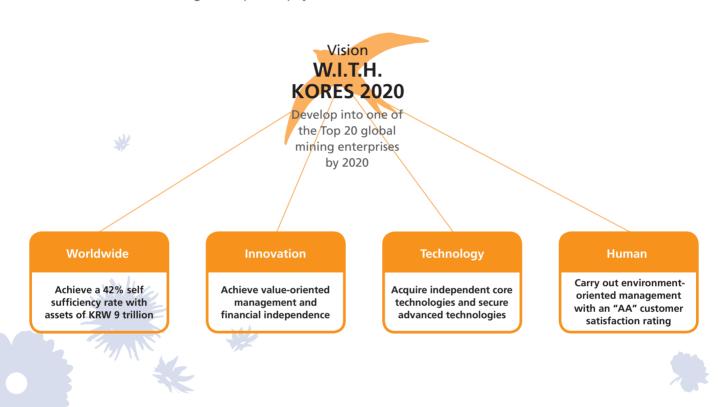




A Better World through Resources

W.I.T.H. KORES 2020 represents our vision to develop into one of the top 20 global mining enterprises by 2020. Passion for resources development, respect for mankind, responsibilities for society and pledge of environment preservation are core values and management philosophy of KORES.

Our missions and responsibilities as a public corporation specializing in resource development are fulfilled by these core values and management philosophy.



Basis and Scope of Report

- · 'KORES Sustainability Value Report 2009' is the second report about KORES's sustainable management activities regarding the economy, society and environment and has been published in both Korean and English languages.
- \cdot The report is based on the 10 principles of 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.
- The reported period is from January 1, 2009 to December 31, 2009. 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, 2009.
- This report contains statistics regarding the Korean mining industry. This is because KORES, as the nation's leading public corporation in mining industry and resource development, recognizes its responsibility for the sustainable development of Korea's mining sector.

Core Values



Creativity

Creativity is the unlimited energy of KORES.

KORES will explore the new frontier with a challenging spirit.



Change

Change is the driving life force of KORES.

KORES will remain as a company living and breathing with endless passion.



Competence

Technology is the global competitive edge of KORES.

KORES will lead the resource industry with the best technology.



Commitment

Customers are precious assets of KORES.

KORES will provide the highest levels of service to its customers with cooperation and respect.

Business Philosophy

Promote open management by encouraging internal and external communication. Foster creative and professional individuals.

Maintain a clean organizational culture with transparent management. Respect customers and fulfill social obligations. Pursue environmentally friendly resource development.





CONTENTS

04 CEO Message

Unlimited KORES

- 06 Profiles and Projects
- **08** Corporate Governance
- 09 Risk Management
- **10** Communication with Stakeholders

Unlimited Economy

- 12 Economic Efficiency
- 13 Growth Potential
- 14 Public Benefits16 Economic Value Creation and Allocation

Unlimited Society

- **18** Ethical & Transparent Management
- 19 Employees
- 22 Customers
- 23 Local Communities and Win-win Management
- **24** Corporate Social Responsibility

Unlimited Earth

- 26 Integrated Environmental Management System
- 27 Environmental

 Management Performance
- 28 Responsible Resource Management

CEO Message

KORES will continue sustainable growth through responsible resource development.

Dear stakeholders of KORES,

We appreciate your continued interest and support for KORES and, therefore, it is a great pleasure for us to inform you of our past year's performance as well as our future direction through the following sustainability report.

With the increasing importance of nation's securing overseas resources, KORES transformed our mining promotion function into the function of direct development and investment of overseas mineral resources in December, 2008 and has prepared for another leap forward to secure a sustainable supply of energy and mineral resources essential elements for the development of the national economy—having made 2009 its starting year.

Since 2009, KORES has been following a '2+2+a' strategy in order to strengthen overseas development capabilities in line with its new operational objectives. The strategy is a revised and reinforced form of its '2+2' strategy, with the '+a' referring to the targeting of rare metals, such as lithium, which are essential to cutting-edge industries. All along, the aim of the '2+2' strategy has been to secure sources of two strategic minerals with low self-sufficiency ratios, copper and uranium, in two relatively neglected regions, South America and Africa. Thanks to the execution of the '2+2+a' strategy, last year KORES achieved several outstanding results, such as the signing of a shareholder agreement with the Cobre Panama project—Panama's large-scale copper mine—as well as establishing partnerships with Niger's Tegida uranium project and Chiles' NX Uno lithium project. Behind such successes lie KORES's continuing efforts to practice sustainable management based on the sustainable development system.

Considering the imperative of survival amid the fierce international struggle to secure scarce resources, KORES has restructured its organization with an aim to strengthening its competitiveness. It has streamlined the executive department, forward deployed its workforce to the business department, created a department in charge of integrated risk management, and has established a foundation for integrated management by establishing a BI system. In addition, KORES is determined to conduct itself in accord with the principles of advanced sustainable management. To this end, it has created a Sustainability Management Committee, an Integrated Customer Management System and its Customer Contact Center to enhance customer satisfaction. Also, the first edition of its published report outlining KORES's sustainability management efforts was recently cited for excellence by the UN Global Compact.

In an effort to dispel the widespread public perception that natural development inevitably entails the destruction of nature, KORES is gathering all its strength and wisdom to establish itself as a trusted and environmentally friendly member of the global corporate community. Keeping in mind the positive ripple effect which the mining industry can have on both the economy and society, we firmly believe that by committing to the development and implementation of eco-friendly production and refining procedures we can successfully promote a model of corporate behavior which challenges prevailing public skepticism. Moreover, KORES is pursuing other win-win management objectives through our efforts to promote employee volunteer activities, our overseas CSR project, the One Company Helping One Village campaign, as well as management-sharing programs aimed at developing mutually beneficial partner-ships with local companies and communities.

KORES will realize sustainable development through responsible resource development and by making every effort to



become a reliable and trustworthy neighbor by fulfilling its social and environmental responsibilities as a corporate citizen. In order to do this, KORES promises to faithfully carry out the following:

First, we will fulfill our economic responsibility by improving our strategic mineral self-sufficiency ratio.

In 2009, this ratio increased by 2% to 25.1% compared with the previous year. We will fulfill our economic responsibilities as a leading national development company by increasing the self-sufficiency rate of all strategic minerals, including copper and uranium—minerals with relatively low self-sufficiency rates—in 2010.

Second, we will do our job as a responsible member of the broader global community.

We are well aware of the fact that the economic benefits which we acquire for our home society cannot be fairly evaluated without examining the economic benefits which we help our host societies achieve. Therefore, to attain a relationship of basic fairness and goodwill, our own economic achievements must be continuously shared with the overseas communities which we interact and partner with. Moreover, we will strive to solve whatever local issues that arise through social contribution activities such as local job creation, talent nurturing programs, and the support of regional SOC development projects. In addition, we will spare no effort in investing in the future of the domestic resource industry through expansion of support for universities specializing in resource development education.

Third, KORES will always act as a responsible steward of the environment.

Because the resource development business is very close to the environment, KORES will put a high priority on environmental protection in executing its future projects. We are committed to expanding investment in forestry and biodiversity protection activities on project sites and also in the development of environmentally friendly extraction technologies. Moreover, we will continue to research and come up with measures to reduce green house gases, setting 2010 as our starting point.

Fourth, KORES will make every effort to protect and promote its employees' health and safety.

After all, management recognizes that KORES simply couldn't exist if it weren't for the excellent health and safety of its workforce. Therefore, we're committed to creating a safe working environment for all our employees through the strengthening of mine facility safety inspections, the expansion of safety education and accident prevention campaigns, and further broad-reaching efforts to promote the health and safety of our overseas employees.

To all stakeholders of KORES:

KORES will always be standing behind you. KORES will do all it can to promote your health, safety, and comfort. We will always be open to your opinions and welcome and appreciate your interest and advice.

