

## TRI-VALLEY CORPORATION

### AMENDED AND RESTATED CHARTER OF THE AUDIT COMMITTEE

(As adopted on April 25, 2011)

#### I. *Adoption of Charter*

The Board of Directors (the “**Board**”) of Tri-Valley Corporation (the “**Company**”) has adopted this Amended and Restated Charter (the “**Charter**”) of the Audit Committee of the Board (the “**Committee**”), effective as of the date first indicated above.

#### II. *Organization*

##### 1. **Committee Membership**

- a. The Committee shall consist of at least three directors.
- b. To the extent required by applicable law, rule or regulation:
  - i. each member shall be “independent” as defined by the applicable rules of the principal market on which the Company’s common stock is listed or approved for quotation (the “**Exchange Rules**”), Section 10A(m) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and the rules and regulations promulgated thereunder;
  - ii. all members of the Committee must be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement, and the Committee shall have at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which forms the basis supporting the member’s financial sophistication; and
  - iii. at least one member of the Committee shall qualify as an “audit committee financial expert,” as defined in accordance with the rules of the Securities and Exchange Commission (“**SEC**”).

The designation of any person as an “audit committee financial expert” shall not impose any greater responsibility or liability on that person than the responsibility and liability imposed on such person as a member of the Committee, nor does it decrease the duties and obligations of other Committee members or the Board.

To the extent required by applicable law, rule or regulation, no member of the Committee may serve on the audit committees of more than three public companies, including the Company, unless the Board (i) determines that such simultaneous services would not impair the ability of such member to effectively serve on the Committee and (ii) discloses such determination in the annual proxy statement when required to be filed.

## **2. Appointment**

The members of the Committee shall be appointed by the Board. Candidates to fill subsequent vacancies shall be recommended by the Nominating and Corporate Governance Committee of the Board and thereafter appointed by the Board. Members of the Committee shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board.

Unless a Chairman is elected by the full Board, the members of the Committee shall designate a Chairman of the Committee by the majority vote of the full Committee membership. In the event of a tie vote on any issue, the Chairman's vote shall decide the issue. The Chairman of the Committee will chair all regular sessions of the Committee and set agendas for Committee meetings.

## **3. Committee Meetings**

The Committee shall meet as often as it deems necessary, but not less frequently than quarterly. The chairman of the Board or any member of the Committee may call meetings of the Committee. The Committee shall be governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the full Board. The Committee shall take written minutes of its meetings and activities and submit such minutes to the recording secretary of the Company for filing.

The Committee shall meet periodically with management, appropriate staff of the internal audit department and the independent auditor in separate executive sessions but at least twice a year. In addition, the Committee will meet with the independent auditors and management quarterly to review the corporation's financial statements in a manner consistent with that outlined in the "Financial Statement and Disclosure Matters" section of this Charter. The Committee may request any officer or employee of the Company, the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

Among the items to be discussed in executive session are the independent auditor's evaluation of the Company's financial, accounting, and auditing personnel and the cooperation that the independent auditor received during the course of the audit.

## **4. Reports to the Board**

The Chair of the Committee shall report to the Board following meetings of the Committee and as otherwise requested by the Chairman of the Board, including with respect to the quality and integrity of the Company's financial statements, the performance and independence of the Company's independent auditor, the performance of the internal audit function, and the Company's compliance with legal or regulatory requirements that may have a material effect on the financial statements.

## **III. Purpose**

The Committee is appointed by the Board for the purposes of:

1. Assisting the Board with the oversight of:
  - a. The integrity of the financial statements of the Company and audits of the financial statements of the Company;
  - b. The independent auditor's qualifications and independence;
  - c. The performance of the Company's disclosure controls and procedures, internal audit function and independent auditor;
  - d. The accounting and financial reporting processes of the Company, the audits of the financial statements of the Company, and the adequacy of the Company's systems of internal accounting and financial controls and reporting processes;
  - e. The Company's compliance with ethics policies and legal and regulatory requirements; and
2. To the extent required by applicable law, rule or regulation, including the Exchange Rules and the rules of the SEC, preparing a Committee report for inclusion in the Company's annual proxy statement. The Committee shall report to the Board with respect to such matters and initiate and/or approve appropriate changes in any or all of these areas when necessary.

