

TEEKAY OFFSHORE GP L.L.C.

AUDIT COMMITTEE CHARTER

Purpose and Authority:

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of Teekay Offshore GP L.L.C., a Marshall Islands limited liability company and the general partner (the "General Partner") of Teekay Offshore Partners L.P., a Marshall Islands limited partnership (the "Partnership"), shall assist the Board in oversight of:

- the integrity of the financial statements of the Partnership;
- the Partnership's compliance with legal and regulatory requirements;
- the qualifications and independence of the Partnership's independent auditor (the "Independent Auditor"); and
- the performance of the Partnership's internal audit function and the Independent Auditor.

The Committee shall have all authority necessary to fulfill the duties and responsibilities assigned to the Committee in this Charter or otherwise assigned to it by the Board.

The Committee may obtain advice and assistance from outside legal, accounting and other advisors as the Committee deems necessary to carry out its duties, and shall have the authority to select, engage and compensate these advisors without seeking Board approval. The General Partner shall cause the Partnership to provide appropriate funding, as determined by the Committee, for payment of compensation to the Independent Auditor and to any outside legal, accounting or other advisors retained by the Committee, on behalf of the Partnership, and for the Committee's ordinary administrative expenses.

As the Committee deems appropriate, it may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee.

Composition:

Independence

The Committee shall be composed of three or more directors, as determined by the Board, each of whom shall meet the independence standards established by the Board, the Securities and Exchange Commission ("SEC"), the New York Stock Exchange ("NYSE") and any other applicable laws and regulations governing independence from time to time.

Financial Literacy/Expertise

Each Committee member shall, in the business judgment of the Board, be financially literate. At least one Committee member, in the business judgment of the Board, shall have accounting or related financial management expertise, and shall be an "audit committee financial expert" in accordance with SEC and other applicable regulations and listing standards from time to time.

Service on Other Public Company Audit Committees

No member of the Committee shall serve on more than two audit committees of other U.S. publicly-traded companies at the same time such member serves on this Committee, unless the Board determines that such simultaneous service would not impair the ability of such member to serve effectively on the Committee. If a Committee member serves on the audit committees of both a public company and a wholly-owned subsidiary of such company, such service shall be counted as service on one audit committee, rather than two.

Appointment and Removal of Members

The members of the Committee and the Chair of the Committee shall be appointed by the Board. The Board may remove any member from the Committee at any time with or without cause.

Duties and Responsibilities:

The Committee shall have the following duties and responsibilities, in addition to any duties and responsibilities assigned to the Committee from time to time by the Board:

Engagement of Independent Auditor

- Select, appoint, retain, evaluate and, if appropriate, terminate the Independent Auditor, and resolve any disagreements between management and the Independent Auditor concerning financial reporting, with the understanding that the Independent Auditor shall report directly to and be directly overseen by the Committee. These duties are direct responsibilities of the Committee.
- Pre-approve the retention of the Independent Auditor for all audit and such non-audit services as the Independent Auditor is permitted to provide the Partnership, and approve the fees for such services, other than any *de minimus* non-audit services allowed by applicable law or regulation. The Committee may pre-approve services by establishing detailed pre-approval policies and procedures as to the particular service, provided that the Committee is informed of each service pre-approved and that no pre-approval shall be delegated to management. In considering whether to pre-approve any non-audit services, the Committee or its delegates shall consider whether the provision of such services is compatible with maintaining the independence of the auditor.

Evaluate the Independent Auditor's Qualifications, Performance and Independence

- At least annually, evaluate the Independent Auditor's qualifications, performance and independence, including that of the lead partner, and present the Committee's conclusions to the Board.
- At least annually, obtain and review a report by the Independent Auditor describing: (1) the firm's internal quality-control procedures; and (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, relating to one or more independent audits carried out by the auditor, and any steps taken to deal with any such issues.
- At least annually: (1) obtain from the Independent Auditor and review the applicable written independence disclosures required by the Public Company Oversight Board; (2) discuss with the auditor that firm's independence and all relationships and services that may affect the objectivity and independence of the auditor; and (3) take, or recommend that the Board take, appropriate action to satisfy itself of the independence of the Independent Auditor.
- Discuss with the Independent Auditor the matters required to be discussed by Statement of Auditing Standards No. 61, *Communications with Audit Committee*, as amended, together with any other matters as may be required for public disclosure or otherwise under applicable laws, rules and regulations.
- Ensure that the Independent Auditor's lead partner and reviewing partner are replaced or regularly rotated as required by law or as otherwise deemed appropriate by the Committee. Consider, from time to time, whether a rotation of the Independent Auditor would be in the best interests of the Partnership and holders of the Partnership's units.