Thank you.



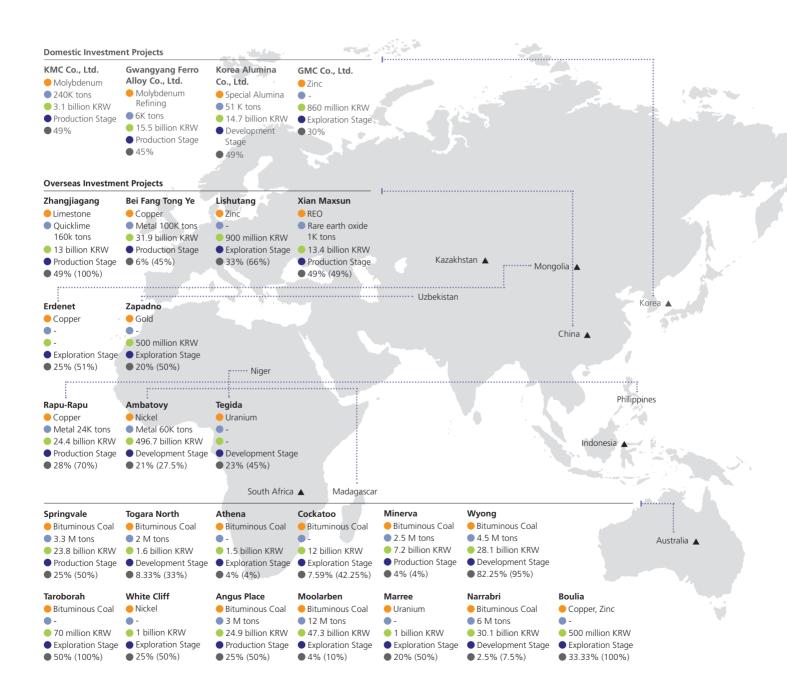


Profile and Main Business Activities of KORES

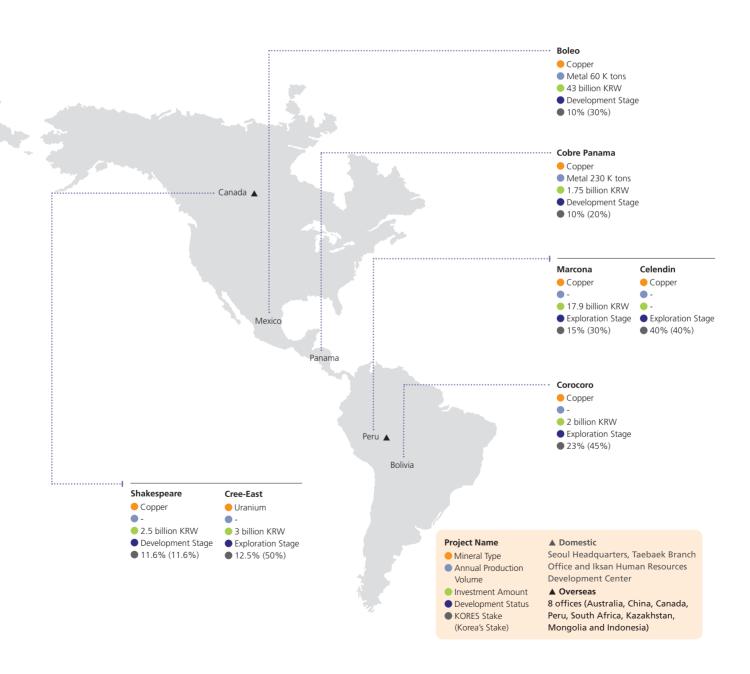
KORES, a corporation specializing in resource development, was established in 1967 and is executing tasks such as exploration and development of overseas and domestic mineral resources, technological and financial support for mineral resource development, stockpiling of rare metals in case of national emergency, mineral testing and inspection, as well as distribution and development of value-added technology.

KORES is headquartered in Seoul, South Korea, where it also has is Taebaek Office and Iksan Human Resource Development Center. In addition, it operates eight branch offices overseas.

KORES maintains a stable business portfolio consisting of three steps (exploration, development, and production) to stably secure six strategic minerals by directly investing in 29 projects in a total of 12 countries. Additionally, it supports 70 overseas resource development projects involving the participation of 50 private domestic companies, and is also investing in 4 domestic projects including Gwangyang Ferro Alloy Co., Ltd.



Company Name	Korea Resources Corporation			
Foundation Date	June 5, 1967			
Foundation Grounds	Korea Mining Promotion Corporation Act No. 1935 (Enacted on March 30, 1967) Korea Mineral Resources Corporation Act No. 9182 (Enacted on December 26, 2008)			
Foundation Purpose	Contribute to national economic development with sustainable supply of mineral resources by developing mineral resources at home and abroad and nurturing and supporting the mineral resource industry.			
Number of Employees	393			
Organization	3divisions 7departments 35teams 2 local and 8 overseas branch offices			
Capital	651.1billion KRW (Government 99.6%, Korea Finance Corporation 0.4%)			
Net Profit	21.3 billion KRW			



Corporate Governance

While KORES is improving its professionalism and efficiency with its Board of Directors (BOD) as the core body in the management structure, it maintains a ratio of non-standing directors at over 50% to faithfully execute the supervisory and supporting roles for the management of the company.

Composition and Operation of BOD As the ultimate decision making body of the company, the 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 of 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.

BOD Meetings and Agendas (as of 2009)

Year	No. of meetings held	No. of reviewed agendas	No. of discussed agendas	Adjusted decision rate	Attendance rate
2007	12	39	16	23.1%	91.6%
2008	17	41	21	24.3%	94.9%
2009	16	42	25	19.0%	97.5%

Facilitation of BOD Operations To ensure professionalism in the conduct of BOD activities, its post-BOD meeting actions and feedback systems have been strengthened and a BOD Operational Performance Index is maintained. On important matters such as investment projects and mid-to long-term management strategies, a pre-review is conducted to improve the efficiency of its decision making.

Composition of BOD

Title	Name	Major Career	Term
Chairman	Shin-Jong Kim	Ministry of Commerce, Industry and Energy, Resource Strategy Director, Ministry of Commerce, Industry and Energy, Standing Commissioner of Trade Committee, President and CEO of KORES	2008.7.30~2011.7.29
Auditor	Joon-Woo Nam	National Assembly Strategy Researcher, Senior Expert of Budget and Account, KORES Auditor	2009.1.12~2011.1.11
Executive Vice President	Min-Soo Jung	KORES Overseas Planning Director, KORES Strategic Management Head (present)	2008.7.21~2010.7.20
Executive Vice President	Seok-Jin Song	KORES Investment Development Director, KORES Resource Development Head (present)	2010.1.27~2012.1.26
Executive Vice President Chon-Gu Kang		KORES PR Director, KORES Development Support Head (present)	2009.4.1~2011.3.31
Non-executive Director Joo-Young Yeor		Seoul Newspaper Editor, Seoul Newspaper Gwangju Jeonnam Preparation Committee Chair (present)	2008.7.7~2010.7.6
Non-executive Director	Young-Sang Gwak	President of Korea Management Strategy Corporation (present)	2009.6.22~2011.6.21
Non-executive Director	Sung-Doo Sul	National Intelligence Agency Busan Daegu Chapter Head, CEO of Park Valley Golf Club	2009.9.1~2011.8.31
Non-executive Director	Gap-Yong Kim	Director of National Tax Services, CEO of GYK TAX CONSULTING (present)	2009.9.1~2011.8.31
Non-executive Director	Jong-Sik Ahn	Chair of Green Korea United (present)	2010.4.2~2012.4.1

Risk Management

Risk management is a core value enabling the company's sustainable management. KORES strategically responds to management risks and is continuously reinforcing its risk management capabilities from a strategic perspective.

