents

Through the training and cultivation of manpower in Malagasy, we recognized that expanding local employment was one of our most important obligations and tasks for the benefit of our local communities. We also assist by transferring our advanced technologies and expertise to our local employees. In view of its long term development period of more than 30 years, the large-scale Ambatovy project will serve as a strong foundation for dynamic and competent locals to become professionals whilst building a career.

For the Moramanga Mine site in Ambatovy and Toamacina Plant site, the local people will be given priority for employment. Currently, 80% of their workers are from the local communities, while professional jobs which require specialized experience and expertise in areas such as maintenance and operations are open to everyone, including foreigners and non-residents.

For professional jobs such as maintenance service or operations, many educational opportunities are offered to qualified local employees, either at their job sites at home or overseas including Canada. These educational opportunities target quality talent with excellent job performance capabilities, and their programs include theory and on-the-job training by experts in maintenance and operations.



1 Complete view of Exploration Camp at Ambatovy Mine



2 Training Center for Local Employees

Resettlement Plan based on World Bank Resettlement Policy

World Bank resettlement guidelines present policy making procedures and considerations with regard to the relocation of local residents displaced due to project development. An overview of its contents is summarized below.

- 1. It is recommended that relocation of local residents be kept to a minimum and performed only after all other alternative solutions are exhausted.**
- 2. The project operators include detailed resettlement action plans in their project plan.**
- 3. Project operators provide opportunities to the displaced to enable them to secure appropriate compensation and to share in the earnings from the project development.**
- 4. The living conditions in the resettled locations should be improved and should be no less than their home of origin.**
- 5. The displaced should participate in policy decision making on their relocation.**
- 6. Reconciliatory communication and cooperation with the native people is recommended in order to avoid unnecessary conflict or friction.**

The Ambatovy project has established a Resettlement Action Plan (RAP) which is in full compliance with the “World Bank Resettlement Policy Guidelines.” A survey was first conducted on those families who would be affected by the resettlement policy. Based on the survey results, a detailed resettlement plan was set forth.

The resettlement program was put into practice after various opinions were synthesized by a “migration committee” which consisted of the to be relocated people, the local government, and individuals less affected by the migration plan. The committee performed a role of collecting information on the migration and examining any possible impact on the protection of cultural and traditional assets. The committee will continue to deal with these relocation matters even after the resettlement has been completed.

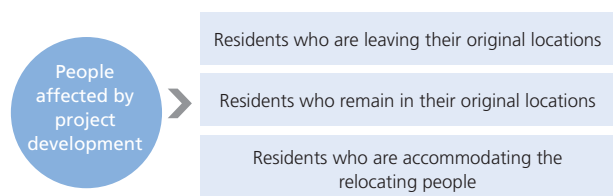
Upon completion of the initial processes, such as surveys and community participation, the detailed resettlement action plan was put into practice in May 2007. Subsequently, many other follow-up activities for the benefit of the resettled people were implemented, including the construction of infrastructure systems for water supply, roads, education and healthcare, not to mention new housing. Most of the resettled people were able to take possession of their own houses, and were also granted farmlands, thus enabling them to enjoy a more rewarding life than before their relocation.

Furthermore, they were given preferential treatment for employment and came to share, directly and indirectly, a portion of the earnings realized from the project development, along with the regional community.

No. of households affected by project development (based on 2005 survey results)

Tailing facilities		Plants		Mines		Total	
No. of Households	%	No. of Households	%	No. of Households	%	No. of Households	%
384	88.7	20	4.6	29	6.7	433	100

Three types of people affected by project development



Policy	Action Plans
Monetary Compensation for Land	Cash compensation is made to those residents whose legally-owned lands or properties are expropriated due to the new project development.
Provision of Housing	For those resettled people, housing and convenience facilities in improved forms are provided including hygienic facilities such as toilet systems. In addition, education on public hygiene was offered to the people in the community.
Use of Clean Water	In addition to the provision of housing, the people in the community are also supported by clean water supply. Water-related facilities were provided to enable them to enjoy a reliable source of unpolluted water and educational programs related to "how to use clean water" were offered.
Support of Medical Facilities/ Services	For the health of the people, KORES has invested in the improvement of substandard facilities and a basic medical infrastructure, as well as public health management. These activities have helped the people to ensure equitable access to health services.
Education for Children	KORES has helped the children in the community by providing school opportunities at elementary and middle school levels. Educational services also include sharing of tuition fees and modernization of school facilities.
Improvement of Illiteracy Rate	KORES has participated in UNESCO's "Let's Eradicate Illiteracy" campaign program and encouraged the adults of the community to participate in the program.
Improvement of Agricultural Production	KORES has supported the community's farming activities. Through cultivation of more arable lands and introduction of modern agricultural technology, agricultural production and yields have increased.
Support of Handicraft Production	With the assistance of experts, KORES has helped the community's households to increase their income sources and production capacity through better quality handicrafts.
Support for the Disabled	KORES has helped and supported the disabled in the community.
Help for Psychotherapy	Psychotherapy and counseling services are provided to those who may suffer from mental disturbances caused by the migration process.
Assistance for Job Opportunities	Job opportunities are arranged and offered to people who can work in the fields of land development, road construction, and infrastructure improvement of various utilities or facilities required in the resettlement.

Framework to deal with the grievances of local residents

In order to smoothly execute the resettlement plan, we organized a special committee for "resettlement," mainly comprised of participants from the regional government, community representatives and NGOs. Its activities include conducting census and land surveys which are a pre-requisite to the resettlement plan, while listening to their demands. Based on these results, detailed resettlement action plans are formulated to ensure the minimization of grievances and improvement of the quality of life. Meanwhile, KORES helps them to deal with their requirements and complaints in fairness and transparency.



1 Survey of resident information by visiting households



2 Briefing on resettlement plans



3 Operation of resettlement committee

Process to deal with community complaints

1. Collect community's complaints and grievances

- Complaints and grievances of local residents are collected at project management office or field offices
- These are recorded in a database to be passed on to the regional government or the project operator.

2. Survey on grievances

- Government agencies of the regional community examine the causes of grievances mainly through field visits or face-to-face interviews
- Based on facts found during the inspection period (normally within 30 days), a decision is made whether or not the project operator is responsible for their complaints and the results are notified
- Seeks ways to solve grievances on a company-wide level

3. Analyze similar cases and establish measures for improvement

- When cases of similar grievances are found, corrective measures are established based on problem solving processes and procedures
- When there are no similar cases found, governing agencies of the regional community will propose corrective measures that can be executed by the project contractor(s)
- Project contractors strive to set up appropriate correction measures through communications and negotiations with local residents

4. Execute correction measures and solve grievances

- When local residents agree to the proposed corrective measures, relevant correction activities will begin
- When proposed correction measures are not accepted by local residents, rational solutions following third party arbitration guidelines or international practices are sought

Overseas Case 2: Marcona Copper Project in Peru

Execution of Effective Community Strategies based on Intensive Survey

It is imperative for the project operators to understand and integrate the community's needs into their operating plans, including the community's conflicts and environmental issues, to insure the sustainable development of the project. In the case of the Marcona copper project, KORES begun collecting and analyzing information and data related to Marcona region well before the inception of the project, and thus came to understand their problems which include poor living conditions, high unemployment rate, low birth-rate, etc. In particular, many of the people had ill feelings and a sense of deprivation against foreign capital and its alleged exploitation of their lands. Having realized the importance of assimilation with the local community, KORES and its partners conducted many different kinds of surveys and public hearings approximately one year beginning in 2005, the year of the project's commencement, from which it finally chose the prioritized agenda in terms of community strategies.

Mining development with local residents

Beginning from the initial stages, the Marcona copper project was carried out by enabling residents to directly participate in areas where changes in their ecological environment and infrastructure construction plans had a potential influence on their local community due to the project's development. We established a local civil service office to maximize the local citizen's participation, while making sure that all types of civil complaints and appeals could be resolved by appointing a prominent member of the community as its head. In addition, with regards to such delicate issues such as environmental impact, we built a monitoring system whereby residents voluntarily participated through an Environmental and Social Impact Assessment (ESIA) group consisting of representatives from all walks of life (including health, education and fisheries).

Publicity on Project Work Progress

Project Publicity for the Community

- Public hearings and presentations on the project's work progress including evaluations of environmental matters and project plans.
- Regular meetings with local representatives to hear their requirements or complaints.
- Release of Newsletters covering project updates and local news.
- Planning for "Job-Site Visitation Day" project.



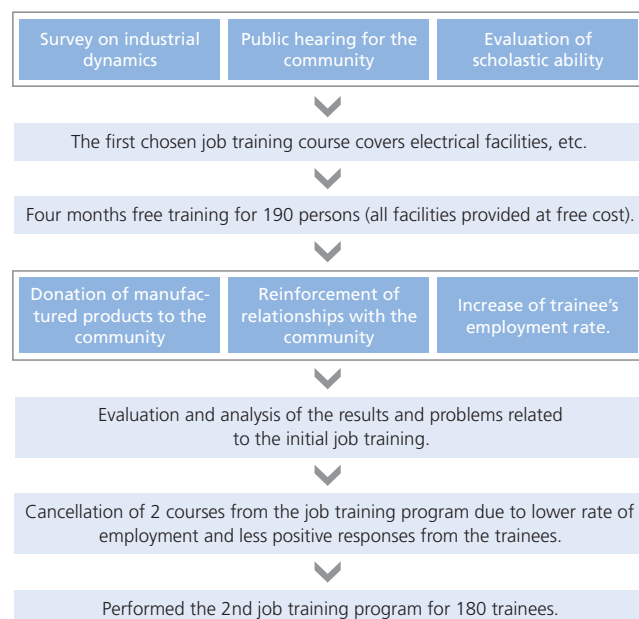
1 Job Training for the young people

2 Parade for health and hygiene campaign

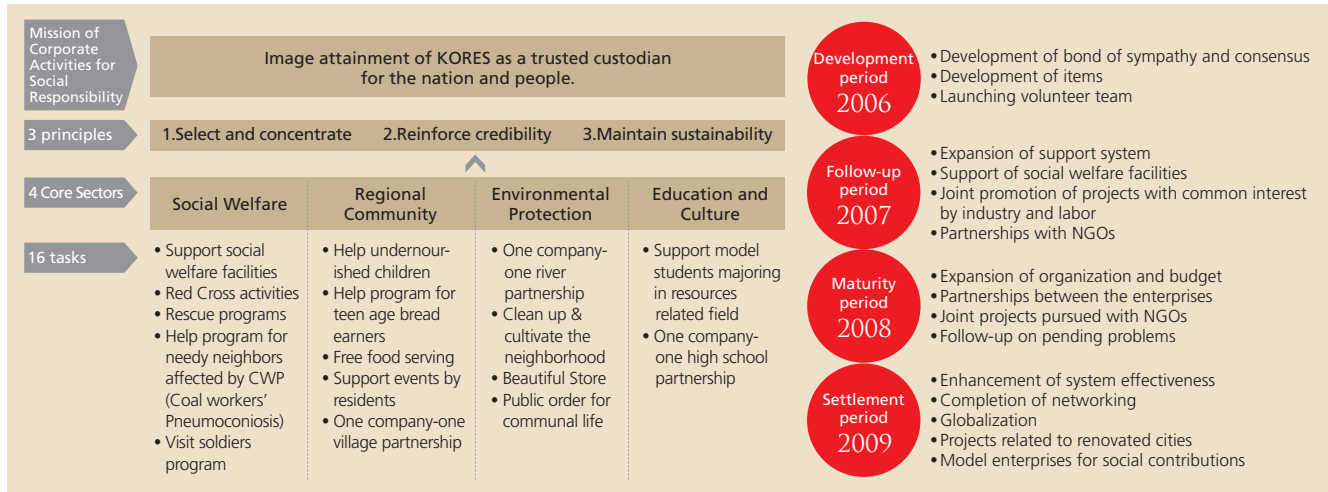
Fulfillment of social obligations through vocational training for local juveniles

Our study found that the majority of juveniles living in Marcona were deprived of the opportunity to receive vocational training due to the area's poor educational infrastructure. As a result of this finding, we established and operated vocational training programs targeting the local adolescents.

