VALUE-UP PROPOSAL FOR KOREA ZINC THROUGH CORPORATE GOVERNANCE REFORM

December 2024

MBK PARTNERS

Disclaimer

1. This document and all information and materials contained herein (the "Materials") are intellectual property protected by applicable intellectual property laws. Unless otherwise stated or attributed to other sources, the copyright with respect to the Materials belongs to Korea Corporate Investment Holdings Co., Ltd. ("KCIH"). KCIH has provided these Materials for the convenience of the recipients and its distribution shall not be deemed to grant intellectual property rights to the recipients with respect to the Materials. Without the express consent of KCIH, actions including but not limited to reproduction, distribution, transmission, modification and licensing of or in connection with the Materials shall be prohibited.

2. The Materials have been prepared based on publicly available information (which KCIH has not separately verified or authenticated), and KCIH assumes no responsibility for any errors, omissions, or consequences arising from the use of the Materials. Accordingly, unless KCIH expressly provides otherwise in writing, the recipients shall not assert reliance on the Materials for any decisions made by the recipients. KCIH shall not be liable for any direct, indirect, incidental, punitive, or consequential damages related to the Materials.

3. The Materials may contain information, estimates, or evaluations that reflect KCIH's predictions regarding the future (the "Forward-Looking Statements"). Such Forward-Looking Statements have been prepared in good faith based on reasonable grounds or assumptions derived from publicly available information, which may or may not be accurate. Furthermore, Forward-Looking Statements are based on assumptions, including those beyond the control of KCIH, and accordingly may involve risks and uncertainties that may result in outcomes significantly different from those anticipated by the relevant Forward-Looking Statements. KCIH does not assume any obligation to update new changes occurring after the provision of the Materials in relation to any Forward-Looking Statements.

4. The Materials shall not be deemed to constitute an offer to purchase or underwrite securities under the Korean Capital Markets Act or similar laws or regulations of other jurisdictions, and nothing in the Materials should be relied upon as a basis for entering into or making any contract, commitment, or investment decision related to the Materials. The Materials have not been prepared for the purpose of soliciting, exercising, or refraining from exercising voting rights, and do not constitute a solicitation for joint exercise of voting rights or proxy voting under the Korean Capital Markets Act.

Why is Korea Zinc Here Today?

- Korea Zinc ("Korea Zinc," or the "Company") is the leading global smelter with world-class smelting technology. The Company continues to seek growth and is planning its "transformation" by expanding into diverse new business areas, including resource recycling and electric vehicles ("EVs"), which are core sectors that will lead the global economy in the future.
- However, since Mr. Choi Yun-birm was appointed as CEO in March 2019, stock price growth has decelerated and currently underperforms industry peers significantly. Total Shareholder Returns ("TSR"), a major metric for shareholder value, declined for three straight years, recording -5% in 2023 and falling to the bottom of its peer group and industry benchmarks.
- Such decrease in shareholder value is mainly due to Korea Zinc's poor corporate governance. The Company's hard-earned cash worth trillions of Korean Won is being invested in non-core ventures led by the second-largest shareholder without proper oversight by the Company's board of directors.
- At a critical juncture of Korea Zinc's transformation, the Company faces a serious threat to its ability to make the next leap forward from Chairman Choi, who, as clearly shown during the recent self-tender offer and subsequently the failed rights offering attempt, considers the Company's capital as his own and willingly uses it to pursue personal profits and protect his control over the Company. Meanwhile, the current board of directors has served as a rubber stamp, failing to perform its role to supervise and check management.
- **The MBKP-Young Poong Consortium (the "Consortium"), Korea Zinc's largest shareholder owning 40% of issued shares, presents this shareholder proposal, with strong conviction that, if unchecked, the currently collapsed corporate governance will hurt shareholder value even more seriously in the next 3, 5 and 10 years.**
- The Consortium will fully support reforming corporate governance and completing Korea Zinc's transformation by adopting an executive director system and establishing a board with independent and professional outside directors.
- We will also make sure the Company's competitiveness in smelting is well-preserved and further developed, its valuable resources are fully invested in new businesses without leakage and revisit the many inappropriate investments made by Chairman Choi. During this process, we will commit to minimizing the impact on the environment, contributing to society, enhancing employee safety and job security as well as contributing to the local community.

Contents

1. Korea Zinc's undervalued shares (p5)

2. Primary cause of undervaluation: Poor corporate governance

2.1. Managerial entrenchment and Board oversight failures (p14)

2.2. Disastrous capital allocation and Board oversight failures (p25)

3. The Consortium's blueprint for Korea Zinc (p34)

Appendix: Detailed business plans (p51)

Appendix: Unanswered questions on the Igneo Holdings acquisition (p57)

MBK PARTNERS

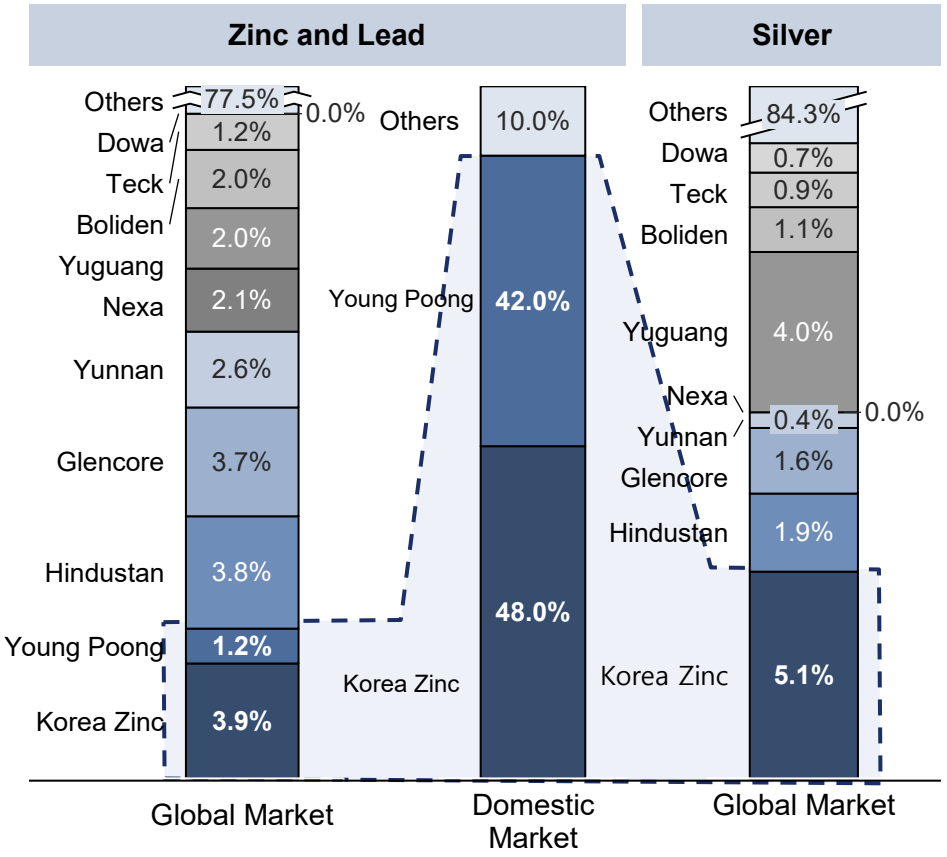
1. Korea Zinc’s undervalued shares

MBK PARTNERS

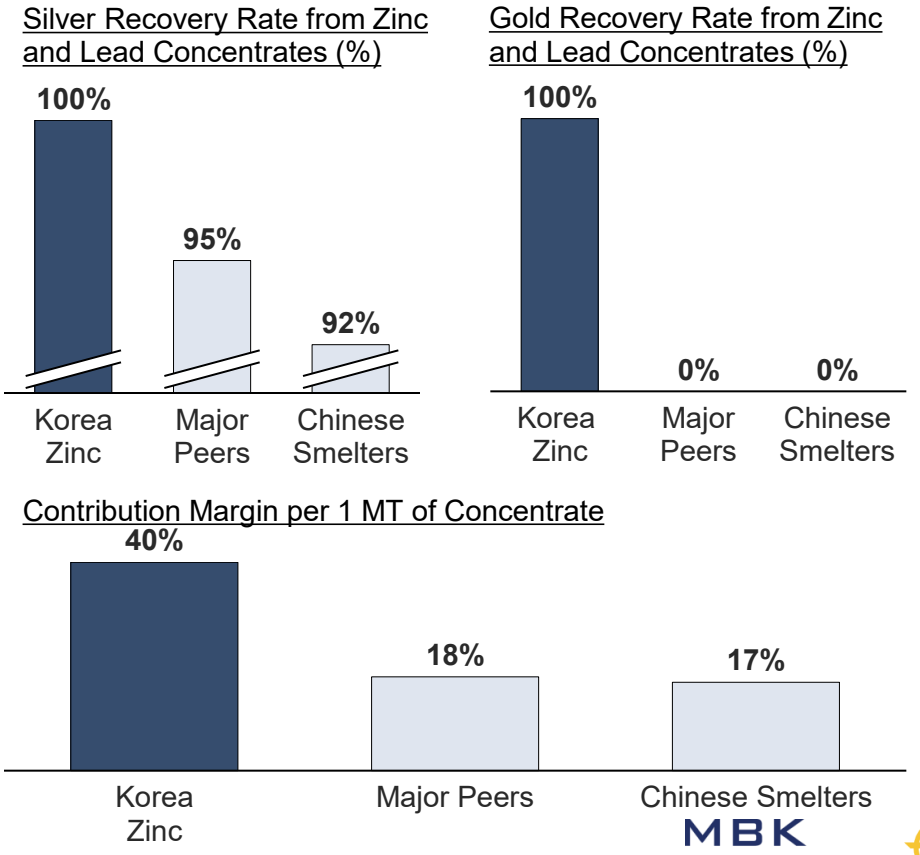
Strong Core Business Based on World-class Smelting Technology

- Korea Zinc is the largest, most efficient and most profitable smelting company both globally and in domestic markets, largely due to its world-class smelting technology.
- The Company generates superior contribution margins compared to global competitors and holds a dominant market share in precious metals including silver, gold, zinc and lead. Korea Zinc does not own mines and depends on external sources for its raw material procurement.

Unrivaled Market Share



Superior Margins with World-class Technology



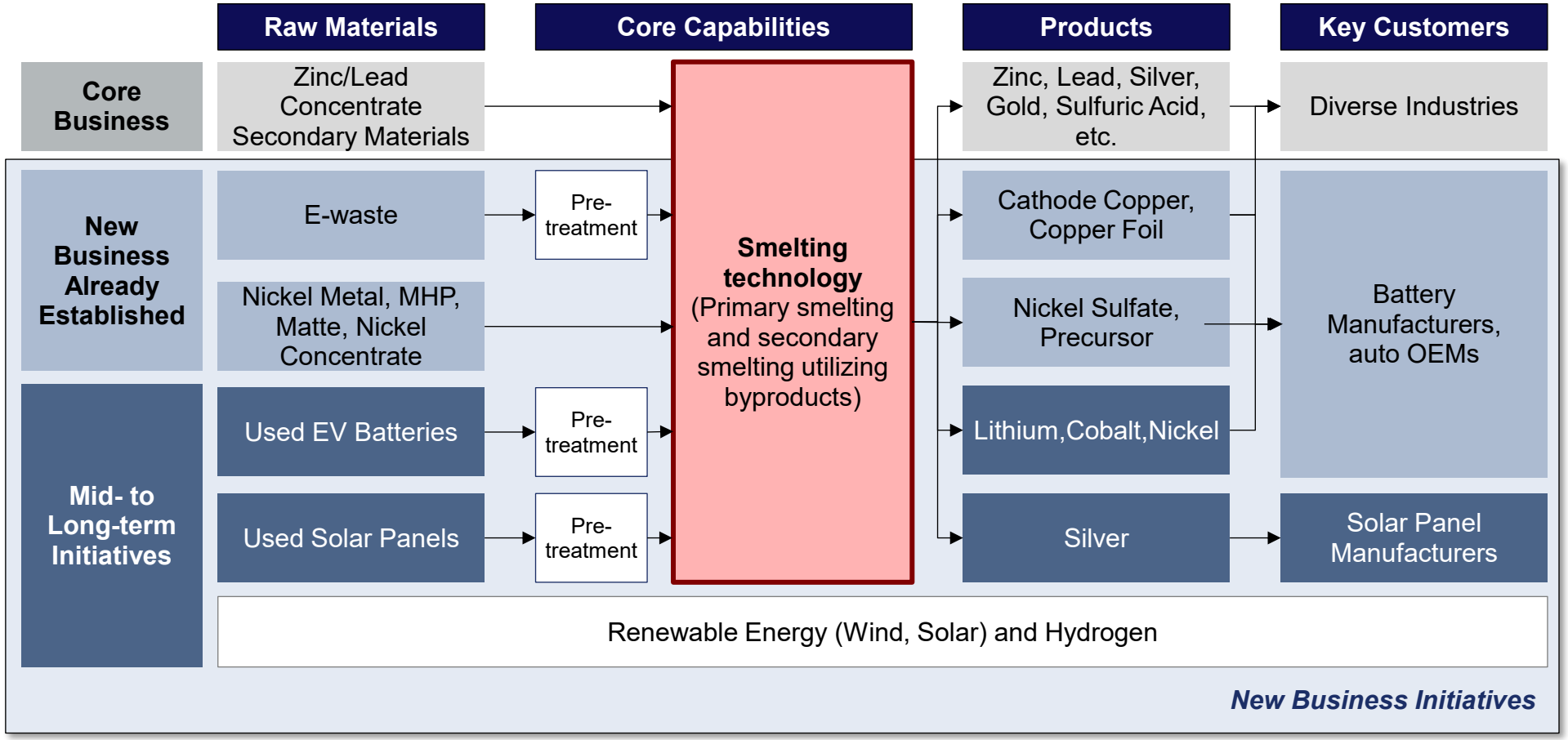
Source: ILZSG (International Lead and Zinc Study Group)

MBK PARTNERS

Expansion Opportunities in New Markets using Core Technology

- Building upon five decades of refined smelting expertise, the Company is currently going through a strategic business transformation by expanding into adjacent businesses that offer enormous potential in expanding into attractive new markets.
- Korea Zinc is well-positioned for the next leap forward if the business transformation is successful.

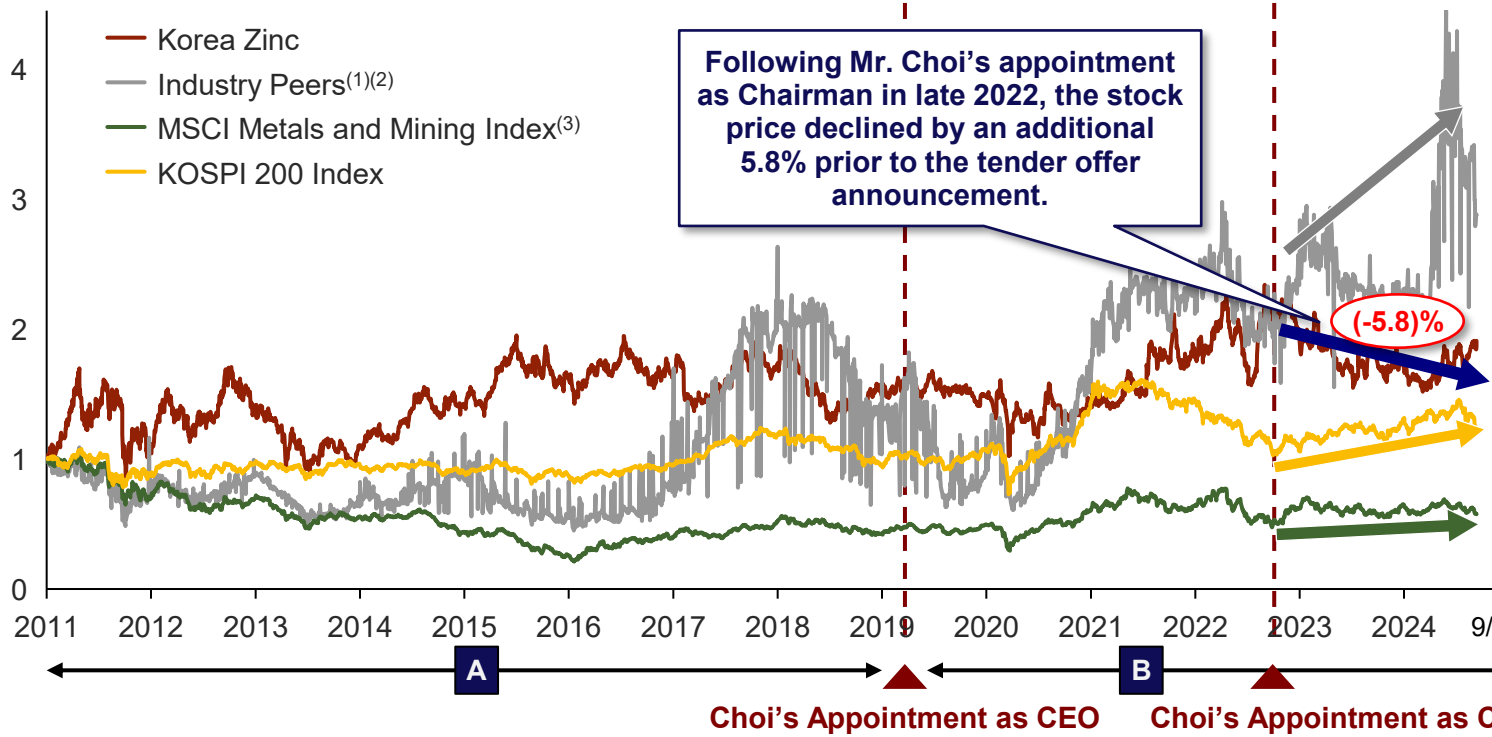
Strategic Business Expansion Roadmap Leveraging Core Precious Metal Recovery Technology



Steady Decline in Stock Price under Chairman Choi's Leadership despite Korea Zinc's Sound Fundamentals

- Korea Zinc's stock price outperformed both industry peers and benchmark indices through early 2019. However, since Mr. Choi's appointment as CEO in March 2019, stock price growth has stalled and now significantly underperforms industry peers.
- This downward trend intensified after Mr. Choi was appointed as Chairman in late 2022 and consolidated his leadership. Despite the upward momentum driven by the management dispute with Young Poong, the stock price has deteriorated at a negative CAGR of -5.8%.

Historical Stock Price: Korea Zinc, Industry peers, Major Indices (2011 =100%)



Annual Stock Price CAGR

	A	B
	Before Choi's CEO Appointment	After Choi's CEO Appointment
Korea Zinc	3.5%	10.4%
Industry Peers(1)(2)	6.0%	3.0%
MSCI Metals and Mining Index(3)	0.1%	3.6%
KOSPI 200 Index	(-8.5)%	3.5%

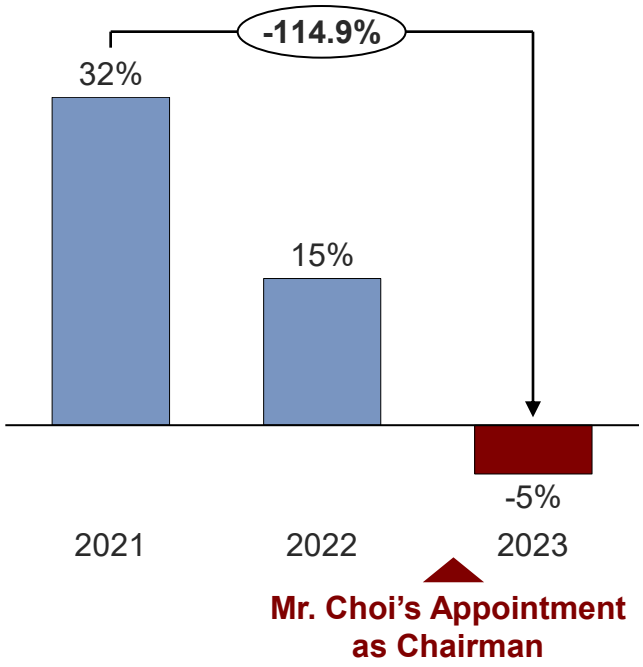
	A → B
Korea Zinc	2.9x
Industry Peers(1)(2)	0.5x
MSCI Metals and Mining Index(3)	30.5x
KOSPI 200 Index	Positive

(1) Peer group comprises global companies deriving over 50% of revenue from nonferrous metals smelting, as well as selected companies with a significant portion of smelting revenue among the peer group identified in the ISS (Institutional Shareholder Services) report for Korea Zinc's 2023 Annual General Meeting.
(2) Calculation based on applying the median of peer group's daily stock price growth compared to respective stock prices on January 2, 2021.
(3) MSCI ACWI Metals and Mining Index, encompassing large- and mid-cap metal processing, smelting and mining companies across 23 developed and 24 emerging markets, serves as the benchmark referenced in ISS's Korea Zinc Report for the 2023 Annual General Meeting.