Risk Management Organization

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

Establishment of Enterprise Risk Management (ERM) The needs for responding to new risk are growing in line with an expansion in the company's business domains. Accordingly, KORES has developed a corporate-wide risk management system (ERM: Enterprise Risk Management) to manage and respond to risks systematically.



Risk Management Process



· Measure and report risk per division



- Integrate risks from a corporate-wide perspective
- · Build database for risk management



- · Establish risk management strategies
- · Support decision making process

Establishment and Operation of Risk Management Process KORES is responding risks strategically through establishment of risk management process. 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.

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.

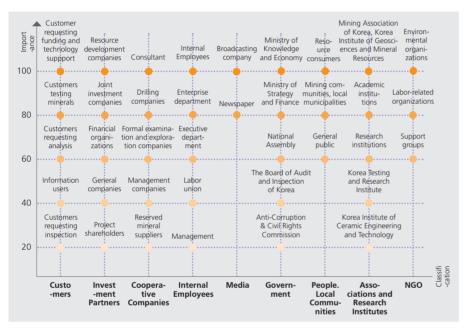
Classification	Туре	Response		
Financial Risk	Market Risk Interest Risk Credit Risk Liquidity Risk	 Each risk factor is gathered and analyzed to establish countermeasures by type Risk is managed primarily through hedging according to the appropriate countermeasures for each type of risk. 		
Non- Financial	Operational Risk - Management Risk - Administrative Risk - Computer & Network Risk - Reputation Risk - Legal Risk	Develop system responses for environment changes Strengthen internal control systems Periodically inspect the operation status of the management information system		
Risk	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 Establishment Plan KORES is planning to develop a corporate-wide risk management system by 2010 which will comprehensively manage risk measurement, control and countermeasures. Once this system in place, we will be able to execute projects efficiently and with ensured stability by identifying and responding to risks before launching them.

Communications with Stakeholders

KORES listens to stakeholders. It maintains mutual trust through various means of communication and realizes sustainable management.

Classification of Stakeholders KORES classifies and selects stakeholders according to their types and respond to their demands efficiently by identifying their importance.



Major Issues and Communication Channels per Stakeholder KORES is gathering opinions and demands from stakeholders by utilizing communications channels, customized to the unique characteristics of each stake holder group, while continuously complementing and improving any deficiencies by reflecting the feedback from our stakeholders.

Category	Issues by stakeholder	Communication Channel		
Customers	Effective execution of state subsidies Reassessment of Korean mines and reinvestment Mine accident prevention activities	 Customer monitoring Customer satisfaction rating Integrated customer management system 		
Investment Partners	 Improvement of self-sufficiency ratio Expansion of investment Establishment of win-win partnerships 	· Investment implementation committee by mine type · Seminars, Conference, Forums		
Partnering Companies	· Improvement of self sufficiency ratio · Technology research · Expansion of investment	Meeting with partnering companies Integrity investigation Public service report system		
Internal Employees	\cdot Resource development \cdot Securing of energy resources	\cdot Joint labor-management conference \cdot Grievance committee		
Media	· Resource development · Securing of energy resources	· Press conference · Press tour		
Government	Improvement of self sufficiency ratios Effective execution of state subsidies Mineral storage projects	 Monthly Knowledge and Economy Ministry meetings Policy planning committee Resource cooperation committee 		
People•Local Communities	· Environmental issues, Social contribution activities	· Social contribution activities · Sustainable management committee		
Associations & Research Institutions	· Technology development · National campaigns	· Cooperative research activities · Seminars, Conference		
NGO	· Environmental issues, balanced local development	Publication of company magazine		



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 stateowned enterprise. While we are actively investing in overseas resource development to secure mineral resources, we are also taking the lead in revitalizing the domestic mineral industry by re-evaluating abandoned domestic mines and supporting their re-development. In addition, KORES is faithfully fulfilling its role as Korea's leading resource development corporation by contributing to national security and economic stabilization through mineral storage projects.



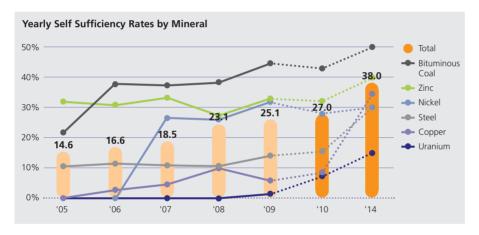
Category	Item		2009 Goals	2009 Perfomance	2010 Goals	Major Stakeholders
Economic Efficiency	Self sufficiency rate		25.0%	25.1%	27%	Investment partners, partnering companies, government, associations & research institutes, media
	Sales		97.8 billion KRW	147.7 billion KRW	135.1 billion KRW	Government
	Invest- ments	Overseas	356 billion KRW	357.6 billion KRW	350 billion KRW	Investment partners, partnering companies, government, associations & research institutes, media
Growth Potential		Korea	5 billion KRW	5.7 billion KRW	700 million KRW	Investment partners, partnering companies, government, associations & research institutes, media
	Invest- ment Returns	Overseas	31 billion KRW	36.5 billion KRW	38.9 billion KRW	Government, investment partners
		Korea	3 billion KRW	9.7 billion KRW	1.6 billion KRW	Government, investment partners
Public Benefits	Governme Subsidy F		159.2 billion KRW	169.3 billion KRW	163.8 billion KRW	Customers, partnering companies, Government
	Stockpile of Rare M	Reserves letals	1786 tons	2653 tons	1679 tons	Government, associations & research institutions

Economic Efficiency Securing a Stable Supply of Mineral Resources

KORES strives to enhance the self-sufficiency rate of mineral resources, a vital core of national economic activity, by striving to fulfill its mission of securing a stable supply of mineral resources through the pursuit of mid- to long-term strategies.

Self Sufficiency Rate Due to increasing price fluctuations of mineral resources and the intensifying monopolies and oligopolies of major miners, the importance of stably securing major industrial minerals and energy resources, significantly influencing domestic economic activities, has increased. KORES is focusing all its capabilities on overseas resources development by setting self sufficiency target to stably secure energy and industrial source minerals against emergency situations such as raw material supply disorder and disturbance.

Self Sufficiency Rate of Strategic Minerals The self sufficiency¹ rates of six strategic minerals² including bituminous coal has been showing an upward trend, and the 2009 figure has increased by 2.0%p to post 25.1%. Bituminous coal shows the highest rate of 43.7%, and uranium which has not had the self sufficiency rate until 2009, posted 1.1% in 2009 to establish a stepping stone for further increase.



Self Sufficiency Rate Enhancement Strategy KORES has established mid- to long-term strategies to enhance Korea's self sufficiency rate. In the short term, it plans to invest mostly in development and production projects to improve its financial structure; then, in the mid- to long-term, it plans to strengthen its overseas resource development foundation by securing mid- to large scale exploration projects. Also, we are executing self-sufficiency strategies by mineral while expanding the investment ratio of minerals with a low self-sufficiency rate—uranium and copper—to attain a better balanced self-sufficiency rate. KORES is planning to raise its self-sufficiency target from 38% by 2014.

Self sufficiency rate comparison between Korea and Japan (as of 2009)

Classification	Korea	Japan
Bituminous Coal	43.7%	57.1%
Uranium	1.1%	14.5%
Steel	14.2%	55.6%
Copper	5.1%	62.9%
Zinc	33.8%	14.4%
Nickel	32.6%	22.1%

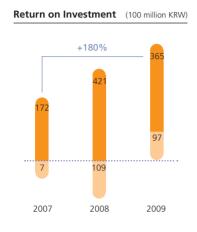
¹ Self Sufficiency As the secured volume of resources acquired by domestic companies' investments in overseas resource development, the figure represents the secured volume (or amount) by domestic companies from abroad divided by the imported volume (or amount).