Programs for Youth Job Training



SOCIAL RESPONSIBILITY AND SERVICES



KORES recognizes social responsibility activities as an important part of its management strategies. We will remain committed in transforming our care for the underprivileged into action to eliminate any misunderstandings and prejudices against the resource development industry, and also to uphold our reputation as a responsible resource development company.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

We are carrying forward corporate-wide social responsibility activities. Through "MineNet," our in-house intranet, we encourage voluntary and balanced participation in these activities through individual clubs. In addition, the performances of voluntary services are reported on a quarterly basis. These activities are reflected in the managerial evaluations within the organization to promote their active participation and execution. Moreover, the results and performances brought about by each individual club are evaluated by the management. The clubs with poor performances are integrated with other clubs in a more positive sense to build new types of voluntary service systems led by those who have shown good performance records. KORES will continue to back these voluntary service systems so as to ensure its CSR with a single mind by all of the company employees.

PROVISION OF FUNDS FOR CSR ACTIVITIES

In 2007, the total budget for our CSR activities amounted to KRW 74 million. However, in 2008, the budget was increased by 34% to a total of KRW 99 million. Noteworthy is the so

Representatives for KORES Volunteer Group¹ CEO & Representative of Labor Union

Volunteers Team (14 persons including the reps.)

- Standing Committee members: 6 persons each from the company and the labor union
- Members elected: Club president from each division and one rep. from the labor union

Head of planning and coordination
Link managerial strategies and internal evaluations.

Secretary General (Chief of the general affairs team)
Plan, manage, coordinate and report on staff meetings.

Club representatives (selected from the divisions and hobby clubs)
Establish own plans and implement volunteering services according to overall project plans.

called "matching grant program" which is both practiced by the company and its employees. Through this program, voluntary donations by employees are made to supplement the company's commitments. For every account, KRW 1,000 is deposited by the employee on a monthly basis. Similarly, the company provides donations in proportion to the amount raised by its employees. Presently there are 459 employee accounts opened. In addition, the company has added KRW 4,505,000 in incremental contributions to the fund for CSR activities, which has come from the mileage deposit through the use of corporation's credit cards.

CSR ACTIVITIES IN KOREA

KORES shares in a sense of bonding and sympathy with its underprivileged neighbors who are experiencing difficulties through regular and continuous CSR efforts.

Helping Hands Program for One company-One village partnership (Batdonae Village)

Our employees are deploying social services activities in Batdonae village located in Yeongwol-gun, Gangwon-do as part of a program called "one company-one village partnership." The program covers various activities such as field experience sessions, red pepper picking, paddy field work, cleaning and building joint workshops. We will continue helping out at this sister village to share our care for the local communities.

Support of Beautiful Stores

Our employees have supported "Beautiful Store" located in Sindaebang-dong, Seoul. Their donations to the shop include not only newly collected or purchased items but also used articles to benefit the needy. They also help out as salespersons on a daily basis.

Taebaek Nanum Club Activities

Nanum is a Korean word which means "sharing." Taebaek used to be one of the nation's largest coal mining areas, located in Gangwon-do. For the past years, members of Taebaek Nanum Club have been helping many pneumoconiosis patients. During their regular visit to the retired coal miners suffering from black lung, they donate money and articles with sincerity because they believe that today's growth and success of KORES has been made possible through the sacrifice, sweat and efforts of these mine workers. We will continue our efforts to help those ex-coal miners overcome their difficulties.

Voluntary Services for Oil Spill

Clean up off Taeon Seashore

When a massive oil spill occurred in January, 2008, our employees participated in cleaning up the Taeon peninsula's shoreline.

On 14 January, 40 members of KORES voluntarily helped to wipe off the oil from the stained rocks. Their dedicated services also served to remind them of the importance and value of our environment, and the need for a balanced development of our resources.

OVERSEAS CSR ACTIVITIES

KORES is fortifying its overseas resource development and investment projects to secure stable supplies of resources. We are sharing the benefits and profits obtained from these overseas projects through our social contributions to these communities, while promoting sustainable development and growth of the global village.

The Marcona project site in Peru has been faced with poor medical infrastructure and shortage of essential medical supplies. Therefore, upon ascertaining what was most needed through communication with local residents, we purchased and furnished medical supplies worth US\$ 2,000 to the medical institutes in the region. In addition, we have been engaged in numerous voluntary services in partnership with diverse local societies. These include: donation of articles and money for the residents of Ica and Nazca, Peru, whose homes have been damaged by earthquakes and floods, support for the needy in the outskirts of Marcona and aid for the renovation of educational facilities. At the Ambatovy project site in Madagascar, we donated 35 computers to the University of Toamasina situated there. Through this effort, we not only contributed to enhance the image of both Korea and the company but also mitigated any negative public perceptions against resource development projects. Our further plans include helping to build intranets. At the Rapu-Rapu project site whose operational rights were acquired by a Korean consortium and KORES, we have pushed ahead with "Social Development Management Program (SDMP)" for the local residents. This involved providing power supplies to neighboring villages, supporting the installation of toilets in each home and providing abaca seedlings (used for rope making) to help stimulate the local economy.



- 1 Voluntary activities for farming during the "one company-one village" program
- 2 Donation of recycled articles and sales at "Beautiful Store"
- 3 Voluntary help for oil spill recovery at the Taeon shoreline.

ACTIVITIES TO BUILD UP THE IMAGE OF THE RESOURCES INDUSTRY

Although a national consensus is being formed on the importance of securing mineral resources, the resource industry is still failing to get rid of its image as a backward third industry. In this context, it is a prerequisite task for KORES to solicit the understanding and cooperation from diverse stakeholder groups as it expands its resource development onto the world stage. In addition, we are unfolding PR activities to dispel negative images of the mining industry for the sake of stimulating investments from the private sector as well.

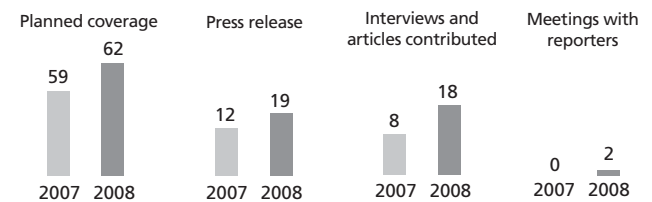
In May 2008, MBC (a Korean TV broadcasting station) broadcasted a documentary film entitled "Searching for resources to the end of the earth." It was a story about KORES's overseas activities which captured the heart of local residents through its efforts towards resource development and improvement of relationships with local communities. On January 9, 2009, another documentary film was aired under the title "Widen resource territories! The world is now at war for resources!" It also reported on the positive influences of resource development on regional economies and the social contribution

activities which KORES is deploying for responsible resource development.

Such documentary films have significantly helped to improve the deep-seated negative public perception towards the development of resources. KORES will continue to broaden a consensus on the necessity of the resource industry, whilst publicizing its efforts to fulfill its responsibilities as a state-run enterprise, mainly through media coverage such as local and cable TV channels, and newspapers.

Frequency of exposure to major media

(the number of cases)



Marcona Copper Mine Project, Peru

Ryu Min-Geol Project Manager



Our priority as a resource development company should be securing minerals, but we live in an era in which resource development projects cannot be considered without also considering about the environmental problems or the relationships involved with the local residents. As such, mine development no longer belongs to the primary industries; instead it should be an industry which integrates high technologies involving ergonomics and the environment.

The people of Peru, in particular, have harbored ill feelings against foreign capital due to its distorted image caused by so-called "exploitation." Therefore, our imperative task was to build up partnerships with local residents from the initial stages of development. We spent about a year from 2005 to establish a project development plan whereby our social and environmental obligations were fulfilled. The following two years were dedicated to various investigations on archaeological ruins and ecosystems in the neighborhood.

At first sight, it seemed simply as if a number of stones had been laid there. During the investigation, however, I learned that they

were the remains of the Nasca age, and it made me feel very sorry for these long-lost precious historical treasures of Peru. Therefore, we devoted our efforts to developing numerous programs through which we could relate and contribute to the community, mainly for the protection of wild animals, job training for youth, supply of medicines, and campaigns for health, public hygiene and the environment.

Now I am very proud to say that half of our task has been successfully completed. Although we still have a long way to go as there are many tasks left such as feasibility studies and approval of the development, KORES is positioning itself as a good company in this region, working in harmony with its people.

More than 3 years have passed since I first came to Peru. I am excited about the prospects of returning to Korea and reuniting with my family in April. However, I feel sorry because I have seen and felt a lot of things while living here in Peru.

I sincerely hope that more Korean enterprises will be faithful in their commitment to their responsibilities for the local communities and environment as seen by the Marcona project of KORES, thereby further elevating the image of Korea in the world.



Earth

UNLIMITED

Earth, the origin of all resources It is a stronghold of happiness that we must pass on to the next generation.

Resources are not just ours.

They are precious commodities that must be preserved for future generations.

The deep love we receive from the earth in the name of resources should be reciprocated with care and preservation.

KORES is taking the initiative in protecting our green earth to ensure the eternal happiness of human life.



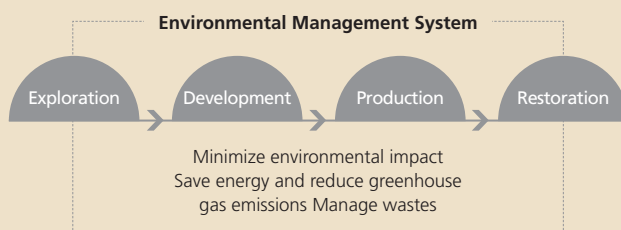
Disclosure on Management Approach (DMA)

OUR APPROACH

The core environmental value of KORES is “Responsible resource development,” which is the corporate philosophy towards resource development and environmental coexistence. To pursue this, we will continue to practice global-standard environmental management, by supporting and following the international guidelines on the development of mineral resources, including the International Council on Mining & Metals (ICMM) guideline, Berlin guideline, and World Bank General Environment Guideline.

PRIORITIES AND STRATEGIES FOR ENVIRONMENTAL VALUE CREATION

KORES has established an environmental charter and environmental management policies, that assign consideration to the environment at every stage of a resource development project related to exploration, development, production and restoration, through its environmental management system. Recognizing the importance of countermeasures against global climate change, we also strive to reduce greenhouse gas emissions through efficient use of energy. In addition, we will include sessions on environmental education in our ethics training programs for all employees to enhance their environmental awareness and practices. We will also acquire knowledge in environmentally friendly development practices via active participation in internal and external education courses in technologies which can minimize the environmental impact during the resource development processes.



ORGANIZATIONAL RESPONSIBILITIES AND MONITORING

We practice environmental management through a specific division which is charged with the implementation of support activities for environmental development and energy savings. Our General Affairs Team has been tasked with energy management and energy savings, while environmental development-related assistance is the responsibility of our Environmental Development Team. In addition, important discussions related to the environment are reviewed and decided by the Board of Directors (BOD). In the future, these topics will be discussed by the Sustainability Management Committee in advance before they are presented to the BOD. The Sustainability Management Committee will check the company's environmental performance annually, and based on this, will establish clear, forward looking goals, while conducting periodic monitoring of activities within the organization.