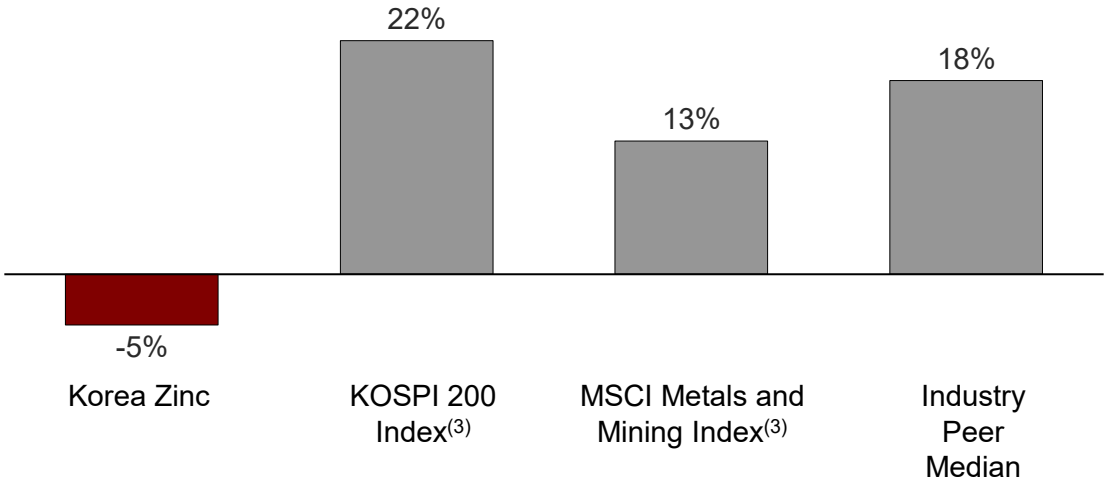
Deteriorating Shareholder Returns Place Korea Zinc at the Bottom of its Peer Group

- Korea Zinc's Total Shareholder Returns ('TSR') has consistently declined over the past three years.
- In particular, Korea Zinc's TSR turned negative in the first year under Mr. Choi's Chairmanship (from late 2022), underperforming all key benchmarks, including the KOSPI200 Index, MSCI Metals and Mining Index and median global peer group returns.
- Korea Zinc's TSR of -5% came at a time when its peers were reporting average TSR returns of between 13% and 22%.

Korea Zinc's Annual TSR[(1)]



2023 1-year TSR Comparison between Korea Zinc and Peers[(2)]



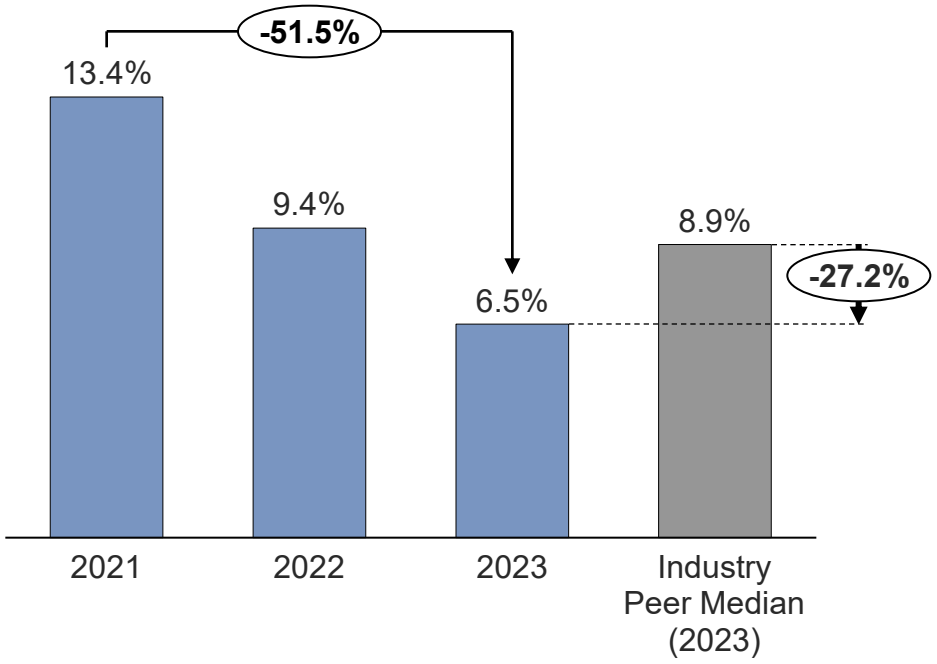
Source: Korea Zinc Annual Reports, Compustat, ISS Report (2023)
Note: TSR = (End stock price – Beginning stock price + dividends per share) / Beginning stock price for a given period.
(1) TSR calculated using dividend value per share based on year-end/beginning stock prices and declared annual dividends.
(2) TSR measured from January 1, 2023 to December 31, 2023, capturing 1-year performance since Mr. Choi's appointment as Chairman (board approval on December 13, 2022).
(3) Benchmarked against reference indices cited in ISS's Korea Zinc Report for the 2023 Annual General Meeting.

MBK PARTNERS

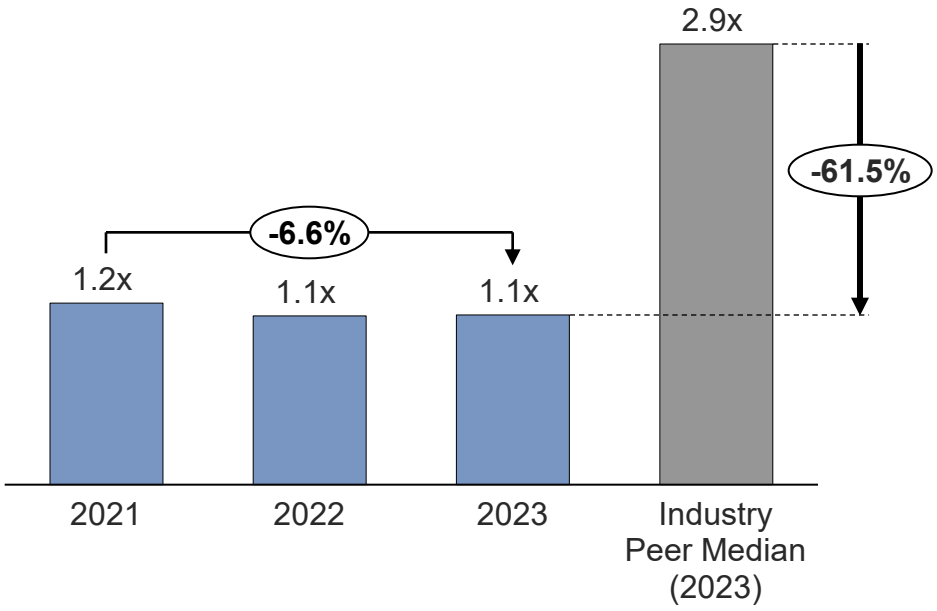
Decline in Shareholder Returns Due to Persistent Misallocation of Company Funds

- Korea Zinc has experienced continuous deterioration in both ROCE (Return on Capital Employed) and PBR (Price to Book Ratio) over the past three years, significantly lagging its peers.
- This decline is due to inefficient capital allocation under Chairman Choi's leadership, including provision of capital to an obscure private equity fund managed by a close friend, investments in unrelated businesses including entertainment and blind venture funds, and deployment of significant amounts of capital into new businesses without proper due diligence.

Korea Zinc's ROCE



Korea Zinc's PBR



Note: ROCE (Return on Capital Employed) = Operating Income / (Total Assets - Current Liabilities). PBR = (End Stock Price) /(Net Asset Value per Share) for a given period.

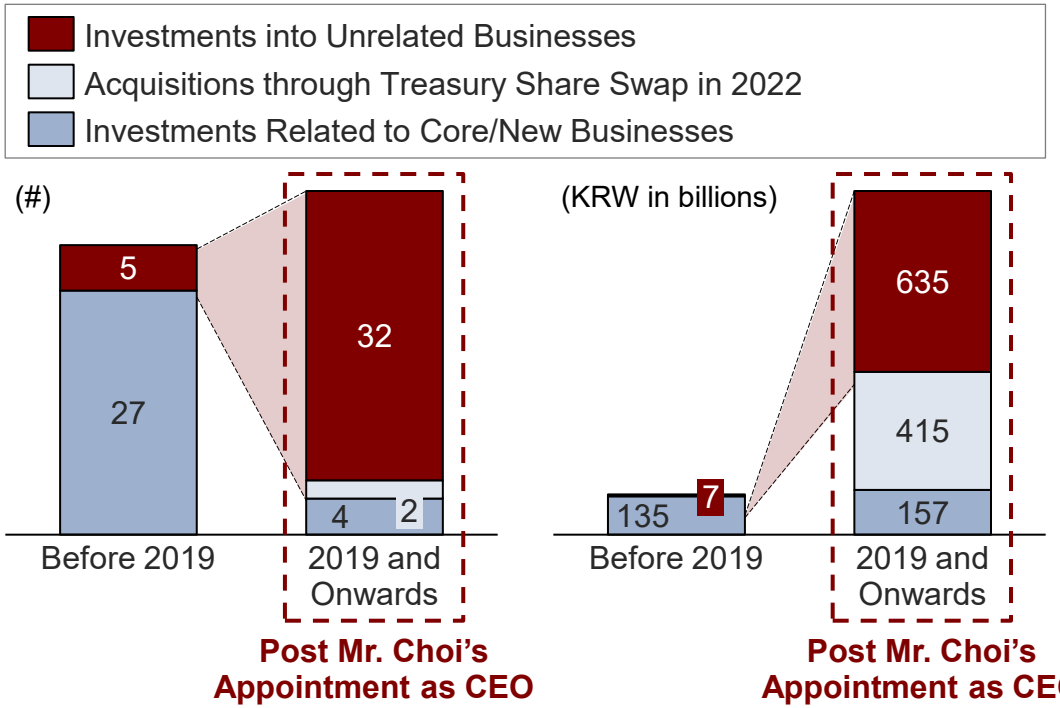
MBK PARTNERS

Massive Investments into Unrelated Businesses, Led by Chairman Choi, Which Almost All Generated Losses

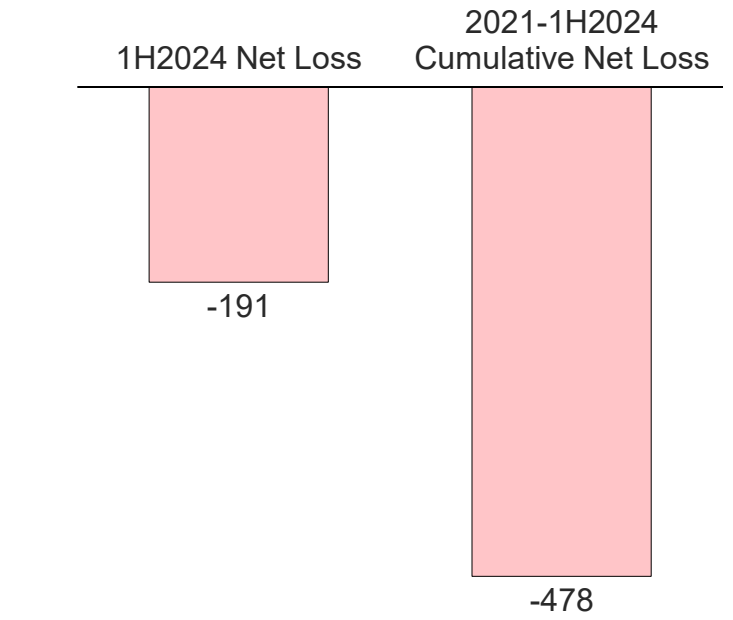
- Since Mr. Choi's appointment as CEO in March 2019, Korea Zinc made 38 investments(1) totaling approximately KRW1.3 trillion(1), comprising mostly venture capital and private equity investments unrelated to Korea Zinc's core business or any relevant new business initiatives.
- Of the 38 invested companies, the majority continue to generate net losses, with prospects of recovery or exit remaining unclear.

Investments Led by Chairman Choi

# of Investments | **Amount Invested**



Financial Results of the Invested Companies



Source: Equity investment status from Korea Zinc Annual Report 2018 and Semi-Annual Report 2024

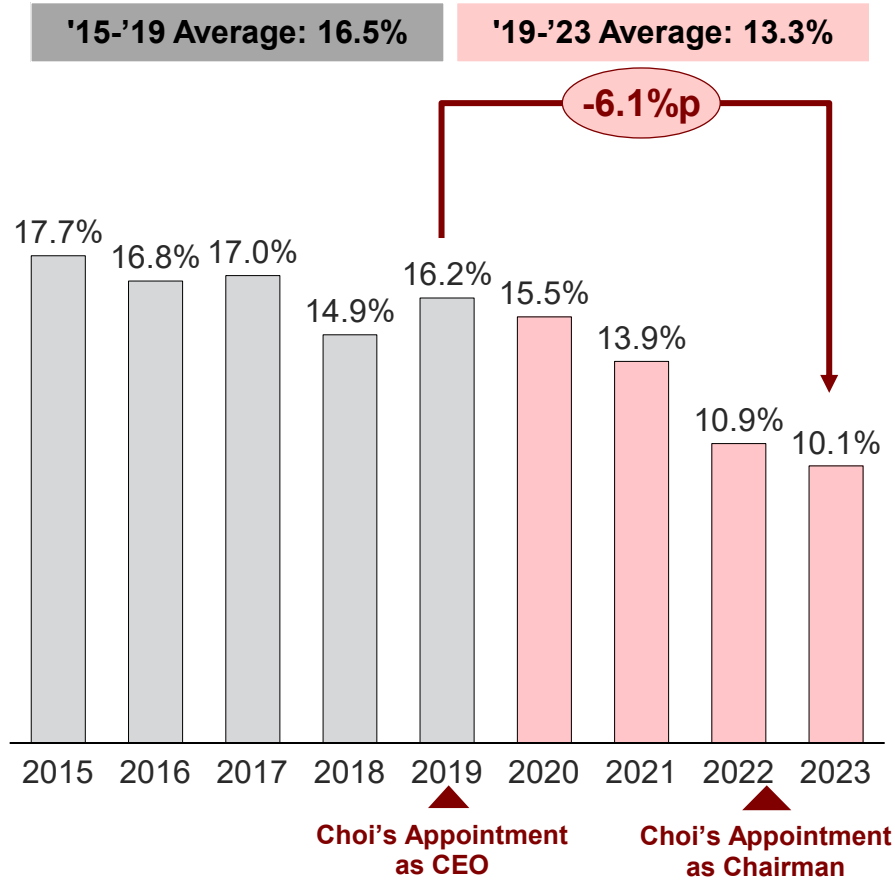
(1) Key investments include: KZAM (copper foil subsidiary, KRW60.2 billion of initial investment); Pedalpoint LLC (US-based SRM recycling subsidiary); equity swap acquisitions in LG Chem (KRW257.8 billion) and Hanwha (KRW156.9 billion sold to Hanwha Energy in November 2024); and 2 companies converted from OneAsia Fund cash holdings to equity positions.

MBK PARTNERS

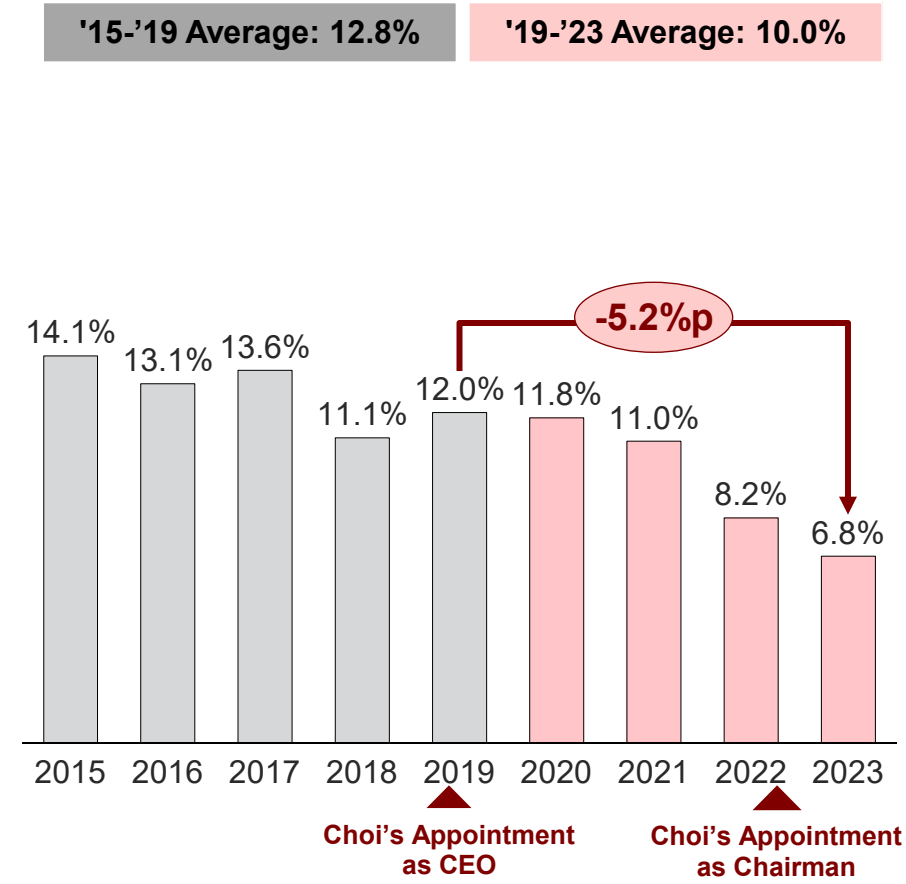
Korea Zinc's Profitability Has Deteriorated Since the Company's Expansion into Unproven New Businesses

- Despite its strong core business fundamentals, Korea Zinc's consolidated profitability has significantly deteriorated under Mr. Choi's leadership as CEO, driven by reckless expansion into new, often unrelated businesses, namely acquisitions and establishment of loss-making subsidiaries, without proper due diligence.

Korea Zinc's EBITDA margin (Consolidated)



Korea Zinc's Operating Margin (Consolidated)



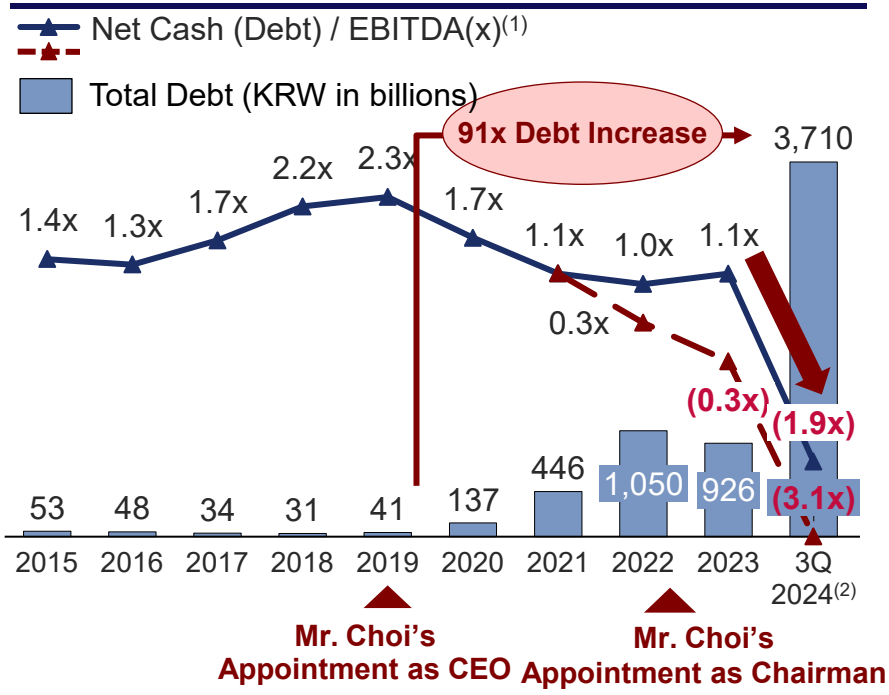
Source: Korea Zinc Annual Reports

MBK PARTNERS

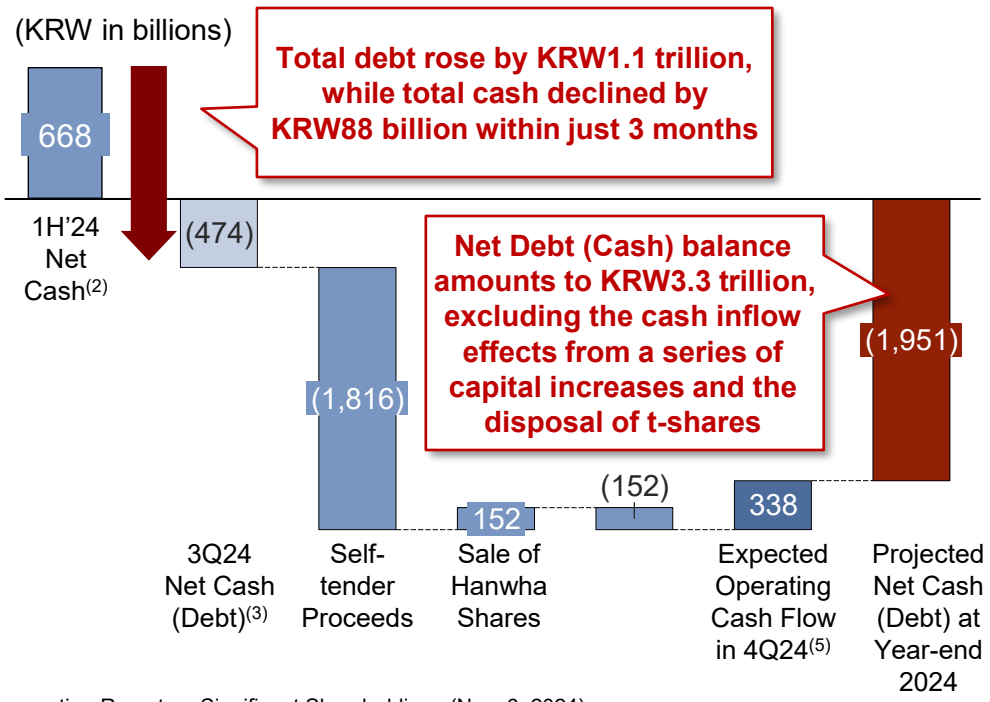
Substantial Erosion of Financial Stability, with Net Debt Projected to Approach KRW2 trillion by Year-end

- Imprudent investment decisions have led to a sharp increase in debt and declining cash reserves, despite the Company raising approximately KRW1.4 trillion through a series of third-party rights offerings and the disposal of treasury shares.
- In particular, the KRW1.8 trillion self-tender offer launched to defend Chairman Choi's control against the Consortium's tender offer significantly contributed to a rise in total debt to KRW3.7 trillion as of 3Q 2024 — a 91x increase from 2019.
- The Company went from a net-cash to a net-debt position in 3Q, with projections indicating that net debt will reach KRW2 trillion by year-end 2024.

