

December 01, 2005

So who owns the cash on Tri-Valley's balance sheet?

An analysis of Tri-Valley Corporation's (TIV: \$10.04, AMEX) accounting methods and procedures raises many questions, even about the amount of cash it shows on its balance sheet and who own its reported cash balances. From press releases announcing earnings restatements to adverse audit opinions in 2005 and showing OPUS-1 and Ekho Partnership cash on its own balance sheet, Tri-Valley appears to engage in some very questionable accounting methods.

On November 19, 2004 TIV announced that it had restated earnings upward in 2004 and downward in 2003 and that TIV will "voluntarily make an adjustment" as a "pro-active conservative approach."

This restatement is addressed in the Form 10-K for the year ended December 31, 2004 that states "The Company receives monies from third parties who participate in drilling oil and gas wells and records this as revenue." The section goes on to discuss that the money taken from the third parties was collected as revenue when it was collected not when it was earned. The section states that "Because the collected turnkey revenue was essentially non-refundable, we had recorded the entire turnkey drilling revenue and its associated drilling costs before the close of books." Also stated is that "upon review of this practice, to remove all doubt, we now believe turnkey revenue and associated costs should be recorded when the well is drilled."

TIV's financial statements also disclose the method used to account for advances from Joint Venture Participants funds raised from the OPUS-1 drilling partnership and Ekho project. A note titled "Joint Venture Advances" in TIV's 10K states that "the Company receives advances from joint venture participants." TIV shows those funds it receives, which do not belong to TIV or its shareholders, as a cash asset on its own balance sheet. TIV then creates a separate off-setting liability for the cash thereby increasing both its assets and liability.

On March 28, 2005, TIV announced that it was expecting "an adverse opinion on the effectiveness of its internal control over financial reporting as of December 31, 2004." Earlier the same day the company had released another press release titled "Tri-Valley Moves to Strengthen Controls." The announcement states that management "wore many hats" and of "significant deficiencies, one related to book entry of accounts and another related to revenue recognition policies."

When taking all of this in to consideration it is surprising then that TIV would announce on October 20, 2005 that they were hiring Mohamad Mara as a "Senior Accountant." Mr. Mara is a graduate of an unaccredited Egyptian university who according to the press release has "one class to go to complete his credential as a CPA."

asensio.com reports are published and distributed solely and exclusively to registered asensio.com subscribers who have read and agreed to the [Mandatory User Agreement](http://www.asensio.com/TermsOfUse.aspx "Mandatory User Agreement") located at [http://www.asensio.com/TermsOfUse.aspx](http://www.asensio.com/TermsOfUse.aspx "Mandatory User Agreement"). This Mandatory User Agreement is included herein in its entirety by reference thereto and by notice of its availability.