Category	Item	2008 Goals & Status	2008 Performance	2009 Goals	Major stakeholders
Energy	Direct Energy	51.9 toe	↓ 50.1 toe	5% ↓	Government, NGOs, employees
	Indirect Energy (Electricity)	263.3 toe	↓ 253 toe	5% ↓	Government, NGOs, employees
Greenhouse Gas	Greenhouse Gas Emissions	645.2 ton CO ₂	↓ 617 ton CO ₂	5% ↓	Government, NGOs
Water	Usage	14,677 m ³	↑ 15,308 m ³	5% ↓	Government, NGOs
	frequency of water analysis	-	↑ 15	17	Investment partners, Government, Local communities, Media, NGOs
Wastes	Waste discharge	100 tons	↑ 121 tons	5% ↓	NGOs, Local communities
General	No. of environmental law/regulation violations	0	0	0	NGOs, Local communities, Media, Investment Partners

Goal Achieved ■ Goal Not Achieved ↑ YoY Increase ↓ YoY Decrease In Process

INTEGRATED ENVIRONMENTAL MANAGEMENT SYSTEM

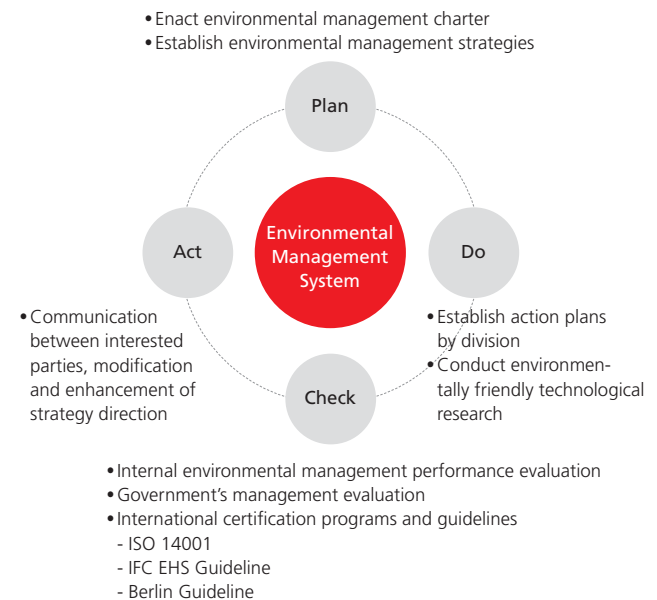


KORES has established an Environmental Management System with the aim of creating new environmental values by proactively coping with the increase in environment-related risks. We are also improving our environmental performance through diverse environmental management programs.

FORMULATED ENVIRONMENTAL MANAGEMENT STRATEGIES AND SYSTEMS

In 2005, we embraced environmental management as a means to reduce management risk by preemptively addressing environmental issues in advance of their occurrence. In 2008, we formulated environmental management systems and strategies to provide the foundations for sustainable management. Through environment-considered management activities and by identifying environmental impact during the entire processes of mine development, we are operating a management structure that embraces both development and the environment in harmony.

Environmental Management System



Environmental Management Strategy

KORES has established an environmental strategy, reflecting internal management strategies mainly for energy savings and greenhouse gas emission reductions, and addressing a variety of regulations related to resource development. In addition, in order to effectively practice environmental management, we have devised ways to carry these practices out in two areas of project activity management and business management.

Environmental Performance check by the BOD

Our environmental management performance is evaluated by the Board of Directors (BOD) by adding an environment category to their visits to mine sites and regular project reports by standing and non-standing directors. In the future, we will develop sound environmental management by reviewing various issues related to the environment through the Sustainability Management Committee while discussing and monitoring key agendas through the BOD.

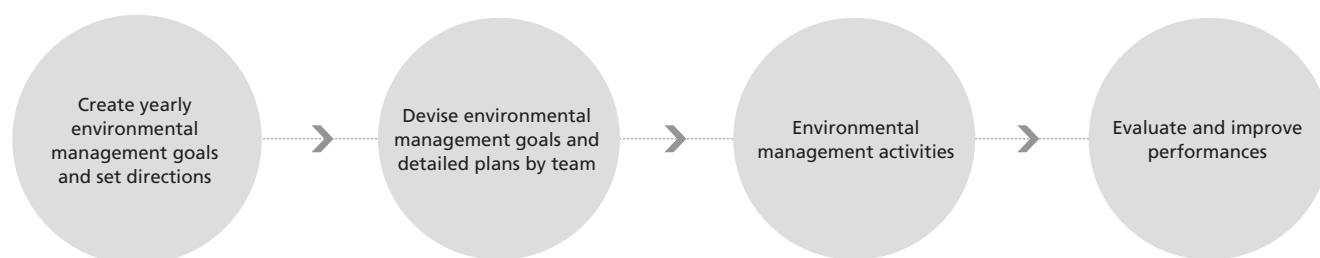
International Certification Programs

In the case of overseas project sites, we carry out our environmental management activities in compliance with the IFC EHS guideline and equator principles, while endeavoring to acquire international certifications for each site. In 2008, the China Xian Maxsun project obtained ISO 14001 certification. We will continue efforts to increase international certification acquisitions for our overseas project sites.



One company-one village partnership for community beautification

Environmental activity performance evaluation process



Environmental management practice plans by division

Classification	Environmental management field	Detail management field
Project Activities	Resource development considering the environment	Acquire international certifications, protect biodiversity, manage pollution control, restore the environment
	Support resource development considering the environment	Precision and drilling investigations , tunnel boring investigation, support mine modernization, assess mine project feasibility, support technology development
	Analysis facility management	Air quality, water pollution, medicines management
Business Management	Green purchasing	Use products with e-mark and recycled goods, water/energy saving equipment
	Total usage control	Electricity, gas, petroleum and water usage
	Discharged waste management	General wastes, testing and waste analysis
	Resources recycling	Donate disused assets
	Environment preservation activities	Participate in "One-company, one-river" beautification campaign, clean-up neighborhoods in proximity to project sites
Common	Energy saving	High-efficiency low-consumption management, periodical maintenance of energy-consuming equipment and facilities, corporate-wide energy savings
	Comply with regulations	Comply with environmental regulations, fulfill international agreements

ENVIRONMENTAL MANAGEMENT CHARTER

As a state-run enterprise specializing in resource development, KORES aims to build an environment-friendly management system to minimize the environmental pollution resulting from its business activities and fulfill its corporate social responsibility for environmental protection.

1. We pursue environmentally-friendly corporate management.

All employees shall actively participate in environmental management, with an understanding that proactively addressing environmental problems resulting from corporate activities is a way to sustainable development.

2. We realize the win-win principle of resource development and the environment

We shall contribute to promoting environmental preservation, the nation's development, and our corporate competitiveness, by practicing the environment-considered resource development and an environmental management that reduces the discharge of pollutants.

3. We practice the development of environmentally friendly mining technology and green purchasing

We shall minimize environmental impact across the entire range of operational processes in our resource development activities, to fulfill our corporate responsibilities and duties.

4. We comply with environment-related regulations.

We shall fully comply with the environmental regulations of all communities and nations in which we operate.

5. We actively take part in international environmental preservation activities.

We shall faithfully perform our role as a sustainable enterprise by actively participating in international efforts to solve global environmental problems.

ENVIRONMENTAL MANAGEMENT POLICY

All employees of KORES are acutely aware that promoting sustainable growth where development and the environment are in harmony, is the direction we must pursue to create a healthy and pleasant environment.

With the stable supplies of energy and mineral resources required for national economy as our mission, we will strive to progress into a sustainable enterprise that is loved and trusted by people, by developing and managing resources in an environmentally friendly manner.

In this regard, in order to observe our environmental management charter, KORES has set forth the following guidelines for correct decision making and environmental judgment which are to be provided to its employees.

1. We will all take the lead in preserving and protecting green mountains, clean water, clear air and the natural environment.

2. We will actively participate in environmental management to prevent environmental pollution, while growing and developing KORES into an enterprise where development and the environment are in harmony.

3. We will first think of the environment before undertaking any businesses, and minimize our environmental impact by reducing the environmental load.

4. We will enhance the natural circulation of resources by consuming less energy and saving and recycling resources to reduce wastes.

5. We will fulfill our all responsibilities and duties to prevent environmental pollution, and shall make all efforts to immediately solve any environmental contamination that

may occur when it is generated, as the core basis of our corporate ethics.

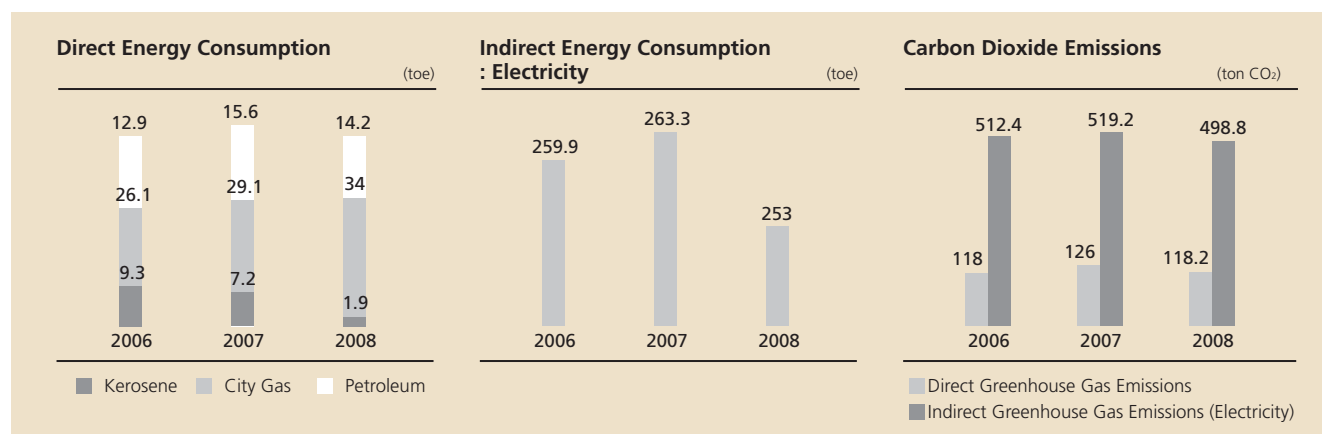
6. We will measure and manage the performance of our activities on a regular basis so that our performance can be visualized through environmental management.

7. We will continue to operate ethics training and education which includes the environment so that our activities and efforts for environmental preservation can develop and proliferate.

8. We will lead the environmental protection movement while making environment preservation a part of our everyday life.

9. We will thoroughly observe all environment-related regulations and international agreements and regulations, as well as practice continuing environmental improvement.

ENVIRONNEMENTAL MANAGEMENT PERFORMANCE



EFFECTIVE USE OF ENERGY

KORES has implemented methods for energy saving and efficient energy use to prepare for international agreements on climate change and carry out the national policy for "Low Carbon, Green Growth." Specifically, we have set goals for annual energy usage and provided plans for effective energy use. In addition, we have undertaken corporate-wide efforts in devising eight plans to eradicate energy-wasting factors and ten practice items by team. We have also carried out renovations of our older facilities in order to ensure their energy efficiency.

Energy Use and Reduction Activities

Our direct energy consumption of gas, kerosene and other energy sources totaled 50.1 toe in 2008, a 3.5% reduction compared to 2007. By product, consumption of kerosene and petroleum decreased by 73.6% and 9%, respectively, while the use of city gas increased by 16.8%. This was perceived to be due to an increase in the overall use of gas heating while controlling the use of kerosene appliances in the offices. In case of electric power, we used 253 toe (1,177 Mwh), which is a 4% decrease compared to 2007, through activities aimed at achieving a reduction in total energy usage. In particular, the mineral analysis team which uses lots of electricity due to all kinds of test apparatuses is practicing energy reduction mainly through the more efficient use of key electricity consuming equipment and the improvement of ways to operate the thermo-hygrostats. As a result, the total energy consumption stood at 303.1toe, which is 3.9% lower than the previous year.