² Strategic minerals Identified by the Ministry of Knowledge Economy's "basic plan for overseas resource development"*, strategicminerals include petroleum, gas, 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. And which have domestic treatment facilities.

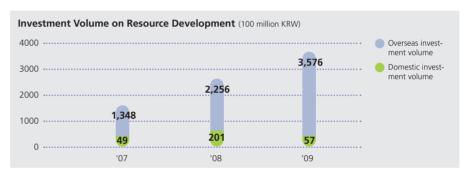
^{*}Basic Plan for Overseas Resource Development Established for the first time in 2001 to pursue sensible development of overseas resources, it is a long-term and comprehensive government plan which is reevaluated and renewed every three years with a ten-year time horizon.

Potential Growth Resource Development Investment and Strategy

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 everyday lives.



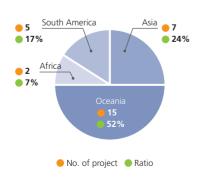
Expansion of Investment Volume KORES's investment is mostly focused on six non-domestic strategic minerals including bituminous coal; its investment volume has sharply increased every year since 2006 and reached its highest amount, 357.6 billion KRW, in 2009. Overseas investments are in 29 projects in 12 countries including Australia as of 2009. Domestic investment is focusing on mineral processing businesses which have high import replacement effect and added values. As of late 2009, we are pursuing four projects and making efforts to improve domestic projects' financial structure and establish advanced operation practices by selling non-core projects.



Domestic Direct Investment Performance

KMC Co., Ltd.	Molybdenum Mine
Gwangyang Ferro Alloys Co., Ltd.	Molybdenum refinery
Korea Alumina Co., Ltd.	Alumina refinery
GMC Co., Ltd.	Lead and Zinc Mine

Overseas Investment (as of 2009)



Efficient Investment Strategies to Strengthen Competitiveness As an efficient investment strategy to strengthen competitiveness in the international resource development market, we established a '2+2' to strengthen investment in Africa and South America, two regions which have under-invested in resources of low self sufficiency ratios such as copper and uranium, and plan strategic investment to secure highly important dependent rare metals. We are also making efforts to accumulate exclusive management knowhow to grow as a mining major by securing operating rights and keeping away from investment methods which concentrate only in share investment. We have a plan to diversify our revenue sources by expanding the Value Chain which has been focused on exploration-production to include refining and distribution. By reducing unilateral dependence on state subsidies, we will secure exclusive revenue sources in various ways such as mineral resource fund, the issuance of corporate bonds, and project financing.

Resource Development Investment Strategy

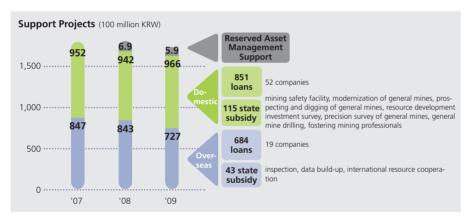
Strategy	2009 Execution Achievements	2010 Plan
'2+2'	New projects such as Panama's large scale copper mine, Cobre Panama and Niger Tegida uranium project. Increase workforce in offices in South Africa and Peru, investment support center opened in Congo	· '2+2 plus a': continuous execution of the existing '2+2'strategy and addition of securing rare metal — leading investment in rare metal, a core element for green growth.
Diversification of Investments	· Establishment of M&A basic plans and organization of M&A task force	· Establishment of M&A mid-to long-term execution plan and execution of company takeover
Expansion of Value Chain	· Establishment of master plan for expansion of Value Chain	· Securing of refining and smelting capabilities, estab lishment of distribution and marketing foundation
Diversification of Funding Sources for Investment	· Issuance of FRN, loan, sale of non-core projects	Seeking various funding sources for investment such as issuance of resource development fund, global bond, etc.

Public Benefits Support Projects and Establishment of Foundation for Green Growth

KORES is realizing public value for national resource security through supporting domestic and overseas resource development, value-added technology research and the stockpiling of rare metals.

Support Projects In 2009, we executed a total of 169.3 billion KRW, including 15.8 billion KRW in state subsidy support and 153.5 billion in loans. State subsidy projects provide support for domestic and overseas mining investigation and for the operation of private companies. Domestic projects include mining evaluation, investigation, modernization of mining facilities, and the purchase of safety equipment; overseas projects include support for investigation assistance, data build-up and international cooperation projects. Loan projects are to provide long-term low interest loans to overseas and domestic resource development companies which apply for a loan, selected through objective evaluation. A total of 71 companies enjoyed the benefit in 2009.

Also, to provide for efficient management and systematic assistance of overseas and domestic resource development, KORES provides a database including various mine geological maps, survey reports, nation-specific mining status information and price trends by mineral to 32,300 members through websites such as KOMIS¹ and KMRGIS².



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. As a result, KORES has been re-evaluating and redeveloping domestic mines since 2004 to improve the nation's self sufficiency 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 added 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.

¹ KOMIS (Korea Mineral Information Service) 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 KMRGIS (Korea Mineral Resources Geographic Information System) An internet website, created to serve as a repository of domestic underground resource information, offering geologic maps and mineral resources report for mineral resource development and national SOC construction (http://www.kmrqis.net)

KORES Technology Research Institute Patent Application and Expected Effects

Name of Invented Technology	
High Purity Spherical Cobalt Powder Pro- duction Methods	10-2009-0133780
High Purity Spherical Nickel Powder Pro- duction Methods	10-2009-0133781

olication Areas

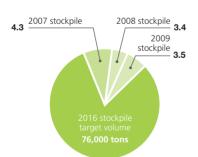
- · able to produce high purity nickel and cobalt as electronic materials or catalyst from mineral resources
- Promotion of commercialization through mass production and review of economic benefits



Development Effects

- Approximately 60 billion KRW by replacing import of highly import dependent and quality nickel and cobalt powder.
- International competitiveness of related material industries will be strengthened due to localization of high purity nickel and cobalt

Stockpile volume and target volume of rare metals



(%)

KORES plans to explore 50 mines of 10 mineral types including gold, silver, copper, lead, zinc, steel, titanium steel, tungsten, molybdenum, uranium and redevelop 22 of them. When the redevelopment is executed, the domestic demand procurement ratio will increase to around 4%; this is expected to revitalize the domestic mining industry by affecting an import substitution effect worth 3.7 trillion KRW and adding 2,200 new mining jobs.

Added value production technology research KORES technology research institute supports the promotion of domestic mine redevelopment and overseas resource development through research on metallic mineral treatment and utilization technologies. We have established and put in effect a mid-to long-term research and development roadmap and master plan to propel research and development and technology support. As a part of this effort, we attained two patents in 2009 by improving the economic value of minerals through developing value-added production technology.

Stockpiling of rare metals and overseas resource development We are participating in stockpiling and overseas mining projects to in order to strengthen emergency response capabilities since rare metals are essential for green growth and new driving engine industries. The variety of reserved minerals were selected in the government reserve function coordination meeting in consideration of 2007 production and export concentration ratios, market uncertainty, domestic production capacity, cutting-edge industry resources and war supplies. KORES was assigned to stockpile eight minerals including chromium, molybdenum, niobium, antimony, tungsten, selenium, rare earth elements. With a target to stockpile 76,000 tons by 2016, we has stockpiled 8,589 tons of 7 minerals as of 2009 except for selenium. In 2009, while improving appropriateness of purchases through environmental analysis and price analysis by minerals to be stockpiled, we stockpiled 2,653 tons of minerals, an 38% increased figure from the original plan of 1,920 tons set in early 2009.

In order procure a more abundant supply of rare metals, we are executing the Chinese Xian Maxsun rare earth elements production project and we are planning to participate in several promising new projects in 2010. We are making efforts to establish a multifaceted cooperation network, including technology cooperation, with the Bolivian government in order to participate in the Bolivian Uyuni mine project which the world's biggest lithium reserves.

