

DISCLOSURES REGARDING THE HARBINGER PLAN

INTRODUCTION

These disclosures are intended to be read jointly and in connection with the Debtors' Disclosure Statement and the Parent's Disclosure Statement, such that holders of Claims, Unknown Asbestos Claims and Interests will be informed about the Harbinger Plan, the Debtors' Plan and the Parent's Plan when voting on and/or making elections with respect to each such Plan. For general historical and financial information about the Debtors, parties in interest should refer to the Debtors' Disclosure Statement. Capitalized terms not defined herein have the meanings set forth in Harbinger's Uniform Glossary of Defined Terms for Plan Documents.

The Debtors have proposed a chapter 11 plan of reorganization (the "Debtors' Plan") that provides for ASARCO to sell substantially all of its tangible and intangible operating assets to Sterlite (USA), Inc. Specifically, the Debtors' Plan contemplates the distribution of cash and interests in certain litigation trusts to the Debtors' general unsecured creditors. In addition, the Debtors' Plan contemplates the establishment of an asbestos trust as the sole source of recovery for unsecured asbestos personal and premises injury claimants as well as future asbestos claimants. To that end, the Debtors' Plan provides for a channeling injunction pursuant to section 524(g) of the Bankruptcy Code which will protect certain ASARCO-related parties as well as Sterlite from all direct and indirect asbestos-related liability.

As explained in Section 2.32 of the Disclosure Statement, the Asbestos Claimants' Committee, the FCR, AMC, and the Parent are parties to an agreement in principle (the "Asbestos/AMC/Parent Agreement in Principle") pursuant to which the Asbestos Subsidiary Committee and the FCR have agreed to oppose the sale of the Debtors' operating assets to Sterlite and confirmation of the Debtors' Plan. In addition, the Asbestos/AMC/Parent Agreement in Principle further provides that the FCR will not deliver, and the Asbestos Subsidiary Committee will not recommend that their constituents deliver, sufficient votes to support a Bankruptcy Code section 524(g) injunction under the terms of the Debtors' Plan.

The Parent contends that the Debtors' Plan cannot be confirmed because, in light of the Asbestos/AMC/Parent Agreement in Principle, the Debtors' Plan will not receive the affirmative vote of 75 percent of the voting Claims in Class 4 necessary to obtain a section 524(g) channeling injunction under a plan of reorganization. The Debtors, on the other hand, dispute the contentions of the Parent and believe that they will obtain sufficient affirmative votes of asbestos claimants to issue a section 524(g) injunction. If the requisite affirmative votes are not obtained, the Debtors nevertheless assert that a section 524(g) trust may be issued because the Asbestos Claimants are not impaired under the Debtors' Plan and thus are conclusively presumed to have accepted the Debtors' Plan under section 1126(f) of the Bankruptcy Code.

As an alternative to the Debtors' Plan, the Parent has proposed a chapter 11 plan of reorganization (the "Parent's Plan") that will result in the Parent's retention of its equity ownership in ASARCO in exchange for a \$1.3 billion contribution of cash or cash equivalents (which Parent asserts may include unencumbered shares of Southern Copper Corporation). In addition, pursuant to the Parent's Plan, (i) all of the Debtors' claims against the Parent, Grupo Mexico, and affiliates, including the multi-billion dollar SCC Final Judgment will be released, (ii) contingent asbestos claims in the aggregate amount of \$1.0 billion will be allowed, and (iii) asbestos claims will be channeled to a section 524(g) trust that will be funded with: (1) cash in the amount of \$527.5 million, \$27.5 million of which is earmarked for administrative costs of the trust, (2) a one-year, \$250 million promissory note from reorganized ASARCO bearing interest at 6 percent and secured by a first lien on all of reorganized ASARCO's assets and a pledge from the Parent of 51 percent of the equity in reorganized ASARCO, and (3) rights to insurance proceeds with respect to asbestos claims. The Parent estimates that under the Parent's Plan, general unsecured creditors and Bondholders will recover 75% in Cash on account of their prepetition claims. The Parent reserves the rights to reinstate any issuance of the Debtors' Bonds.