Energy, Greenhouse Gas Transformation Coefficients

Classifications	Coefficients
Caloric value by energy source	Energy caloric conversion basis (Energy Basic Law Enforcement Regulations Article 5, Clause 1)
Greenhouse Gas Emissions	IPCC 2006/KEMCO
Transporting members of the workforce	WBCSD GHG Protocol

Based on the headquarters consumption.

Energy Reduction Activities

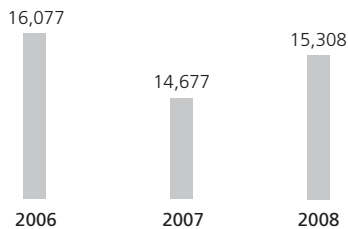
Classification	Details
Reduction via efficient operation	<ul style="list-style-type: none"> · Raise efficiency through renovation of older facilities · Replaced piping and installed a lab in the basement of the technology institute · Improve energy equipment operation: Efficient operation of energy-guzzling equipment during summer. · Build a vehicle operation system in line with the improvement of energy efficiency: Operate a two-day vehicle operation system.
Purchase high-efficiency energy products	<ul style="list-style-type: none"> · Promote compulsory purchase of electrical materials with energy saving marks · Purchase high-efficiency LED lamps :Purchase and install 271 lamps
Activities to improve employee awareness	<ul style="list-style-type: none"> · Strengthen PR for energy saving and confirmation checks: Make a daily announcement via intranet of electricity consumption reflecting the effects of turning off PC monitors and office lights during lunch.

Moreover, we have carried out energy-saving activities related to the commuting of our employees. In line with the energy usage rationalization policy of public institutions, a two-day vehicle operation was implemented in August 2008 and the energy reduced through this activity totaled 12.73 toe.

Water Consumption

The effective use of water is one of the key elements for sustainability management in Korea not only because it is a water-stressed country but also from a cost perspective standpoint. KORES is making every effort to save water by monitoring annual water consumption and increasing usage effectiveness. Following an increase in the number of employees and business expansion, water usage in 2008 increased slightly to 15,308 m³, compared to 2007. In the future, we will endeavor to further reduce water consumption through more efficient usage in our facilities and promoting water saving initiatives. Used water is currently being pumped into a nearby wastewater treatment plant for purification.

'06~'08 Water consumption - Headquarters, Project offices (m³)



GREENHOUSE GAS EMISSIONS

Direct greenhouse gas emissions from use of city gas, kerosene and petroleum totaled 118.2 (tons CO₂) and indirect greenhouse gas consumption from the use of electric power was 498.8 (tons CO₂), whereby total greenhouse gas emissions amounted to 617 (tons CO₂), a 4.4% reduction compared to the previous year. The greenhouse gas emission from employees' commuting was 326 tons of CO₂, or an 8% reduction compared to the previous year, thanks to the two-day vehicle operation. KORES is endeavoring to reduce greenhouse gas emissions from energy consumption, as well as cost, through efficient energy usage, purchasing of energy-efficient equipment, and the replacement of existing vehicles with hybrid and light-weight options.

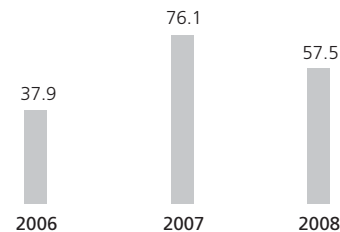
KORES is planning to systematically collect information regarding carbon generation in preparation for the cap-and-trade

system which is scheduled to commence in 2013; it will also participate in the Carbon Disclosure Project (CDP)¹⁾.

PURCHASING ENVIRONMENTALLY-FRIENDLY PRODUCTS

The environmentally-friendly classification is applied to goods that have been evaluated by the government and are found to have minimized the use of hazardous substances and reduced environmental pollution. KORES prefers to purchase environment-friendly products, if the option is available, in order to promote green purchasing. In 2008, we purchased environmentally-friendly products 256 times, totaling KRW 129 million or 57.5% of our total purchases.

'06~'08 Ratio of environment-friendly purchasing (%)



1) Carbon Disclosure Project (CDP)

On behalf of the world's financial and investment institutions, including funds and pensions, the project is designed to collect information on carbon emissions by major listed companies in the world and collect/analyze their relevant strategies to reduce carbon emissions so that climate change-related risks and investment opportunities can be better understood.

RESPONSIBLE RESOURCE DEVELOPMENT— ENVIRONMENTAL IMPACT ASSESSMENT



There are many elements that can affect the environment during the resource development process. KORES pre-estimates the environmental impact of its project during the exploration stage and carries out development activities that are reflective of such findings.

ENVIRONMENTAL IMPACT ASSESSMENT AND REVIEW

Resource development begins with exploration to find deposits of subterranean resources. During the exploration state, we evaluate every environmental impact which might occur due to mine development, in concert with the exploration of minerals with economic value. In particular, we carefully study and review potential sources of environmental impact while seeking ways to prevent or alleviate them. For this, we apply mining and environment-related international initiatives such as the ICMM, Berlin Guideline and World Bank Guideline, and are thereby able to implement environmental management practices on a higher level than legally mandated. We also carry out our resource development in a way that can minimize our environmental impact after completing our long-term environmental impact reviews.

Environmental Impact Assessment

An environmental impact assessment for development is carried out in the following order: environmental impact studies and analysis and approval on environmental impact assessment. In the case of the Marcos project in Peru, we identified all sorts of impacts that were likely to occur due to environmental factors and mine development of surrounding areas during the four seasons (total eight seasons) of the two years from 2007. We

are also implementing inspections of environmental impact assessments which will further minimize environmental impact. As a result of an environmental impact assessment on the Wyong project in Australia, we discovered an area of land in which subsidence was likely to occur; thus we changed the mine's internal design and reduced the width of our coal mining activities. We also established continuous monitoring plans for dust and noise created during the mine development process. We are currently waiting for approval from the Australian government after the completion of this environmental impact assessment.

In the case of the Ambatovy project in Madagascar, over 50 environmental specialists have assessed the environmental impact during all stages of exploration, development, production and completion and suggested solutions. Our mine development is now underway after obtaining an approval from the government of Madagascar based on our report containing the results of our environmental impact assessment.

ENVIRONMENTAL IMPACT EXAMINATION

As exploration for reassessing domestic mines became more active in 2008, KORES focused on identifying concomitant environmental impact, anticipating and preventing damage in advance. In order to analyze the environmental impact of

uranium following prospecting drilling at the Geumsan mine, we conducted analyses of 27 samples encompassing surface water, underground water, soil, boring sludge and resident's drinking water. As a result, it was determined that the water quality standard for uranium was satisfactory (under 30ppb-operational guideline on drinking water quality inspection, Jan. 1, 2008, Ministry of Environment), but uranium over 30ppb -was discovered in the boring sludge (6.28ppb minimum and 63.04ppm maximum). Accordingly, we devised measures to minimize environmental impact primarily through the re-injection of the sludge back into the borehole, in cooperation with the Environmental Technology Team of the Korea Atomic Energy Research Institute (KAERI). These results were conveyed to the residents and the competent authorities (Geumsan-gun) governing jurisdiction, to explain about the safety of uranium

prospecting investigation processes.

Through an environmental impact review, KORES supports resource development which minimizes environmental impact. Furthermore, we strive to change the perceptions of residents in regards to the necessity of resource development and environmental protection by implementing environmental campaigns in relevant regions.

Environmental campaign in the related regions

Target areas	Details
Yeongwol, Gangwon-do (province) : Seobyeok – Homyeong districts	<ul style="list-style-type: none"> • Discussion with related institutes and residents (Gangwon-do, Jungdong-myeon, Nokjeon Elementary School) • "Mine Development and Environment" Education : Nokjeon Elementary School • Post environment-related signs in precision investigation areas

Evaluation by Outside Experts

Yang In-mok, Director of the Sustainable Management Research Center, Ecosian Co., Ltd.



The mining industry basically deals in environmental destruction. Institutes for enterprise assessment¹⁾, from both home and abroad, classify the environmental impact of the mining business as substantially high-level. If we didn't have mineral resources, however, it would be impossible to sustain our lives. Environmental destruction is inevitably under way even now and it is threatening our future.

This report demonstrates that Korea Resources Corporation is carrying out projects with due consideration of the standards set by the industry, and the sustainability of society. Based on the environmental management philosophy "Environmentally friendly Resource Development," the corporation has segregated its business activities into four stages: namely, exploration, development, production and waste, to derive and operate environmental initiatives for each stage. In the hope that such management philosophy and efforts will be practiced in a more systematic manner in order to bear fruit, I would like to say a few words.

First, in order to properly carry out environmental management, it is imperative that environmental management is included in mainstream management. This will give a sense of reliability when the company deals with the environmental sector as a key issue of the Board of Directors. However, by handling environmental issues from a non-financial risk perspective with a focus on the technological organization, I am afraid the environmental sector leaves something to be desired in its mid- and long-term development strategies. Suggestions for environmental goals and standards in the environmental performance section are not clearly defined. I therefore recommend that the corporation incorporate the relationship

between resources and the environment as a factor for opportunity and development.

Second, I noticed the corporation's approach to environment management to be from a value chain perspective. I believe this to be the correct approach. If the corporation would schematize this concretely, it could potentially become even more systematic. For example, schematization could include organizational infrastructure and transportation.

Third, "Environmentally friendly Resource Development" is clearly stated as the corporation's management philosophy in the environment sector. It also deals with the prevention and improvement of environmental risks that are generated during the execution phases of resource development, with respect to this philosophy. In view of resource depletion, which is a global environmental issue, I suggest that KORES separates the concepts of resources and development. By doing so, I am certain that sustainability from a different angle could also be discussed.

Seeing that the corporation is sharing even the lessons it has learned from its failures through this report, I surely look forward to the result of Korea Resources Corporation's efforts to grow in a sustainable society.

Korea Accreditation Board, an accrediting institute that grants certifications for local environment management systems, classifies the environmental complex of the mineral industry as "Good," out of the three grades: poor, fair and good; FTSE4GOOD, a global enterprise assessment index, categorizes the mineral industry as a High Impact Sector, among High/Medium/Low grades.

1) The environmental complexity of the mining business is classified as "high" by the Korea Accreditation Board, and a "high impact sector" according to a global corporate evaluation index, FTSE4GOOD, among High / Medium/Low.

RESPONSIBLE RESOURCE DEVELOPMENT— BIODIVERSITY PROTECTION



KORES is minimizing the potential impact of the development process with an emphasis on biodiversity protection, such as the preservation and resettlement of animals and plants.

BIODIVERSITY PROTECTION

In the case of KORES business, both at headquarters and in the domestic field, there are no environmental impact development issues related to biodiversity. For overseas projects, however, we are implementing initiatives to protect biodiversity in areas where our business operations are likely to impact biodiversity.

Ambatovy Nickel Project, Madagascar

A variety of species are living in Madagascar as it is an island with wide-ranging temperature changes. In particular, the Ambatovy project is located in a forest region, which is inhabited by many protected species of animals and plants.

The Ambatovy project site spans 143.72km², and with mineral development carried out in the forest, many species of vegetation including trees are being damaged and the animals of the area may be also affected due to change in their habitats. Moreover, the infrastructure facilities built for mine development, such as pipelines, refineries and waste landfills, which stretch from the mine to the refinery, also affect the biodiversity of the region.

We formed a team of more than 50 environmental specialists to protect biodiversity and carried out an inspection to identify and protect the affected species. As a result, of the 127 plant species scattered throughout the area, 53 species were added

to the CITES list (Convention on International Trade in Endangered Species for wild fauna and flora) and five were registered with the IUCN (International Union for the Conservation of Nature). In addition, 49 animal species within the development area were registered with the ICUN, and 51 were added to the CITES list.

