



Press Release

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Press Conference Statement by Yun B. Choi, Chairman of Korea Zinc's Board of Directors

Full Statement by Yun B. Choi, Chairman of Korea Zinc's Board of Directors, delivered at a Press Conference on Oct 2, 2024

Korea Zinc's respected shareholders, employees, partners and fellow citizens,

I am Yun B. Choi, chairman of Korea Zinc's board of directors.

Today, I am standing here with a heavy heart. Regardless of reason, I would like to extend my sincere apologies to our shareholders, employees, partners, local communities and fellow citizens in Korea regarding the deeply concerning confusion and disputes surrounding Korea Zinc.

That being said, the war facing Korea Zinc is not the path that we chose to take. Korea Zinc and its employees will and must take this crisis as an opportunity to reinvent ourselves and reach new heights. After much consideration, I, as the chairman of the board of directors, am standing here to announce an important decision about the future of Korea Zinc with our shareholders, employees, partners, local communities and fellow citizens in Korea.

Today, Korea Zinc's board of directors has decided to launch share buyback worth approximately KRW 2.7 trillion to enhance the enterprise value and protect shareholders' interests. Under the share buyback program, Korea Zinc will acquire 3,209,009 shares, 15.5% of its total issued shares, for KRW 830,000 per share. Moreover, all repurchased shares will be cancelled to increase shareholders' value.

In addition, Bain Capital, a world-renowned private equity fund, has agreed to join Korea Zinc in a share buyback. Bain Capital is a pure financial investor, with no intention to take part in Korea Zinc's management or board of directors. Bain Capital has expressed its full support and trust for Korea Zinc's future strategies, including Troika Drive, led by the current management. To this end, Bain Capital will invest approximately KRW 430 billion to acquire 517,582 shares or 2.5% of Korea Zinc's issued shares.

As part of the repurchase tender offer, Korea Zinc and Bain Capital will together purchase 18.0% of Korea Zinc's total issued shares or 3,726,591 shares worth KRW 3.1 trillion.

The decision came after much deliberation by Korea Zinc's board of directors and management about the company's current standing and path forward. The share buyback is our dedicated and earnest decision to protect the company, its shareholders, employees and partners and cast aside any concerns that our local communities and fellow citizens may have.

The repurchased shares will be duly cancelled in whole to increase shareholders' value. The decision to conduct a share buyback program is a timely move to address the confusion in the

market and uncertainties over the company's vision and future created by the latest development. Furthermore, Korea Zinc is committed to ensuring its long-term growth potential by aligning its value-up strategy with the government's policies designed to enhance enterprise value.

Despite the court's dismissal of the injunction application¹, MBK and Young Poong have filed a new injunction request to stop Korea Zinc's share buyback program. Their move defies the court's decision by making misleading claims and creating further chaos in the markets. I ask Korea Zinc's shareholders to make a wise decision and not to be misguided by false and misleading information.

Looking back, there has been a malicious rumor mill in operation, churning out false information about the content of the court filings and Korea Zinc's public statements. Notably that the company is not allowed to defend its management right against a hostile tender offer or buy back its own shares during a tender offer period; the share repurchase would constitute breach of trust; the buyback is capped at KRW 58.6 billion given the funds available for dividend distribution; and a share buyback would be an act of share price manipulation. All these false claims were made before the court, but they were dismissed. There will be a growing wave of false information to discredit and undermine Korea Zinc and its tender offer. Against this backdrop, I urge Korea Zinc's shareholders and investors to see through false claims and place their trust in us.

Today's court decision to dismiss Young Poong's injunction to block Korea Zinc from buying back shares supports the legitimacy and rationality of Korea Zinc's share buyback.

By dismissing the injunction request, the court has rejected unfounded claims that MBK and Young Poong have thrown against Korea Zinc and confirmed that Korea Zinc's share buyback is a legitimate move to defend itself against a hostile M&A attempt. I would like to express my deepest gratitude to the court for its wise ruling.

Over the past 50 years Korea Zinc has risen to become a world-leading company thanks to the support of the Korean government, local communities and residents, in addition to the dedication and hard work of its employees.

Korea Zinc has been in the black for 98 consecutive quarters over the past 25 years, delivered an average EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of KRW 1.2 trillion every year from 2019 and 2023, and maintains a credit rating of AA+. Supported by its solid profitability and long-term stability, Korea Zinc's shareholder return rate including dividend increased sharply from 27% in 2017 to 76% in 2023. Korea Zinc is one of the top domestic companies generating the highest level of shareholder returns.

In their unsolicited bid to take over Korea Zinc, MBK and Young Poong claim that Young Poong, being Korea Zinc's largest shareholder, is entitled to manage Korea Zinc. Ironically, however, their claim shows their failure to understand the right of shareholders and the role of the board of directors as a representative of all shareholders.

I am serving as the chairman of Korea Zinc's board of directors not because I have a stake in Korea Zinc nor because I am part of the Choi family. For the past 50 years, the coveted control of Korea Zinc has been in the hands of the shareholders' meeting and the board of directors, based on the consensus of all shareholders, including institutional investors such as the National Pension Service and minority shareholders.

Accordingly, Korea Zinc's intent to take legitimate actions such as a share buyback offer in order to protect itself against a hostile M&A bid is aligned with the overall interest of the company, its shareholders, employees, partners and local communities, and not just that of particular shareholders.