Harbinger Capital Partners Master Fund I Ltd. ("Harbinger") intends to vote to reject the Parent's Plan. Citigroup Global Markets, Inc. ("Citi") has indicated that it will also vote to reject the Parent's Plan. As Harbinger and Citi collectively hold a majority of the principal amount of unsecured bonds and debentures, Class 3 (Bondholder Claims) under the Parent's Plan will vote to reject the Parent's Plan.

Harbinger asserts that the Parent's Plan is non-confirmable for a number of reasons. Without limitation, Harbinger asserts the following issues with respect to the Parent's Plan. *First*, the Parent's Plan cannot satisfy the best interests of creditors test as required by section 1129(a)(7). Section 1129(a)(7) prohibits a court from approving a plan of reorganization unless, with respect to each class of claims or interests, each holder of a claim or interest (i) has accepted the plan, or (ii) will receive or retain under the plan on account of such claim or interest, property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code. Harbinger asserts that, were the Debtors liquidated today, the Distributable Cash, the Litigation Claims and claims that the Debtors have against Sterlite are more than adequate to pay general unsecured creditors and Bondholders in full with post-petition interest. Notably, the Debtors' Disclosure Statement, as of April 1, 2009, the SCC Litigation Judgment for cash and stock had a value of approximately \$6.87 billion, which is significantly in excess of the Debtors' estimate of the total Claims against the Debtors. Moreover, although the Debtors' liquidation analysis attributes a value of \$100 to the Debtors' claims against Sterlite, the Parent's Disclosure Statement values such claims at potentially \$3 billion. As a result, Harbinger asserts that, after properly taking into account the value of the SCC Final Judgment and claims against Sterlite, general unsecured creditors should be expected to recover 100% of the value of their claims (plus post-petition interest). Accordingly, the Parent's Plan, to the extent it proposes to pay general unsecured creditors 75% of the face value of their claims, cannot satisfy the best interests of creditors test.

Second, because Class 3 (Bondholder Claims) under the Parent's Plan will vote to reject the Parent's Plan, the Parent will be unable demonstrate that its plan does not discriminate unfairly with respect to each impaired dissenting class as required by section 1129(b) of the Bankruptcy Code. Harbinger asserts that, by estimating the aggregate amount of Asbestos Personal Injury Claims and Unknown Asbestos Claims at \$1 billion, the Parent's Plan grossly inflates the true amount of those claims. As a result, the consideration provided to the Parent's Section 524(g) Trust under the Parent's Plan will result in holders of Asbestos Personal Injury Claims and Unknown Asbestos Claims being paid in excess of 100% of the value of their total claims. Accordingly, Harbinger asserts that the Parent's Plan is not confirmable because it unfairly discriminates against Class 3 Bondholder Claims by paying them only 75% of their claims while paying Asbestos Personal Injury Claims and Unknown Asbestos Claims in excess of 100% of the value of their total claims.

Third, because Class 3 (Bondholder Claims) under the Parent's Plan will vote to reject the Parent's Plan, the Parent will be unable demonstrate that its plan is fair and equitable with respect to each impaired dissenting class as required by section 1129(b)(1) and (2) of the Bankruptcy Code. Those sections codify the "absolute priority rule" and provide that a plan is not fair and equitable, and thus cannot be confirmed over a dissenting class of unsecured creditors, if the holder of any claim or interest that is junior to the claims of such dissenting class receives or retains any property under the plan on account of such junior claim or interest. Here, Harbinger asserts that the consideration being distributed to the Parent under the Parent's Plan (*i.e.*, (i) the release of the SCC Litigation Judgment and (ii) new equity interests in Reorganized ASARCO) far exceeds the value of any consideration being provided to the Debtors' estates. As a result, because the Parent's Plan does not provide for the payment in full (plus post-petition interest) of Class 3 Bondholder Claims, Harbinger asserts that the Parent's Plan violates the absolute priority rule and cannot be confirmed.

Fourth, to the extent that the Parent's Plan contemplates the potential reinstatement of Class 3 (Bondholder Claims), Harbinger asserts that the Parent's Plan cannot be confirmed because there are historical defaults under ASARCO's corporate bonds that cannot be cured. Specifically, certain of ASARCO's municipal bond indentures required ASARCO to file annual audited financial statements with the related indenture trustees and with public repositories as required under the securities laws governing municipal securities. If ASARCO violates a covenant under its municipal bonds and municipal bondholders accelerate, ASARCO's corporate bond indentures provide that such bonds may accelerate as well. ASARCO has not filed audited financial statements for over 4 years. Harbinger contends that ASARCO cannot cure its historical failure to provide audited financial statements in accordance with the municipal bond agreements and the securities laws in the future. Accordingly, Harbinger asserts that Class 3 (Bondholder Claims) under the Parent's Plan cannot be reinstated.