#### **IV. *Function and Responsibilities***

##### **1. *General Responsibilities***

- a. The Committee shall be directly responsible for the appointment, compensation, retention, replacement, termination and oversight of the work of the independent auditor (subject, if applicable, to shareholder ratification), including resolution of disagreements between management and the independent auditor regarding financial reporting, for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.
- b. The Committee shall also be directly responsible for the appointment, compensation, retention, replacement, termination and oversight of the work of any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or to perform audit, review or attestation services, which firm shall also report directly to the Committee.
- c. The Committee shall establish policies for and pre-approve all auditing services and permitted non-audit services (including accounting services related to mergers and acquisitions transactions and related financing activities), other than "prohibited non-auditing services" (specified below), to be performed for the Company by its independent auditor, subject to the *de minimis* exceptions for non-audit services described in Section 10A(i)(1)(B)

of the Exchange Act. Any such *de minimis* non-audit services not pre-approved by the Committee shall be approved by the Committee prior to the completion of the audit. The Committee may form and delegate authority, including the authority to grant pre-approvals of audit and permitted non-audit services, to subcommittees consisting of one or more members, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting. The Committee shall promptly report the approval of any permitted non-audit services to management for disclosure in the Company's periodic reports.

i. The following shall be "prohibited non-auditing services": (i) bookkeeping or other services related to the accounting records or financial statements of the audit client; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, providing fairness opinions or preparing contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service that the Public Company Accounting Oversight Board prohibits through regulation.

d. The Committee shall have the authority, to the extent it deems necessary or appropriate to carry out its duties, to select, retain terminate and approve the fees and other terms of special or independent legal counsel, accountants or other experts and advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee.

## **2. Duties and Responsibilities**

To carry out its purposes, the Committee shall have the following duties and responsibilities:

### **a. Financial Statement and Disclosure Matters**

i. Review with management and the independent auditor the Company's annual audited financial statements and quarterly financial statements and any other reports or documents containing financial information prior to any filing with the SEC or distribution to the public, including management's and the independent auditor's judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Such review should include discussion with management and the independent auditor of significant issues regarding accounting principles, practices and judgments.

- ii.** To the extent the Company is required to file annual reports on Form 10-K pursuant to Section 13 or 15(d) of the Exchange Act, review with management and the independent auditor the financial statements and disclosures made in Management’s Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company’s Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of the Form 10-K), including management’s and the independent auditor’s judgment about the quality and acceptability of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.
- iii.** Discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards, including matters relating to the conduct of the audit, any problems or difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, any significant disagreements with management, and any actual or proposed adjustments to the financial statements, and management’s response to such matters.
- iv.** To the extent the Company is required to file annual reports on Form 10-K pursuant to Section 13 or 15(d) of the Exchange Act, recommend to the Board whether the audited financial statements should be included in the Company’s Annual Report on Form 10-K.
- v.** To the extent the Company is required to file Quarterly Reports on Form 10-Q pursuant to Section 13 or 15(d) of the Exchange Act, review and discuss with management and the independent auditor the Company’s quarterly financial statements, including disclosures made in MD&A, prior to the filing of the Company’s Quarterly Reports on Form 10-Q, the results of the independent auditor’s reviews of the quarterly financial statements and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards.
- vi.** Prepare the report of the Committee required by the rules of the SEC to be included in the Company’s annual proxy statement.
- vii.** Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company’s financial statements, including any significant changes in the Company’s selection or application of accounting principles, and any major issues as to the adequacy of the Company’s internal controls and any special steps adopted in light of material control deficiencies. Inquire as to the independent auditor’s views about whether management’s choices of accounting principles appear reasonable from the perspective of income, asset and liability

recognition, and whether those principles are common practices or minority practices.

