



August 10, 2005

Dear Employees and Families:

ASARCO LLC (Asarco) has filed to restructure its debts under chapter 11 of the U.S. Bankruptcy Code. By utilizing the chapter 11 process, we believe we can achieve an orderly restructuring of our business. This will enable the Company to benefit from improvements in the business environment which will lead to a much improved working capital structure. *Chapter 11 means reorganization, not liquidation.* Our goal is to have the opportunity to successfully compete in the future by preserving and strengthening our business and the jobs it creates. With this letter, you will find a copy of the news release we issued in connection with the bankruptcy filing.

There are several things you should know and understand about chapter 11. Most importantly, Asarco is not going out of business. Chapter 11 gives us the time to restructure our debt while we continue to operate our business as close to normal as possible. You will still report to work as scheduled and you will be paid the usual amount at the usual time.

The biggest difference you will see in the Company's operations will be the way we order and pay for goods and services. The law prohibits us from paying anyone, including vendors, for past due amounts until after the Company emerges from chapter 11. In the meantime, we can and must pay vendors on a timely basis for anything we purchase after filing. This legal provision is a strong incentive for vendors to continue to provide us with goods and services because they know that we must pay them currently.

As you know, Asarco and its predecessors have been involved in mining, smelting and refining operations for over 100 years in numerous locations throughout the country, and as a result we have incurred significant alleged and, in certain instances, actual environmental liability. Indeed, in the last 30 years, the Company has spent several billion dollars on environmental capital and operating compliance and clean-up costs. Also, the Company is currently a defendant in numerous environmental-related lawsuits brought by governmental authorities and private parties.

Additionally, Asarco and its subsidiaries have been or are defendants in lawsuits asserting over 250,000 asbestos claims, approximately 95,000 of which are pending. As a result, in April of this year, the Company's asbestos related subsidiaries filed for bankruptcy court protection to take advantage of the special provisions of the Bankruptcy Code designed to assist companies in dealing with asbestos-related liabilities.

As you may also know, despite the Company's past and recent efforts to negotiate a new contract with our labor unions, the Company is currently experiencing a labor strike at our copper mining, milling, smelting and refining facilities. The Company feels that filing for bankruptcy was necessary to efficiently resolve our historical environmental and asbestos liabilities and overcome the effects of this labor strike.

Further, the Company currently has more than \$430 million in bond debt on our balance sheet that will be reorganized as part of the bankruptcy process.

We believe the chapter 11 process provides not only the best but, as a practical matter, the only way for the Company to finally resolve the environmental and asbestos claims and to restructure our balance sheet and reorganize our liabilities so that we can return to short and long-term profitability.

Our plan for the next several months is to provide the best possible support to our customers and employees. At the same time, we will also be working to implement the plan of reorganization to restructure the debt and pay our creditors.

Many companies that have filed for reorganization, including Veritas, Continental Airlines, Texaco, Payless Cashways, Revco, America West Airlines, Bloomingdales, Macy's, Southland Corp. (7-Eleven), and Toys 'R' Us, have strengthened their businesses and are performing well today. These success stories shared an important common element: teamwork. With your continued help, we are optimistic that Asarco will emerge from bankruptcy as a stronger, more successful organization.

We will keep you informed as we go forward.

Sincerely,

Daniel Tellechea  
President

ASARCO LLC