As an alternative to the Debtors' Plan and the Parent's Plan, Harbinger has proposed a chapter 11 plan of reorganization (the "Harbinger Plan") that unlike the Parent's Plan, (i) will satisfy the best interests of creditors test as required by section 1129(a)(7) of the Bankruptcy Code, (ii) will not unfairly discriminate against classes of creditors and (iii) will satisfy the fair and equitable requirements of section 1129(b) of the Bankruptcy

Code. Moreover, unlike the Debtors' Plan, the Harbinger Plan is not required to satisfy the requirements of section 524(g) of the Bankruptcy Code. A copy of the Harbinger Plan is attached hereto as Exhibit A.

OVERVIEW OF HARBINGER'S PLAN

The following is a brief summary of certain material provisions of Harbinger's Plan. By necessity, this summary is incomplete and is qualified by reference to the more detailed information contained in Harbinger's Plan. Except as set forth above and below, because Harbinger's Plan is substantially similar to the Debtors' Plan, reference should be made to the more detailed information contained in the Debtors' Disclosure Statement to the extent not specifically addressed herein.

Harbinger's Plan provides for ASARCO to sell substantially all of its tangible and intangible operating assets free and clear of all liens, claims interests and encumbrances, to an entity designated by Harbinger (the "Harbinger Plan Sponsor") in exchange for \$500,000,000.00 in cash and the assumption of certain liabilities. The Harbinger Plan Sponsor shall take the Sold Assets free and clear of any liabilities, including under theories of successor liability, relating to claims that are based on any acts or omissions by any of the Debtors. A copy of the proposed purchase and sale agreement is attached hereto as Exhibit B.

The majority of the proceeds from such sale, together with other available Plan Consideration, shall be paid to holders of Allowed Claims largely in accordance with the priorities established by the Bankruptcy Code, as follows:

- Holders of Administrative Claims, Priority Tax Claims, and Priority Claims shall be paid the Allowed Amount of their Claims;
- Holders of Secured Claims, at the Harbinger Plan Sponsor's option, shall either be paid the Allowed Amount of their Claims with any applicable post-petition interest or reinstated;
- Holders of Convenience Claims shall be paid the Allowed Amount of their Claims;
- Holders of Allowed Unsecured Asbestos Personal Injury Claims and Unknown Asbestos Claims shall receive 100% of the interests in Reorganized Covington and their pro rata share (as among the Allowed Unsecured Asbestos Personal Injury Claims, Unknown Asbestos Claims and Allowed General Unsecured Claims) of the Plan Consideration (which will include cash as well as the Liquidation Trust Interests and the SCC Litigation Trust Interests);
- Holders of Allowed General Unsecured Claims shall receive their pro rata share (as among the Allowed Unsecured Asbestos Personal Injury Claims, Unknown Asbestos Claims and Allowed General Unsecured Claims) of the Plan Consideration (which will include cash as well as the Liquidation Trust Interests and the SCC Litigation Trust Interests);
- Holders of Late-Filed Claims shall receive interests in the Liquidation Trust and the SCC Litigation Trust to be applied in accordance with the Trust Interest Priorities;
- Holders of Subordinated Claims shall receive interests in the Liquidation Trust and the SCC Litigation Trust to be applied in accordance with the Trust Interest Priorities;
- Holders of Interests shall receive interests in the Liquidation Trust and the SCC Litigation Trust to be applied in accordance with the Trust Interest Priorities.