Deterioration in Net Cash



Projected Year-end Debt



Source: Korea Zinc 3Q 2024 Report, Korea Zinc Tender Offer Results Report 2024, and Hanwha Corporation Report on Significant Shareholdings (Nov. 6, 2024)

(1) The red dotted line reflects a further deterioration in the net cash / EBITDA ratio, excluding the cash inflow from a series of capital increases (Hyundai Motor Global, Hanwha H2 Energy) and the disposal of treasury shares (Korea Investment Securities, Morgan Stanley, Trafigura) since 2022.

(2) 3Q 2024 balance sheet reflects: (i) treasury share tender offer payment (minus KRW1.8 trillion) and (ii) Hanwha share sale proceeds (plus KRW1.5 trillion).

(3) Net cash = total cash and equivalents + short-term investments + short-term deposits - restricted cash.

(4) 4Q planned cash expenditures: MacIntyre Wind Farm investment balance (KRW137.7 billion estimated in 4Q 2024) and Kataman investment balance (KRW13.9 billion).

(5) 4Q estimate based on 3Q 2024 operating cash flow adjusted for 3Q 2024 YTD EBITDA growth rate.

MBK PARTNERS

2. Primary cause of undervaluation: Poor corporate governance

2.1. Managerial entrenchment and Board oversight failures

Entrenchment via Treasury stock disposal and stock issuance:

- Disposal of Treasury shares (p16)
- Issuance of new shares to non-shareholders (p17)
- Attempt to amend the Articles of Incorporation (p18)

Defending control at the expense of shareholder value:

- Self tender offer (p19)
- General public offering (p22)

MBK PARTNERS

Managerial Entrenchment and Repeated Board Oversight Failures Destroying Shareholder Value

- The Company's managers have entrenched themselves in various ways and the board has entirely failed in its duty to manage risks and maintain effective oversight, resulting in the destruction of significant shareholder value.
- The Company's poor performance now means that a major change in governance is required, so the management and board can act in the best interest of all shareholders. This change can only be enacted by all-new directors nominated by shareholders.

Korea Zinc's Managerial Entrenchment Cases

	Summary	Implications
1 Treasury Stock Disposal & Stock Issuance	■ The Company's board has disposed of treasury shares to friendly investors, instead of retiring them, and has issued new shares to inappropriate non-shareholders, diluting existing shareholders, to prepare for future proxy fights. ■ The Company's board has attempted to amend the articles of incorporation to facilitate issuing new shares to friendly investors, breaching their fiduciary duty to all shareholders.	■ A series of events in recent years show that the Company's managers have entrenched themselves, prioritizing their private benefits (maintaining or defending their control) over building and protecting shareholder value. ■ Those events also prove that the Company's board has failed to effectively oversee the management, agreeing to or acquiescing in the problematic treasury stock disposal and stock issuance. ■ The managerial entrenchment and board oversight failures incur agency costs to the Company, thereby undermining its long-term shareholder value.
2 Self-tender Offer	■ The tender offer, while purportedly aimed at enhancing shareholder value, achieved the opposite by (i) depleting company cash and (ii) diluting and diminishing the value for non-participating shareholders. ■ The initiative is believed to have consumed nearly all of the Company's KRW2.0 trillion cash balance. ■ Furthermore, the action triggered a 10.2% drop in BPS, 3.6% decline in EPS, and 29.1%p deterioration in debt-to-equity ratio from pre-tender levels.	
3 General Public Offering	■ The seasoned equity offering (i) significantly diluted existing shareholder value and (ii) potentially violated Korea's Capital Markets Act if Mr. Choi had contemplated or planned it during the self-tender offer period. ■ The purported rationale for the capital raise, i.e. to pay down debt, directly contradicts that of the debt-financed self-tender offer, especially when the general public offer price was at a steep discount. This proves that these actions were primarily aimed at defending Chairman Choi's control rather than addressing genuine financial needs.	

Entrenchment via Treasury Stock Disposal and Stock Issuance

1 Disposal of Treasury Shares

- Treasury shares should be used to benefit all shareholders, not specific shareholders such as controlling shareholders, and the recognized best way to achieve this is to retire all of them at the earliest opportunity.
- The Company had kept treasury shares representing 6.0% of its issued shares for over 13 years without retiring them, finally disposing of them all to friendly investors in 2022.
- Especially, the Company exchanged treasury shares totaling 3.2% of issued shares with those of LG Chem and Hanwha (and received 0.5% and 7.3% of each company's issued shares respectively) to form mutual shareholdings. This is common practice for some listed companies in Korea facing potential or actual management disputes, though considered poor practice by investors.
- We believe the disposals were intended to attract friendly investors, so-called white knights, in preparation for future proxy fights despite the Company announcing that the purpose was to 'build up strategic partner relationships'.

Korea Zinc's Disposal of Treasury Shares

Disposal Date	Counterparty	Number of Disposed Shares	Ownership Percentage	Note
Nov 2022	LG Chem	391,547	2.0%	Sold to LG Chem for mutual shareholding
	Hanwha	238,358	1.2%	Sold to Hanwha for mutual shareholding
	Trafigura Group	307,678	1.6%	Sold to an account
	Korea Investment & Securities	158,861	0.8%	Sold to a financial investor
	Morgan Stanley	99,316	0.5%	Sold to a financial investor
	Total	1,195,760	6.0%	

Entrenchment via Treasury Stock Disposal and Stock Issuance

2 Issuance of New Shares to Non-shareholders

- Issuing new shares to non-shareholders is generally allowed only where there are rational reasons that justify the share dilution, and the Commercial Act limits it to where it is necessary to achieve the company's operational objectives.
- The Company's articles of incorporation restrict persons who can purchase new shares from the company, other than shareholders, to 'foreign joint ventures'. The intention is to facilitate business expansion in overseas markets.
- The Company, however, issued new shares not to foreign companies, but to foreign subsidiaries of domestic companies, the Hanwha U.S. subsidiary and Hyundai Motor Company U.S. subsidiary (5.0% to each), in 2022 and 2023 respectively.
- We believe the issuances were intended to attract white knights by way of applying the provision of the articles of incorporation to foreign subsidiaries of domestic companies, rather than 'real' foreign joint ventures.

Korea Zinc's Issuance of New Shares to Non-shareholders

Issuance Date	Counterparty	Number of Issued Shares	Ownership Percentage*	Note
Aug 2022	Hanwha H2 Energy USA Corp.	993,158	5.0%	Hanwha U.S. subsidiary
Sept 2023	HMG Global LLC	1,045,430	5.0%	Hyundai Motor Company U.S. subsidiary
	Total	2,038,588	9.8%	Increase in outstanding shares (18,870,000 → 20,908,588)

* Ownership percentage after new shares issued to non-shareholders

Entrenchment via Treasury Stock Disposal and Stock Issuance

3 Attempt to Amend the Articles of Incorporation

- The Company has stricter requirements in its articles of incorporation than the Commercial Act stipulates, allowing the issuance of new shares **only** to foreign joint companies where there is an operational necessity.
- The Company's board, at its 2024 AGM, proposed to amend the articles of incorporation to let the company issue new shares to a broader base than the existing requirements allowed.
- We believe the attempt was intended to lay the basis for the Company to issue shares to entities friendly to current management, considering its past practices regarding treasury stock disposal and stock issuance.
- The board-proposed agenda item, however, was finally rejected by objections from the parent company Young Poong, proxy advisor recommendations, including from ISS, and votes against by other major shareholders.

Effect of Korea Zinc's Amendments to the Articles of Incorporation

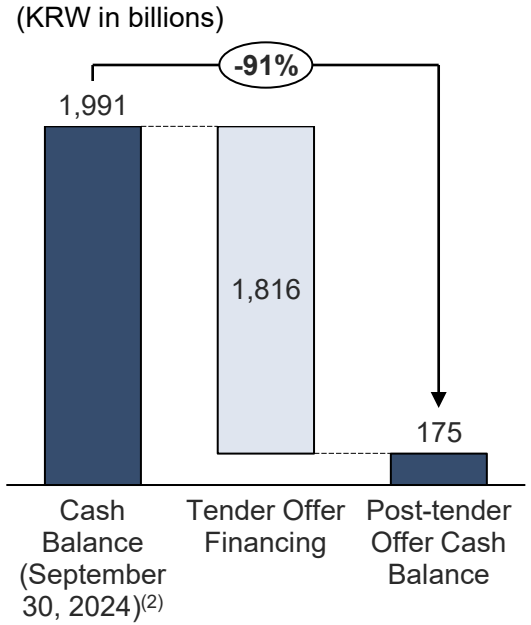
Before the Amendments	After the Amendments
Article 17-2 ② The Company may issue new shares by resolution of the Board of Directors to foreign joint ventures for management purposes within the range of face value not exceeding 40 billion KRW.	Article 17 ① When the company issues new shares by resolution of the board of directors, it shall be done in the following manner. 2. If necessary to achieve the company's management objectives, such as introduction of new technology and improvement of financial structure, within the scope of the total face value not exceeding 40 billion KRW, to specific persons (including shareholders of the company) by methods other than those specified in subparagraph 1. A method of providing an opportunity to subscribe to new shares in order to allocate new shares.

Defending Control at the Expense of Shareholder Value

1 Self-tender Offer (1/3)

- The tender offer, while purportedly aimed at enhancing shareholder value(1), achieved the opposite effect by (i) depleting the Company's cash balance and (ii) diminishing value for non-participating shareholders. Although Chairman Choi had the option to purchase treasury shares through a trust, which is an acceptable defensive measure against a tender offer in Korea, he opted to launch a large-scale self-tender offer, which is difficult to reconcile. The self-tender offer was then used as an excuse to justify the subsequent launch of the general public offering.
- The Company's cash balance plummeted by 90% from KRW2.0 trillion to KRW175 billion after KRW1.8 trillion was consumed.
- Since the offer price was higher than the market price, the self-tender offer eroded non-participating shareholder value, causing a 10.2% drop in BPS and 3.6% decline in EPS, while a 29.1%p rise in debt-to-equity ratio further deteriorated shareholder value.

Cash Balance Depletion



Value Deterioration for Non-participating Shareholders

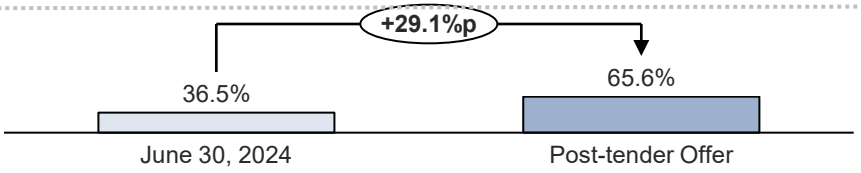
BPS

Classification	Total Equity (KRW in billions)	Share Float	BPS (KRW)
Consolidated BS	**9,502**	**20,503,290**	**463,439**
Tender Offer / Retirement	(-)1,816	(-)2,040,030	(-)10.2%
Post-Tender Offer	**7,686**	**18,463,260**	**416,308**

EPS(3)

Classification	LTM Net Income (KRW in billions)	Share Float	EPS (KRW)
Consolidated IS	**550.4**	**20,503,290**	**26,843**
Tender Offer / Retirement Increase in Net Interest(4)	(-)72.6	(-)2,040,030	(-)3.6%
Post-Tender Offer	**477.7**	**18,463,260**	**25,876**

Debt-to-Equity Ratio (3)



(1) The Tender Offer Statement specifies under "I. A. Purpose of the Tender Offer" that its objective is "to enhance shareholder value and promote the sustainable development of the Tender Offer Target Company." (2) Excluding restricted cash. (3) Assuming equity of KRW570 billion disclosed in the Tender Offer Statement under "VI. Required Capital and Funding" was used first for the payment of tendered shares (4) Reflects tax shield.

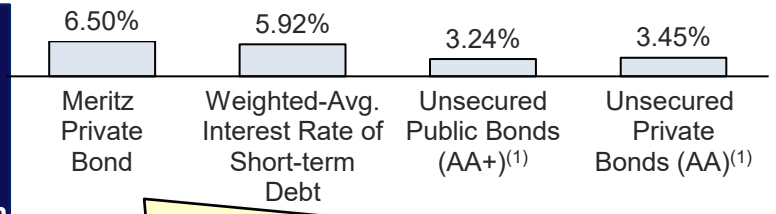
Defending Control at the Expense of Shareholder Value

1 Self-tender Offer (2/3)

- In order to fund the self-tender offer, Chairman Choi issued KRW1 trillion worth of 1-year private bonds at a fixed rate of 6.5% through Meritz Securities. These bonds are significantly overpriced – Korea Zinc can borrow at 3.24%-3.45% with its current credit rating and its weighted-average interest on short-term debt is 5.92%. We believe this reveals Chairman Choi's desperation to fund the self-tender offer quickly to defend his management control.
- As a result of this borrowing, rating agency Korea Ratings recently placed Korea Zinc's credit rating on "Negative Review."
- The Consortium has filed a derivative suit against board directors who agreed to the blatantly value-destroying self-tender offer.

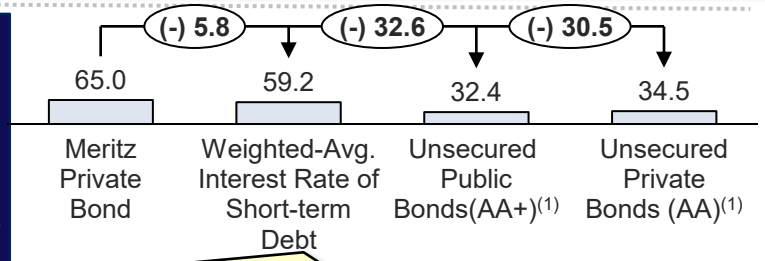
Value Destroyed Due to High-cost Borrowing

Interest Rate Comparison



The 6.50% Meritz Securities' private bonds is not only more expensive than Korea Zinc's weighted-average interest rate of its short-term debt as of June 30, 2024, it is also higher than the market rate with its current credit rating.

Annual Interest Expense (KRW bn)(2)



KRW5.8 billion – KRW32.6 billion of annual interest expense would have been saved if borrowed properly

Korea Zinc's Credit Rating on "Negative Review"

As of November 19, 2024, Korea Ratings will place the corporate credit and the unsecured bond ratings of Korea Zinc on "Negative Review". This follows the recent withdrawal of a planned general public offering, which is expected to impose significant financial strain due to the large amount of funds used for the self-tender offer. Amid ongoing uncertainties regarding the management right dispute, Korea Ratings will closely monitor the following to reflect in the credit rating: 1) the potential additional financial burdens arising from the dispute, 2) outcome of the dispute, 3) stabilization of management control, 4) future dividend policies and 5) medium/long-term business initiatives and investment strategies.

[표 1] 등급감시 등록 내역

회사명	대상채권	종전		금번	
		등급	Outlook/Watch	등급	Outlook/Watch
고려아연㈜	기업신용등급	AA+	안정적	**AA+**	**부정적 검토**
	무보증사채	AA+	안정적	**AA+**	**부정적 검토**

Korea Ratings stated that the debt incurred for the self-tender offer adversely affected the Company's capital structure and put pressure on its balance sheet

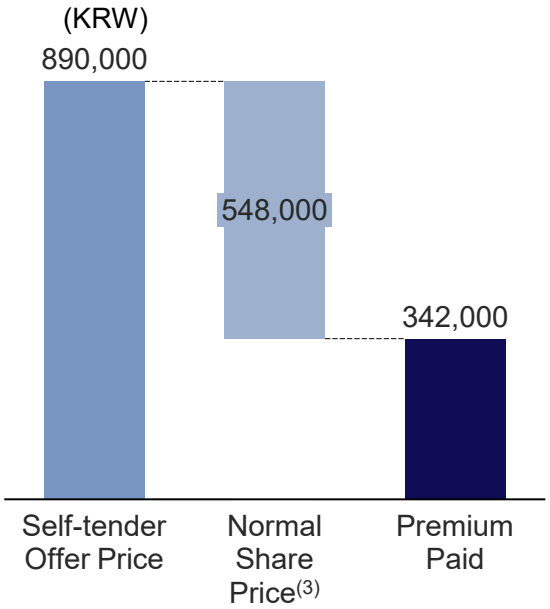
(1) Average bond market returns published by five institutions (Nice P&I, Korea Asset Pricing, KIS Pricing, FnPricing, EG Asset Pricing) on the day of the Meritz bond issuance.
(2) Interest expense assuming Korea Zinc borrowed KRW1 trillion through alternative methods.

Defending Control at the Expense of Shareholder Value

1 Self-tender Offer (3/3)

- The self-tender offer that was launched to defend Chairman Choi's control destroyed KRW900 billion worth of Korea Zinc's value.
- Korea Zinc incurred losses of KRW700 billion since the Company was forced to tender the shares at the high price of KRW890,000 with its cash.
- Korea Zinc incurred an additional KRW0.2 trillion by incurring unnecessary interest expense from additional borrowing to fund the self-tender offer.
  - Annual net interest expense(1) incurred due to the additional borrowing is KRW72.6 billion. Given that Korea Zinc's P/E ratio is 17.8x(2), Korea Zinc's value diminished by KRW1.3 trillion from its value before the self-tender offer was launched.

Immediate Loss Due to the High Offer Price



Premium: KRW342,000 per Share

x

Number of Shares Acquired 2,040,030

=

KRW700 billion of Immediate Loss

Loss Due to the Additional Net Interest Expense(1)

(KRW in billions)

Items	Amount	Rate	Net interest/ opportunity cost
New Debt	**1,645.6**	**5.64%**	**68.4**
(i) Meritz Private Bond	1,000.0	6.50%	47.8
(ii) New CP Issuance(4)	400.0	3.60%	10.6
(iii) Hana/SC Bank Debt(5)	245.6	5.50%	9.9
Cash on Balance Sheet(4)	**170.0**	**3.38%(4)**	**4.2**
Total	**1,815.6**		**72.6**
x P/E			**17.8x**
Total Value Destroyed			**1,296**
Price per Share Prior to Tender Offer / Cancellation (KRW)			**548,000**
Price per Share Post Tender Offer / Cancellation (KRW)			**537,371**
Value Destroyed for Non-participating Shareholders			**178**

(1) Reflects tax shield. (2) Market cap as of September 11, 2024 divided by LTM September 30, 2024 net income attributable to controlling shareholders. (3) Based on closing price as of September 11, 2024. (4) Korea Zinc issued KRW400 billion worth of CPs immediately before launching the self-tender offer. Assumed that Korea Zinc's equity of KRW570 billion disclosed in the Tender Offer Statement includes funding from the CP issuance. (5) Korea Zinc signed a commitment letter for KRW1.7 trillion of debt with Hana Bank and SC Bank. Assumed it was used last for the payment of tendered shares, i.e., KRW1 trillion from the Meritz private bonds and KRW570 billion from the CP issuance was used before drawing down from the Hana/SC Bank facility.

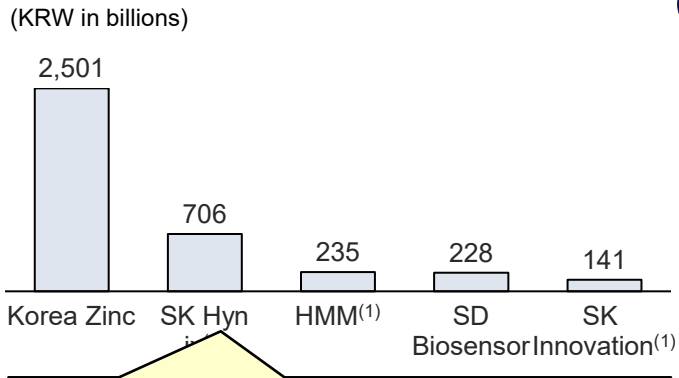
MBK PARTNERS

Defending Control at the Expense of Shareholder Value

2 General Public Offering (1/3)

- The general public offering launched to defend Chairman Choi's control not only diluted and destroyed shareholder value, but also potentially violated Korea's Capital Markets Act if Chairman Choi was contemplating it during the self-tender offer period.
- In addition, the purported rationale for the capital raise, i.e. to pay down debt, directly contradicts that of the debt-financed self-tender offer, especially given that the general public offer price was at a steep discount. This proves clearly that these actions were aimed primarily at defending Chairman Choi's control rather than addressing real financial needs.
- Korea Zinc's board approval of such a problematic general public offering is proof that the board is unable or unwilling to provide proper oversight of management and puts defending Chairman Choi's control above protecting corporate and shareholder value.

