



August 19, 2005

Dear Employees and Families:

Today Asarco made a formal offer to its labor unions for a one-year contracts on the same terms and conditions as the previously expired contracts. In doing so, we are responding to the message we hear from the unions, which is that our workers want a formal contract before they will return to work.

The written offer, which was transmitted to union officials today, also includes a commitment from the Company that it will not seek through the bankruptcy process any changes in wages and benefits for the term of the contract. This will give those of you who are hourly employees assurance and certainty about your wages and benefits for the next twelve months while we develop a plan for reorganizing the Company in the chapter 11 process.

It is Asarco's responsibility together with its legal and financial advisors to propose a plan of reorganization that will allow the Company to re-emerge from bankruptcy as a viable, ongoing business over the long term. Bankruptcy is a very open, public process, in which the proposed plan of reorganization will be the subject of discussion and debate among all of the Company's stakeholders. For Asarco to emerge from chapter 11, it must submit its plan to a vote of its creditors and the bankruptcy court for approval.

Asarco's labor unions are likely to participate in the bankruptcy process. They could be members of a creditors committee that will be formed by the US Bankruptcy Trustee. In this comprehensive process of determining what is necessary for the Company to continue as an ongoing business, changes to employee wages and benefits may be discussed. Nevertheless, by today's proposal Asarco is promising that no changes will occur in your wages or benefits for the next year.

Of course, the survival of the Company and its eventual reorganization depends upon its performance as a copper producer and for that we need all of our employees. In order to get back on our feet, we must seize the opportunity to produce and sell copper during the present peak in the market.

We express continued appreciation to those of you who are helping us maintain production during the strike and hope to have all of our workers back soon.

Sincerely,

Daniel Tellechea