An Asbestos Trust shall be established for the benefit of Unsecured Asbestos Personal Injury Claims and Unknown Asbestos Claims. However, unlike the Debtors' Plan and the Parent's Plan, Harbinger's Plan

does not provide for a channeling injunction pursuant to section 524(g) of the Bankruptcy Code. Rather, holders of Unsecured Asbestos Personal Injury Claims and Unknown Asbestos Claims must first be satisfied by recourse against the Asbestos Trust. Unsecured Asbestos Personal Injury Claimants will be enjoined from ever asserting claims against the Harbinger Plan Sponsor. Holders of Unknown Asbestos Claims would be enjoined from asserting claims against the Harbinger Plan Sponsor until such time as they have exhausted the remedies provided by the Asbestos Trust and Asbestos TDP. To the extent the Harbinger Plan Sponsor incurs any liability, damages and costs associated with any third-party claims arising out of or relating to the Harbinger Plan Sponsor's purchase of the Sold Assets, the Liquidating Trust and the SCC Litigation Trust shall indemnify and hold the Harbinger Plan Sponsor harmless, or otherwise reimburse or compensate the Harbinger Plan Sponsor for any such liability, damages and costs; provided however, that such obligations of the Liquidating Trust and the SCC Litigation Trust with respect to such indemnity shall be subordinate in all respects to the payment in full (including postpetition interest at the higher of the applicable non-default contract rate or federal judgment rate) of all Allowed General Unsecured Claims, Allowed Unsecured Asbestos Personal Injury Claims and Late-Filed Claims.

There will be an estimation with respect to ASARCO's liability on account of Asbestos Personal Injury Claims and Unknown Asbestos Claims by the Bankruptcy Court or the parties will reach an agreement as to the aggregate Allowed Amount of such Claims for purposes of the Harbinger Plan. However, as a condition precedent to the Harbinger Plan, the estimated or agreed upon amount of such Claims shall not exceed \$500,000,000.00 in the aggregate.

Unlike the Debtors' Plan, the Litigation Claims contributed to the Liquidation Trust under the Harbinger Plan will include claims against Sterlite that the Parent has estimated may be worth as much as \$3.0 billion, for the benefit of General Unsecured Claims, Unsecured Asbestos Personal Injury Claims, Late-Filed Claims, Subordinated Claims and Interests.

In addition, unlike the Parent's Plan, the SCC Litigation Claim (which the Debtors estimate was worth approximately \$6.87 billion as of April 1, 2009) will be contributed to the SCC Litigation Trust for the benefit of General Unsecured Claims, Unsecured Asbestos Personal Injury Claims, Late-Filed Claims, Subordinated Claims and Interests.

The Harbinger Plan will permit any alternative plan sponsor to purchase substantially all of ASARCO's assets provided that such alternative plan sponsor (i) has made a bid with a cash purchase price in excess of \$500,000,000.00; (ii) has agreed to perform under the Harbinger Plan and related purchase and sale agreement without any additional conditions or other modifications; (iii) has deposited at least \$500,000,000.00 into escrow as assurance of performance and (iv) has negotiated a collective bargaining agreement that is acceptable to the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial, and Service Workers International Union. The Harbinger Plan does not provide for the payment of any "topping fee" to Harbinger in the event that an alternative plan sponsor submits a higher bid.

TREATMENT OF CLAIMS AND INTERESTS**Unclassified Claims**

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified.

Description of Claims	Description of Distributions or Treatment Under the Plan	Estimated Aggregate Amount of Allowed or Asserted Claims	Estimated Recovery
Administrative Claims	Shall generally receive the Allowed Amount of such holder's Claim, in Cash, on the Effective Date (except as otherwise provided in the Plan)	\$441 to \$612 million (the low amount assumes that the Parent's Administrative Claim is denied administrative priority and disallowed in full, while the high amount assumes that the Parent's Administrative Claim is granted administrative priority in the amount of \$161.7 million.	100%
Priority Tax Claims	Shall receive the Allowed Amount of such holder's Claim, in Cash, on the Effective Date	\$4 million	100%

Classified Claims and Interests

Description of Claims and Unknown Asbestos Claims	Description of Distributions or Treatment Under the Plan	Status/ Entitled to Vote	Estimated Aggregate Amount of Allowed or Asserted Claims or Unknown Asbestos Claims	Estimated Recovery
Class 1 — Priority Claims	Shall receive the Allowed Amount of such holder's Claim, in Cash, on the Effective Date or, if later, the date or dates on which such Priority Claim becomes due in the ordinary course	Unimpaired Deemed to Accept the Plan Not Entitled to Vote	<i>De Minimis</i>	100%
Class 2 — Secured Claims	Shall, at the election of the Debtors, either (a) receive the Allowed Amount of such holder's Claim, together with any applicable post-petition interest, in Cash, on the later of the Effective Date or the date or dates such Secured Claim becomes due in the ordinary course or (b) be Reinstated on the Effective Date	Will Vote, But Only the Votes of Claimants Receiving the Cash Payment Option Will Be Counted	\$28 to \$33 million	100%