Size of the General Public Offering

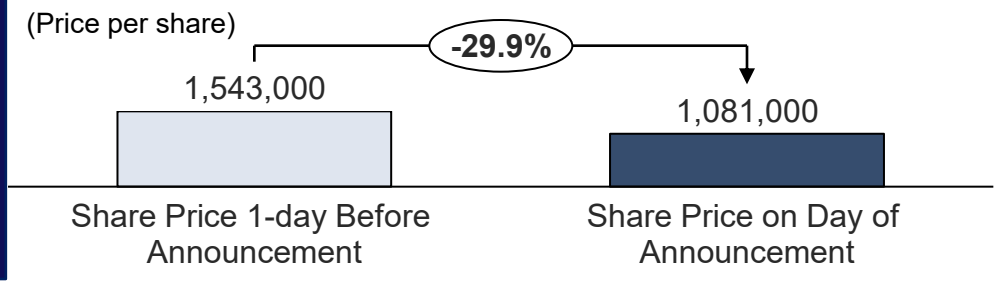


- Korea Zinc's KRW2.5 trillion surpasses all previous transactions.
- The fact that Korea Zinc had to undertake such a large general public offering proves that the self-tender offer hugely damaged the company's finances.
- The real reason for the capital raise was not to pay down debt as claimed, but rather to defend Chairman Choi's control.

Key Issues with the General Public Offering (1/2)

1 **Destruction in Value**

- The rights offering significantly diluted the value of existing shareholders given that (i) the amount offered was equivalent to 20% of the share float, (ii) it was a public offering and not a general offering to shareholders, (iii) the offer price was at a 30% discount to the market price and (iv) each shareholder, including related persons, was limited to 3%(2).
- Launching an offer at a deep discount to market price to repay debt incurred to fund the self-tender offer is in direct contradiction to the claim that the rights offering was planned to enhance shareholder value.
- The sharp decline in share price (-29.9%) upon the announcement of the rights offer shows that the market viewed it as value-destructive.



(1) Unclaimed stock from rights offering to shareholders; (2) The deep discount to market price significantly increases subscription rate (e.g., CJ CGV's offering in June 2023 was 75.7:1). Therefore, it is practically impossible for existing shareholders to subscribe enough shares to maintain same % ownership. Setting an additional limit greatly dilutes value of existing shareholder.

MBK PARTNERS

Defending Control at the Expense of Shareholder Value

2 General Public Offering (2/3)

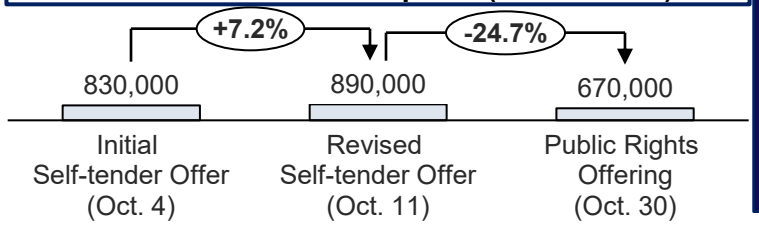
- The general public offering that was launched to defend Chairman Choi's control not only diluted and destroyed shareholder value, but also potentially violated Korea's Capital Markets Act if Chairman Choi was contemplating it during the self-tender offer period.
- In addition, the purported rationale for the capital raise, i.e. to pay down debt, directly contradicts that of the debt-financed self-tender offer, proving that these actions were primarily aimed at defending Chairman Choi's control rather than addressing genuine financial needs.
- Korea Zinc's board approval of such a problematic general public offering is proof that the board is unable or unwilling to provide proper oversight of management and puts defending Chairman Choi's control above protecting corporate and shareholder value.

Key Issues of the General Public Offering (2/2)

2 Unfair Trade Practice

- Chairman Choi raised the share price by revising its initial self-tender offer price upward, inducing the share price to go up, then announced the general offer, triggering a sharp share price decline.
- This may be circumstantial evidence that his intention was to (i) thwart the MBKP-Young Poong tender offer and (ii) facilitate share purchase by white knights and ESOP. This may constitute unfair trade practice(1) under Korea's Capital Markets Act.

Offer Price of Each Proposal (KRW /Share)



3 Falsification of Tender Offer Statement

- A tender offeror must include future plans for the company in the tender offer statement(2).
- Chairman Choi may have planned the general public offering during the self-tender offer period,(3) which he did not include in the tender offer statement.

Excerpt from "Future Plan" Section of the Tender Offer Filing

B. Future Plan

The tender offeror has no future plan that may result in changes in corporate governance, financial structure and scope of business.

(…) Tender offeror will strive to maximize shareholder value.

Korea Zinc's current corporate structure is so damaged that it (i) destroys shareholder value, (ii) leads to practices that violate Korea's Capital Markets Act and (iii) cannot self-regulate launching a self-tender offer immediately followed by a general public offering which are contradictory.

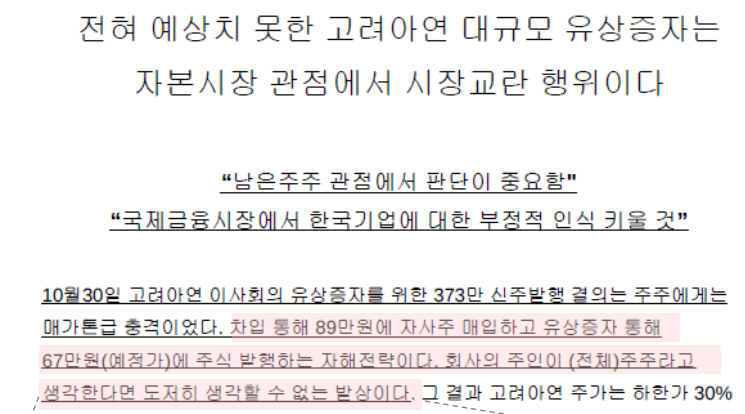
(1) Financial Investment Services and Capital Markets Act article 178, clause 1 paragraphs 1, 2, article 178 clause 2. (2) Financial Investment Services and Capital Markets Act article 134 clause 1 paragraph 6, Enforcement Decree of the same Act article 145 clause 4 paragraph 5. (3) In general, the due diligence period for a general public offering takes more than a month. Considering Korea Zinc's submission date of its tender offer statement was October 30, 2024, due diligence would have practically begun by October 11, when Korea Zinc submitted its revised tender offer statement.

Defending Control at the Expense of Shareholder Value

2 General Public Offering (3/3)

- Chairman Choi and the board's surprise general public offering announcement sparked widespread condemnation from governance advocacy groups, research firms and the press over concerns of shareholder value destruction. Despite intense market opposition, the Company maintained the capital increase for 14 days before finally giving in and withdrawing the plan.

Korean Corporate Governance Forum Statement (October 31, 2024)



전혀 예상치 못한 고려아연 대규모 유상증자는
자본시장 관점에서 시장교란 행위이다

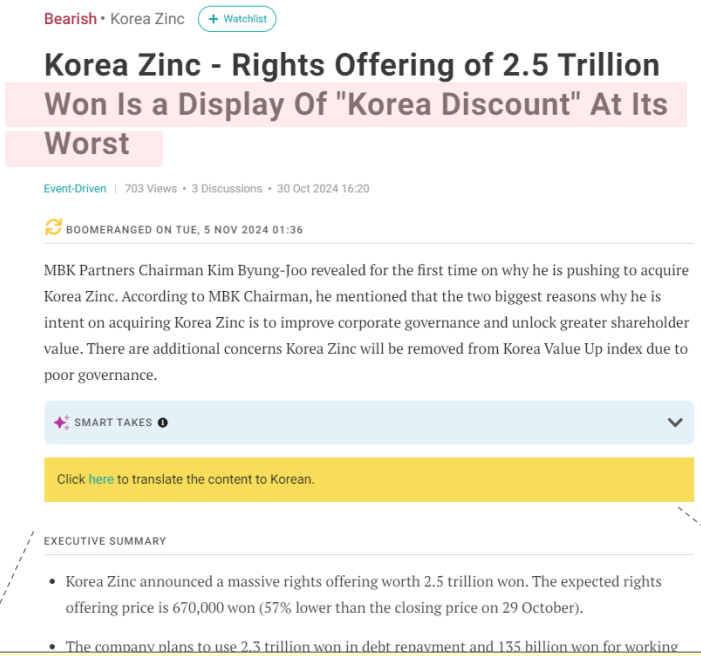
"남은주주 관점에서 판단이 중요함"
"국제금융시장에서 한국기업에 대한 부정적 인식 키울 것"

10월30일 고려아연 이사회의 유상증자를 위한 373만 신주발행 결의는 주주에게는 매가톤급 충격이었다. 차입 통해 89만원에 자사주 매입하고 유상증자 통해 67만원(예정가)에 주식 발행하는 자해전략이다. 회사의 주인이 (전체)주주라고 생각한다면 도저히 생각할 수 없는 발상이다. 그 결과 고려아연 주가는 하한가 30%

"The Forum expresses deep concern regarding the Korea Zinc board resolution for three reasons: (1) shareholder value dilution for remaining shareholders, (2) inadequate procedural justification, incl. capital increase rationale, offering price calculation methodology, and absence of third-party expert validation and (3) questions regarding board independence (particularly independent directors) and their fiduciary obligations to shareholders."

"Basic financial principles dictate that Korea Zinc should have pursued the opposite strategy: raising capital at premium valuations while conducting tender offer at lower prices to maximize existing shareholder value."

SmartKarma Commentary (October 31, 2024)



Bearish • Korea Zinc + Watchlist

Korea Zinc - Rights Offering of 2.5 Trillion Won Is a Display Of "Korea Discount" At Its Worst

Event-Driven | 703 Views • 3 Discussions • 30 Oct 2024 16:20

BOOMERANGED ON TUE, 5 NOV 2024 01:36

MBK Partners Chairman Kim Byung-Joo revealed for the first time on why he is pushing to acquire Korea Zinc. According to MBK Chairman, he mentioned that the two biggest reasons why he is intent on acquiring Korea Zinc is to improve corporate governance and unlock greater shareholder value. There are additional concerns Korea Zinc will be removed from Korea Value Up index due to poor governance.

SMART TAKES

Click here to translate the content to Korean.

EXECUTIVE SUMMARY

- Korea Zinc announced a massive rights offering worth 2.5 trillion won. The expected rights offering price is 670,000 won (57% lower than the closing price on 29 October).
- The company plans to use 2.3 trillion won in debt repayment and 135 billion won for working

"Korea Zinc's Capital Increase Decision Represents Worst Korea Discount Case"

"Most investors would agree that the capital increase does not serve minority shareholder interests but rather represents the optimal strategy for Chairman Choi's control preservation."

(1) Excerpt from Asia Business Daily, October 31, 2024.

2. Primary cause of undervaluation: Poor corporate governance

2.2. Disastrous capital allocation and Board oversight failures

- OneAsia Partners (p27)
- Igneo Holdings (p29)
- Jungseok Enterprise/CS Design Group (p32)

MBK PARTNERS

Inefficient Capital Allocation and Repeated Board Oversight Failures Undermining Company Value

- The core function of the board is to supervise and guide management to make the right decisions for the company and its shareholders, with a clear rationale for every decision they approve.
- Since Mr. Choi was appointed as Chairman, Korea Zinc has been making investments that have undermined shareholder value. These investments were made without proper board supervision, resulting in very poor allocation of resources. Key examples include: OneAsia Partners, Igneo Holdings and Jungseok Enterprise/CS Design Group. See following pages.
- The KRW1.2 trillion invested into these businesses would have boosted Korea Zinc's shareholder value by KRW2.5 billion (22.6%) if deployed adequately and had they generated ROIC similar to historical levels. It is likely there are other undisclosed poor investments that will also prove to have been value-destructive.

Korea Zinc's Inefficient Capital Allocation Cases

	Summary	Investment	Governance Issues
1 OneAsia Partners	■ Personal ties between CEO Ji Chang-bae and Korea Zinc Chairman Choi helped secure KRW566.9 billion(1) capital in a little-known fund launched just four months previously. ■ Korea Zinc is almost the only investor in six out of eight funds; investments were made without a board resolution. ■ Using KZ's capital, OneAsia Partners engaged in a stock manipulation scheme for which Mr. Ji has been arrested.	KRW566.9 billion(1)	■ More than KRW500 billion was invested without a board resolution. ■ No internal controls were in place, although this investment could potentially constitute criminal conduct.
2 Igneo Holdings	■ The Igneo investment was crucial for Korea Zinc's strategic direction and had significant scale of KRW582 billion. However, the acquisition was made (i) without proper due diligence and (ii) at an excessively high valuation. ■ Igneo's post-acquisition performance has been poor and its plan to invest in new facilities has not been implemented.	KRW582 billion	■ The board failed to manage and supervise investment decisions of management. ■ The discussion material for the two board meetings each consisted of a one-page report only.
3 Jungseok Enterprise/ CS Design Group	■ Chairman Choi is suspected of having (i) assisted other chaebols by financing their inheritance tax payments with Korea Zinc's cash and (ii) allegedly engaged in cronyism by awarding business to a company run by his sister-in-law.	KRW52 billion	■ Investment was executed without a board resolution.
		KRW1.2 billion in total(1)	

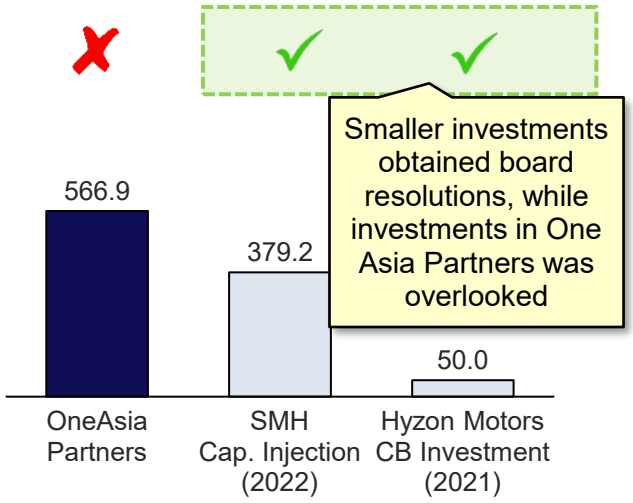
(1) Korea Zinc invested in Jungseok Enterprise via OneAsia Partners' Justice #1 PEF; KRW556.1B is total value of investments made in OneAsia Partners according to disclosure materials, including this particular investment.

1 OneAsia Partners: Questionable Large Investment Made without Board Endorsement

- From September 2019, shortly after Mr. Choi's appointment as CEO, until the end of 1H 2024, the Company invested a total of KRW566.9 billion into newly established funds without the board approval. Investments were made in businesses unrelated to the core business, including an entertainment agency, a travel agency and a real estate management company.
- **Issue 1**: Despite investing over KRW500 billion into funds with a maturity of 5-8 years, this was not reported to or reviewed by the board. Even after the investments were revealed in the media, **the board took no action**.
- **Issue 2**: OneAsia Partners founder Mr. Ji Chang-bae and Chairman Choi are known to be close friends from middle school. Korea Zinc provided KRW25.9 billion(1) worth of capital into an obscure private equity fund with no investment track record just four months after its establishment and cumulatively invested KRW566.9 billion. Korea Zinc effectively became the sole LP for six out of the eight funds managed by OneAsia Partners (averaging 96.7% shareholdings across six funds).
- **Issue 3**: Korea Zinc incurred a cumulative loss of KRW147.8 billion as well as unnecessary reputation risk as a result of these investments being made without proper board oversight.

Lack of Board Oversight

Board Resolutions for Major Investments
(Bar Chart = Investment amount in KRW billions)



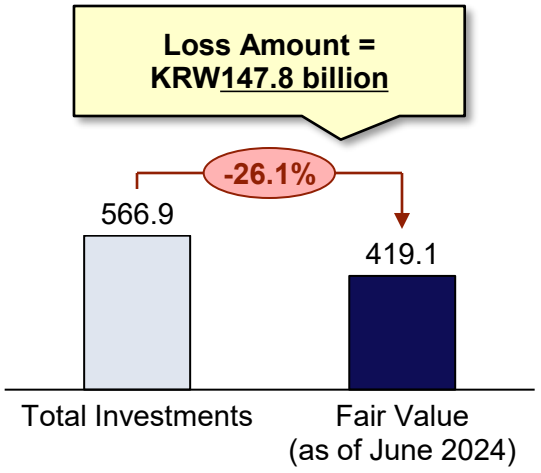
Cronyism(2)

Korea Zinc's favor to OneAsia Partners is known to be due to the personal relationship between Chairman Choi and Mr. Ji. Close friends from the middle school, Chairman Choi and Mr. Ji became closer to one another as they were both members of a morning soccer club. Prior to OneAsia Partners, Mr. Ji had no experience in the finance industry. His industry experience is limited to a major shareholder position in an ATM manufacturer, Chungho ICT, and as CEO of an entertainment agency.

No board resolution was made for Korea Zinc's investment in OneAsia Partners; Chairman Choi's personal ties with Mr. Ji, the founder of the fund, are presumed to be the only reason for this investment

Loss Incurred by the Company

Investment Amount and Expected Loss(3)
(KRW in billions)



(1) Initial investment in Korea Growth PEF #1 managed by OneAsia Partners. Korea Zinc invested a total of KRW78.6 billion (incl. mgmt. fees) in the fund following the initial investment.
(2) Excerpts from an article from MarketInsights on November 15, 2024 "Korea Zinc provided unprecedented fee payment to OneAsia Partners."
(3) For funds not liquidated as of December 31, 2024; as for cash and cash equivalents in liquidated funds that have been distributed to shareholders, investment principal (incl. management fees) and distributions to shareholders are added to total investment principal and appraised value as of June 30, 2024, respectively.

1 OneAsia Partners: Alleged Stock Manipulation of SME

- Investments made by Korea Zinc in OneAsia Partners were used to acquire shares of SM Entertainment ('SME'). OneAsia Partners is currently under investigation over allegations of manipulating SME's stock price by artificially raising it to thwart a competing tender offer, for which its CEO, Mr. Ji Chang-bae, has been arrested.
- Given that Korea Zinc provided capital to OneAsia Partners just one day prior to the date OneAsia Partners started acquiring SME shares, it is presumed that those within the reporting line at Korea Zinc had been notified of this investment.
- On February 14, 2023, one day before OneAsia fund Havana #1 PEF's ('Havana') investment in SME, Havana's articles were amended to (i) allow the fund to send out a capital call notification one day prior to an investment and (ii) set the required threshold returns to 0%. This raises questions about whether OneAsia Partners tipped Korea Zinc off about this change.
- Regardless of whether Korea Zinc was actually involved, directly or indirectly, in the SME stock manipulation scheme, these events demonstrate the total lack of proper, ethically-focused corporate governance within the Company.

Timeline of the Alleged SM Entertainment Stock Manipulation Scheme

February 10, 2023
Hybe launches public tender offer of SME shares

February 14, 2023
Korea Zinc's internal report discussing funding for OneAsia Partners' acquisition of SME shares. The fund's articles of incorporation amended

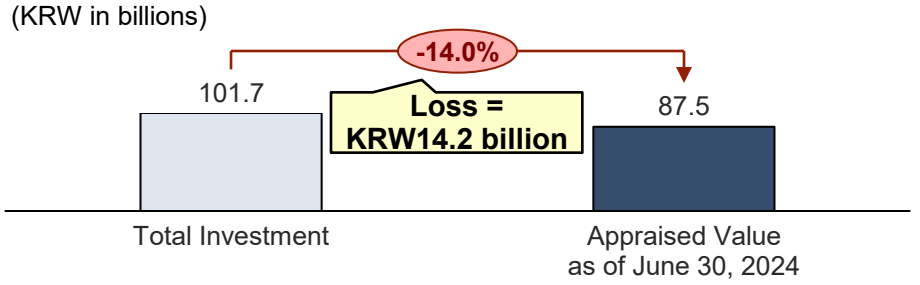
February 15, 2024
Korea Zinc becomes virtually the sole investor in OneAsia Partners' Havana #1 fund (KRW101.7 billion; 99.82% equity share)

February 16, 2023
OneAsia Partners initiates SME stock price manipulation, including artificially raising stock prices

OneAsia Partners Stock Manipulation Allegations(1)

Havana #1 is suspected of being used in stock price manipulation during last year's dispute over control of SM Entertainment. OneAsia Partners faces allegations that in February last year, when Hybe's public purchase of SM shares was underway, it leveraged Havana #1 fund and special purpose company Helios #1 Ltd. to engage in a manipulative transaction to acquire 2.9% shares in SM Entertainment to artificially boost stock prices. This led to the controversy that funding from Korea Zinc might have been used in the manipulation of SM Entertainment's stock prices.

Estimated Loss from the SME Investment



(1) Excerpts from Edaily article on Sep. 25, 2024 titled, "Funding from Korea Zinc splurged on stock manipulation on SM Entertainment… New light shed on OneAsia Partners."

2 Igneo Holdings (1/3): Overview

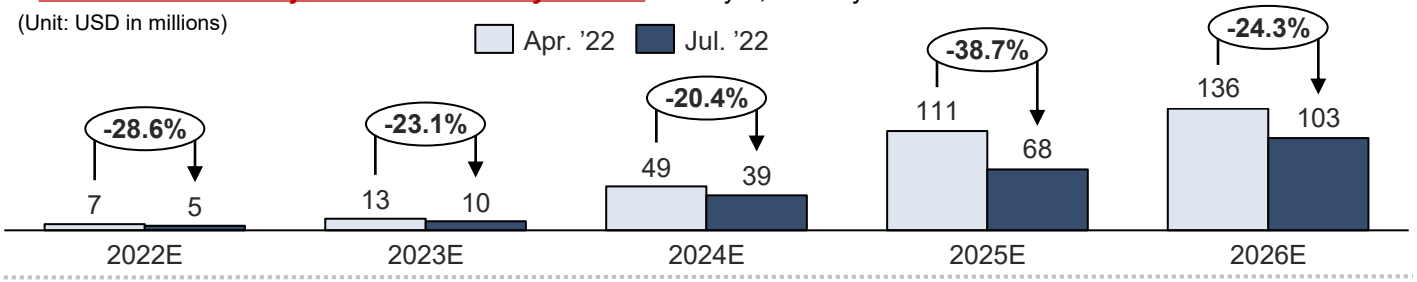
- Korea Zinc acquired a US-based electronic waste recycling company, Igneo Holdings ('Igneo'), in two tranches during July and November of 2022, for a total of KRW582 billion.
- **Issue 1:** The board's approval was based on insufficient information – a single one-page report – due to poor due diligence. As a result, Korea Zinc acquired a company with unverified capabilities, undermining one of its core new business initiatives.
- **Issue 2:** Although Igneo's capabilities were unproven, it was nonetheless acquired at an excessively high valuation.