Rare Metal Stockpile and Target

(Tons, Millions of KRW)

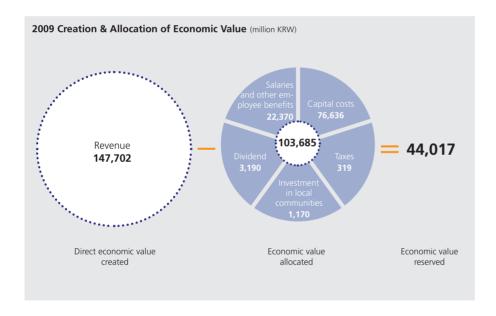
Mineral	'07~'08	Storage	'09 St	orage	~'16 Target (accumulated)
iviinerai	Volume	Amount	Volume	Amount	Volume	Amount
Chromium	5,336	8,243	2,300	4,870	69,700	119,584
Molybdenum	190	6,069	160	3,201	2,280	98,637
Antimony	200	1,395	100	691	1,650	11,284
Titanium	150	932	90	313	800	7,423
Tungsten	30	926	-	-	44	1,689
Niobium	30	1,225	-	-	360	7,704
Selenium	-	-	-	-	2	338
Rare Earth Elements	-	-	3	488	1,164	7,290
Total	5,936	18,790	2,653	9,563	76,000	253,949

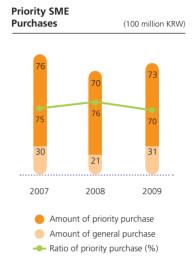
¹ Rare Metals Rare metals—referred to as the 'vitamins of industry'—are essential materials widely used in cutting-edge high-tech industries such as the electronic information industry. There are 35 varieties of such metals, including lithium, rare earth elements, and indium. Korea's dependence on imported rare metals is over 90% and is increasing every year. The yearly amount of imported rare metals was 4.3 billion dollars in 2003, more than doubled to 9.5 billion dollars in 2006, and reached 13 billion dollars in 2008.

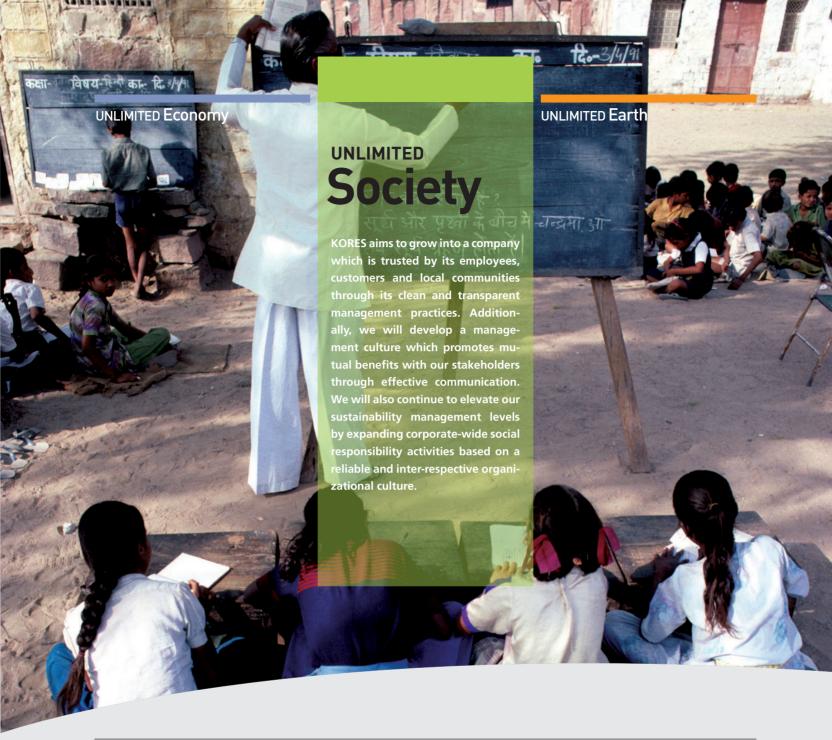
Creation and Allocation of Economic Value

KORES's economic activities go beyond profit-oriented resource development. We are sharing economic value with stakeholders through job creation, wage payment, and tax payment and procurement.

Economic Value Created for Stakeholders KORES shares the economic value which is created from its business operations with its Stakeholders including government, employees and the society. We are sharing economic value with stakeholders through job creation, wage payment, tax payment and procurement. For example, recognizing the importance of small- and medium size enterprises (SMEs) which make up 99% of the nation's business and 87.5% of our employees, we procured SME products for 69.9% out of the total procurement expenditure. Thanks to continuous surplus, KORES has made its dividend payout of 3.19 billion KRW, which represented 12.4% of net income (25.7 billion KRW) in 2009, to its main shareholder—the Korean government.







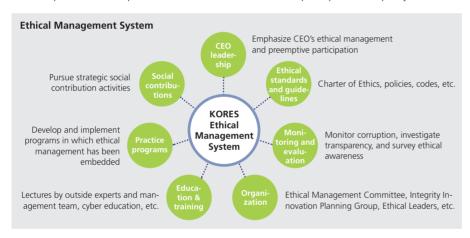
Category	Main Issue	2009 Goals	2009 Performance	2010 Goals	Major Stakeholders
Employment	Employment Total No. of persons		349	375	Employees, Local Communities
Discoulies	Female ratio	18.0%	18.3%	18.5%	Employees, Local Communities, NGO
Diversity	Handicapped ratio	2.6%	3.7%	3.0%	Employees, Local Communities, NGO
Health & Safety	No. of industrial accident victims	0	0	0	Employees
Ethics	No. of participants in ethics training	5% increase	1012	13%	Employees
Anti-Corruption	Code of Ethics Violation	0	0	0	Employees, Local Communities, NGOs, Government
Training	Average training hours per person	43	41	44	Employees
Products & Service	Customer satisfaction level	AA Rating	Good	Excellent	Customers, Local Communities
Local Community	Volunteer hours per person	11	12.4	13	Customers, Local Communities

Ethical & Transparent Management

KORES has set up an ethical management system to instill a corporate culture of integrity. It operates a monitoring system for ethical management as well as its Ethics Management Committee under the BOD.

Strengthening Transparent Management KORES is actively engaged in anti-corruption activities. It has restructured its ethical management promotion organization and established detailed anti-corruption action plans in order to establish an ethical and transparent corporate culture. It selected 25 core tasks and regularly checks to make certain that they are implemented. In addition, it operates a private monitoring team in the loan business area where an internal employee accepted a bribe in 2007, and it has strengthened punishment standards such as criminal charge guidelines for speculators.

With this transparent management effort, KORES was judged 'very excellent' in the general evaluation of the Anti-Corruption and Civil Rights Commission and was selected as the most excellent organization' among 105 organizations. It also received the Prime Minister Commendation and the Auditor received 'The President Commendation'. Also, in 2009, it was ranked top among public corporations for its internal integrity and earned a 'very excellent' rating in the area of institution improvement comprehensive measurement in the corruption prevention policy evaluation.



Prohibition of illegal collusion and dishonesty 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.

Code of Conduct Observance KORES has enacted a code of conduct for employees such as fare performance of duties and prohibition of accepting unfair profits, provides education to employees and checks violations regularly. Also, it established the Cheongbaekri System to strengthen and improve internal monitoring and has advanced its inspection system.

Ethics · Human Rights Education KORES has strengthened its ethical education program to improve anti-corruption awareness and establish ethical values amongst its workforce. It has increased the number of hour of education per person by 2.9 hours to 9.6 hours compared with 2008. Especially, since 2009, it has been providing internal online education using the cyber integrity education contents provided by the Anti-Corruption and Civil Rights Commission. It also provides sexual harassment prevention education more than once a year to all its employees and there were no recorded reports of sexual harassment in 2009.