Status of protected animal and plant species			(Species)
Classification	IUCN	CITES	
Plant	5	53	
Animal	Amphibians	5	3
	reptiles	1	18
	birds	15	16
	mammals	11	9
	insects	2	0
	fish	2	0
	others	13	5
	subtotal	49	51
Total	54	104	

In the vicinity of the Ambatovy project site, there are one Ramsar-registered wetland (Totorofotsy) and two reserves (a national park and a wild animal protection zone). To avoid installation of pipelines across this area, we diverted the construction around these protected reservations, following deliberations with the government and NGOs. In addition, we buried the pipelines underground and built an access road to minimize damage to biodiversity.

In the event that felling some parts of a forest becomes unavoidable during development, we plant an equal amount of forest vegetation in other areas. Ultimately, we are creating more environmentally friendly areas by creating an even larger forest than that affected by the project. In addition, the major species whose habitats have been affected are being safely transferred to other areas to ensure the continuance of biodiversity. There is a 305ha restoration zone in the mine development area and a buffer zone has been formed between the development area and forest area. In addition, a forest of 7,100ha was planted in Anker region. While this initiative hasn't provided immediate restoration, it has laid the foundation for a forest environment three-times the size of the affected region.

Rare animal species, including the indri, have been transferred to safe areas and their survival, as well as their transfer status, is being monitored continuously via transmitters attached to the animals.

Copper Project in Marcona, Peru

In the case of the Marcona Project, which is currently undergoing a business feasibility study stage, environmental protection efforts are in progress through assessment intensification for

environmental management and corporate social responsibilities. We are also abiding by the equator principle, an international standard in the development of emerging countries. The Marcona site spans 329km² and is adjacent to an environment protection zone (San Fernando Reserve) containing plant and animal species that require protection, including Guanaco, condo, seals and all kinds of rare plants. Although it has no direct relation with the mine to be developed, a series of investigations were completed mainly to divide areas that are worthy of preservation and those that are not, through environmental research and the identification of ecological groups for over two years. This was to protect and minimize the impact of mine development. In the future, we will avert causing any inconveniences in our activity areas through such means as route adjustments when transporting copper products through a nearby harbor. We will also concentrate our exhaustive investigations and efforts for the prevention of marine pollution.

Ambatovy Project Biodiversity Protection Activity

Activity	Details
Biodiversity Protection	<ul style="list-style-type: none"> • Identify protected animals and plants and remove hazardous elements through biodiversity inspection activities • Implement a plant protection program, such as collection before development, preservation, transplant and cultivation • Preserve natural waterways for the preservation of aquatic creatures and the ecological environment • Protect and resettle rare animals and create ecological passages • Maintain proper speed (less than 40km/h) for construction and transportation equipment
Monitoring	<ul style="list-style-type: none"> • Hold monthly meetings with local government • On-demand discussions with environmental organizations and local residents • Quarterly site visitations and inspection of environmental guideline observation • Maintain project transparency through public hearings and a close cooperative system with relevant groups to collect opinions relating to all environmental issues.



1 Sedating the indri discovered in the mine to attach transmitters and collect DNA samples, carried out jointly with animal protection groups.



2 Ballestas Island in Paracas, Peru, widely known as a habitat for seals and penguins.

"Irony" Ambatovy

A state-of-the-art, environmentally friendly mine in outback Africa

Bu Hyung-kwon, reporter, Donga Daily Newspaper



Irony

I am writing about the feelings I had while covering the Ambatovy Nickel mine in Madagascar, a poor island country in Africa, on October 31 (the rest is local time).

In other words, it was like a "continuance of unexpectedness."

The Ambatovy mine development site is a typical outback area roughly 120km away from Antananarivo, the capital of Madagascar. It has been dubbed "The unknown world."

When the 15-seater charter plane carrying Kim Shin-jong, president of Korea Resources Corporation, other Korean businessmen and this writer entered the skies over the Ambatovy mine, I was wondering if there was a place for a plane to land at least.

When we were finally landing on a wide grassy plane – which I found somewhat difficult to describe as a runway – my heart was pounding with fear. I heard that since it isn't an official runway, planes larger than ours cannot even land there.

I felt a sense of irony in the fact that I was heading to the mine in a car with Roger Rasett, the site director of "Sheritt," a Canadian company in charge of mine development. Although it was a dual-lane asphalt road, there were hardly any cars because we were so far from the city. I thought he could have sped up a little, but he continued to drive like a "tortoise." I thought maybe the car was defective as any time we accelerated past 40km/h a warning sound could be heard in the form of a "beep-beep."

Mr. Rasett told me that "Ambatovy Mine is developing with safety and environment-friendliness as its highest priorities. All vehicles involved in the mine construction process are fitted with surveillance devices and therefore cannot speed. Any driver violating the regulation is subject to reprimand.

For me, it was a little baffling to hear what Mr. Rasett had to say, because having worked as a newspaper reporter for over a decade, being chased by deadlines on a daily basis, I am very used to the Korean culture of "bbali-bbali": literally meaning "Jump to it." It was strange to observe construction vehicles adhering to such a low speed limit, in outback Africa of all places...

I had to receive detailed safety education for about 30 minutes upon arrival at the mine. We were told to put on a safety hat, vest and even protective glasses. I would have agreed to wear all the gear if we were going to pass through a few hundred meters of underground tunnels, but just covering a story about the open-air mine, for which I just needed to turn some soil on the surface, I couldn't imagine why I had to complete such an unusually lengthy safety procedure.

After hearing about the environmentally-friendly measures, I wondered whether this place was really a mine, or the base of an environmental movement! After felling trees, they intentionally leave the felled trees for two weeks to allow enough time for the animals that once lived in the trees to find new homes. The 3-4m wooden poles



connected like a "bridge" at the mine site were laid along several sections of industrial road. At 10m in width and 7.5km in length, these poles were constructed for the indri, a rare species, to provide

safe road crossings. This, in the eyes of Koreans, whom are used to fast-growth – demolishing the old in the blink of an eye and erecting the new overnight – led me to ask: "Exactly when will construction be completed?"

Construction of a large-size stair-shaped dam was in full swing, the design of which was so as not to damage the nearby farmland (it was really a small-size field) with muddy water and various metal substances resulting from excavation.

Many worldwide mining enterprises of Japan, Canada and Korea, such as Korea Resources Corporation, Keangnam Enterprise, Daewoo International Corporation and STX are involved in the Ambatovy project and such environmental measures are carried out under the agreement of all interested parties.

Shin-Jong Kim, the President of Korea Resources Corporation, explained: "The world-wide mining development trend involves such initiatives as the concurrent replanting of vegetation from such felling work, to the construction of various plants and harbor facilities in order to prevent mine pollution."

He said a building should be designed flawlessly and meticulously from the very beginning and should rise as one from a perfect design, rather than completing one floor and then another, and adding more floors from time to time without any real guidelines. It means, a perfect construction based on such design will bring even a bigger profit in the future.

I had lunch with local workers at the Ambatovy cafeteria and found the wide variety of delicious food to be of better quality than that of reliable, mid-sized companies in Seoul. It was unimaginable that I could be eating such good food at a mine site in outback Africa.

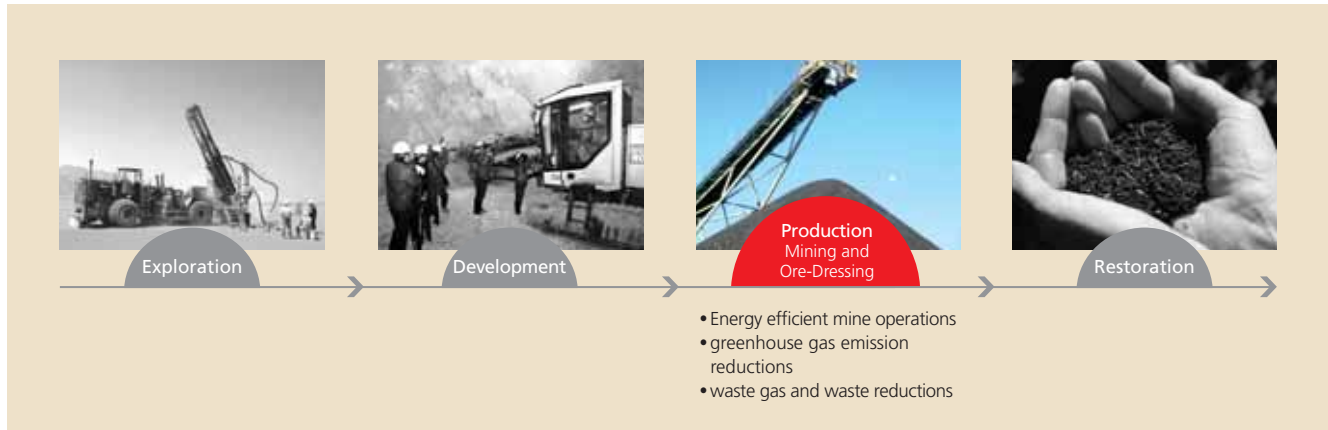
Construction of an OPP (Ore Preparation Plant), which mixes mined Nickel mineral into slurry, is in progress at the Ambatovy site. From 2010, Nickel mineral made like coffee from the OPP will be transferred directly to a refinery in Toamasina, the No. 1 harbor city of Madagascar, through a 220km pipeline.

When I visited the refinery the same afternoon, I observed Korean companies taking initiative roles in some of the construction projects including power plants. In the plane on the way to Antananarivo, the capital of Toamasina, I visualized Nickel minerals transferring through the 220km pipeline from the outback Africa to a harbor. I was thrilled and overwhelmed.

The production of Nickel from the Ambatovy mine is about 60,000 tons (based on a metal state), making it the fourth largest single mine in the world. A Korean Consortium, led by Korea Resources Corporation, states that it has the right to purchase 30,000 tons, which is 50% of total production. Korea's annual domestic consumption of Nickel is 120,000 tons, which is the world's fifth largest and accounts for 25% of the consumption secured from the Ambatovy mine.

Welcoming the Korean visitors arriving at the Ambatovy Mine is the Korean national flag, along with Japanese, Canadian and Madagascan flags, and flapping on their high poles. Seeing a Korean national flag flying in outback Africa is an unusual sight. I will savor this thrill and pride for a long time to come.

RESPONSIBLE RESOURCE DEVELOPMENT— ECO-EFFICIENCY



KORES is preparing to minimize its environmental impact and cope with climate change through the efficient use of energy, curtailment of greenhouse gas and air pollution emissions, as well as waste water and scrap material management from the production stage.

ENERGY EFFICIENT RESOURCE DEVELOPMENT

A variety of equipment and technologies are used in the exploration, development and production stages of resource development, and much energy is consumed during the boring, shaft excavation and refining processes. Utilizing efficient equipment or technologies to reduce energy consumption during resource development is an essential activity from both a cost perspective, as well as to prepare for climate change.

Energy/greenhouse reduction via change in production process

We engage in activities to reduce energy consumption and greenhouse gas emissions when participating in a project and managing it. We are promoting the introduction of ITmk3¹⁾, a pig-iron production technology which could facilitate the reduction of CO₂ emissions by 18% and 35%, respectively, compared to the large- and mini-sized shaft furnaces in the iron mine project in Yalgoo, Australia. In the case of the Zhangji-aGang project, China, we are seeking to reduce greenhouse gas emissions by switching to natural gas, an environmentally friendly energy, in the quicklime process.

Going forward, we will continue efforts to reduce greenhouse gas emissions primarily via new technologies and process improvements which will enable energy saving. Based on such

new technologies, designed to decrease greenhouse gas emissions, we will aggressively react to the cap-and-trade program which will be implemented in the near future.

EMISSIONS MANAGEMENT

KORES is controlling all factors in its resource development that might impact the environment, such as air pollution, water contaminants and tailings. We also provide support for management of environmental contaminants by domestic mines, via environmental consulting.

1) Characteristics of ITmk3

Developed by Kobe Steel in Japan, this third-generation iron-making technique produces low carbon dioxide emissions and generates almost no CO, NOx, SOx and dust.