- viii.** Review at least annually and discuss with the independent auditors:
- 1.** all critical accounting policies and practices to be used;
  - 2.** the development, selection and disclosure of critical accounting estimates and analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor, regulatory and accounting initiatives, and off balance sheet transactions and structures on the financial statements of the Company;
  - 3.** the accounting treatment accorded significant transactions;
  - 4.** any significant accounting issues, including any second opinions sought by management on accounting issues;
  - 5.** the Company's use of reserves and accruals, as reported by management and the independent auditor; and
  - 6.** other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- ix.** Discuss with management and the independent auditor the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made) and need not take place in advance of such release or each instance in which the Company may provide earnings guidance.
- x.** Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet arrangements on the Company's financial statements.
- xi.** Discuss with management, the internal audit department and the independent auditors the Company's major financial risk exposures and the steps management has taken to monitor and control such

exposures, including the Company's risk assessment and risk management policies. Such discussion should also include the Company's exposure to counterparties or other institutions which the Company believes are at risk of significant financial distress.

- xii.** Review disclosures made to the Committee by the Company's principal executive officer ("**PEO**") and principal financial officer ("**PFO**") during their certification process for the Form 10-K and Form 10-Q (to the extent the Company is required to file Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q pursuant to Section 13 or 15(d) of the Exchange Act) or otherwise, about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud (whether or not material) involving management or other employees who have a significant role in the Company's internal controls.
- xiii.** Review management's assessment of the effectiveness of the Company's internal controls over financial reporting as of the end of the most recent fiscal year and the independent auditor's report on management's assessment of controls and their report on internal controls over financial reporting.
- xiv.** Review and discuss with the Company's independent auditors matters required to be communicated to audit committees in accordance with Statement on Auditing Standards No. 61 and Rule 2-07 of Regulation S-X (to the extent then applicable) relating to the conduct of the audit, including such things as management judgments and accounting estimates, significant changes in the Company's accounting practices, significant audit adjustments, disagreements with management, difficulties encountered in performing the audit and management's response.

**b.** Oversight of the Company's Relationship with the Independent Auditor

- i.** Select, engage, compensate, evaluate, and, if appropriate, terminate or replace the independent accountants of the Company, including any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The Committee shall have the sole authority to negotiate and approve all audit engagement fees and terms.
- ii.** Review and evaluate the qualifications, performance and independence of the lead partner of the independent auditor.
- iii.** Obtain and review a report from the independent auditor (the "**Auditor's Statement**") at least annually regarding:
  - 1.** the independent auditor's internal quality control procedures;

2. any material issues raised by the most recent internal quality control review, or peer review, of the firm or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;
  3. any steps taken to deal with any such issues; and
  4. an assessment of the auditor's independence and all relationships between the independent auditor and the Company, including each non-audit service provided to the Company.
- iv. Discuss with the independent auditor any relationships or services disclosed in the Auditor's Statement that may impact the quality of audit services or the objectivity and independence of the Company's independent auditor.
- v. Obtain and review a formal written statement from the independent auditor of the fees billed in each of the last two fiscal years for each of the following categories of services rendered by the independent auditors:
1. the audit of the Company's annual financial statements and the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q (to the extent the Company is required to file Quarterly Reports on Form 10-Q pursuant to Section 13 or 15(d) of the Exchange Act) or services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements;
  2. assurance and related services not included in clause (a) above that are reasonably related to the performance of the audit or review of the Company's financial statements, in the aggregate and by each service;
  3. tax compliance;
  4. tax advice and tax planning services, in the aggregate and by each service; and
  5. all other products and services rendered by the independent auditors, in the aggregate and by each service.
- vi. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and whether the provision of permitted non-audit services is compatible with maintaining the auditor's

independence, and taking into account the opinions of management and the internal audit department. The Committee shall present its conclusions with respect to the independent auditor to the Board.