Monitoring System for Ethical Management



- Formed by external specialists
 Inspecting the status of ethics management and anti-corruption practices and providing recommendations on a quarterly basis
- · Under direct control of the CEO
 · Reviewing major complaints and advising on policy reforms
- **3** · Periodic surveys of key businesses including loans

No. of Code of Conducts

Classification	2007	2008	2009
Internal employees	1	1	-
Partner companies	1	-	-

Ethics Education

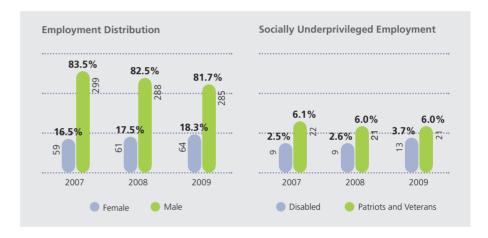
	Executives	Employees
2007	9	614
2008	9	873
2009	13	999

Employees

Employees constitute one of the most essential assets for KORES's growth. 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

The number of employees is 354 (including 349 regular-based personnel and 6 contract-based staff on indefinite terms of employment), and the professional workforce in resource development area are 14 PH.D.s, (4%), 110 Masters (31.5%) and 173 Bachelors (49.6%). KORES will continue to pursue the recruitment and hiring of professionals. KORES also maintains a low turnover rate of 1.15% (4 employees, regular workers) through constant investment in employees and seeking to increase employee satisfaction.



Creating a Fair and Unbiased Corporate Culture

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. We utilize an internal monitoring system including internal audits and an ombudsman to respond to discrimination. As a result, there has been no record of discrimination.

Fairness in Performance Evaluation KORES adopts fair performance evaluations for all employees. For evaluation of personal duty, we apply comprehensive assessments inducing performance achievement levels based on job function specifications, personal goal attainments and the level of difficulty of the assigned duties. In 2009, we adopted our 'Refresh' Education System to strengthen the capabilities of poorly performing employees, provide education to 14 employees selected among them, and specially promoted 14 employees with excellent performances. KORES will continue to strengthen a merit-based culture through fare and objective evaluation.

Prohibition of Forced Labor and Child Labor KORES expressly prohibits child labor or forced labor in its all workplaces 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 re-

corded 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 caused by cost-saving efforts.

Nurturing Professions to Lead Resource Development

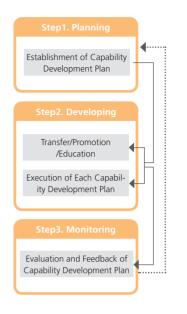
To grow into a specialized, resource development company, armed with global competitiveness, we operate a variety of education and training programs centered on the improvement of expertise in resources development, global competitiveness and change management. These include special training initiatives 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.

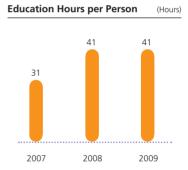


Education & Training to strengthen competencies in 2009

Competency	Details	Performance
Resource development expertise	Education & training programs to enhance project manager's capabilities Nurturing specialists in feasibility tests in overseas project's management unit	Resource development overseas graduate courses : 3 persons Short-term project manager training : 14 persons Resource development academy : 7 persons
Global competitiveness	· Systematic language and information education	· Language courses including English: 69 persons · Information education: 2 persons
Change management	· Management ability education by class	Annual required courses through e-learning system Participation in top management courses for the development of managerial skills

Career Development System



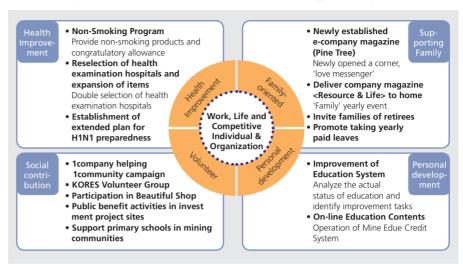


Average education hours by position in 2009

Position	Hours
1st grade	11
2nd grade (Leader of Team higher)	11
3rd grade (assistant managers, managers, Deputy Director)	60
4th and 5th grade support positions (Staff, Senior Staff)	31

Employee Benefits and Safety

Employee WLB (Work-Life-Balance) Program KORES is operating a WLB program to increase employees' morale and to improve their capabilities through harmony of life and work.



Various Benefits for Employees KORES is operating a flexible employee benefit system to respond to various demands of employees through the Selective Integrated Welfare System and there is no difference in benefits between regular workers and contract-based workers on infinite term. In 2009, we provided welfare points earlier by reflecting employee satisfaction survey on the welfare system and continuously improve welfare contents by taking demands of employees. Also, in order to improve the working environment for female employees, we operate female employee resting rooms and provide delivery celebration bonuses (500,000 KRW) and we also provide various benefits for the safety and health of overseas dispatched employees. We operate diverse programs for retiring employees and include outplacement training programs for employees who have worked at KORES for more than 20 years, as well as job switching services (labor-management outplacement centers).

Working Environment Improvement and Accident Compensation While we are discussing matters regarding employees' safety and health through labor-management collective agreement, we have continuously improved working facilities and equipment. In case of injury or diseases caused by workplace accidents, w 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. We have had no record of industrial accidents in domestic workplaces in 2009.

Sound Labor-Management Relationship

Strengthened Labor-Management Communication KORES reestablished its labor-management relations advancement strategy to set up a partnership based on trust, respect, and open communication between labor and management. Labor and management are currently restructuring the personnel and salary system. With this effort, KORES was recognized for its contribution to the advancement of public organizations through establishment of winwin cooperative labor-management culture and received Commendation from the Ministry of Knowledge Economy.

Online and Offline Ombudsman System We collect and treat employees' grievances and complaints through an on-/off-line Ombudsman System. Also, we conduct an employee satisfaction survey once a year to get feedback.

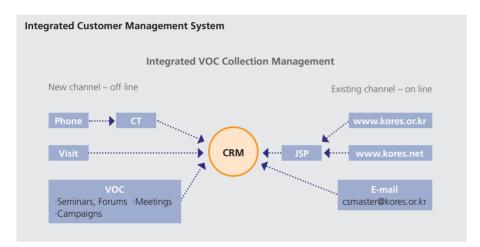
Employee Satisfaction Level

2007	2008	2009
48.6	49.0	56.1

Customers

KORES always listens to customers through various channels for smooth communication with customers.

Establishment of Integrated customer management system KORES established an integrated customer management system (KO-CRM) in 2009 to provide differentiated customer services. The integrated customer management system is a unified channel of on-/off-line customer activities and improved service based on customer convenience to provide customers consultants of various areas without waiting.



92 89.3 85 84 89 89.2

Customer Satisfaction Level



- · NCSI : National Customer Satisfaction Index
- · PCSI : Public-Service Customer Satisfaction Index

Contact Point and Post Management System Improvement KORES established a customer contact center to unify customer contact points and to provide customers with one-stop services in 2009. The Customer Contact Center provides customers with experienced consultants' primary consulting service about VOC through online and offline channels to offer a prompt response about basic items and connect customers who need additional information to expert consultant on the site to sharply reduce waiting time. As a result, 259 happy calls of the customer contact center posted the average score of 4.69 (among 5), showing a high satisfaction rate. We share the results of happy calls in CS meeting and hence improving inconvenience. We improved service quality by strengthening monitoring on customer contact departments, introducing a customer satisfaction team leader system and reflecting service implementation performance inspection to internal evaluation.

Protection of Private Information To protect and manage customer's private information systematically and safely, we enacted private information protection guidelines. Especially, we realized importance of information protection after an information leakage incident of job applicants in 2006. Since 2009, KORES treat private information of members of the websites managed by the company through encoding work of government authorized security companies not storing in their own servers. With the strengthened security activities, there have been no additional incidents regarding private information.





