



**Attn: Mr. James Pope  
RMB Resources  
Two London Bridge  
London SE1 9RA  
United Kingdom**

7<sup>th</sup> August 2007

Dear James,

**Zag Basin Licence – Morocco**

Further to our conversation yesterday, I can confirm any funds received by Island Oil & Gas plc from RMB Resources/First Rand Bank, as part of the original £7.5 million loan facility or the proposed £17.5 million restructured facility, will not be used for Island's exploration activities in the Licence above. You will note from Island's press release of 12<sup>th</sup> December 2006 that it's 20% interest in the Licence is fully carried.

I can also confirm my understanding that you may disclose the contents of this letter to the Ambassador of the Saharawi Republic in South Africa

Kind regards.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Karl Prenderville", is written over a solid blue horizontal line.

Karl Prenderville  
Commercial Manager