- vii.** Obtain and review the written disclosures and the letter from the independent auditor required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and proof that it is registered as a “registered public accounting firm” by the Public Company Accounting Oversight Board, and discuss with the independent auditor the independent auditor’s independence and any disclosed relationships or services that may impact the objectivity of the independent auditor.
- viii.** Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law (such individual cannot provide audit services for more than five consecutive years) and consider whether, in order to assure continuing auditor independence, it is appropriate to rotate the independent auditing firm itself.
- ix.** Recommend to the Board policies for the Company’s hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company. At a minimum, these policies should provide that any registered public accounting firm may not provide audit services to the Company if the PEO, PFO, controller, chief accounting officer or any other person serving in an equivalent capacity for the Company was employed by the accounting firm and participated in the audit of the Company within one year of the initiation of the current audit.
- x.** Meet with the independent auditor and financial management of the Company prior to the audit to discuss the planning and staffing of the audit, the scope of the prospective audit and the audit procedures to be utilized, the estimated fees therefore and such other matters pertaining to the audit as the Committee may deem appropriate. At the conclusion of the annual audit, review with the auditors and management the performance of the audit, including any comments or recommendations made by the independent auditor.
- xi.** Inform the independent auditor that such firm shall report directly to the Committee.
- xii.** Oversee the work of the independent auditor, including the resolution of any disagreement between management and the auditor regarding financial reporting, for the purpose of preparing or issuing an audit report or related work.
- xiii.** Meet separately, periodically, with the Company’s management, with the staff of the Company’s internal audit department (or other

personnel responsible for the internal audit function) and with the Company's independent auditors.

In evaluating the Company's relationship with its independent auditor, the Committee shall take into account the opinions of management and the staff of the Company's internal audit department (or other personnel responsible for the internal audit function).

**c.**     Oversight of the Company's Internal Audit Function

- i.**     Review the internal audit function when appropriate and as applicable, including:
  - 1.**     its purpose, authority and organizational reporting lines;
  - 2.**     its annual audit plan, budget and staffing; and
  - 3.**     the appointment, compensation and rotation of the staff of the internal audit department.

**d.**     Compliance Oversight Responsibilities

- i.**     Receive any reports from the independent auditor, and report to the independent auditor, any information of which they are aware indicating that an illegal act has or may have occurred or that Section 10A(b) of the Exchange Act has been or may have been violated.
- ii.**    Adopt policies and procedures for the review and approval, by the Committee or otherwise, of transactions with related persons that would be required to be disclosed pursuant to Item 404 of Regulation S-K if the Company were required to file reports under the Exchange Act.
- iii.**   Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, disclosure or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- iv.**    Receive, review and discuss any reports of corporate attorneys or outside counsel submitted to the Committee pursuant to the SEC attorney professional responsibility rules (17 C.F.R. Part 205) or otherwise with respect to a material violation of securities laws, breaches of fiduciary duties or other material violations of laws.
- v.**     Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.

- vi. Investigate such matters as it deems appropriate in connection with fulfilling its duties and responsibilities.
- vii. Review periodically, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
- viii. Review and investigate any matters pertaining to the integrity of management, including conflicts of interest, or adherence to standards of business conduct as required in the policies of the Company. This should include regular reviews of the compliance processes in general. In connection with these reviews, the Committee will meet, as deemed appropriate, with the general counsel and other Company officers or employees to discuss, among other things, any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the Company's business, financial statements or compliance policies, including material notices to or inquiries from governmental agencies.
- ix. Request and obtain from the independent auditor assurance that each audit was conducted in a manner consistent with Section 10A (audit requirements) of the Exchange Act, which sets forth certain procedures to be followed in any audit of financial statements required under the Exchange Act.

**V. *Limitation of Committee's Role***

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

**VI. *Periodic Review of Charter***

The Committee shall perform a periodic review and evaluation of the performance of the Committee and its members, including by reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess periodically the adequacy of this Charter and recommend to the Board any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner, and at such times, as it deems appropriate.

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