ASSIGNMENT AND ASSUMPTION AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement") made as of February 26, 2010, by and between Poseidon Resources Corporation (the "Assignor") and Poseidon Resources (Channelside) LLC (the "Assignee").

In consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Assignment of Permit. The Assignor hereby transfers, conveys and assigns to the Assignee the entirety of such Assignor's right, title and interest in the approval and related items described on Exhibit A hereto (collectively the "Permit"), owned by the Assignor and the Assignee hereby accepts such transfer, conveyance and assignment of all such right, title and interest in the Permit and assumes all duties and obligations of the Assignor arising from and after the date hereof with respect to the Permit, including without limitation with respect to the Flow, Entrainment and Impingement Minimization Plan described on Exhibit A hereto (the "Assignment"), provided however that the Assignment shall be deemed effective as of the date the San Diego Regional Water Quality Control Board (the "RWQCB") consents to the Assignment (the "RWQCB Consent").

2. Representations and Warranties of Assignor and Assignee. Each party hereto represents and warrants to the other party that (i) such party has the authority and power to enter into and perform this Agreement; (ii) the execution, delivery and performance by such party of this Agreement has been duly authorized by all necessary action of such party; (iii) the execution, delivery and performance by such party of this Agreement has not resulted, and will not result, in a breach or violation of any provision of (x) any statute, law, writ, order, rule or regulation of any local, state or federal governmental authority applicable to such party, (y) any judgment, injunction or judicial or arbitral decree applicable to such party or (z) any contract, indenture, mortgage, loan agreement, note, lease, or other agreement or instrument to which such party may be party, by which such party may be bound or to which any of the assets of such party are subject, that will prevent or delay consummation, or create a material risk of rescission, of the transactions contemplated by this Agreement; (iv) other than the RWQCB Consent and any notice, registration, consent or approval that have been given, made or obtained, as applicable, prior to the date hereof, no notice to, registration with, consent or approval of, or any other action by, any relevant governmental authority or other person is or will be required for such party to execute, deliver, and perform its obligations under this Agreement; and (v) this Agreement has been duly executed and delivered by such party, and constitutes the legal, valid and binding obligation of such party, enforceable against it in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

[Signature]

DSMDB-2752968
3. **Future Cooperation.** Each of the parties hereto agrees to cooperate at all times from and after the date hereof with respect to any of the matters described herein, and to execute such further assignments, assumptions, notifications or other documents as may be reasonably requested for the purpose of giving effect to, evidencing or giving notice of the transactions contemplated by this Agreement.

4. **Amendments, Changes and Modifications.** This Agreement may not be amended, changed or otherwise modified except by a written instrument executed by both of the parties hereto.

5. **Successors and Assigns; No Third Party Beneficiaries.** This Agreement shall inure to the benefit of, be binding upon and be enforceable by and against the parties hereto and their respective successors and assigns. No party hereto will assign its rights or delegate its obligations under this Agreement without the prior written consent of the other party hereto.

6. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original but both of which together shall constitute but one instrument.

7. **Headings.** Headings are for convenience only and shall not affect the interpretation of this Agreement.

8. **Governing Law.** This Agreement shall be interpreted and construed in accordance with and governed by the laws of the State of California without giving effect to such jurisdiction's conflict of laws principles.

[Signature page follows]
IN WITNESS WHEREOF, the parties hereto have executed this Assignment and Assumption Agreement as of the date first above written.

ASSIGNOR:

POSEIDON RESOURCES CORPORATION

By: 
Name: Andrew Kingman
Title: Chief Financial Officer

ASSIGNEE:

POSEIDON RESOURCES (CHANNELSIDE) LLC

By: 
Name: Peter MacLaggan
Title: Vice President

[Signature page to Assignment and Assumption Agreement]
EXHIBIT A

1. California Regional Water Quality Control Board
   Region 9, San Diego Region
   Order No. R9-2006-0065
   NPDES No. CA0109223
   Waste Discharge Requirements for the Poseidon Resources Corporation,
   Carlsbad Desalination Project, Discharge to the Pacific Ocean via the Encina
   Power Station Discharge Channel
   August 16, 2006

2. California Regional Water Quality Control Board
   Region 9, San Diego Region
   Order No. R9-2006-0065 as Amended by Order No. R9-2009-0038
   NPDES No. CA0109223
   Waste Discharge Requirements for the Poseidon Resources Corporation,
   Carlsbad Desalination Project, Discharge to the Pacific Ocean via the Encina
   Power Station Discharge Channel
   May 13, 2009

3. Carlsbad Seawater Desalination Project
   California Regional Water Quality Control Board
   Region 9, San Diego Region
   Order No. R9-2006-0065
   NPDES No. CA0109223
   Flow, Entrainment and Impingement Minimization Plan
   March 27, 2009