- 1 Head of Headquarters' experiencing customer contact center
- **2** Customer contact center which is providing one-stop service to customers

Win-Win Management with Local Communities

KORES is making efforts to become a company which can share difficulties and challenges of local communities through healthy trust and active communications with local communities.

Mining Accident Prevention Process



2009 Efforts to prevent accidents

Category	Support activities to prevent accidents		
Improvement of mine safety facilities	State subsidies of KRW 3.496 billion paid to 26 operators		
Modernization and development of general mines	State subsidies of KRW 30 million paid to 27 operators		
Mine security education and training	Held 115 times for 3,863 persons		

*In 2009, the number of domestic mine accident victims totaled 32, representing a decrease from 36 in 2008.

Category	Projects			
Training	Training by external experts and field training for civil engineering			
Research and contracting	200 meter-long mine mod- ernized support construction			
Seminars and operational manuals	Prepare manuals on applications and operations			

Project Impact Analysis and Information Provision We have investigated a wide range of 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, primarily by holding presentations on the progress of our projects.

Strengthening Trust with Local Community At the early stages of domestic mining development project, 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 ad water quality tests from underground and jobsite sources, we proved there was minimal connectivity between mine development and the contamination of drinking water resources. Mineral resource development may directly/indirectly influence the residents of its host communities. Therefore, we make it a policy to engage local residents in all our activities. In 2009 the effort paid off with no rights violations.

Participation in public Policies KORES closely communicates with the government authorities or agencies when they set up mineral resource-related policies, to present its opinions and proposals on such government policies. By reflecting our expertise and know-how in the policies, we help to achieve more efficient resource development.

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 to induce investment by private enterprises, while inviting financial institutions to provide project financing to reduce investment risk. Moreover, as overseas projects are expected to increase through partnerships with external companies, we plan to pay more attention on human rights protection of partner companies.

Efforts for Prevention of Mine Disasters/Accidents 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. Also, we executed mine safety campaigns to prevent large accidents of high frequency and increase safety awareness of miners through rescue skill exchanges among mines. We have improved the transportation of equipment at worksites and support systems for emergency aid of mine security appliances and shortened 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.

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 workers and local residents is gaining greater attention. Therefore, we plan to collect information on contractible diseases at each site and strengthen our activities for education, counseling, prevention, and treatment, targeting our dispatched employees, their families and local communities.

Social Responsibility

KORES is striving hard to make a happy world with resources and is committed to fulfilling our responsibilities by caring for the underprivileged and volunteering to become a people's company.

Corporate Social Responsibility We are carrying forward corporate-wide social responsibility activities centering on clubs. In addition, the performances are reported on a quarterly basis. These activities are reflected in the managerial evaluations to promote their active participation. With the effort to prepare CSR funds, in 2008, the budget increased by 66% to total KRW 150 million from the previous year. With the introduction of "matching grant program" employees voluntarily deposit KRW 1,000 per account for 450 accounts on monthly basis and used the mileage deposit through the use of corporation's credit card for CSR funds.

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.





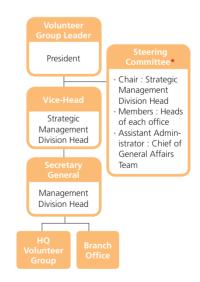
- 1 Partnership between one company and one village, volunteer activity at Batdonae Village
- 2 Donating items to 'Beautiful Stores' and daily sales volunteer

Overseas CSR Activities KORES is fortifying its overseas resource development and investment for stable resource supply. We are sharing profits from projects through our social contributions, while promoting sustainable development and growth of the global village.

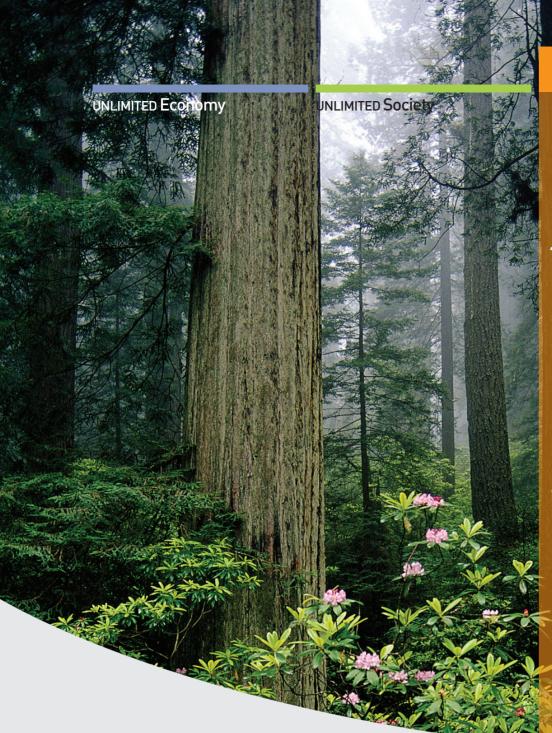
Re-gion · Provide medi-Provision of Provision of medical Establishment of Prior cal equipment to mine water to supplies to local infrastructure including employment hospitals in the mine neiahborina medical organizaelectricity supply, childof local Support Specification areas (worth 2 million thermoelectric tions on quarterly care facilities and bridges residents in dollars) power plant by Continuous promotion exploration · Donating 20,000 constructing Operation of of livelihood support work dollars to HIV/AIDS exclusive water youth job training Support programs prevention campaign pipe → Prevenprograms (third · Support marine transmoney for Donating 60,000 tion of water quarter, 2008 ~ portation and education events of dollars to Toamasina pollution and first quarter, 2009, of local youth including local residents water resource 74% of the parscholarship and educa-Orphanage and saving effect ticipants completed Moramanga Primary tional supplies the programs

PR activities to let people know importance of securing resources For the first time since its foundation, KORES broadcasted public ads through KBS during June, 2009. We had observed 'Advertisement Review Guidelines' of the Korea Advertising Review Board with no violations. Also, KBS-2TV 'Live Morning of the World' introduced our performances. (7 times) KORES will lead the right public opinions about resource issues through various media.

Organization of social contribution activity



*Operation Committee : evaluate and screen social contribution projects and proposals, provide ideas.



Earth

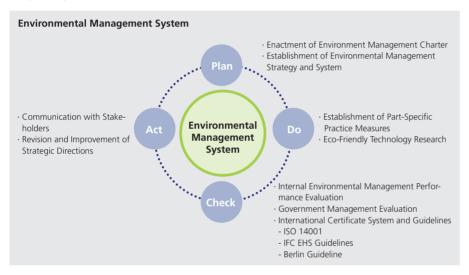
KORES's environmental values are 'responsible resource development' which is the company's philosophy valuing coexistence of resource development and the environment. For this, we apply mining and environment-related international initiatives such as the ICMM, Berlin Guideline and World Bank General Environment Guideline, and are thereby able to implement global level environmental management practices. The General Affairs Division is in charge of energy management and saving and Development Environment Team is in charge of environmentrelated support. Also, import discussion regarding the environment is reviewed and decided by the BOD. We plan to discuss issues through the Sustainability Management Committee and make a decision at the BOD meeting. The Sustainability Manage ment Committee will check environmental performances every year and conduct periodical monitoring on environmental activities inside the organization by setting a clear goal based on the inspection.

Category	Main Issues	2009 Goals	2009 Performance	2010 Goals	Main Stakeholders
F====:	Direct Energy	36.7 toe	33.0 toe	5% decrease	Government, NGO, Employees
Energy	Indirect Energy (Electricity)	1300.8 toe	1328 toe	5% decrease	Government, NGO, Employees
Green House Gas	Green House Gas Emission	645.2 ton CO2	719.3 ton CO2	5% decrease	Government, NGO
	Consumption	14,677 m²	10,733 m²	5% decrease	Government, NGO
Water	No. of Water Quality Tests*	17	1	1	Investment Partners, Government, Local Communities, Media, NGO
Waste	Amount of Waste	115 ton	95 ton	5% decrease	NGO, Local Communities
General	No. of Environmental Regulations Violations	0	0	0	NGO, Local Communities, Media, Investment Partners

Integrated Environmental Management System

KORES established an environmental management system to create new environmental values by actively responding to increasing environmental risks and is improving environmental performances through various environmental management programs.