Igneo Investment Overview

IGNEO

- US-based electronic waste recycling company
- Time of acquisition: July 2022 (73%(1) shares) and November 2022 (remaining shares)
- Acquisition price: KRW582.0 billion in total (100% shares)

Time	Action	Description
2022/4/14	Internal report to management and board of directors	▪ Reported a US$330 million(2) investment to acquire 73% shares in Igneo (existing shares acquired at US$180 million and new shares at US$150 million) ▪ Reported Igneo's capacity expansion plan in France and the US ▪ **Related discussion material was a one-page report**
2022/7/11	First investment (73% shares, KRW430 billion)	▪ **EBITDA estimate adjusted downward by 20-38%** on July 8, two days before the investment was made
2022/11/23	Second investment (remaining shares, KRW150 billion)	▪ **Invested additional US$110 million** to acquire the remaining shares that were not included in the initial board resolution



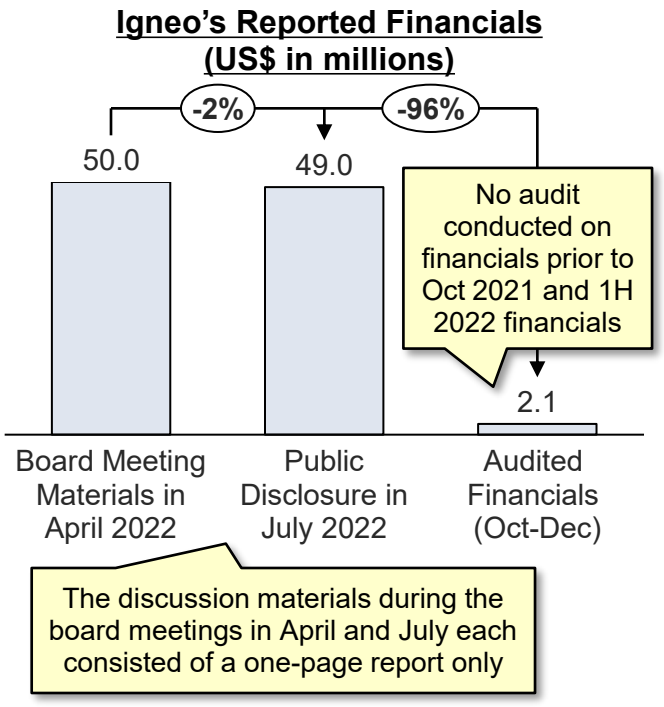
(1) Total # of shares issued including Class A, Class B and Class C; 76% of acquired shares if only Class A and Class B were included.
(2) Invested US$350 billion including transaction cost.

MBK PARTNERS

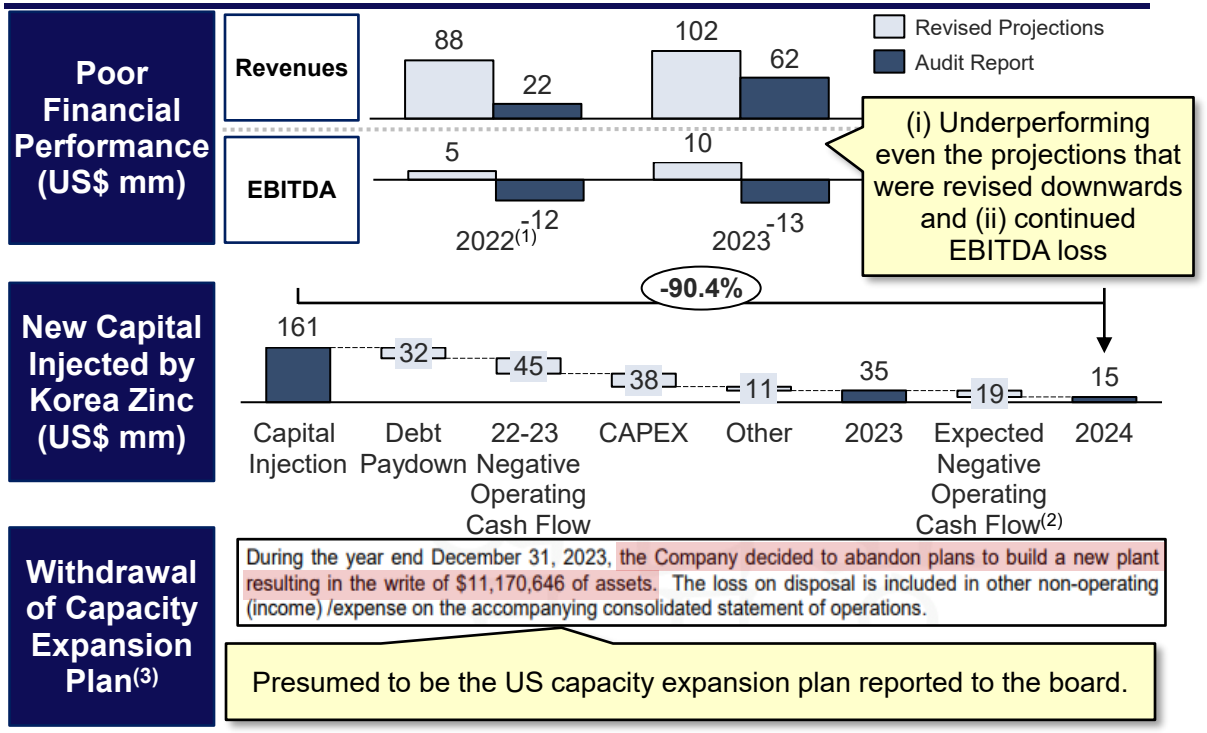
2 Igneo Holdings (2/3): Extremely Poor Due Diligence

- Investing in a waste recycling business was seen as an important initiative in the Company's strategy and its scale was also significant at KRW582 billion.
- However, it is difficult to claim that this investment decision was based on proper due diligence and deliberation, given that the investment decision was based on unverified financial results and the discussion material provided for the board meetings in April and July each consisted of a one-page report only.
- After the acquisition, (i) Igneo's results underperformed even the projections revised downwards in July 2022, (ii) the new capital of US$150 million injected into the company was depleted in just two years and (iii) Igneo withdrew its capacity expansion plan that had been reported to the board.

Poor Verification by the Board



Substandard Due Diligence Led to a Substandard Acquisition

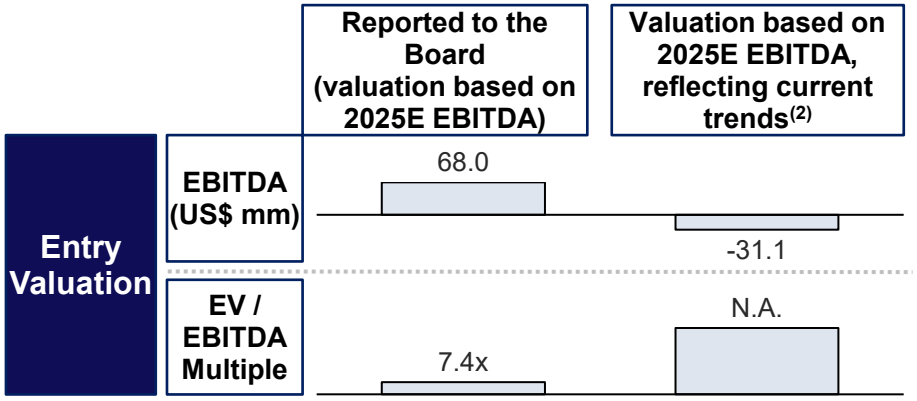


(1) Audited financials from July till December 2022; (2) Assumed same negative operating cash flow of $19.3 million recorded in 2023; (3) Excerpts from 2023 audit report footnotes.

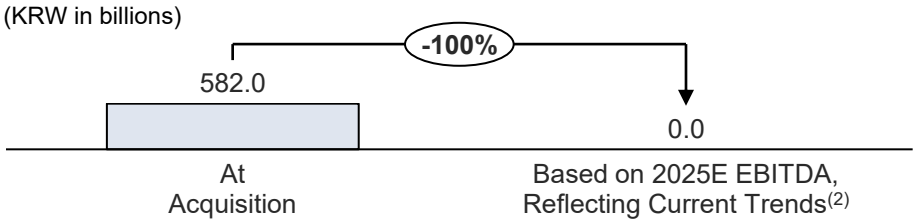
2 Igneo Holdings (3/3): Excessively High Purchase Price

- At the time of the acquisition, Chairman Choi assumed the valuation of Igneo Holdings in terms of EBITDA multiple was adequate based on the company's 2025 expected projections. Based on Korea Zinc's projections of Igneo's financials at the time of the acquisition, the presumptive total acquisition value represents 7.4x(1) of 2025E EBITDA.
- Given that Igneo's financials are significantly underperforming projections to date, we believe it is reasonable to project Igneo's estimated 2025 EBITDA to be negative(2). It is clear that Igneo's acquisition value was excessively high given the company's suddenly and significantly reduced earnings capacity.
- In addition, the acquisition value is 11.9x the equity value(3) attributed when Igneo Holdings issued convertible bonds only a year before, which further highlights the fact that Igneo's acquisition value was excessive.

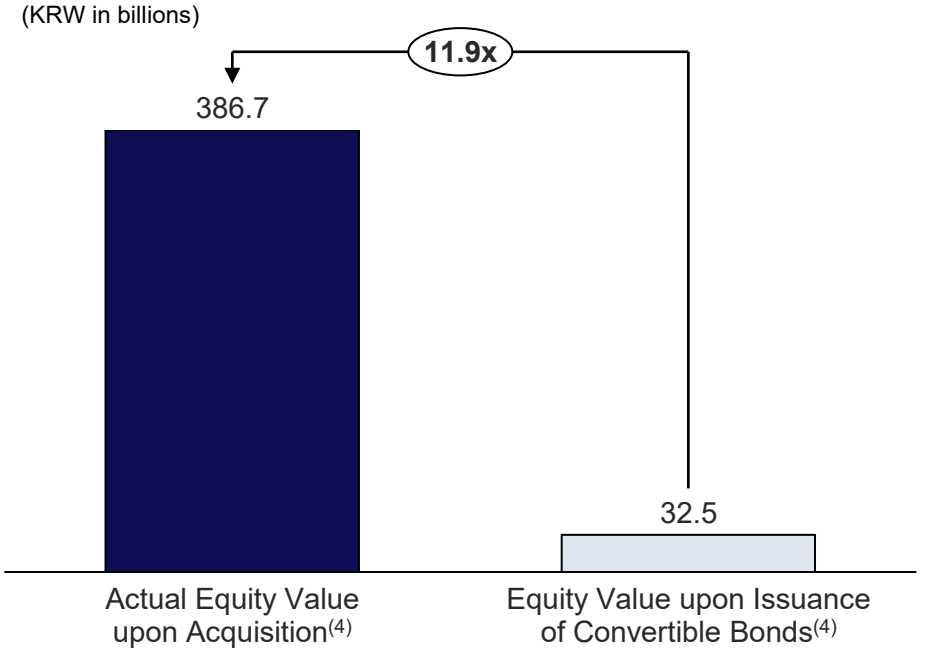
Igneo Acquisition Value Analysis (1/2)



Fair Acquisition Value under Revised Projection



Igneo Acquisition (2/2)



(1) Based on projected net debt of US$58.3 million. According to the board material, internally assessed fair EV/EBITDA multiple ranges 7.0 – 9.0x.
(2) Assuming 2025 revenues continue to underperform projections by 39.2% as was the case for 2023 revenues, while EBITDA margins improve according to projections.
(3) The equity value represents the pre-money value prior to the issuance of new shares. Post-money acquisition value is KRW582.0 billion

3 Jungseok Enterprise/CS Design Group: Exploitation of Corporate Resources and Cronyism

- Chairman Choi has also exploited Company resources to (i) assist other chaebol owners by financing their inheritance tax payments with Korea Zinc's cash (by investing in Jungseok Enterprise) and (ii) allegedly engage in cronyism by awarding business to CS Design Group, a company run by his sister-in-law.
- Neither of these transactions was approved by the board.

Jungseok Enterprise Investment

Overview

- Real estate company affiliated with Hanjin KAL.
- Korea Zinc's acquisition of 12.2% shares in Jungseok Enterprise led to suspicions that the transaction was to help Hanjin KAL's owner's family obtain funding for inheritance tax payments, using OneAsia Partners' fund Justice #1 PEF for this purpose(1).

Transaction Summary

2019
- Following the death of the late CEO, Mr. Cho Yang-ho, his shares in Jungseok Enterprise were inherited by his family.

March 2021
- The Cho family sold 150,469 shares in Jungseok Enterprise (12.22%) at KRW48.15 million (KRW320,000 per share) to pay inheritance tax.
- These shares were acquired through OneAsia Partners(2).
- The acquisition price was also excessively high; **the implied EV/EBITDA and P/E were 20.5x and 44.8x, respectively.**
- The economic nature of the transaction was as a securities-backed loan.

December 2023
- Following the liquidation of Justice #1 PEF, the Jungseok shares were transferred to Korea Zinc.

CS Design Group

Overview

- Interior design and home furnishings company. Until July 1, 2024, the CEO was Lee Jeong-suk, Chairman Choi's sister-in-law.
- Although the company was only established in October 2021, CS Design Group was awarded numerous projects for Korea Zinc, including interior design for Korea Zinc's office buildings (Youngpoong, Grand Seoul) and supplementary facilities in Onsan smelter (parking and central security buildings), leading to suspicions of cronyism.

Transaction Summary

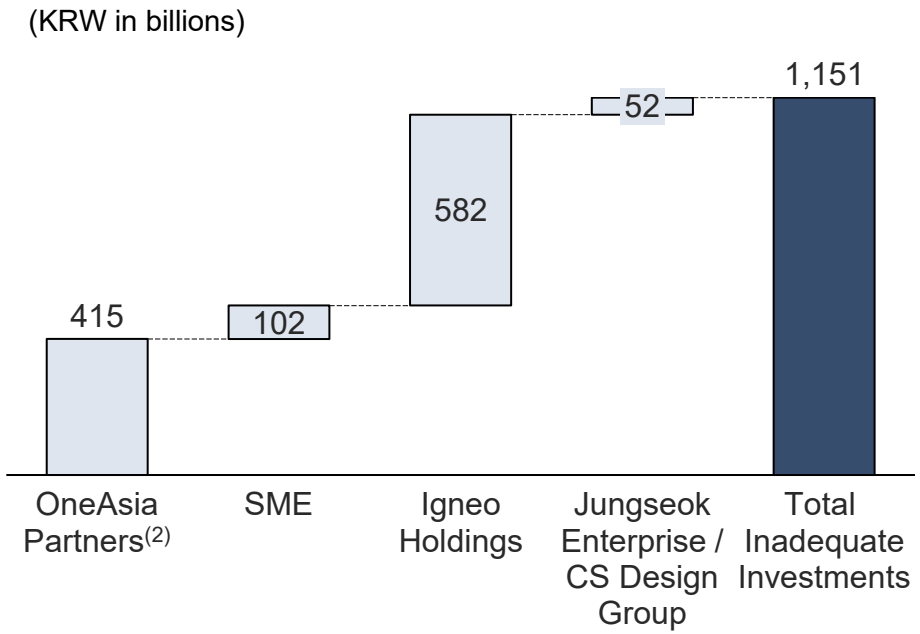
Building	Services	Value
Youngpoong Bldg. (Nonhyeon-dong)	Interior design	KRW2.1 bn
Grand Seoul Building (Jongno)	Interior design	KRW0.39 bn
Onsan smelter (e.g., parking building, central security bldg., safety training center, health center, total safety center, commuter bus stops)	Interior design	N/A
Office building for subsidiary Steelcycle	Architecture/ interior design	N/A

(1) The transaction was economically equivalent to a secured loan given that (i) the sale of the shares were restricted and (ii) the Hanjin KAL family had a right of first refusal and a call option; (2) Korea Zinc invested in Justice #1 PEF, which in turn, invested in Jaguar #1 limited partners. Jaguar #1 limited partners used the funds to acquire shares in Jungseok Enterprise; (3) Renamed The Boundary Inc. as of July 2024.

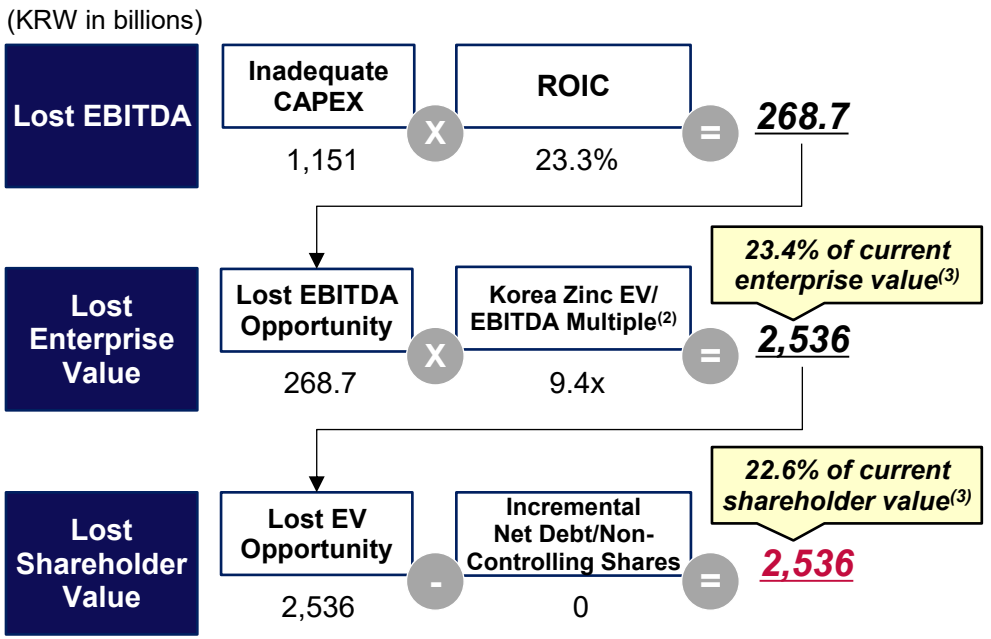
KRW2.5 trillion in Value Destroyed over Five Years Due to Failed Corporate Governance

- At least KRW1.2 trillion of investments that Korea Zinc has made since Mr. Choi was appointed as CEO in March 2019 were not properly reviewed by the board of directors and resulted in the destruction of KRW2.5 trillion of value.
- Had these investments been implemented properly, merely to generate the average level of ROIC(1) from the last five years prior to Mr. Choi's appointment (2014 - 2018), an additional EBITDA of approximately KRW266.2 billion could have been generated.
- Considering Korea Zinc's EBITDA multiple immediately before the tender offer was 9.4x, this additional EBITDA translates into KRW2.5 trillion in lost enterprise value, which represents approximately 22.6% of Korea Zinc's market cap before the tender offer.
- So the failed investment of KRW1.2 trillion represents not only wasted cash but also the loss of potential shareholder value worth KRW2.5 trillion.

Inadequate Investments under Chairman Choi



Value Creation Potential from Adequate Investments



(1) Defined as current EBITDA/beginning net operating assets.
(2) Capital provided to OneAsia Partners less investments in SME and Jeongseok Enterprise.
(3) As of September 11, 2024.

MBK PARTNERS

3. The Consortium's blueprint for Korea Zinc

- Improve corporate governance by adopting advanced corporate governance practices (p36)
- Continue to invest to maintain & enhance competitiveness as the global No.1 smelter (p40)
- Prioritize resources in new business development (p41)
- Revisit investments in non-core businesses (p47)
- Normalize relationship with Young Poong and enhance market leadership (p48)
- Continue to improve environmental, safety issues, enhance job security (p49)

MBK PARTNERS

Current Board Unwilling to Conduct Independent Oversight

- Not only did the current board fail to prevent Chairman Choi's unilateral business decisions and management abuse, it also failed to take action even after numerous incidents were reported by the press.
- To the contrary, the current board actively participated in Chairman Choi's value-destroying actions at the expense of shareholder value.

Fundamental Limits of the Current Board

No Attempt to Supervise/ Control Current Management

- **OneAsia Partners**
  - No request for further information/explanation or any kind of supervisory actions taken even after the press reported on the amount of loss or SME stock price manipulation.
  - Although certain funds managed by OneAsia Partners distributed dividends in kind instead of cash upon liquidation, and therefore, exposed Korea Zinc to further downside risk, the board did not take any action.
- **Igneo Holdings**
  - Although the board confirmed during the November 2022 meeting that Igneo was in a state of complete capital impairment and its financials substantially deteriorated, it still approved the decision to purchase the remaining 27% stake at a *higher* price-per-share than the initial share purchase.
- **Jeongseok Enterprise/CS Design Group**
  - Even after unfair transactions with other chaebol owners and relatives were revealed, there were no discussions of enhancing the board's Related Party Transaction Committee or any ways to improve management oversight.
  - To the contrary, the current board is unable to prevent management from repeatedly executing transactions unfavorable to the Company, including the recent sale of all of Korea Zinc's 7.25% shares in Hanwha, which Korea Zinc held for two years, to Hanwha Energy at a price lower than its acquisition cost, in November 2024.