Mine Water Pollution Prevention

KORES is making every effort to ensure that water pollution will not result from resource development by providing support for waste water treatment and periodically measuring mine water quality. In 2008, the water quality analysis which had been previously implemented irregularly at refineries and mines, such as KMC, NRC and Gwangyang Ferro Alloy, was carried out periodically. In the case of Gwangyang Ferro Alloy, an analysis is performed every other month, while KMC and NRC have implemented quarterly inspections to prevent water pollution in advance. An enhancement to the Detox Tank process was implemented for the cyanide (CN) process of the Rapu-Rapu project in the Philippines, and remedial action for effluent water pollution was suggested. In the case of the Springvale project in Australia, it reduced environmental pollution caused by discharge of mine water without permission and achieved cost reductions at the same time, by recycling 3,010ML of mine water from 4,246ML which was leached during the coal mining process. In the case of local Gwangyang Ferro Alloy, it operates a treatment facility for wastewater generated during the processing of sulfuric acid, and controls contaminants that exceed legal standards and discharges them through the facility.

Air Pollutants Control

KORES controls the sulfur oxide content in waste gas which is generated during the production of Molybdenum oxides at the Gwangyang Ferro Alloy Molybdenum Concentrate under regulated values. We also control SOx and maintain dust levels below the standard value, with an aim to enhance and preserve a pleasant atmosphere around the plant area, by installing a diverse variety of control equipment including gas coolers, bag filters, and the wet ESI.

Air Pollutants Status by Gwangyang Ferro Alloy

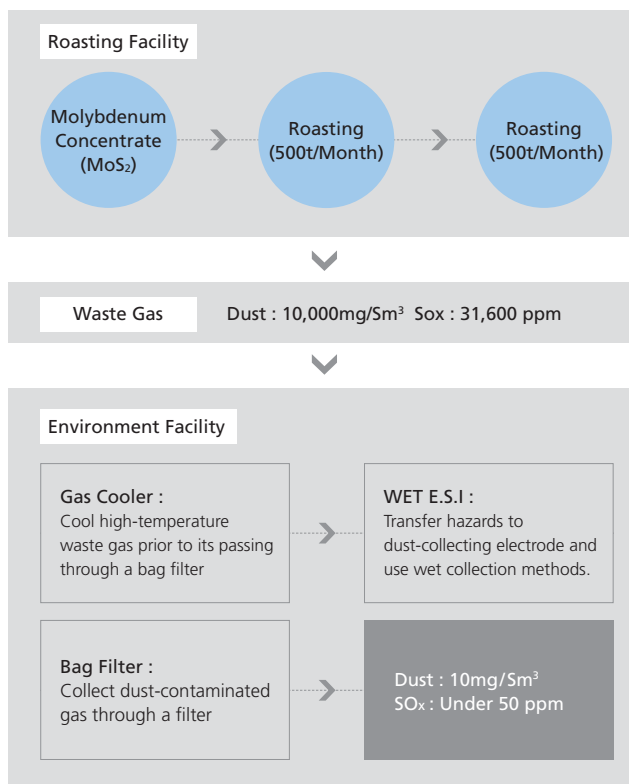
Air pollutant	Generation by annual average	Basic *
SO _x (ppm)	10	< 300
Dust (mg/m ³)	25	< 100

* Article 15, Permissible emission standard of air pollution

Water Quality Analysis Result

Classification	Water Pollution Measurements by Gwangyang Ferro Alloy 1 (Dec. 2008)				
Inspection Item (Standard Value)	COD (<40)	SS (<20)	pH (5.8~8.5)	n-hexane (<5)	Cu (<3)
	1.6	0.06	7.8	<0.01	0.82
Water Quality Standard	Effluents Water Quality Standard of Wastewater Treatment Plant				

Gwangyang Ferro Alloy Environmental Facility



Prevent Pollution Resulting from Mine Waste (tailings)

KORES is carrying out activities related to waste treatment, such as a recycle-measurement study of ore-dressing tailings in domestic mines. We have also implemented a study regarding recycling ore-dressing tailings in order to treat tailings (900 tons/daily) produced from KMC. As a result, we are now able to utilize tailings to control the strength of concrete and arsenical echo bricks, and we are in discussion with Uljin-gun (county) to utilize this product as farmland improvement material. Environmentally stable mine operations have been also made possible, thanks to the recycling of ore-dressing tailings and we expect this to result in a reduction of KRW 1.7 billion in tailing treatment expenses. The study received the grand prize at the "2008 Energy Dissertation" in recognition of its environmentally friendly performance.

All wastes produced by KORES headquarters are discharged by a designated waste handling company in accordance with the waste control law; a total of 121 tons of waste were disposed of over a period of six instances in 2008.

RESPONSIBLE RESOURCE DEVELOPMENT—RESTORATION



We implement environmental inspection, targeting mines in which resource development activities have been suspended or terminated, to remove potential environmental impact, while preparing for technology development to restore their environment to its original, pre-development state.

ENVIRONMENT RESTORATION AND MANAGEMENT

If idle mines have been abandoned due to deposits or economic reasons, it is likely that environmental problems could develop, such as soil and water pollution and ecosystem disruption. We carry out inspections to assess potential environmental impact, targeting temporarily shut-down or abandoned mines and establishing plans for the application of related technologies for environmental restoration. We will contribute to society through sustainable mine restoration technology and development, and will do its utmost to restore these environments to their original, pre-mining state.

Environmental Pollution Inspection of Abandoned Mines

KORES has intensified its mine environment technological capabilities by carrying forward environmental investigations on abandoned metal mines in 2008. We also established basic data in the environment sector pertaining to redevelopment of domestic mines for the future. Together with the Korea Natural Environmental Institute, University of Seoul, and Academic-industrial Cooperative Body of Chonbuk National University, we carried out comprehensive inspection and research activities to identify the water and soil pollution status at more than 100 abandoned mines nationwide. We have also implemented a supervisory business related to the environmental restoration of Deogeum mine in Naju, Jeonnam, and Sanmak mine in Bonghwa, Gyeongbuk.

Furthermore, to inquire into the relationship between mine development and environment pollution, an inspection was carried out on pollution around abandoned mines. Among the 15 abandoned mines located in Yangpyeong-gun, samples were collected from seven abandoned mine heads and related waterways in which water system pollution was suspected. As a result of the analysis on a total of 30 samples, most pollution around the mines, except for Geumwang mine¹⁾, demonstrated neutral pH levels and low electrical conduction, showing an insignificant correlation between environmental pollution and abandoned metal mines.

Promote Environment Restoration Technology Development

We are carrying forward comprehensive R&D by devising a research and development roadmap for technological enhancement in the mine environment restoration sector. We have also implemented continuous data collection and information exchange with related organizations. Through such efforts, we have paved the way for the development of specialized technologies for the mine environment field, as well as providing support to mine development and restoration-related environment businesses by gathering information on details of major laws and ordinances in relation to environmental regulations.

1) In the case of Geumwang mine, the water pH demonstrated high acidity in the range of 4.81~4.84 showing some level of pollution related metal and it appears to be in need of management.

Exchange Activity for Environment Pollution Prevention

Classification	Details
Joint Symposium with specialized organizations (May 29~30)	Share technology information and opinions on key laws regarding soil and underground water. (Sponsored by Ministry of Environment & Environmental Management Corporation)
Training to foster professionals for the prevention of damage by mines (June 25~27)	Investigate and evaluate mine environment, investigate the ground, design mine drainage purification facility (Mine Reclamation Corp., Kangwon University)
Academic society participation and presentation	Presentation on "Heavy metal accumulation study on waterside plants around Geumnyong Mine," and "MSG Grouting effect to prevent the occurrence of leachate leakage in abandoned mines "

Lessons Learned from Environmental Accidents

Many unexpected problems can occur while carrying out resource development projects. And any issue pertaining to the environment should not be taken lightly, as it could directly affect mine administration. KORES is well aware of such potential problems and is also making enormous preventative efforts; even so, it learned a significant lesson after an environmental accident in a foreign business location (Rapu-Rapu, the Philippines copper production project) in 2005.

On October 11, 2005, before the mine was in full swing, an accident occurred due to the leakage of water from the water catchment area which caused a pump to malfunction. In the same month, following the accident, rain water in a tailings dam which was under construction, leaked out due to torrential rain concentrated in the Rapu-Rapu region. MGB in the Philippines and Rapu-Rapu Fact Finding Committee both inspected the accident site and assessed the environmental impact. While its environmental impact proved to be insignificant, the accident drew public criticism against mine development, thereby delaying mine operations for 15 months.

The leakage accident not only caused economic losses from the 15-month delay, but also caused negative public opinion of the Rapu-Rapu project, which resulted in a movement against the project by the local residents and environmental organizations, which lasted for

some time. As a result, the Rapu-Rapu project, as a preventative measure against future accidents and public backlash, obtained ISO14001, an environment management system certification, fully observing environmental guidelines and international regulations. It also intensified Multipartite Monitoring Team (MMT) operations with the local community, government, NGOs, local self-government and the Tailing dam extension, through which environmental management and prevention of environmental accidents were thoroughly implemented.

Based on the valuable experience gained from the Rapu-Rapu incident, KORES had an opportunity to perceive once again how environmental problems could impact its resource development projects. In this regard, KORES exhaustively observes environment guidelines and international regulations in project progression and preemptively tackles prospective environmental problems. In 2008, the corporation established an Environmental Safety System (ESS) which applies international regulations and guidelines and prepared detailed procedures for environmental management, as well as building a corporate-level Environmental Safety System. Introduction of the Environmental Safety System signifies the company's firm resolution that it will not tolerate the occurrence or re-occurrence of any environmental problems.

Need to devise a mid- to long-term plan to reduce social/environmental risks according to overseas resource development

Jung-Min Lee, Manager of Ambatovy Project Team



"Social and environmental problems are our top priorities whose preemptive prevention is critical. For example, if a plant has to be closed due to an environmental problem, it would result in huge economic losses."


It is necessary to devise a mid- to long-term plan to reduce the social/environmental risks associated with foreign resource development. In their examination process, foreign enterprises place environmental risks first when making investment decisions and implement pre-inspections to reduce risk. If a plant has to be shut-down during a large project, due to environ-



mental and social problems, the result could be enormous economic losses, which, in reality, could exceed KORES's annual revenue.

For financing of the current project, we must conform to the IFC guidelines, a social standard, and the World Bank guidelines, a rigid environmental standard. And when KORES is directly managing a business, it is imperative that such conformity is given full attention. Today, environment and society are the two most important considerations in the resource development field. In the future, it is essential that there be devised a corresponding strategy in stages, according to social/environmental risks and measures that consider degree of risk.

Appendix

- 
- Charter of Ethics
 - 10 Principles of the International Council on Mining and Metals (ICMM)
 - Independent Assurance Statement
 - GRI Guideline Index
 - Memberships in Associations and Organizations
 - Glossary of Terms
 - Survey of Readers' Opinions

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>").

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 the 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.



10 PRINCIPLES OF THE INTERNATIONAL COUNCIL ON MINING AND METALS (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 life-cycle 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.

INDEPENDENT ASSURANCE STATEMENT

Korea Resource Corporation 2008 Sustainability Value Report

The assurance has been carried out with multi-disciplinary assurance team with a broad range of skills and depth of experience providing a high level of competency for assurance engagement in line with the BSI Fair Trading Code of Practice (Quality control).

BSI assessors have assessed the available report and data sets included in the sustainability report. This Independent Assurance Statement has been prepared for Korea Resources Corporation only for the purposes of verifying its statements relating to its sustainability, more particularly described in the scope, below. The British Standards Institution is independent to Korea Resources Corporation. The British Standards Institution will not, in providing this Independent Assurance Statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the Assurance Statement may be read. The Independent Assurance Statement has been completed on basis of information provided by Korea Resources Corporation.