Establishment of Environmental Management Strategy and System KORES declared the environmental management in 2005 to prevent management risks in advance by actively responding to environmental issues and established environmental management system and strategy for the foundation of sustainable growth in 2008. We are operating management system in which development and the environment harmonize through environment-conscious management activities and environmental impact evaluation throughout the whole mine development processes.



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 Management Practice Plans by Area-specific

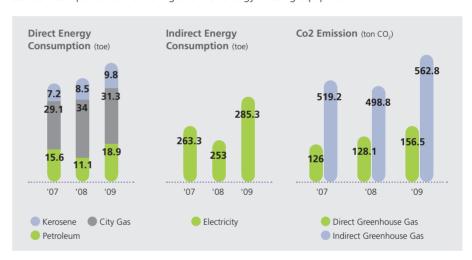
Classification	Environmental management field	Detail management field
	Resource Development considering the environment	Acquire international certifications, protect biodiversity, manage pollution control, and restore the environment
Project Activities	Support resource development considering the environment	fomal examination and drilling, tunnel driving inspection, assess mine project feasibility, support technology development
	Analysis facility management	Air quality, water pollution, Medicine sources unit management
	Green Purchasing	Use products with e-mark and recycled goods, water/energy saving equipment
	Total usage control	Electricity, gas, petroleum and water usage
Business Management	Discharged waste management	General wastes, testing and waste analysis
	Resource 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, Regular maintenance of energy-consuming equipment and facilities, corporate-wide energy savings
	Comply with regulations	Comply with environmental regulations, fulfill international agreements

Environmental Management Performance

KORES has implemented methods of efficient energy use, GHG reduction and green purchasing to prepare for international agreements on climate change and carry out the national policy for "Low Carbon, Green Growth."

Effective Use of Energy 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.

In 2009, KORES exceeded its annual electricity consumption target for increase in testing equipment caused by KOLAS certificate of its technology research institute and expansion of office area after organization restructuring we will plan to make efforts in saving energy through purchasing of high efficiency energy equipment, observance of cooling and heating standard temperature and management of energy wasting equipment.





76.1 75.4
57.5
'07 '08 '09

Greenhouse Gas Emission Reduction 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.

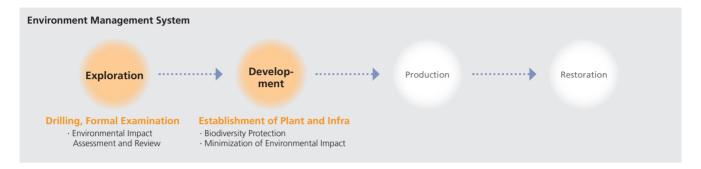
Water Consumption Monitoring KORES is making every effort to save water by monitoring annual water consumption and increasing usage effectiveness. Following an increase in the number of employees and business expansion, water usage in 2009 increased slightly to 10,733 m3, compared to 2008.

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 has made purchase of environmentally-friendly production for 75.4% of total purchase.

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 Exploration and Development

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. 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.



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 and conducted an environmental impact evaluation survey to minimize the impact from 2007 and apply for an approval for environmental impact evaluation in November, 2009. 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 development 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. And it is executing the mine project by getting approval of the environmental impact evaluation result report presenting ways to address the problems from the Madagascar government.

Biodiversity Protection Both at headquarters and in the domestic field, there are no environmental impact development issues regarding biodiversity. However, we are implementing initiatives to protect biodiversity in overseas projects where our business operations are likely to impact biodiversity.

Ambatovy Nickel Project, Madagascar 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. 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 Ankera region.

Copper Project In Marcona, Peru The Marcona site, which completed the final business feasibility evaluation, 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. 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. And we will do our best to fulfill our corporate social responsibility and comply with Equator Principle, which is international standard for development of developing countries.

Responsible Resource Development Production and Restortion

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 matrial management from the production stage. 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.



Energy/greenhouse gas 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. When Co2 collector which is being promoted to be established at furnace which occupy around 60% of non-metallic mine GHG emission, 20% reduction of Co2 would be possible. Going forward, we will continue efforts to reduce greenhouse gas emissions primarily via new technologies and process improvements which will enable energy saving. We will also aggressively react to CDM, Clean Development Mechanism¹ of the capand-trade program which will be implemented in the near future.

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 the case of Gwangyang Ferro Alloy, an analysis is performed every other month 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. A blocking wall was installed using a clay material; an impermeability layer as a cut-off type reclamation type and Tailing Dam which surrounds slope areas was introduced.

Air Pollutant 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.

Gwangyang Ferro Alloy Water Quality Analysis Result

Classifi- cation	Water Pollution Measurements by Gwangyang Ferro Alloy (2009.12)				
Inspec- tion Item (Stan- dard Value)	COD (<40)	SS (<30)	pH (5.8 ~8.5)	n- hexane (<5)	Phenol (<3)
(mg/≬)	4.6	21.3	7	0.3	0.001
Water Quality Standard	Effluents Water Quality Standard of Wastewater Treatment Plant				

Air Pollutants Analysis Results by Gwangyang Ferro Alloy

Classification	Generation by annual average	Stan- dard*
SO _x (ppm)	3.8	< 300
Dust (mg/Sm³)	9.55	< 100

^{*}Article 15, Permissible emission standard of air pollution

¹ Clean Development Mechanism The Clean Development Mechanism (CDM) is defined in Article 12 of the Kyoto Protocol, and is intended to assist parties included in Annex I(developed countries) in achieving compliance with their quantified emission limitation and reduction commitments (GHG emission caps) by helping Non-Annex I parties(developing countries) in reducing GHG.

Prevention of Pollution due to Mine Waste We have built up a sludge mechanism basic data through measurement of change in mine drainage sludge by year and season and are conducting research on how to recycle and develop eco-friendly usages for mine drainage sludge.

Environmental Recovery and Management KORES has established a plan on environmental restoration-related technology development by conducting a survey of abandoned mines to identify its potential environmental impact. KORES will restore the environment to its pre-development status and contribute to society through the development of sustainable mining development and mine restoration technologies.

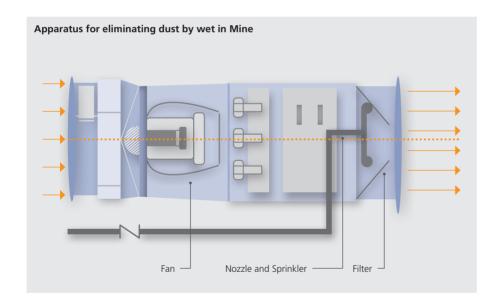
The 1st Eco-friendly Mine Development Symposium for Green Growth With around 120 participants from 73 organizations including the Korea Mining Cooperative and The Korea Environment Corporation, KORES declared its intention to pursue green growth-based, eco-friendly mining development at the symposium where both resource development experts and environmental experts were invited for the first time.

Patent Application for Mine Wet Scrubber A wet scrubber was developed which neutralizes toxic gas through chemical response caused by absorption of liquid and it is an improved form of a local fan which extracts toxic gas remaining in mines and pollutants made by diesel engines. The equipment helps to prevent occupational diseases by effectively removing toxic gases and reducing dust at public work (tunnel construction) sites.





The 1st Eco-friendly Mine Development Symposium for Green Growth



KORES Sustainability Value Report can be accessed on the KORES website (www.kores.co.kr).

Should you require any additional information on this report or have any other inquiries, please contact the following contact on.

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