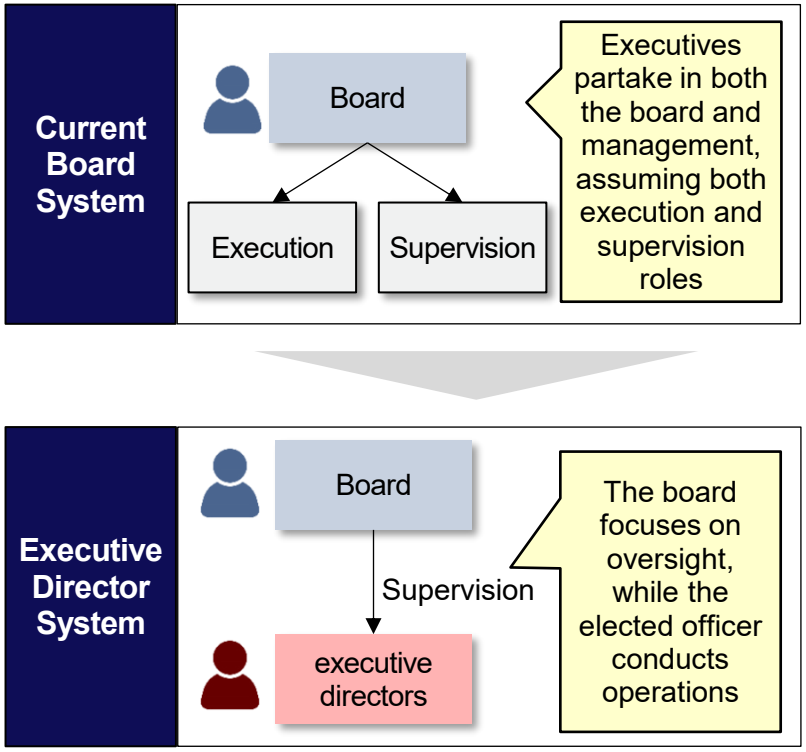
Active Participation in Defending Chairman Choi's Control

- **Approval of the self-tender offer**
  - Took part in the self-tender offer, which caused irreparable damage to the Company and directly violated the principle of shareholder equality.
- **Approval of the general public offering**
  - Agreed to the general public offering, the purpose of which was to defend Chairman Choi's management control at the expense of shareholder value.

Adoption of the Executive Director System

- The goal of the executive director system is to clearly separate the board's role of supervising management from the management's role of conducting operational execution, thereby strengthening both the board oversight and executive accountability.
- The Consortium will actively introduce the executive director system at Korea Zinc and improve the independence of the board and enhance accountability of the executive directors.
- Such measures will prevent certain major shareholders from holding key positions in both the board of directors and management and prevent them from making decisions that conflict with the rest of the shareholders.

Objective of the Executive Director System



Introduction	■ Elect executive directors as stated in the articles of incorporation or through a board resolution.
Appointment/ Removal of Executive Directors	■ The board has the right to appoint and remove executive directors. ■ The executive director is appointed by the board and serves until the officer's term is due.
Duties of the Executive Directors	■ The executive director carries out the duties conferred with care of a good manager. ■ The officer must report to the board at least once per quarter. ■ Duty of loyalty, duty of confidentiality, obligation to retain and disclose Articles of incorporations, others.
Accountability of the Executive Directors	■ An executive director has intentionally or negligently acted in violation of any statue or of the articles of incorporation or has neglected his/her duties, he/she shall be and liable for damage against the company. ■ If an executive director has neglected his/her duties by intention or gross negligence, he/she shall be liable for damages suffered by a third party.

Proposals to Restore Shareholder Value (1/2)

- As the largest shareholders of Korea Zinc, MBK Partners and Young Poong intend to strategically implement the following measures designed to restore shareholder value through enhanced corporate governance, improved shareholder returns and increased stakeholder engagement. The proposed measures will be subject to deliberation by the reorganized board of directors consisting of additional directors to be appointed at the forthcoming extraordinary general meeting and thereafter be implemented as promptly as practicable.

		Measures to Restore Shareholder Value
Share-holder Returns	**Stock Split**	■ **We will address factors contributing to the undervaluation of shareholder value by implementing a stock split and thereby achieving increased share trading volume and enhanced stock market liquidity.** ■ The board of Korea Zinc attempted a public offering for capital increase through new share issuance, ostensibly to "resolve share price instability due to the rapid decrease in trading volume following the tender offer.“ However, the substantive intention has always been to defend Chairman Choi's control over Korea Zinc. The proposed public offering not only risked diluting and eroding existing shareholder value but also presented potential violations of the Capital Markets Act of Korea, which consequently, forced the board to voluntarily withdraw the public offering. ■ Problems with share trading volume can be addressed more adequately through a stock split than a capital increase. Moreover, this approach is generally considered to be more appropriate. By implementing a stock split to increase share trading volume, we anticipate that the market's price discovery function will be enhanced.
	Retirement of All Treasury Shares	■ The remaining treasury shares of Korea Zinc have raised concerns that they may be transferred to shareholders ‘friendly’ to Chairman Choi, such as ESOP or other third parties, aimed to defend his control over Korea Zinc, and accordingly, are not viewed favorably by the market as a genuine measure of shareholder return. ■ **By retiring all treasury shares, we will eliminate such concerns and deliver genuine shareholder returns.**
	Regular Disclosure of Dividend Policy	■ **Cash dividends will be distributed in a predictable and transparent manner.** ■ Enhance the predictability of dividends and ensure the evaluation and improvement of the dividend policy by procuring the board of directors to (i) regularly resolve and disclose dividend policies outlining the principles, standards, procedures, and other relevant matters in connection with the distribution of dividends, and (ii) review metrics, such as the weighted average cost of capital, cost of equity, return on equity, price-to-book ratio, and price-to-earnings ratio, as of the end of each fiscal year, and prepare a report containing evaluations and improvement measures, for submission to the annual general meeting of shareholders.

MBK PARTNERS

Proposals to Restore Shareholder Value (2/2)

Share-holder Partici-pation	**Recommendation of Separately Elected Outside Director Candidates by Minority Shareholders**	■ **We will implement governance regulations to grant the minority shareholders the right to recommend candidates to serve as outside directors** (who will also be appointed as members of the audit committee) in order to enhance minority shareholders' participation and oversight of management. ■ The implementation of the foregoing is possible through the Outside Director Candidate Recommendation Committee receiving recommendations for candidates for outside directors (concurrently, as members of the audit committee) from minority shareholders.
	Outside Director to Serve the Role of Protecting Shareholder Rights	■ **We aim to designate an outside director specifically responsible for the protection of shareholder rights**. ■ This director will undertake activities such as (i) meetings with shareholders and (ii) participation in shareholder IR events, to convey shareholder opinions to the board and develop policies aimed at improving shareholder rights protection, thereby ensuring the consideration of the opinions of minority shareholders.
Gover-nance Improve-ment	**Enhance the Authority of the Related Party Transaction Committee**	■ While Korea Zinc currently operates a Related Party Transaction Committee as a board resolution item, the committee's composition and authority is not expressly set forth in the Board Regulations. ■ **To enhance the oversight and supervision of potential conflict-of-interest transactions by the Related Party Transaction Committee**, we will: (a) elevate the committee to an expressly specified committee in the Board Regulations, (b) fill the majority of the Committee members with outside directors, and (c) broaden the scope of transactions subject to review of the Related Party Transaction Committee to include transactions with (i) major shareholders and its related parties and (ii) the registered/non-registered directors and their related parties.
	Newly Establish the Investment Review Committee	■ **We plan to newly establish an Investment Review Committee as a committee under the Board**. ■ The Investment Review Committee will be responsible for strictly scrutinizing and evaluating (i) the investment activities of the company that exceed a specific threshold value, and (ii) all material transactions outside the company's primary business, so as to enhance the oversight and checks on unverified investment activities, such as those in the past involving One Asia Partners and Igneo Holdings.
	Newly Establish the ESG & Gender Equality Committee	■ **We plan to newly establish an ESG & Gender Equality Committee as a committee under the Board.** ■ We aim to firmly establish principles of ESG and gender equality management by establishing the ESG & Gender Equality Committee. The committee will have the authority to review matters related to, among others, ESG management and gender equality and submit such matters to the board.

MBK PARTNERS

Maintain Competitiveness as the No. 1 Smelter in the World

- The key reason behind Korea Zinc's competitiveness as the best smelter in the world, even without owning its own mines, was the Company's world-class technology. The Consortium will prevent unnecessary capital leakage and ensure sufficient investment is made in retaining and further developing its core smelting technology.
- The Consortium will continue to collaborate with key domestic/international partners to improve Korea Zinc's competitiveness in raw material sourcing and product sales, restore ties with Young Poong that have deteriorated amid the management dispute to enhance Korea's competitiveness in smelting and other related industries.

Invest in World-class Smelting Technology



- **Make proactive investments:** To retain and further enhance Korea Zinc's world-class smelting technology, (i) recruit and retain smelting technicians and (ii) make timely investments into necessary facilities and R&D efforts.
- Secure financial resources not just by generating cash through the main business but also by minimizing unnecessary leakage (e.g., losses from fund investments unrelated to the core business).

Stabilize Raw Material Sourcing, Maintain Cost Competitiveness



- **Continue to collaborate with key domestic/ international partners**: Maintain and develop partnerships with key global mining enterprises and mineral traders to enhance stability of raw material sourcing.
- **Resume cooperative purchasing with Young Poong**: Restore ties with Young Poong to improve bargaining power vs. global partners in sourcing raw material; create synergies in transportation, labor and other costs for both parties.

Maintain a Flexible Sales Network



- **Continue to collaborate with key domestic/ international partners**: Maintain and develop partnerships with key global customers to flexibly respond to demand fluctuation in each region.
- **Resume cooperative sales with Young Poong**: Restore ties with Young Poong as cooperative sales via KZ Trading to improve bargaining power vs. customers in sales; flexibly adjust sales volume in line with production status and create synergies in transportation, labor and other costs.

Troika Drive: Overpromised, Not Yet Delivering

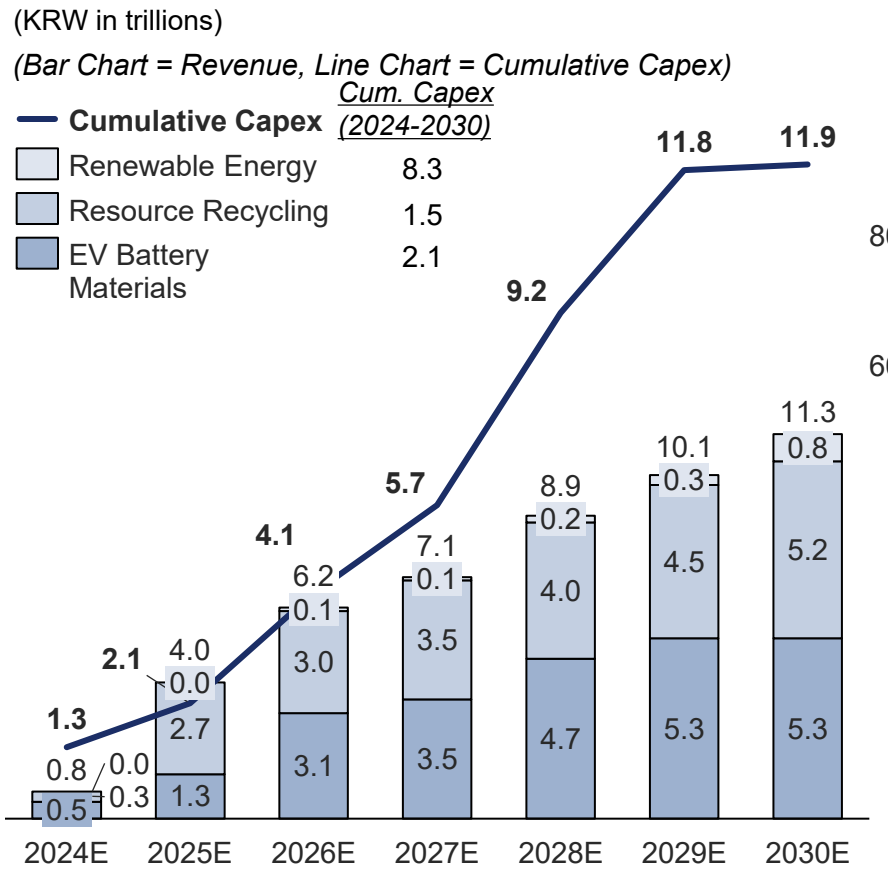
- The current management's Troika Drive initiatives were conducted simultaneously on all fronts but have not made much progress aside from the nickel sulfate/precursor business.

		Promises	vs.	Delivery
Resource Recycling	**E-waste** (Electrolytic Copper)	■ Acquire Igneo and Kataman to secure feed for not only e-waste but also battery recycling		■ Post-acquisition, it was revealed that Igneo has (i) limited collection network and (ii) processing capabilities; **Korea Zinc needs to build its own capabilities or seek additional partnership** ■ Construction of a **plant in Georgia, US** which was being planned during the acquisition, was **called off.**
	Solar Panel Recycling (Silver)	■ Leverage Igneo's "proven technology" to add two plants and six hubs in North America		
	EV Battery Recycling (Nickel, Cobalt, Lithium)	■ Plans to build a waste battery pre-treatment plant abroad in 2023		■ Plant constructions **have been delayed/ cancelled**, with no future plans announced
EV battery Materials	**Nickel Sulfate/ Precursors**	■ Build a new "all-in-one nickel smelter" ■ Mass-produce/sell precursors in partnership with LG Chemical		■ Smelter construction on track **without delay** ■ New sourcing plan after the expansion required
	Copper Foil	■ (2Q '22 IR) "mass-production preparations on track"; scheduled for 3Q '23 ■ (2Q '23 IR) Mass-production to begin in 4Q '23		■ 1.5 years after the 2Q '23 IR, **mass production has yet to begin, with no updates announced**
Renewable Energy / Hydrogen	**Solar/ Wind**	■ KRW8.3 trillion CAPEX investment in Australia until 2033 to expand power generation capacity (4.6 GW)		■ Roughly 10% progress in development vs. target ■ **No specific plans announced for the remaining 90%** requiring KRW8 trillion in investments
	Green Hydrogen	■ Target production of roughly 280 kt of green H_2 annually by 2030; plan to start test production by end of 2024		■ **Need further R&D;** technical feasibility and economics not yet validated

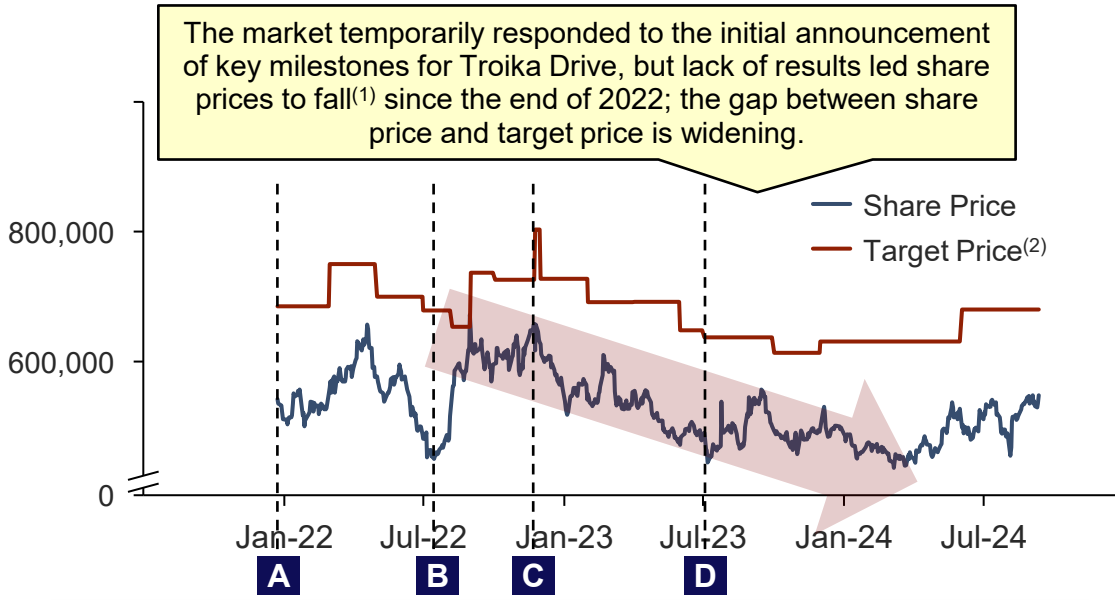
Market Response Lukewarm on Troika Drive

- In 2021, the current management announced an ambitious goal of investing KRW12 trillion to generate KRW11.3 trillion in revenues by 2023. However, it has failed to deliver tangible results and the market response was lukewarm.

Company's Troika Drive Projections



Lukewarm Market Response



A	Official announcement of Troika Drive (December 2021)
B	Acquisition of Igneo Holdings and capacity expansion of copper foil production (July-November 2022)
C	Expansion of core initiatives, including partnerships with LG Chemical and Hanwha (November 2022)
D	Announcement of a third-party rights offering to HMG Global, KEMCO consolidation, the All-in-one Nickel Smelter (August-November 2023

Source: Korea Zinc 2023 IR material

(1) Temporarily increased since March 2024 due to the management dispute with Young Poong.

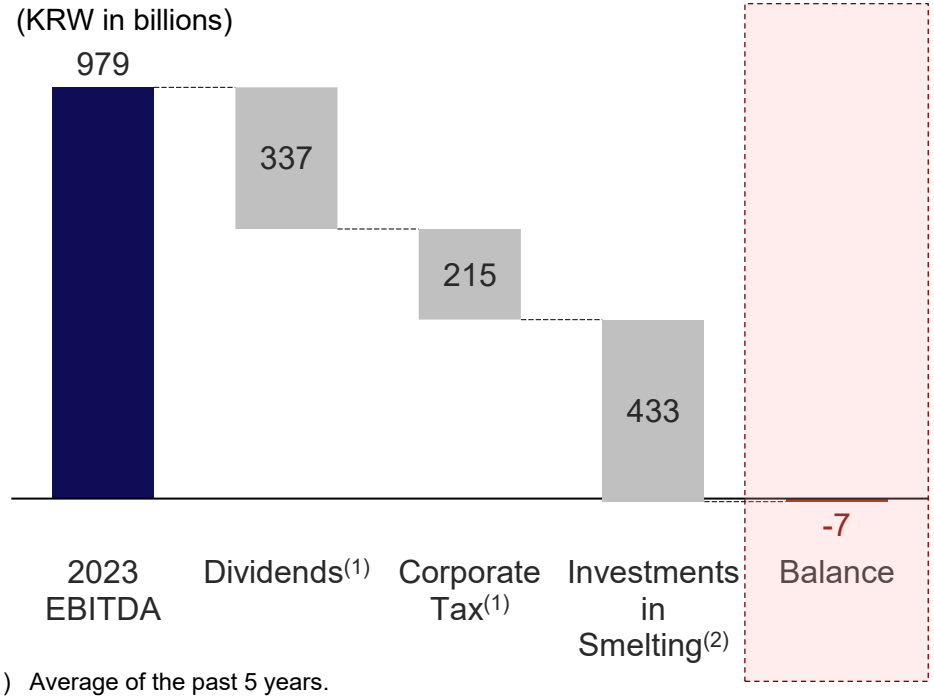
(2) Based on target share price released by 13 domestic and international research analysts.

MBK PARTNERS

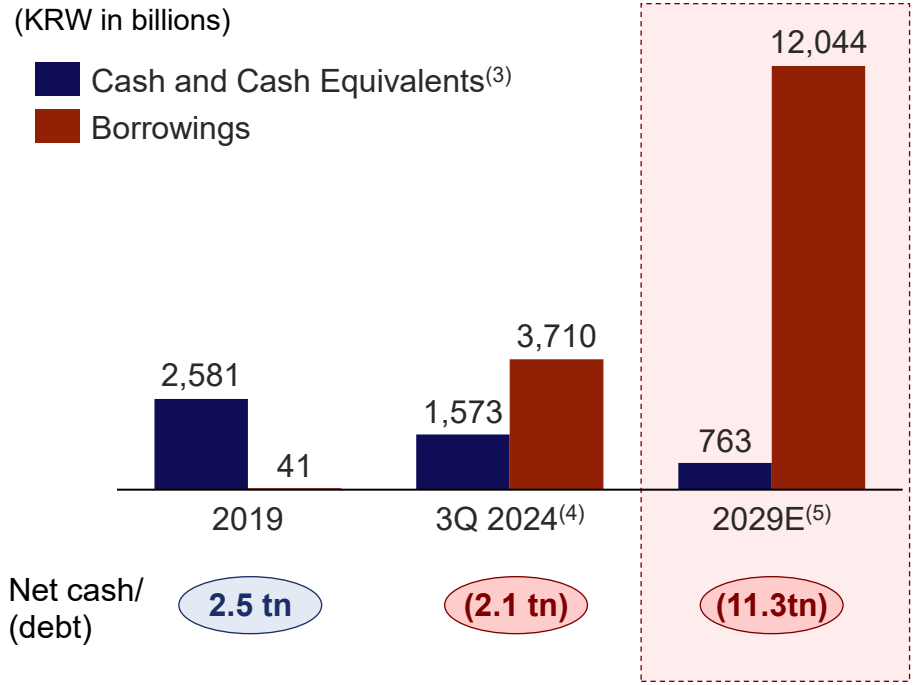
KRW12 trillion+ of Debt Expected by 2029 under Current Plan

- If the current investment plan is executed, Korea Zinc is projected to incur more than KRW12 trillion of debt by the end of 2029.
- This is because contrary to the management plan, significant negative cashflow is expected should the Company continue to deploy capex before securing necessary capabilities that are critical to the success of the new business.
- The Company announced during the 2023 Investor Day that 20% of the required funding will be financed with cash on hand (KRW2 trillion). However, the Company currently has KRW2.1 trillion of net debt after depleting cash on the self-tender offer. It is even more unclear how the current management is planning to conduct new business development as promised.