Description of Claims and Unknown Asbestos Claims	Description of Distributions or Treatment Under the Plan	Status/ Entitled to Vote	Estimated Aggregate Amount of Allowed or Asserted Claims or Unknown Asbestos Claims	Estimated Recovery
Class 3 — General Unsecured Claims	Shall receive such holder's Pro Rata share of Plan Consideration, consisting of Cash, Liquidation Trust Interests, and SCC Litigation Trust Interests	Impaired Entitled to vote	\$2.1 to \$2.3 billion	100%
Class 4 — Unsecured Asbestos Personal Injury Claim	Shall receive such holder's Pro Rata share of Plan Consideration, consisting of Cash, Liquidation Trust Interests, and SCC Litigation Trust Interests	Impaired Entitled to Vote	TBD	100%
Class 5 — Convenience Claims	Shall generally receive the Allowed Amount of such holder's Claim, in Cash, on the Effective Date	Unimpaired Deemed to Accept the Plan Not Entitled to Vote	TBD	100%
Class 6 — Late-Filed Claims	Shall receive interests in the Liquidation Trust and the SCC Litigation Trust to be applied in accordance with the Trust Priorities	Impaired Deemed to reject the Plan Not Entitled to vote	\$10 to \$26 million	TBD
Class 7 — Subordinated Claims	Shall receive interests in the Liquidation Trust and the SCC Litigation Trust to be applied in accordance with the Trust Priorities	Impaired Deemed to reject the Plan Not Entitled to vote	TBD	TBD
Class 8 — Interests in ASARCO	Shall receive interests in the Liquidation Trust and the SCC Litigation Trust to be applied in accordance with the Trust Priorities	Impaired Deemed to reject the Plan Not Entitled to Vote	N/A	TBD
Class 9 — Interests in Asbestos Subsidiary Debtors	Shall not receive or retain any property under the Plan on account of such Interests	Impaired Deemed to reject the Plan Not Entitled to Vote	N/A	0%

Description of Claims and Unknown Asbestos Claims	Description of Distributions or Treatment Under the Plan	Status/ Entitled to Vote	Estimated Aggregate Amount of Allowed or Asserted Claims or Unknown Asbestos Claims	Estimated Recovery
Class 10 — Interests in Other Subsidiary Debtors	Shall not receive or retain any property under the Plan on account of such Interests	Impaired Deemed to reject the Plan Not Entitled to Vote	N/A	0%

For purposes of distributions on account of interests in the Liquidation Trust and SCC Litigation Trust, the phrase “Trust Interest Priorities” means the priority of payment of all classes of Claims that are receiving interests in the Liquidation Trust and the SCC Litigation Trust on account of which the priority of payments shall be as follows:

- (i) First, on account of the Allowed Amounts of Claims in Class 3 and Class 4, on a Pro Rata basis, until such claims are paid in full;
- (ii) Second, on account of Allowed Amounts of any Class 6 Claims, on a Pro Rata basis, until such claims are paid in full;
- (iii) Third, on account of post-petition interest on any Allowed Amounts of any Class 3 Claims, Class 4 Claims or Class 6 Claims calculated at the higher of the applicable non-default contract rate or the federal judgment rate in accordance with section 1962 of title 28 of the United States Code, on a Pro Rata basis, until such claims are paid in full;
- (iv) Fourth, on account of the Plan Sponsor Subordinated Indemnity Claims until the earlier of (i) exhaustion of any remaining assets in the Liquidation Trust and the SCC Litigation Trust and (ii) fifty (50) years after the Effective Date;
- (v) Fifth, on account of Class 7 Claims, on a Pro Rata basis, until such claims are paid in full;
- (vi) Sixth, on account of post-petition interest on any Allowed Amounts of any Class 7 Claims calculated at the higher of the applicable non-default contract rate or the federal judgment rate in accordance with section 1962 of title 28 of the United States Code, on a Pro Rata basis, until such claims are paid in full; and
- (vii) Seventh, on account of Class 8 Interests, on a Pro Rata basis.