Assurance Standards

The assurance has been performed with the AA1000AS (2008) standard, based on the three Inclusivity, Materiality, Responsiveness principles

Reference to criteria used

Korea Resources Corporation has confirmed that the report has been prepared according to the GRI G3 and BSR(Best Sustainability Reporting Guideline), and referred ICMM Sustainability Development Framework & UN Global Compact .

Scope

The assurance has covered the whole report and focuses on sys-

tems and activities during the 2008 calendar year on the Korea Resources Corporation headquarter and relevant operations in Korea except for other sites in Korea and overseas.

Type of Assurance and Assurance Level provided

The assurance follows Type 1- AccountAbility Principles and moderate level of assurance engagement in order to provide confidence to readers by reducing risks or errors to very low but not zero.

The assurance provider has evaluated publicly disclosed information, legislation, the systems and processes the organisation had been in place to ensure adherence to the principles and the performance information that demonstrates adherence. For type 1 assurance, the evaluation of performance information does not require the assurance provider to provide conclusions on the reliability of the performance information. Rather, it uses information on performance as a source of evidence when evaluating adherence to the principles. An assurance provider is not restricted in the types of information it seeks as evidences.

Responsibility

The sustainability report is the responsibility of Korea Resources Corporation. Our responsibility is to provide an independent assurance statement to stakeholders giving our professional opinion based on the scope and methodology described

Methodology

We have assessed over several assertions and data sets included in the report and the systems and processes used to manage and report these using the following methods:

- Reviewed report, internal policies, documentation, management and information systems
- Visited sites in Korea specifically Korea Resources Corporation 's headquarters in Seoul.
- Carried out interviews with staffs involved in sustainability

management, report preparation and provision of report information at Korean sites

- Checked systems, initiatives and documents referred to in the report
- Followed data trails to initial aggregated source and checked sample data to greater depth during site visits

Opinion Statement

Through our assurance, we have concluded that the report provides a fair view of Korea Resources Corporation's sustainability programmes and performance indicators during 2008. .

Inclusivity

BSI assurors have assessed that Korea Resources Corporation has adhered to the principle of inclusivity when it makes a commitment to be accountable to those on which it has an impact or who has an impact on it , and has place a process of stakeholder participation that is applied across the Korea Resources Corporation .

We have found that the report covers Korea Resources Corporation's inclusivity issues and that systematic and wide range of stakeholder participation process have been well defined. We have also recommended that sustainability issues from stakeholder have been reflected and deployed into the Korea Resources Corporation's sustainability strategy through enhanced organizational structure and its process.

We have confirmed that Total Customer Management System has been developed to enable mutual communication with all stakeholders. We expect that sustainable management strategies and performances would be shared with stakeholders in near future.

Materiality

BSI has reviewed the determination process for the organization's materiality to prioritize material issues. We have found that

the report covers Korea Resources Corporation's material issues through prioritizing process and have confirmed that it has been well identified for economic, social, environmental areas.

We have found that the key performance indicators has been appropriately described with DMA(Disclosure on Management Approach) on economic, social and environmental areas. Moreover, the relevant strategy, responsibility and performance monitoring have been properly defined.

Responsiveness

We provides commentary on the responsiveness of the report and other communication to the needs of identified groups of stakeholders. The report shows that Korea Resources Corporation has appropriately responded to material issues.

We believe that the Ethic Management Committee will be expanded to sustainability management committee in near future, which improvement of governance and enhanced responsiveness process will be developed through periodic sustainability management committee in a near future.

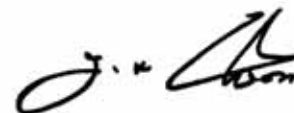
GRI reporting

We have reviewed that GRI indicators referenced in the GRI index pages are reported either partially or fully and finally comments that the report meets GRI G3 A+ application level.

26 Feb 2009

JungKee Cheon

Managing Director of
BSI Management Systems Korea




GRI GUIDELINE INDEX

Fully Reported ● Partially Reported ○ Not Reported * Not applicable

GRI		UN Global compact		ICMM sustainable development framework		BSR	Page	Status
GRI number	Content	Global compact principle	Content	ICMM principle	Content	Index		
Profile								
1. Strategy and analysis								
1.1	Statement of the CEO	22		2	Integrate sustainable development considerations within the corporate decision-making process	A1	4-5	
1.2	Description of key impacts, risks and opportunities					A2	18	
2. Organizational profile								
2.1	Name			10	Implement effective and transparent engagement, communication and independently verified reporting arrangement with our stakeholders	A3	7	
2.2	Primary brands, products and services					A4	7	
2.3	Operational structure and major divisions					A5	7	
2.4	Location of headquarters					A7	8	
2.5	Countries of operations					A7	8-9	
2.6	Nature of ownership and legal form					A8	7	
2.7	Markets served					A9	8-9	
2.8	Scale of reporting organization					A10	10	
2.9	Significant changes during the year					B8	6	
2.10	Awards received					CO8	94	
3. Report parameters								
• Report Profile								
3.1	Reporting period			10	Implement effective and transparent engagement, communication and independently verified reporting arrangement with our stakeholders	B3	Flap	
3.2	Date of previous report					B8	-	*
3.3	Reporting cycle					B6	Flap	
3.4	Contact point					B9	Flap	
• Report scope and boundary								
3.5	Process for defining report Pages			10	Implement effective and transparent engagement, communication and independently verified reporting arrangement with our stakeholders	B4	24-25	
3.6	Boundary of the report					B1	Flap	
3.7	Limitations					B2	Flap	
3.8	Basis for reporting on joint ventures or subsidiaries					A6	Flap	
3.9	Data measurement techniques					-	Flap	
3.10	Explanation of the effects of any restatements					-	-	*
3.11	Significant changes from previous reporting period					B5	-	*
• GRI content index								
3.12	Table identifying location of disclosure			10	Implement effective and transparent engagement, communication and independently verified reporting arrangement with our stakeholders	B10	88-94	
• Assurance								
3.13	Policy and current practice with regard to seeking external assurance of the report			10	Implement effective and transparent engagement, communication and independently verified reporting arrangement with our stakeholders	B7	86-87	
4. Governance, commitments and engagement								
4.1	Governance structure including committees					GR1	19-20	
4.2	Independence of the chair					GR1 GR3	19	

GRI		UN Global compact		ICMM sustainable development framework		BSR	Page	Status
GRI number	Content	Global compact principle	Content	ICMM principle	Content	Index		
4.3	Independence of Board			1	Implement effective and maintain ethical business, practices and sound systems of corporate governance	GR2	20	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the board					GR12	20	
4.5	Linkage between compensation and performance					GR7	20	
4.6	Process to ensure conflicts of interest are avoided					GR13	19-20	
4.7	Process for determining qualifications of board					GR4	19	
4.8	Internally developed relevant statements of mission or principles					GR5	Flap, 16-17	
4.9	Procedure for risk identification and compliance					GR6	19-20	
4.10	Process for evaluating board's own performance					GR11	19-20	
• Commitments to external initiatives								
4.11	Explanation of use precautionary approach	7	Support a precautionary approach to environmental challenges	4	Implement risk management strategies based on valid data and sound science	GR10	21	
4.12	Externally developed charters, principles and other initiatives endorsed					A11	14	
4.13	Memberships of associations and advocacy bodies			10	Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders	C1	94	
• Aspect : Stakeholder engagement								
4.14	List of stakeholders			10	Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders	C2	23	
4.15	Basis of identification of stakeholders					C1	22	
4.16	Approaches to stakeholder engagement					C2	22-23	
4.17	Key topics and concerns of stakeholders					C3	23	
Economic performance indicators								
Aspect : Economic performance								
EC1	Direct economic value generated and distributed			9	Contribute to the social, economic and institutional development of the community in which we operate	EC1	39	
EC2	Financial implications and risks due to climate change			4	Implement risk management strategies based on validation and sound science	EC2	38	●
EC3	Coverage of the organisation's defined benefit plan obligations			10	Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders	EC3	39	
EC4	Significant financial Significant financial ssistance from government					EC5	28, 35	
Aspect : Market presence								
EC5	Ratio of standard entry level wage compared to localminimum wage at significant areas of operation			9	Contribute to the social, economic and institutional development of the community in which we operate	EM4	39	
EC6	Policy, practices and proportions of spending on locally-based suppliers at significant locations of operation					EC4	39	●
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation					EC4	46,59	●
Aspect : Indirect economic impacts								
EC8	Development and impact of infrastructure investments and services provided for public benefit			9	Contribute to the social, economic and institutional development of the community in which we operate	EC6	61,62,64	
EC9	Indirect impacts					EC7	37	

Fully Reported  Partially Reported  Not Reported * Not applicable

GRI		UN Global compact		ICMM sustainable development framework		BSR	Page	Status
GRI number	Content	Global compact principle	Content	ICMM principle	Content	Index		
Environmental performance indicators								
Aspect : Materials								
EN1	Weight of materials used	8	Undertake initiatives to promote greater environmental responsibility	6	Seek continual improvement of our environmental performance	EV10	-	*
EN2	Percentage of materials used that are recycled					EV11	-	*
Aspect : Energy								
EN3	Direct energy consumption by primary source	8	Undertake initiatives to promote greater environmental responsibility	6	Seek continual improvement of our environmental performance	EV7	68,72	
EN4	Indirect energy consumption by primary source					EV8	68,72	
EN5	Energy saved due to conservation and efficiency improvements					EV5	72-73	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements					EV5	72-73	●
EN7	Initiatives to reduce indirect energy consumption and reductions achieved					EV5 EV25	72-73	●
Aspect : Water								
EN8	Total water withdrawal by sour			6	Seek continual improvement of our environmental performance	EV9	73	
EN9	Water sources significantly affected by withdrawal of water					EV20	-	○
EN10	Percentage and total volume of water recycled and reused	8	Undertake initiatives to promote greater environmental responsibility			EV18	80	●
Aspect : Biodiversity								
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	8	Undertake initiatives to promote greater environmental responsibility	7	Contribute to conservation of biodiversity and integrated approaches to land use planning	EV22	76	●
EN12	Description of significant impacts of activities on biodiversity in protected areas and areas of high biodiversity value					EV22, EV26	76-77	●
EN13	Habitats protected or restored					EV27	77	●
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity					EV6 EV26	76-77	●
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.					-	77	●
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.					-	77	●
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk					EV28	76	●
Aspect : Emissions, effluents and waste								
EN16	Total direct and indirect greenhouse gas emissions by weight	8	Undertake initiatives to promote greater environmental responsibility	6	Seek continual improvement of our environmental performance	EV12	73	
EN17	Other relevant indirect greenhouse gas emissions by weight					EV13	73	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved					EV4	73	●
EN19	Emissions of ozone-depleting substances by weight					EV14	-	*
EN20	NOx, SOx, and other significant air emissions by type and weight					EV15	80	●
EN21	Total water discharge by quality and destination					EV17	80	●
EN22	Total weight of waste by type and disposal method					EV16	80	
EN23	Total number and volume of significant spills					EV21	-	*

