



April 16, 2002

Dear Asarco Employee:

As you surely have noticed, public attention on our financial difficulties, environmental liabilities and operational challenges has intensified in the recent days and weeks. Almost every day brings news reports about Asarco and Grupo Mexico, many of which contain unfounded speculation about the future of our company. Understandably, this creates an environment of uncertainty within Asarco and our key supplier and contractor partners.

Clearly this is a very difficult time. The historically low price of copper has had a negative impact on Asarco for some time. No one can say with certainty how long prices will remain low, although the recent positive news about the U.S. economy gives us some reason for optimism. And while we cannot do anything about the price of copper, there are certain things that are within our control. I would like to provide an update and set the record straight on some of the speculation and misinformation that has been published.

Asarco's efforts are focused in three key strategic areas:

1. Restructuring debt and improving our cash position.
We continue negotiations with a group of lenders to restructure our short-term, revolving credit facility. As part of that process, the banks have completed a due-diligence review of Asarco showing no major differences from our own financial projections and operating plans. Presently, we are in the process of considering refinancing proposals and I am hopeful the restructuring can be completed very soon. As part of the restructuring, Americas Mining Corporation (AMC) will buy at fair market value Asarco's interest in SPCC. These funds will enable Asarco to pay off a significant portion of its short-term debt, thereby reducing the amount of cash we need to expend on interest payments.
2. Obtaining temporary relief on certain environmental remediation projects.
Because of our history, Asarco is involved in numerous federal and state environmental remediation projects in various parts of the country. Over the past 10 years, on a cumulative basis, Asarco has spent approximately \$750 million on environmental costs associated with closed plants. This year alone we face several required actions at many of these sites and the combined costs are significant. Needless to say, our current financial condition makes it very difficult to pay for all of the remediation activities scheduled for this year. While we take our responsibilities on these projects very seriously, we are asking regulators to help prioritize projects and adjust schedules to accommodate our current financial constraints. Recent discussions with federal officials have been constructive and it appears that Asarco and the U.S. government are in general agreement that our common objective is to promote Asarco's future viability while ensuring that our environmental obligations are satisfied.

3. Sustaining and improving the cost reductions we achieved over the past year.
On the operational front, Asarco is doing well. We experienced production cutbacks and suspensions at certain operations in 2001, but we also became more cost efficient. Our cash cost of production for copper dropped by 36 percent in 2001, while our average amount of copper produced per employee increased by 49 percent. As the copper market recovers gradually, these operating improvements will help us become more competitive. Our challenge, of course, is to maintain this progress and continue to achieve additional improvements in operating efficiency. Clearly, our limited cash flow has led to challenges in relationships with some suppliers and contractors. As I have said before, this is not how we prefer to conduct business and we are working to meet all of our obligations to our partners.

Finally, I will address the comments that have been made about Grupo Mexico's long-term intentions. Some have speculated about the motives for removing the SPCC assets from Asarco. Since the acquisition in 1999, Grupo Mexico has made it clear that Asarco's results would be reported and evaluated on a stand-alone basis. At the end of 2000, Grupo Mexico created Americas Mining Corporation (AMC) as a U.S.-based company and indicated that it planned to transfer Asarco's interest in SPCC to AMC. Doing so allows the mining division to be managed and tracked as three distinct mining units representing three geographic regions: the U.S., Mexico and Peru. This structure places all of Grupo Mexico's mining assets, including its mining operations in Mexico, under a U.S.-based organization, exactly the opposite of what has been speculated in the press. Establishing AMC as a holding company in the U.S. also provides better access to financial markets and positions it for possible future growth opportunities. Speculating about any other intentions, such as abandoning Asarco's obligations and liabilities or an intentional bankruptcy, is just that: speculation. Instead, we should focus our energy on striving each day to improve the situation by doing our jobs safely and effectively.

Thank you for your hard work, dedication and patience. With your continued efforts, we can work through these challenges together and help Asarco become a stronger and more competitive company.

Sincerely,

A handwritten signature in black ink, appearing to read "Genaro Larrea", with a long, sweeping underline that extends to the right.

Genaro Larrea
President
Asarco, Inc.