KOREA ZINC

January 14, 2025

RE: 4th Letter to Shareholders from CEO of Korea Zinc Company

Dear Shareholders,

As we embark on the new year of 2025, I extend my warmest wishes to you and your families for a year filled with health, happiness, and prosperity.

We kindly seek your continued support for Korea Zinc's current management and Board of Directors at the upcoming Extraordinary General Meeting ("EGM") on January 23, 2025. This letter serves to provide a critical update regarding Young Poong's Seokpo Smelter, which has been materially reliant on Korea Zinc, and to discuss the implications arising from the potential misalignment of interests between Korea Zinc's shareholders and Young Poong.

Precarious Outlook for Young Poong in 2025: Challenges at Its Seokpo Smelter and Implications

The Seokpo Smelter, ranked as the fourth-largest single smelter globally, has operated for decades without a crucial sulfuric acid treatment facility, instead relying on Korea Zinc's Onsan Refinery, located hundreds of kilometers away. Despite repeated pledges since the early 2000s to establish its own sulfuric acid treatment facilities, Young Poong has failed to follow through on this commitment.

This persistent failure has now led to regulatory action. *Recently, the Nakdong River Basin Environmental Office recently ruled that the management and sale of chemicals generated by a third party, namely the Seokpo Smelter, fall outside Korea Zinc's permitted activities, constituting a violation of the Chemical Substances Control Act. As a result, corrective measures must be implemented by January 24, 2025.* **In compliance with this directive, Korea Zinc promptly notified Young Poong of the regulatory action and ceased receiving sulfuric acid from Young Poong as of January 11, 2025. This decision may have an adverse effect on Young Poong's ability to produce zinc at its Seokpo Smelter for an extensive period.**

Operational Disruptions at Young Poong's Seokpo Smelter

Young Poong is now facing imminent operational disruptions. Its Seokpo Smelter is already scheduled to shut down for 58 days starting February 26, 2025, with an additional 10-day suspension due to administrative penalties. While this shutdown totals approximately 70 days, the complex nature of smelting operations means that resuming normal production will require significantly longer recovery periods, necessitating further disruptions to Young Poong's operations. **Thus, it is highly unlikely that Young Poong will produce any meaningful quantities of zinc during the first half of 2025 at a minimum.**

Building its own sulfuric acid treatment facility will require substantial time and investment. In fact, during court proceedings, Young Poong claimed that constructing such a facility would take seven years. In the interim, Young Poong will remain dependent only on the limited capacity of a small-scale treatment facility at the Donghae port. *These challenges are expected to persist throughout the latter half of 2025 and possibly beyond, severely hampering Young Poong's ability to normalize its operations.*

What This Means for Korea Zinc

While Young Poong struggles with these challenges, Korea Zinc is uniquely positioned to capitalize on its strengths and maximize value for its shareholders.

In the domestic market, where higher profit margins result from the absence of logistics costs, Korea Zinc has a clear opportunity to expand its market share. On the global stage, Korea Zinc's independence from Young Poong enhances its competitiveness and secure additional advantages. *Furthermore, the anticipated production shortfall at Young Poong's Seokpo Smelter may have a positive impact on zinc prices and treatment charges ("TC")[1], both of which will benefit Korea Zinc and its shareholders.*

These developments raise a crucial question: Do Korea Zinc's and Young Poong's interests truly align? The evidence strongly indicates that they do not. **The recent disruptions at Young Poong's Seokpo Smelter, as aforementioned, put Young Poong's interests squarely at odds and in direct conflict with those of Korea Zinc and its shareholders.**

Leveraging Other's Strengths to Mask Its Own Deficiencies: The Fallacy of Young Poong's Misleading Claims on Joint Purchasing and Sales

MBK Partners and Young Poong have promoted their "Korea Zinc Value-Up Plan," arguing that joint purchasing and sales activities between Korea Zinc and Young Poong create synergies and enhance market competitiveness. They further claim that dismantling this structure would undermine market dominance and diminish shareholder value.

These claims are both misleading and heavily skewed toward Young Poong's interests, failing to account for Korea Zinc's inherent strengths and capabilities. For example:

- Joint Purchasing: Young Poong asserts that excluding its annual supply of 600,000 tons of zinc concentrate would weaken Korea Zinc's economies of scale and negotiating power. This is categorically false. Unlike Young Poong, which operates solely as a zinc smelter, Korea Zinc is a multi-metal refinery capable of processing diverse raw materials. Each year, Korea Zinc secures approximately 2 million tons of concentrates from global suppliers, including zinc by-products from its Australian subsidiary, SMC. This diversified sourcing ensures robust bargaining power, obviously even without joint purchasing with Young Poong.

- Joint Sales: Young Poong claims that discontinuing joint sales would lead to unnecessary competition and weaken Korea Zinc's competitiveness in overseas markets. **This mistakenly assumes that Young Poong is equally competitive to Korea Zinc in both domestic and international markets, which is patently untrue.** Customers—both domestic and international—consistently prefer Korea Zinc due to its superior product quality and reliability. Therefore, it is our belief that competing directly with Young Poong offers Korea Zinc a valuable opportunity to further increase profitability and market share. *Notably, selling our products alongside those of Young Poong, whose reputation is marred by notoriety and intermittent production disruptions, adds no incremental value to Korea Zinc; it only causes erosion and diminishes our standing.*

Moreover, the termination of joint purchasing would free Korea Zinc from unfair practices that have been disproportionately benefiting Young Poong at Korea Zinc's expense. These include shouldering the unnecessary financial and operational burdens of inefficient joint purchase contracts and forfeiting access to more valuable concentrates for Young Poong's benefit.

[1] In the zinc industry, the treatment charge ("TC") refers to the fee charged by smelters to process raw zinc concentrates into refined zinc metal. It is a critical component of the zinc production value chain and serves as a primary revenue source for smelters.

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Based on the many statements made by Young Poong, and in light of the inevitable, potentially pernicious disruptions at Young Poong's Seokpo Smelter, it is explicit and unambiguous that Young Poong's strategy is to exploit Korea Zinc's capabilities to offset its own shortcomings, ultimately undermining the value of Korea Zinc's shareholders.

Closing Remarks

Shareholders, the zinc industry in 2025 faces challenges, including historically low treatment charges, exacerbated by a "game of chicken" among Chinese and European smelters. These market dynamics will test the resilience of every zinc smelter in the world, including Korea Zinc.

Yet, where there are challenges, there are always opportunities for those who are prepared to act. The current management of Korea Zinc is fully committed to navigating these market dynamics strategically and decisively, with the singular goal of maximizing value for our shareholders. As always, we will prioritize long-term growth, operational excellence, and unwavering dedication to our stakeholders.

Thank you for your trust and support.

Sincerely,

Yun B. Choi

Chief Executive Officer
KOREA ZINC COMPANY, LTD.