GRI		UN Global compact		ICMM sustainable development framework		BSR	Page	Status
GRI number	Content	Global compact principle	Content	ICMM principle	Content	Index		
MM3	Total amounts of overburden, rock, tailings, and sludges presenting potential hazards.					-	80	●
EN24	Weight of transported, imported, exported, or treated hazardous waste					EV29	-	*
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by discharges of water and runoff					EV19	-	○
Aspect : Products and services								
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	8	Undertake initiatives to promote greater environmental responsibility	8	Facilitate and encourage responsible product design, use, re-use, recycling and disposal	EV23	81-82	●
EN27	Percentage of products sold and their packaging materials that are reclaimed by category					EV24	-	*
Aspect : Compliance								
EN28	Value and number of significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations	8	Undertake initiatives to promote greater environmental responsibility	6	Seek continual improvement of our environmental performance	EV31	-	*
Aspect : Transport								
EN29	Significant environmental impacts of transporting products and other goods and materials	8	Undertake initiatives to promote greater environmental responsibility	6	Seek continual improvement of our environmental performance	EV30	72-73	
Aspect : Overall								
EN30	Total environmental protection expenditures and investments by type.	8	Undertake initiatives to promote greater environmental responsibility	6	Seek continual improvement of our environmental performance	EV1	73	●
Social performance indicators								
Labour practices and decent work								
• Aspect : Employment								
LA1	Total workforce by employment type, employment contract, and region.	6	Eliminate discrimination in respect of employment and occupation	9	Contribute to the social, economic and institutional development of the communities in which we operate	EM1	46	
LA2	Total number and rate of employee turnover by age group, gender, and region.					EM5	46	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.					EM20	49	
• Aspect : Labor/Management Relations								
LA4	Percentage of employees covered by collective bargaining agreements.	3	Uphold freedom of association and recognition of right to collective bargaining	3	Uphold fundamental human rights and respect cultures and values in dealings with employees and others who are affected by our activities	EM12	51	
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.					EM13	51	
MM4	Number of strikes and lockouts exceeding one week's duration					-	-	*
Aspect : Occupational Health and Safety								
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.			6	Seek continual improvement of our health and safety performance	EM14	51	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region					A11	50	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.					EM18	50	●
LA9	Health and safety topics covered in formal agreements with trade unions.					EM15	50	
Aspect : Training and Education								
LA10	Average hours of training per year per employee by employee category.					EM27	48	

Fully Reported  Partially Reported  Not Reported * Not applicable

GRI		UN Global compact		ICMM sustainable development framework		BSR	Page	Status
GRI number	Content	Global compact principle	Content	ICMM principle	Content	Index		
Aspect : Training and Education								
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.					EM28	48-49	
LA12	Percentage of employees receiving regular performance and career development reviews.					EM29	47	
Aspect : Diversity and Equal Opportunity								
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	Eliminate discrimination in respect of employment and occupation	1	Implement and maintain ethical business practices and sound systems of corporate governance	EM2	46	
LA14	Ratio of basic salary of men to women by employee category.					EM3	47	
Human rights								
• Aspect : Investment and procurement practices								
HR1	Percentage and total number of significant investments and agreements that include human rights screening	1	Support and respect protection of internationally proclaimed human rights.	3	Uphold fundamental human rights and respect cultures and values in dealings with employees and others who are affected by our activities	PN2	56	●
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken					PN3	56	●
HR3	Employee training on policies and procedures concerning aspects of human rights					EM30	44	
• Aspect : Non-discrimination								
HR4	Total number of incidents of discrimination and actions taken.	6	Eliminate discrimination in respect of employment and occupation	3	Uphold fundamental human rights and respect cultures and values in dealings with employees and others who are affected by our activities	EM7	-	*
• Aspect : Freedom of association and collective bargaining								
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.	3	Uphold freedom of association and recognition of right to collective bargaining	3	Uphold fundamental human rights and respect cultures and values in dealings with employees and others who are affected by our activities	EM8	51	
• Aspect : Child labour								
HR6	Operations identified as having significant risk for incidents of child labour	5	Uphold abolition of child labour	3	Uphold fundamental human rights and respect cultures and values in dealings with employees and others who are affected by our activities	EM9	47	
• Aspect : Forced and Compulsory Labor								
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour	4	Eliminate all forms of forced and compulsory labour	3	Uphold fundamental human rights and respect cultures and values in dealings with employees and others who are affected by our activities	EM10	47	
• Aspect : Security Practices								
HR8	Percentage of security personnel trained in policies or procedures concerning human rights	2	Business should make that they are not complicit in human rights abuses.	3	Uphold fundamental human rights and respect cultures and values in dealings with employees and others who are affected by our activities	EM31	44	●
• Aspect : Indigenous rights								
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	2	Business should make that they are not complicit in human rights abuses	3	Uphold fundamental human rights and respect cultures and values in dealings with employees and others who are affected by our activities	CO2	-	*
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.	2	Business should make that they are not complicit in human rights abuses			-	-	○

GRI		UN Global compact		ICMM sustainable development framework		BSR	Page	Status
GRI number	Content	Global compact principle	Content	ICMM principle	Content	Index		
Society								
• Aspect : Community								
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.			2	Integrate sustainable development considerations within the corporate decision making process	CO2	61	●
MM6A	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples.	2	Business should make that they are not complicit in human rights abuses.	3	Uphold fundamental human rights and respect cultures and values in dealings with employees and others who are affected by our activities	-	-	*
MM6B	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and their outcomes.	2		3	Uphold fundamental human rights and respect cultures and values in dealings with employees and others who are affected by our activities	-	61	●
MM7	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; describe the associated risks and the actions taken to manage and mitigate these risks.			4	Implement risk management strategies based on validation and sound science	-	-	*
MM8	List sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.	2	Business should make that they are not complicit in human rights abuses.	3	Uphold fundamental human rights and respect cultures and values in dealings with employees and others who are affected by our activities		60	●
MM9	Number and percentage of operations with closure plans.			6	Seek continual improvement of our environmental performance		81	●
MM10	Significant incidents involving communities in which grievance mechanisms have been invoked to address them together with their outcomes.			3	Uphold fundamental human rights and respect cultures and values in dealings with employees and others who are affected by our activities		61	●
MM11	Number and description of incidents affecting employees, communities, or the environment in which emergency preparedness procedures were activated.						-	*
Aspect : Corruption								
SO2	Percentage and total number of business units analysed for risks related to corruption	10	Businesses should work against corruption in all its forms, including extortion and bribery.	1	Implement and maintain ethical business practices and sound systems of corporate governance	CO5	43-45	●
SO3	Percentage of employees trained in organisation anti-corruption policies and procedures					CO5	44	
SO4	Actions taken in response to incidents of corruption					CO5	44	
Aspect : Public Policy								
SO5	Public policy positions and participation in public policy development and lobbying.			10	Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders	CO6	56	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.					CO7	-	*
Aspect : Anti-Competitive Behavior								
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.			1	Implement and maintain ethical business practices and sound systems of corporate governance	CS3	-	*
Aspect : Compliance								
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations			1	Implement and maintain ethical business practices and sound systems of corporate governance	CO9	-	*
Product responsibility								
• Aspect : Customer Health and Safety								
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement			8	Facilitate and encourage responsible product design, use, re-use, recycling and disposal	CS4	57	●

Fully Reported ● Partially Reported ○ Not Reported * Not applicable

GRI		UN Global compact		ICMM sustainable development framework		BSR	Page	Status
GRI number	Content	Global compact principle	Content	ICMM principle	Content	Index		
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.					CS11	-	*
• Aspect : Product and service labelling								
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.					CS5	53	●
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.					CS12	-	*
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.					CS9	52-54	
• Aspect : Marketing and communications								
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.					CS13	54	●
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.					CS14	-	*
• Customer privacy								
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.					CS15	-	*
• Aspect : Compliance								
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.			8	Facilitate and encourage responsible product design, use, re-use, recycling and disposal	CS12	-	*
MM10	Significant incidents involving communities in which grievance mechanisms have been invoked to address them together with their outcomes.					-	-	○

Awards (2006~2008)

Year	Name	Organizer
2005	Urban Rural Exchange of the Year Award	Ministry of Agriculture
2006	Good Company for New Management-Employee Culture	Ministry of Labor
2007	Korea e-Business Award	Ministry of Commerce, Industry, and Energy
2007	Grand Prize-Korea's Most Respected CEO Award	Hankyoreh Economy 21
2008	Prize for Excellence-Peter F. Drucker Award for Nonprofit Innovation (Creative Management category)	Peter F. Drucker Society of Korea

Memberships in Associations and organizations

Name	Purpose
Mining Association of Korea	Exchange of information and promote businesses
Korean Energy Foundation	Exchange technological information in the energy-related areas
Public Corporations' Council for the Korean Pact on Anti-Corruption and Transparency	Take a leading role in fulfilling social responsibilities, practice transparency, adopt and promote the ethical standards demanded by society
BEST Forum	Promote sustainable development of companies in domestic and overseas markets, acknowledging ethics management as the source of core competitiveness
Public Institution Directors Innovation Forum	Implement and develop joint strategies to generate innovative performance and improve competitiveness
ROK National Red Cross	Contribute to creating a society where people are mutually well off by participating in fund raising for charity
United Nations Global Compact Network Korea	Participate in workshops and symposiums related to human rights, labor, the environment and anti-corruption

GLOSSARY OF TERMS

Minable ore

The volume of ore that can be mined from the total universe of ore reserves

Reserves

Reserves that are technologically and economically recoverable amongst the total geological reserves targeted for mining development (proven reserves + potential reserves) The gross volume of all ore that can be collected until such sources reach their limits of economic feasibility at the time of mining

Mines In Operation

Mines that are actively excavating land to extract minerals or collecting minerals after receiving approval of mining plans

Development

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

Mine water

Rainwater or underground water generated by mining activities, and pumped from mines

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)

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

Boring

Excavation through a tunneling process, producing a cave type formation

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.

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.

Tailing

The non-viable, byproduct materials left over after extracting the useful portion of the ore containing the target minerals

Raise boring

The process of drilling pilot holes between levels in a mine for ventilation, transportation and other purposes, and reaming of the pilot hole to the finished dimension of the raise

Drilling

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

Boring sludge

Deposits generated from the boring process

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)

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.

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.

The Equator Principles

Developed by private sector banks and modeled on the envi-

ronmental, 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.

Support

ˆA structural support made of wood or iron which is used to maintain the integrity of underground mining activity areas, preventing distortion, destruction, warping or cave-ins during the boring process

ˆHydraulic props provide support to the blind ends of a mining gallery, maintaining roof integrity

Exploration

ˆSearching 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

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).

Environmental impact assessment (EIA)

A system to assess the possible impact that development projects may have on the natural environment, positive or negative. Generally 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.

Recovery ratio

Yield or the recovery rate refers to the percentage of concen-

trate to usable elements in feed ore. It is used as reference data to evaluate ore grades and screening performance

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

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.

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.

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.

GRI G3 Guideline Application



This sustainability report by Korea Resources Corporation (KORES) satisfies all GRI G3 guideline "A+" grade requirements. This has been confirmed by the British Standards Institution (BSI), an independent report examining agency.

Survey of Readers' Opinions

KORES wishes to hear from its stakeholders.

Your valuable opinions and suggestions will be reflected in its future sustainable management strategies and sustainability reports

Website : www.kores.or.kr E-mail : sm@kores.or.kr Fax : (82-2) 833-0564

1. Which of the following stakeholder groups do you belong to?

- ☐ Customer ☐ Investor Partner ☐ Business Partner ☐ Government ☐ Community
☐ Media ☐ Association, Research Institution ☐ NGO ☐ Other ()

2. How did you hear out about KORES's sustainability report?

- ☐ KORES's Homepage ☐ KORES Employees ☐ Internet Search
☐ Newspapers/Magazines ☐ Other ()

3. Was this report of help to understand our sustainable management initiatives?

- ☐ Very Much ☐ A Little ☐ Moderately So ☐ Not Much ☐ Totally Unhelpful

4. Which section interested you the most?

- ☐ Economic Performance ☐ Environmental Performance ☐ Social Performance ☐ Other ()
-

5. Which section do you think needs improvement? (Multiple choices permitted)

- ☐ Economic Performance ☐ Environmental Performance ☐ Social Performance ☐ Other ()
-

6. Do you think the publication of this report will be helpful in our sustainability management efforts?

- ☐ Very Much ☐ A Little ☐ Moderately So ☐ Not Much ☐ Totally Unhelpful

7. Please feel free to share any ideas you have on this report and our sustainability activities.

KORES Sustainability Value Report 2008

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