¹ Seoul Central District Court's 50th Civil Division (Docket No. 2024KaHap21412 delivered on October 2, 2024)

If MBK and Young Poong do succeed in taking control of Korea Zinc, it would mean an end to Korea Zinc's future.

Therefore, the board of directors' decision to conduct a share buyback offer shows its commitment to protecting Korea Zinc from a hostile and predatory M&A. It also helps enhance both the enterprise value and shareholders' value by addressing capital market confusions caused by the latest events and uncertainties over the company's vision and future.

In addition, it is the practice of corporate raiders to take over the management of healthy companies through a hostile M&A and make a quick exit by recouping their investment through restructuring, excessive cost-cutting, technology leakage, asset stripping and debt loading. Korea Zinc is committed to keeping this from happening, protecting its employees and partners from job insecurity and preventing the collapse of the safety environment system and win-win partnership.

Lastly, it is evident that if the hostile takeover succeeds, MBK will likely sell Korea Zinc to the highest bidder, regardless of who that may be, including a Chinese company. By preventing such a scenario, Korea Zinc - a world-class homegrown non-ferrous metals refiner - will continue to supply key raw materials such as nickel to the rechargeable battery supply chain, thereby supporting Korea's vital industries.

To this end, Korea Zinc's board of directors has decided to initiate a share repurchase tender, offering to buy back shares at KRW 830,000 per share, a price higher than that proposed by MBK and Young Poong. As previously mentioned, all shares acquired through this repurchase tender offer will be canceled.

This decision may lead to a potential short-term financial burden. However, the BOARD OF DIRECTORS believes it is the only way to protect the enterprise value in the medium and long term and safeguard the interests of all stakeholders. The tender offer will benefit both the participating and non-participating shareholders alike.

I would like to take this opportunity to address Young Poong. I want to emphasize that Young Poong, as one of Korea Zinc's shareholders, is fully entitled to take part in the share repurchase tender offer.

At the moment, Young Poong faces significant challenges of its own – addressing public concerns over the environmental pollution of the Nakdong River, devising solutions for managing large quantities of sulfuric acid wastes, and resolving safety issues, including the recent series of workplace fatalities. These issues require appropriate investments in facilities and technology, particularly at a time when the company's co-CEOs, who also served as internal directors, are incarcerated.

These tasks are crucial not only for Young Poong but for the general public who deserve to live a healthy life, drinking clean water and breathing fresh air without concerns about pollution.

Young Poong is now poised to hand over its stake in Korea Zinc, one of its healthiest assets, to MBK. I believe it is time for Young Poong to prioritize restoring its management and normalizing operations at the Seokpo Zinc Smelter, recognizing the value of its stake in Korea Zinc, rather than relinquishing it to support MBK's hostile M&A attempt.

If Young Poong makes a legitimate management decision by participating in Korea Zinc's share repurchase tender offer, it would be able to secure sufficient capital to increase investments in preventing serious workplace accidents, addressing environment concerns, and stabilizing its management.

Should Young Poong be ready, Korea Zinc is willing to assist in addressing the challenges at the Seokpo Zinc Smelter. Korea Zinc is open to working together with Young Poong if Korea Zinc's experiences and technologies can be of help.

I strongly urge that the partnership agreement between Young Poong and MBK be dissolved or terminated immediately to prevent Young Poong's stake in Korea Zinc from being sold off at a bargain price to MBK in a clandestine deal.

I would also like to extend an invitation to Young Poong's advisor, Jang Hyung-jin, to resolve any misunderstandings between the two companies. We shall work our way out by exploring all possibilities and openly discussing the challenges at hand, such as restoring the collaborative relationship between Young Poong and Korea Zinc.

Last but not least, as a member of Korea Zinc's BOARD OF DIRECTORS and management, I have reflected deeply in response to the accusations unilaterally raised by MBK and Young Poong in their hostile attempt to take over Korea Zinc.

Above all, their portrayal of Korea Zinc as a vehicle of my arbitrary management or personal gain is an affront to the BOARD OF DIRECTORS and employees, who have worked diligently for Korea Zinc for the past 50 years and will continue to do so in the future.

At a time when its co-CEOs and internal directors are in incarcerated, Young Poong's board of directors, led by three outside directors, has decided to dispose of the company's most valuable asset, worth trillions of KRW. Young Poong, its advisor Jang Hyung-jin and MBK, which acquired the stake under questionable circumstances, must ask themselves whether their actions are truly justified and reasonable.

Korea Zinc's board of directors remains committed to transparency and accountability in management, and all members of the management, including myself, will take the full responsibility for the decisions made and their consequences.

Korea Zinc's respected shareholders, employees, partners and fellow citizens,

We could not overcome these challenging times without your support and encouragement. I would especially like to thank our dedicated employees at Korea Zinc for their commitment, as well as the local residents of Ulsan, Korea, and Townsville, Australia, home to Korea Zinc's subsidiary Sun Metals, for their support.

All members at Korea Zinc and its subsidiaries around the world, from management down to the rank-and-file, will continue working hard to live up to the trust that you have placed in us. Korea Zinc is committed to fostering mutual growth with local communities and contributing to the national economy as a proud homegrown business.

With our collective wisdom, we at Korea Zinc will overcome the crisis and move forward to build a better future. We ask for your continued support.

Thank you.

Yun B. Choi
Chairman of Korea Zinc's BOARD OF DIRECTORS