Borrowing Required to Sustain Smelting Business



Expected Debt after the Company's Planned Investment



(1) Average of the past 5 years.
(2) Annual average CapEX investment in smelting for 2024-2029 as stated in company IR presentation.
(3) Sum of total cash, cashable assets, short-term investment assets, and short-term deposits at financial institutions, with restricted cash subtracted.
(4) Figures at end of 3Q '24 adjusted to reflect (i) change in cash and borrowings to pay for public purchase of own stocks and (ii) cash inflow from selling Hanwha shares.
(5) MBKP estimates based on Troika Drive's expected profitability and investment amounts stated in IR materials.

MBK PARTNERS

The Consortium's Proposal: Prioritize Investments

- The Consortium agrees that new business development is key to creating value at Korea Zinc. However, the Consortium believes that the timing of investment and implementation plan for each business must be revisited.
- The current management plans to invest KRW12 trillion simultaneously across all new business areas without fully considering Korea Zinc's current capabilities, current market trends and funding capacity.
- By comprehensively examining Korea Zinc's competitive edge and market environment for each business, the Consortium will prioritize the initiatives to maximize the efficiency of resources deployed.

Accelerate
Decelerate

The Consortium's Business Proposal for Troika Drive

		Required Capabilities	Market Environment	Proposed Business Plan
Resource Recycling	A **E-waste** (Electrolytic Copper)	✓✓	✓✓	High priority investment; near-term focus on acquiring feed sourcing and processing capabilities
	B **Solar Panel Recycling** (Silver)	✓	✓	Develop capabilities and focus on sourcing raw materials to be prepared when markets take off post-2030
	B **EV Battery Recycling** (Nickel, Cobalt, Lithium))	✓✓	✓	Although markets are expected to take off post-2030, continue to invest given high-priority and immediate synergies with the EV battery material business
EV Battery Material	C **Nickel Sulfate/ Precursors**	✓✓	✓	High priority investment; near-term focus on the successful production of "all-in one" Nickel Smelter (2025-2026)
	D **Copper Foil**	✓	✓	Given the current "chasm" in EVs, invest selectively but continue to build mass-production capabilities
Renewable Energy	E **Solar/Wind**	✓	✓	Invest on a project-by-project basis given significant CapEx requirement and long payback period
	E **Hydrogen (H_2)**	✓	N/A (Market yet to take-off)	Focus on tech R&D and gradually expand investment along with the evolution of the green hydrogen industry

New Business Plan (Preliminary)

- Carefully review each new business initiative to prioritize resources to enhance the “quality” of investments, not “quantity.”
- New business expansion will be driven after thoroughly reviewing both the evolution of the market environment and the right investment approach (i.e. direct investments vs. indirect investments such as outsourcing or partnerships).

Alternative Plan by Initiative

Maintain Current Plan
Adjust Direction/Investment Schedule

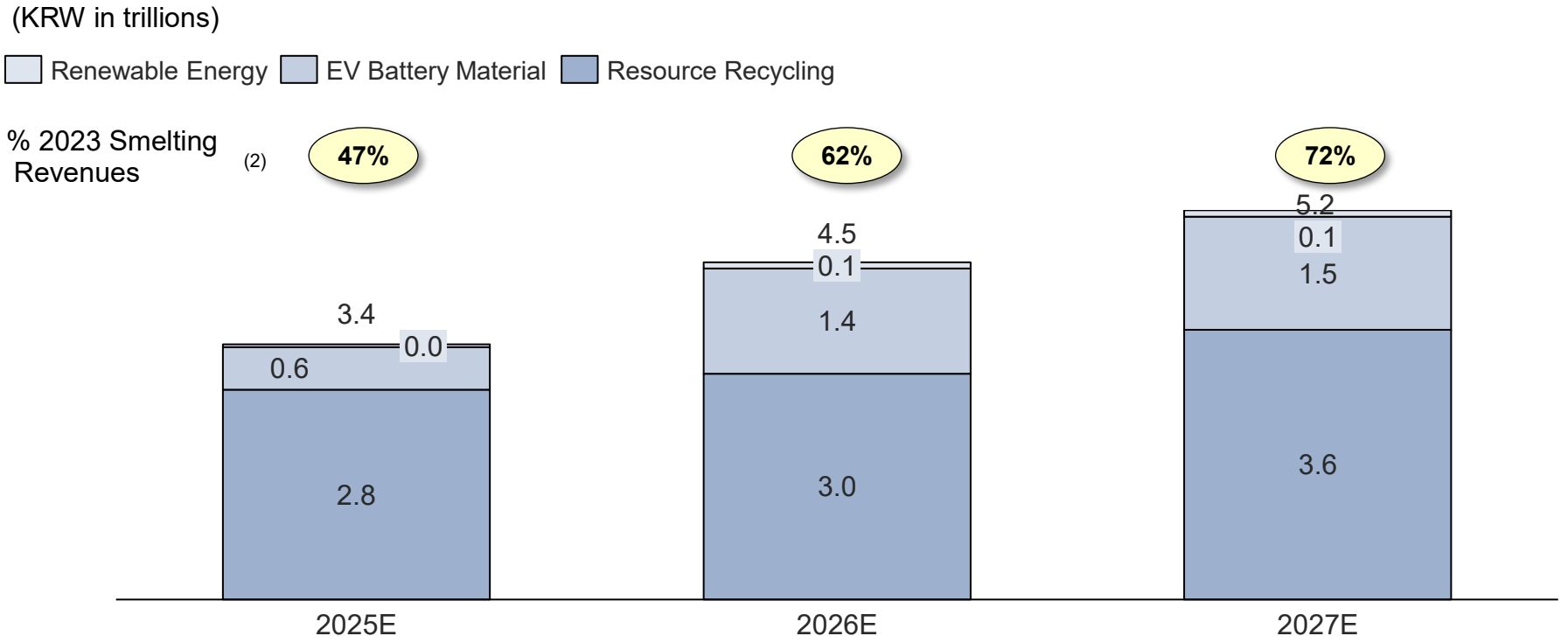
			2025E	2026E	2027E	2028E	2029E	2030E
Resource Recycling	A	**E-waste** (Electrolytic Copper)	Obtain raw material collection & pre-processing capabilities		Expand capacity based on progression of the business			
	B	**Solar Panel Recycling** (Silver)	Access raw material suppliers and customers in-line with Phase-1 expansion (20kt)		Expand capacity based on results of the Phase 1 expansion			
	B	**EV Battery Recycling** (Nickel, Cobalt, Lithium)	Establish scrapyard network, partner with OEMs to obtain raw material suppliers, customers		Review processing plant construction plan (incl. potential outsourcing/partnership as opposed to building in-house production facility)			
EV Battery Material	C	**Nickel Sulfate/ Precursors**	Focus on mass-production, cost-competitiveness of the all-in-one nickel smelter		Capacity expansion needed but timing and degree to be determined based on progression of the business			
	D	**Copper Foil**	Complete Plant 2	▪ Carefully adjust timing of investment based on turnaround of the EV market ▪ Focus on acquiring customers and track record for utilization improvement of existing 26kt capacity rather than immediately expanding capacity				
Renewable Energy	E	**Solar/Wind**	Operate MacIntyre & add new PPAs	▪ Review feasibility and economics of Ark Energy’s existing pipelines ▪ Acquire equity partners for each shortlisted pipeline opportunity				
	E	**Hydrogen**	Enhance capabilities (e.g. acquire customers and partnerships) to be ready when the Hydrogen economy takes off; review business feasibility of the ammonia business					

MBK PARTNERS

Meaningful Transformation Achievable within Three Years

- The Consortium projects that our new business proposal will generate KRW5 trillion in revenues over the next three years. This is equivalent to 72% of Korea Zinc's 2023 smelting revenues, meaning that Korea Zinc will be able to achieve meaningful transformation based on its competitiveness in the core smelting business.

Projected 3-year New Business Revenues(1)



(1) Resource recycling: since most businesses already generate revenues, 2024 estimated revenues for each business (i.e., copper, solar panel recycling, Pedalpoint, Steel Cycle, ZOCV) were based on YTD 3Q 2023 financials, Korea Zinc's production capacity expansion plan and estimated market growth; EV battery material: estimates for revenue-generating businesses of KEMCO and KPC based on capacity expansion plan and expected production increase. For KZAM, which is behind schedule, assumed no. 1 plant begins full operations and no. 2 plant partial operations in 2025; renewable energy: reflected revenues from solar and wind power generators already constructed. For the wind power generators, assumed 100% of electricity produced, including the 30% electricity without a PPA, given that MacIntyre's generators have started operations.

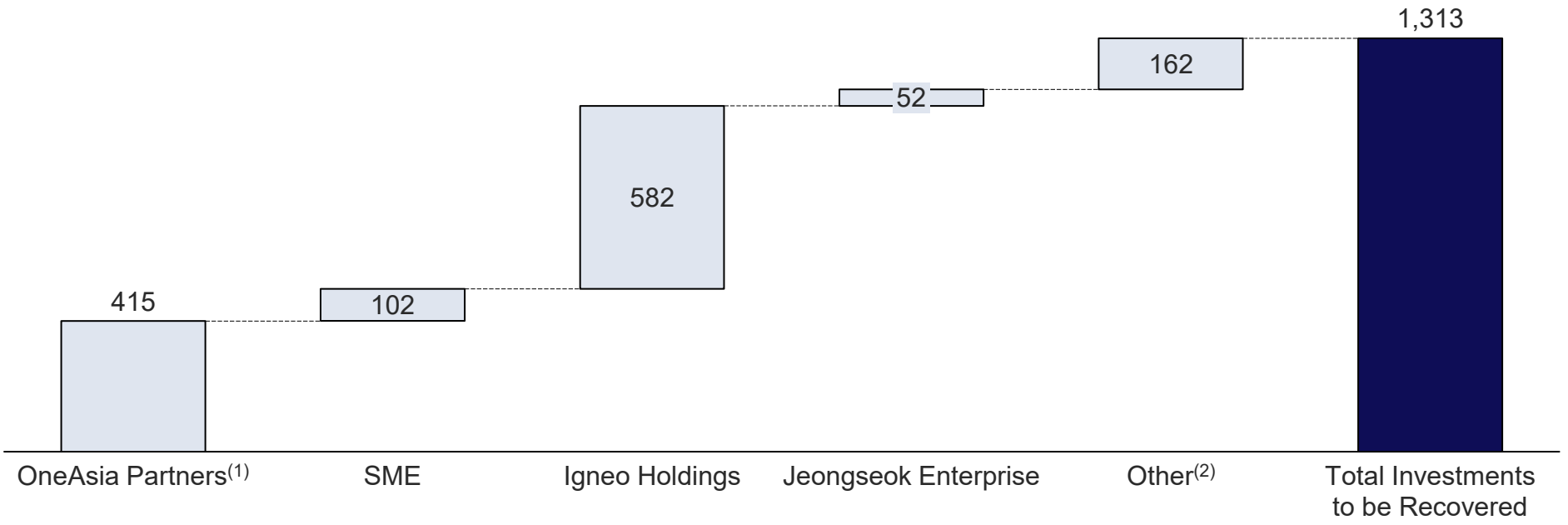
(2) Based on Korea Zinc's standalone 2023 revenues.

MBK PARTNERS

Recover Prior Investments in Non-core Businesses and Reinvest

- Inappropriate investments in OneAsia Partners, SME, Igneo Holdings and Jeongseok Enterprise, as well as inefficient investments that are unrelated to Korea Zinc's core business will be thoroughly reviewed and recovered. As of June 30, 2024, the total amount of such investments are expected to be KRW1.3 trillion.
- Investments that can be recovered will be unwound following due process and will be used for enhancing the core smelting business, new business development and/or paying down debt incurred in connection with the self-tender offer.
- In addition, the Consortium will ensure that any future investments above a given threshold goes through an appropriate reporting process to the board and will be thoroughly reviewed before committing. Especially, investment unrelated to the Company's core business will be discouraged, and even if the amount is small, will be scrutinized.

Investments into Unrelated Non-core Businesses



Source: Korea Zinc's 1H 2024 report
(1) Capital provided to OneAsia Partners less investments in SME and Jeongseok Enterprise.
(2) Total of initial funding into venture funds and unprofitable businesses (e.g., Hyzon Motors) unrelated to Korea Zinc's core business.

Normalize Business Relationship with Young Poong

- Young Poong and Korea Zinc have been operating as one company since the 1970s, closely cooperating across all areas including procurement and sales.
- In particular, the close cooperation between the two companies served as a core competitive advantage for both sides in an industry in which demand and supply are inelastic.
- The Consortium plans to end the dispute between the two companies, normalize business relations and restore competitiveness in raw material sourcing and product sales of both companies.

Partnership Areas	Existing Partnership and Synergies	Issues Stemming from Current Dispute
Raw Material Procurement	■ Both companies have been jointly procuring zinc concentrates since the beginning. The joint procurement between Korea Zinc (900 k tons/year) and Young Poong (600 k tons/year) provided significant bargaining power. ■ Based on the significant purchase amount and bargaining power, Korea Zinc and Young Poong were recognized as the price-setter in the zinc concentrate market. – Korea Zinc and Young Poong negotiate with zinc mines to set the benchmark price in Asia every year.	■ Zinc procurement decreased to 60% of previous levels to roughly 900 k tons/year, increasing the risk of weakening bargaining power against mines and traders. ■ Both companies' status as the price setter may also be lost.
Secondary Material Supply	■ Young Poong has been supplying high-quality secondary material (zinc cake, silver by-products) from its smelters to Korea Zinc below market price – Roughly 10% of Korea Zinc's silver production is based on Young Poong's silver by-products, which generates annual revenues of KRW130 billion.	■ Using silver by-products are more economical compared to using concentrates or other raw materials. The decrease in silver by-products increases Korea Zinc's raw material cost. ■ Recently, silver by-product supply has been limited and silver content in concentrates have been declining.
Joint Sales	■ Both companies have been jointly selling products through KZ Trading (f.k.a. Seorin Corp.) to domestic and overseas customers. This arrangement provided higher bargaining power and additional flexibility against market fluctuations.	■ If the joint-sales arrangement through KZ Trading discontinues, both companies may engage in unnecessary competition which would impair global competitiveness for both sides.

Environmental, Safety Issues, Job Security

- The Consortium commits to continuously seek innovation and new growth drivers, while pursuing sustainable management by improving the environment, enhancing safety and guaranteeing job security.

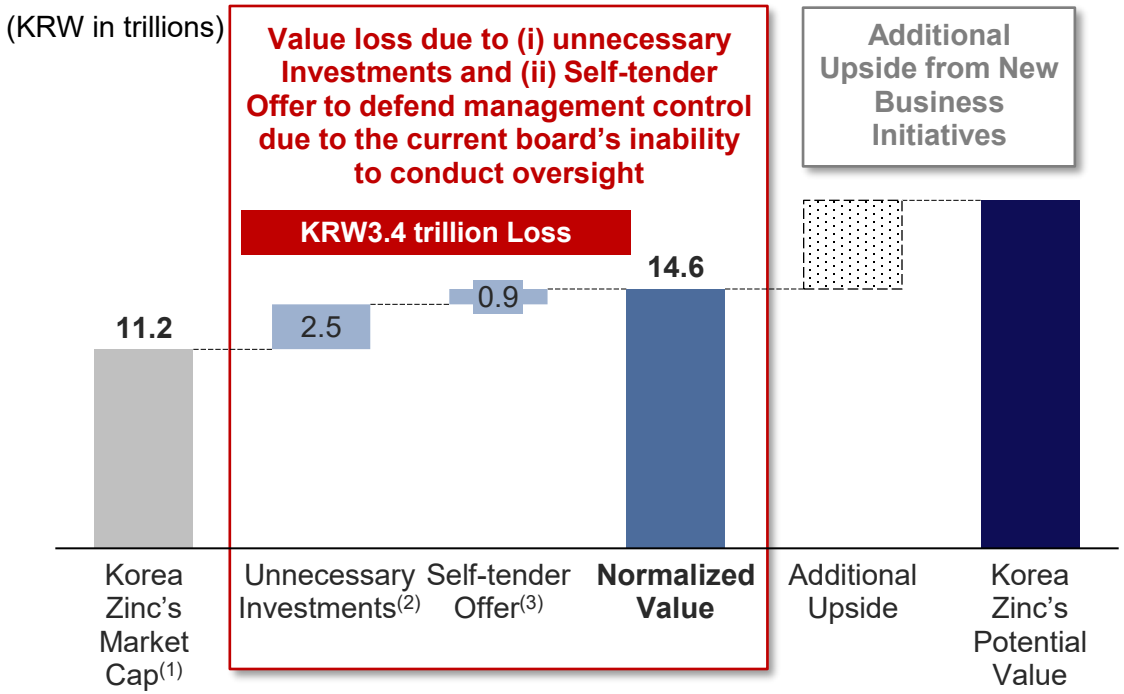
The Consortium's ESG Plan

Institutional Improvements	■ Establish an ESG committee within the board and encourage continued interest in ESG-related issued by the directors and management.
Carbon Reduction	■ Commit to reducing carbon neutrality by 2050. Especially, increase the use of renewable energy and expand the solar/wind power business as well as the hydrogen fuel business operating in Australia. ■ Continue to invest in developing technology to reduce carbon emissions.
Job Security	■ Guarantee job security of all employees, including smelting technicians. ■ Establish a gender-equality committee within the ESG committee to promote gender-equality within the organization.
Community Engagement	■ Continue to work with the Ulsan community, where the Company's Onsan smelter is located, committing to ongoing investment and hiring. ■ Continue to work with suppliers and other business partners.
Workplace Safety	■ Aim to achieve a zero-accident workplace by continuously improving Korea Zinc's health and safety measures and enhance employee training. ■ Enhance manufacturing safety procedures.

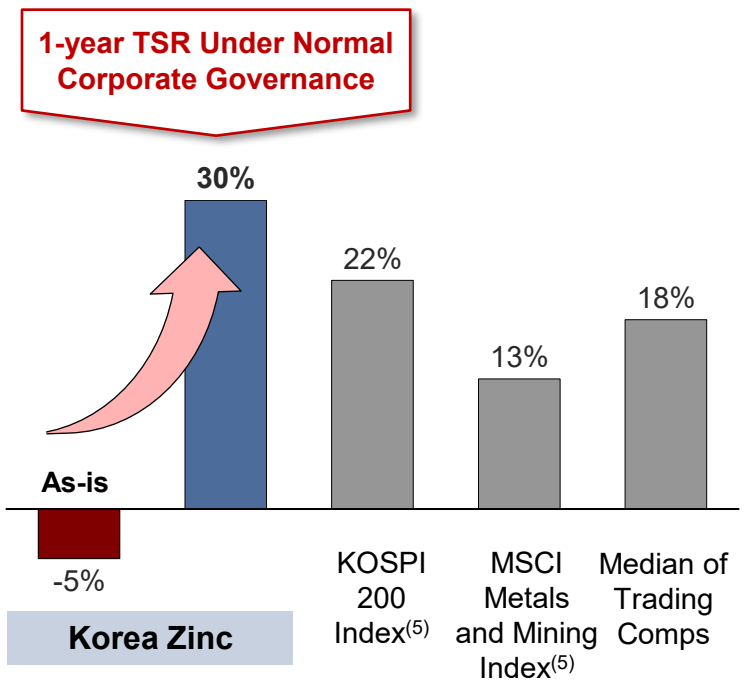
KRW3.4 trillion of Value Creation Is Possible Through Corporate Governance Reform Alone

- KRW3.4 trillion of value has been destroyed due to the current board's inability to conduct oversight over management controlled by a few individual shareholders.
- The Consortium is committed to reforming Korea Zinc's broken corporate governance and implementing the successful transformation of the Company by implementing an executive director system, expanding the board with more professional directors and establishing a board that is more independent and representative of all shareholders.

KRW3.4 trillion in Value Destroyed Due to Poor Governance



1-year TSR(4) under Normal Governance



Source: Korea Zinc's Annual Report, Compustat, ISS Report (2023)

Note: TSR = (End stock price – Beginning stock price + dividends per share) / Beginning stock price for a given period.

(1) Based on share price of KRW548,000 as of September 11, prior to the announcement of the Consortium's tender offer.

(2) Value that would have been created if investments made into OneAsia Partners, SME, Igneo Holdings and Jeongseok Enterprise went to more efficient opportunities.

(3) Total value destroyed by the self-tender offer: (i) damages to the Company due to the high offer price and (ii) lost interest income from cash spent on the self-tender and additional interest expense from additional debt multiplied by Korea Zinc's P/E ratio of 17.8x as of September 11, 2024, partially offset by accretion from retirement of tendered shares.

