

September 20, 1984

Imasco Limited

4 Westmount Square
Montréal, Canada
H3Z 2S8

Mr. Gerald Dennis
B.A.T. Industries plc
Windsor House
50 Victoria Street
London, SW1H 0NL
GREAT BRITAIN

P.O. Box 6800
Montréal, Canada
H3C 3L4

(514) 937 9111
Cable: «Telimasc»
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Dear Gerald:

Pursuant to our telephone conversation, I am writing to you to outline our specific reasons that support our contention that it would not be in Imasco Limited's best interest to undertake a private placement sale of common stock directly to B.A.T. Industries.

The principal factors that support this decision are as follows:

- o We believe, in conjunction with our investment brokers Richardson Greenshields, that such a direct offering and a subsequent increase in B.A.T.'s direct ownership of Imasco Limited would have an adverse impact on our common share price. Investors may deem such action as one of an increasing trend towards greater ownership by B.A.T., and this reaction may result in reducing the upside potential for our share price performance over the next couple of years.
- o Although we believe FIRA will be less of a difficulty in the future for Imasco, an increase in B.A.T.'s ownership following our undertaking to reduce it to 40% may jeopardize our position with that agency. In this regard, it would be more appropriate and most acceptable for B.A.T. to participate to their share in any possible offering of securities by Imasco.
- o Section 906 of the bylaws of the Toronto Stock Exchange and policy 6.2 of the Ontario Securities Commission express opinions regarding the private placement sale of securities to a senior shareholder. Although neither statement is specific to this particular action, both deal with the conduct on the part of a listed company that does not appear to create a conflict of interest with that senior shareholder. These statements may cause the stock exchange to require that such a private placement sale have approval of minority shareholders (excluding B.A.T. ownership).

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In conclusion, we agree and believe that the best approach for both Imasco Limited and B.A.T. Industries in the short and intermediate term would be to proceed with an equity offering in which you would participate up to your 40% share. This would be, in our opinion, the most positive approach and would result in a successful offering for Imasco.

I would be happy to discuss this at greater length with you and your colleagues if you so desire.

Sincerely,



Paul Paré

*Paul Paré
President, Imasco Limited*

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