(4) 1-year TSR from Mr. Choi's appointment as a Chairman on January 1, 2023 till December 21, 2023.

(5) Index included in the ISS report ahead of the Company's 2023 AGM.

Appendix: Detailed Business Plans

- Copper smelting (p52)
- Battery/solar panel recycling (p53)
- Nickel sulfate/precursor (p54)
- Copper foil (p55)
- Renewable energy (p56)

MBK PARTNERS

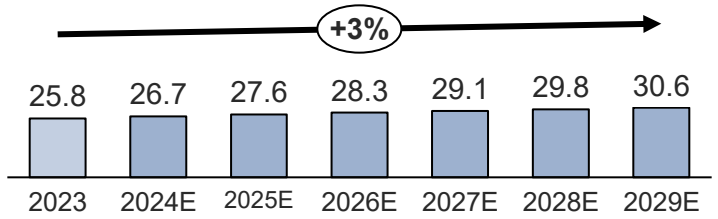
A Copper Smelting: Continue Expansion Given Verified Commercial Viability

- Given the robust market growth prospects and the Company's technological moat, we believe copper will serve as a key growth engine for the Company. We plan to continuously invest in the expansion of the copper business.
- Significant growth of the copper business necessitates expansion to pyrometallurgy(1) (copper retrieved from e-Waste), which requires (i) extensive e-Waste collection and processing capabilities and (ii) prudent ROI analysis given pyrometallurgy yields lower margin compared to the hydrometallurgy(1) method the Company currently utilizes.

Business Assessment

Market Growth

Global Copper Demand Estimate (million tons)



- Strong demand growth of batteries and electric wires is expected based on EV penetration and renewables.

Competitive Edge

Tech	▪ Best-in-class smelting technology ▪ Needs to acquire processing technology via acquisition/partnership
Procurement	▪ Need to verify the extent of scrap metal collection capabilities of Igneo and Kataman
Cost	▪ Hydrometallurgy: industry-leading margins (approximately 50%) ▪ However, EBIT margin of the newly-expanding pyrometallurgy method is known to be materially lower at 4-5%

MBKP-YP's Business Plan

Key areas of due diligence

- Verify exact e-Waste procurement capabilities (including effective volume and cost competitiveness) of Igneo and Kataman in order to assess the gap needed to achieve business plan
- Assess the need to secure a processing facility in US or Korea via M&A or partnership (given the Company's plan to build a processing plant in Georgia, US, was scrapped upon finding out the lack of required technology by Igneo post-acquisition)

Next steps

- **Hydrometallurgy**: great ongoing business with high margins; need to focus on implementing the capacity expansion planned by the Company and seek for any additional room for further expansion
- **Pyrometallurgy**: despite thin margins, necessary to expand to secure meaningful copper production volume
  - Evaluate the extent of current e-Waste collection capabilities and prudently decide on the timing and scale of additional expansions based on an ROI analysis

Source: IEA, Bloomberg, Wood Mackenzie

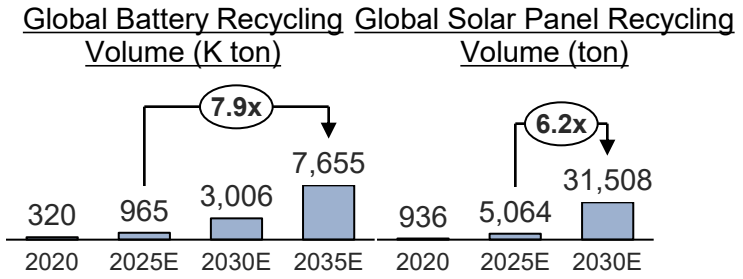
(1) Hydrometallurgy (which utilizes water for the extraction of metals) is the extraction methodology currently used by Korea Zinc to extract copper from the by-products from the zinc smelting process. Pyrometallurgy (which utilizes heat) is the extraction methodology used to recover copper from e-Waste. Hydrometallurgy commands significantly higher margins, since it involves minimal additional raw material costs, compared to e-Waste that needs to be paid for.

B Battery/solar Panel Recycling: Secure Strategic Capabilities Ahead of Projected Market Growth Post-2030

- Secondary batteries and solar panels are expected to reach End of Life (EoL) in large quantities post-2030, driving significant recycling market growth in 5-6 years. We plan to build strategic capabilities in advance to secure a lead once the market takes off.
- Battery recycling: near-term investment is necessary to not only gain a foothold in the market before 2030, but also due to the operational and strategic synergies with the nickel smelting/precursor businesses.
- Solar panel recycling: need to assess economics of solar panel recycling vs. expanding capacity of the existing smelting biz; plan to make investment prior to market take-off and obtain raw material sourcing capability upon business case validation.

Business Assessment

Market Growth



- Battery and solar panel recycling markets are both expected to take off post-2030 when large volume of EoL batteries/panels begin to come to market
- Metals recovered from recycled batteries (i.e., Nickel, Cobalt and Lithium) have high growth potential along with the EV market recovery

Compe-titive Edge

Tech

- Best-in-class smelting technology
- Proprietary pyrometallurgy technology enables significant cost advantage when smelting at scale

Procure-ment

- Still an early market; critical to acquire in-process scrap until meaningful volume of EoL batteries/panels come out

MBKP-YP's Business Plan

Key areas of due diligence

- Verify exact procurement capabilities (including effective volume and cost competitiveness) of Igneo and Kataman in order to assess the gap needed to achieve business plan
- Solar panel: compare economics of silver smelting with recycled waste solar panel vs. expansion of as-is silver smelting (as byproducts of the zinc/lead smelting process)

Next steps

- **Battery Recycling:** (i) invest early given synergies with the nickel business and (ii) preemptively build capability and capacity to gain a first-mover advantage before 2030
  - Korea Zinc's pyrometallurgy method has clear technological and cost advantage against competitors
  - Until 2030, secure scrap batteries in partnership with junkyard chains and auto OEMs
- **Solar Panel Recycling**: expand partnership with solar operators including Hanwha to secure EOL waste and in-process scrap panels

Source: LCM, Marklines, Fitch, BMO, HIS, Ministry of Environment, Statistics Korea

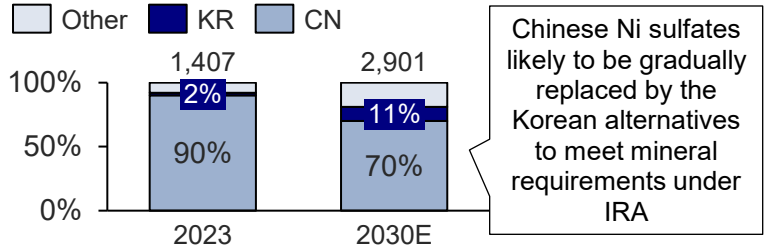
C Nickel Sulfate/precursor: Continue Expansion Given Verified Market Growth and Competitive Edge

- Korea Zinc is one of very few non-Chinese manufacturers of Nickel Sulfate, a critical material for EV batteries. The Company's competitive position is expected to be further bolstered by the increased cost competitiveness to be achieved by the completion of the All-in-one Nickel smelter scheduled in 2026.
- Despite the currently stagnant EV demand stuck in a chasm, we plan to support the Company's plan to aggressively expand the Nickel Sulfate and Precursor businesses on the back of (i) increasing demand amid the expected market share growth driven by growing needs for non-Chinese Nickel under geopolitical tension and (ii) favorable competitive dynamics with very few competitions in Korea.

Business Assessment

Market Growth

Capacity of Ni sulfate manufacturers (K ton)



Competitive Edge

Tech	●	▪ Best-in-class smelting technology
Procure-ment	◑	▪ Stable procurement of nickel concentrate from Trafigura ▪ Need to secure long-term supply contract for MHP/matte
Cost	●	▪ Flexible adjustment of raw material sources in the all-in-one Ni smelter to optimize raw material cost mix ▪ Reduced production cost via achieving economy of scale in the Ulsan complex

MBKP-YP's Business Plan

Key areas of due diligence

- Availability of sales network with major battery manufacturers and auto OEMs
- Given the volume of nickel concentrate to be sourced from Trafigura is likely insufficient, need to find additional procurement sources

Next steps

- Ensure a successful completion (e.g., obtain necessary resources) and mass-scale production of the all-in-one Ni smelter scheduled for completion in 2026
- Assess investment adequacy of additional capacity expansion scheduled for 2028 after observing the pace of the EV demand recovery
- Expand and diversify customer segments by enhancing sales capability and secure stable supplier for each raw material
- Inherit and develop the precursor partnership with LG Chem

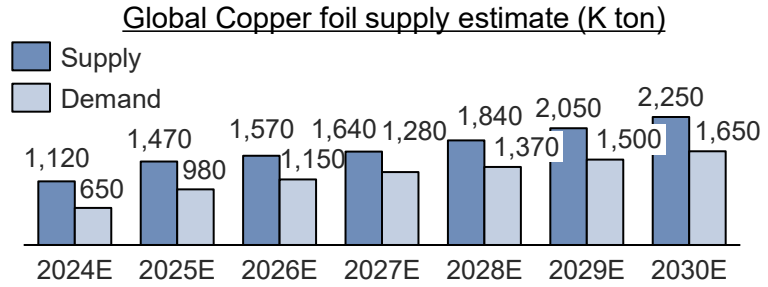
Source: IEA, Bloomberg, Wood Mackenzie

D Copper Foil: Reassess and Prepare for EV market Recovery

- The Company's planned mass production has been delayed for over one year (i.e., announced target production by 3Q 2023 during the 3Q 2022 IR, but production has not commenced yet), due to the depressed EV market demand from the EV chasm.
- Under the current environment, the Company is likely to face significant challenges in penetrating the market as a later-stage follower amid the ongoing oversupply of copper foil particularly from the Chinese manufacturers with cost advantage.
- Therefore, we plan to (i) focus on initiating production of the plant #1 (completed) and plant #2 (to be completed) and creating sales track record for now, (ii) prudently reassess the right timing and scale of capacity expansion initially planned by the Company by monitoring the pace of EV market recovery in the coming years.

Business Assessment

Market Growth



Compe-titive Edge

Tech	◑	▪ Strength in handling raw materials, copper, but lacks mass production experience and know-how
Procure-ment	●	▪ Potential to source copper at a lower price vs. peers by utilizing copper smelted in the Onsan plant
Cost	◑	▪ Material disadvantage in electricity prices due to its location in Korea with high cost vs. most competitors' main plants are located overseas with cheaper electricity

MBKP-YP's Business Plan

Key areas of due diligence

- Expected timeline for recovery of global EV demand and consequential timing of additional capacity expansion
- Extent of technological moat regarding mass production and areas of tech/commercial competitive edge as a late follower
- Reason for the sustained delay in mass production
- Availability of sales capability to target global battery/auto OEMs

Next steps

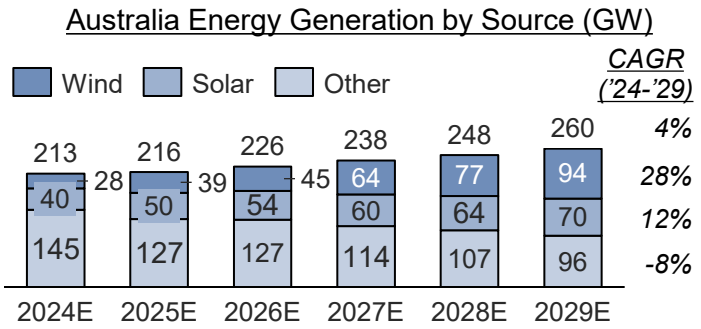
- Reexamine as-is EV market conditions and review need and timeline for additional investment planned after completion of Plant 2
- Build sales track record by maximizing sales of products to be manufactured in plants #1 and #2, despite the near-term losses
- Gain necessary capabilities and market presence to be ready to actively expand the business upon recovery of the EV market demand

E Renewable Energy: Opportunistic Implementation by Project

- Wind and solar energy businesses are expected to continue to grow in Australia given their superior economics vs. fossil fuel. However, both wind and solar energy projects have a long payback period and significant initial capex requirement (i.e., wind farms require average capex of KRW3 trillion per project with a payback period of more than 15 years).
- Individual projects will be carefully reviewed and opportunistically implemented to minimize initial investment and risk.
- Green Hydrogen business still presents technology barriers particularly in production economics and shipping. We plan to continue to pursue R&D projects in partnership with government agencies and companies and assess the feasibility and economics of the ammonia business simultaneously.

Business Assessment

Market Growth



Competitive Edge

Pipe-line

- Potential to utilize exiting pipeline of Ark Energy

Development Capa.

- Capable of implementing new projects, given the existing solar farm and MacIntyre Wind Farm are already operational

MBKP-YP's Business Plan

Key areas of due diligence

- Progress and expected completion timeline of each project in Ark Energy's wind/solar pipeline
- Partnership feasibility by project (from a capex investment and risk sharing perspective)
- Capability to implement ammonia business prior to the take-off of the green hydrogen market

Next steps

- Wind/solar: Korea Zinc's SMC (zinc smelting facility in Australia) already has a significant portion of its power generated from renewable energy; therefore, we seek to opportunistically develop new projects with relatively low risk yet still contribute to achieving clean energy goals
- Hydrogen: continue R&D in partnership with government agencies and companies in and outside of Korea

Source: AEMO, Australian Energy Statistics, CSIRO

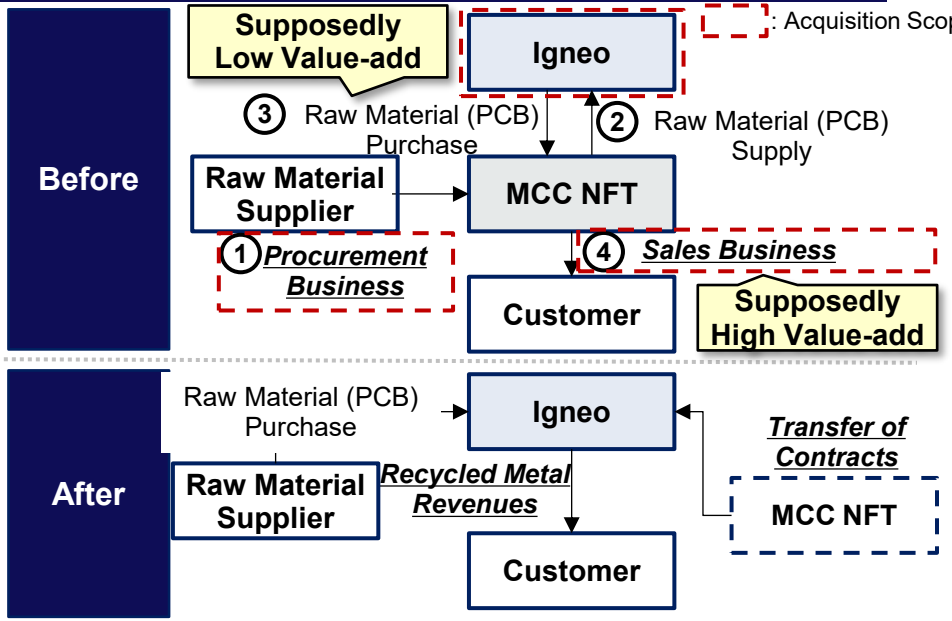
Appendix: Unanswered Questions on the Igneo Holdings Acquisition

MBK PARTNERS

Igneo Holdings: Unanswered Questions on the Transaction Remain

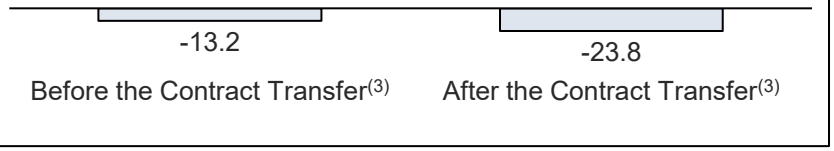
- Before Korea Zinc's acquisition, a company named MCC NFT purchased raw materials, i.e., printed circuit boards ("PCBs") and supplied to Igneo Holdings(1). Igneo Holdings processed the PCBs and sold it back to MCC NFT, which sold it to end-users.
- The acquisition of Igneo Holdings seems to comprise (i) the existing business and (ii) MCC NFT's PCB procurement contracts ("Procurement Business") and sales contracts of recycled metal products ("Sales Business") transferred to Igneo Holdings.
- However, there are several unanswered questions remaining:
  1. According to Korea Zinc, MCC NFT's businesses are an integral part of the Igneo value chain. However, no consideration had been paid to MCC NFT in exchange(2).
  2. Even though Igneo's financials prior to October 2021 and for 1H 2022 were unaudited, there were no reps & warranties provided by the seller in the contract.
  3. Contrary to the claim that MCC NFT is an integral part of the value chain, Igneo's EBITDA loss worsened after the MCC NFT transfer.

Igneo Value Chain Before/after the Contact Transfer



Unanswered Questions Remaining

1. *Although MCC NFT's businesses were transferred to Igneo Holdings, no consideration had been paid in exchange.(2)*
2. *MCC NFT transferred MCC*
3. *After the integral MCC NFT contracts were transferred, Igneo's EBITDA loss worsened.(3)*

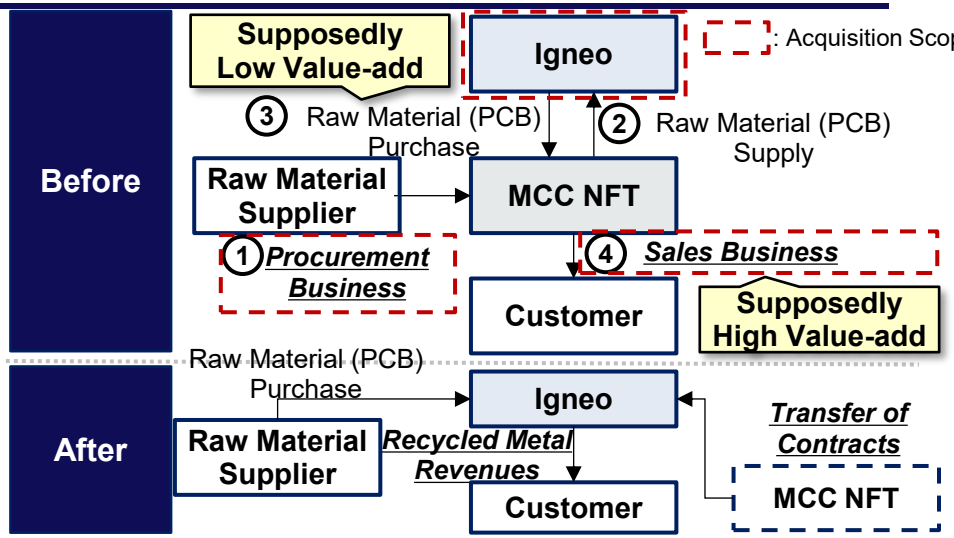


(1) Supplied to Igneo's subsidiary (f.k.a. Weee Metallica) to be precise; (2) Raises the question whether MCC NFT's businesses were economically viable; (3) Annualized 2021 financials (October-December), which was before the MCC NFT contract transfer, and 2022 financials (July-December), which was after the MCC NFT contract transfer.

Igneo Holdings: Unanswered Questions on the Transaction Remain

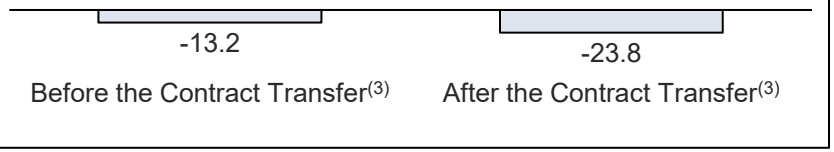
- According to Korea Zinc, before Korea Zinc's acquisition, a company named MCC NFT, which was also a shareholder of Igneo Holdings("Igneo")[1], purchased raw materials, i.e., printed circuit boards ("PCBs") and supplied to Igneo. Igneo processed the PCBs into recycled metal products and sold it back to MCC NFT, which in turn, sold the recycled metal products to end-users.
- According Korea Zinc, the acquisition of Igneo comprised (i) the existing business and (ii) MCC NFT's PCB procurement contracts ("Procurement Business") and sales contracts of recycled metal products ("Sales Business") transferred to Igneo (collectively, the "MCC Business").
- However, there are several unanswered questions remaining:
  1. According to Korea Zinc, the MCC Business~~es~~ is an integral part of the Igneo value chain. However, no consideration had been paid to MCC NFT in exchange[2].
  2. The sales proceeds, which included the value for the MCC Business, was paid to Igneo's shareholders (including MCC NFT) in exchange for the sale of Igneo's existing shares. Instead of receiving direct proceeds from selling the MCC Business, MCC NFT inexplicably transferred the MCC business for free and shared the benefit with other shareholders of Igneo.
  3. Contrary to the claim that MCC Business is an integral part of the value chain, Igneo's EBITDA loss worsened after the transfer.

Igneo Value Chain Before/after the Contact Transfer



Unanswered Questions Remaining

1. *Although MCC NFT's businesses were transferred to Igneo, no consideration had been paid in exchange.*[2]
2. *MCC NFT transferred MCC Business, which comprises large portion of the value in Igeno value chain, at no consideration. MCC NFT presumably collected only part of the proceeds for the transfer in proportion to the percentage of ownership in Igneo.*
3. *After the integral MCC NFT contracts were transferred, Igneo's EBITDA loss worsened.*[3]



(1) Supplied to Igneo's subsidiary (f.k.a. Weee Metallica) to be precise; (2) Raises the question whether MCC NFT's businesses were economically viable; (3) Annualized 2021 financials (October-December), which was before the MCC NFT contract transfer, and 2022 financials (July-December), which was after the MCC NFT contract transfer.