Review Financial Statements and Financial Disclosure

- Meet with management and the Independent Auditor to review and discuss the annual audited financial statements and quarterly financial statements prior to their public release, including the Partnership's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, as applicable, the Independent Auditor's report on audited financial statements, reporting on internal controls over financial reporting, or its review report on interim financial statements. For each fiscal year end, recommend to the Board the inclusion of the Partnership's audited financial statements in the Partnership's Annual Report on Form 20-F (or the annual report to unitholders if distributed prior to the filing of the Form 20-F).

- Review with the Independent Auditor any audit problems or difficulties and management's response, including any restrictions on the scope of the Independent Auditor's activities or access to required information, and any significant disagreements with management.
- Review and discuss with the Independent Auditor, as the Committee deems appropriate: (1) any accounting adjustments that were noted or proposed by the auditor but were not taken by management; (2) any communications between the audit team and the national office concerning auditing or accounting issues; and (3) any management or internal control letters issued or proposed to be issued by the auditor.
- Discuss the type and presentation of information to be included in earnings press releases, and any financial information and earnings guidance provided to analysts and rating agencies. This may be done generally, and the Committee need not discuss in advance each earnings release or each instance in which the Partnership may provide earnings guidance.

Periodic Assessment of Accounting Practices and Policies and Risk and Risk Management

- Obtain and review timely reports from the Independent Auditor regarding: (1) all critical accounting policies and practices to be used; (2) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditor; and (3) other material written communications between the Independent Auditor and management, such as any management letter or schedule of unadjusted differences.
- Review, including with management and the Independent Auditor, if appropriate:
 - major issues regarding accounting principles and financial statement presentations, including any significant changes in the Partnership's selection or application of accounting principles, and major issues as to the adequacy of the Partnership's internal controls and any special audit steps adopted in light of material control deficiencies;
 - analyses prepared by management or the Independent Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the Partnership's financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and
 - the effect of regulatory and accounting initiatives, and any off-balance sheet structures, on the Partnership's financial statements.
- Review changes in promulgated accounting and auditing standards that may materially affect the Partnership's financial reporting practices.

- Discuss guidelines and policies with respect to risk assessment and risk management, including the Partnership's major financial risk exposures and any steps management has taken to monitor and control such exposures.
- Review the Partnership's policy on use of derivatives and monitor compliance with this policy.

Internal Audit Review

- Review and discuss with the Internal Auditor the responsibilities, plans, budget, staffing and performance of the Partnership's internal audit function. These discussions may include the Independent Auditor, as the Committee deems appropriate.
- Review any reports by management and the Internal Auditor regarding the effectiveness of, or any deficiencies in, the design or operation of internal controls and any fraud (whether or not material) that involves management or other employees who have a significant role in the Partnership's internal controls.

Compliance Oversight

- Review periodically with management and, if applicable, the Independent Auditor any material correspondence with, or other material action by, regulators or governmental agencies, any material legal affairs of the Partnership, and the Partnership's compliance with applicable laws and listing standards.

Hiring Policies

- Ensure that the Partnership complies with the applicable regulations with respect to hiring of employees or former employees of the Independent Auditor.

Ethics Compliance and Complaint Procedures

- Oversee the development and periodically review and recommend to the Board appropriate revisions to (1) a code of business conduct and ethics applicable to (A) the General Partner's directors, officers and employees and (B) the Partnership's employees, and (2) a code of ethics applicable to the General Partner's Chief Executive Officer and senior financial officers, pursuant to, and to the extent required by, regulations and listing standards applicable to the Partnership from time to time. Monitor compliance with, and the effectiveness of these codes.
- Oversee the establishment of procedures for (1) the receipt, retention and treatment of complaints received by the Partnership regarding accounting, internal accounting controls or auditing matters, and (2) the confidential, anonymous submission by employees of the Partnership of concerns regarding questionable accounting or auditing matters.

Reports

- Regularly report to the Board on significant matters arising from the Committee's activities, including, to the extent the Committee deems appropriate, any issues that arise with respect to the quality or integrity of the Partnership's financial statements, the Partnership's compliance with legal or regulatory requirements, the qualification and independence of the Independent Auditor, and the performance of the internal audit function and Independent Auditor.

Meetings:

The Committee shall establish a meeting calendar annually, which shall include at least quarterly meetings. The Committee may hold such other meetings as are necessary or appropriate for the Committee to fulfill its responsibilities. In the absence of a member designated by the Board to serve as Chair, the members of the Committee may appoint from among their number a person to preside at their meetings.

Periodically, the Committee shall meet separately with management, with internal audit personnel and with the Independent Auditor to discuss matters that the Committee or the other groups believe deserve Committee attention.

Evaluation:

The Committee shall review and reassess this Charter at least annually and, if appropriate, propose changes to the Board.

The Committee shall obtain or perform an annual self-evaluation of the Committee's performance and make applicable recommendations for improvement.

Although the Committee has the responsibilities and powers set forth above, it is not the Committee's responsibility to plan or conduct audits or to determine whether the Partnership's financial statements and disclosures are complete and accurate or in accordance with generally accepted accounting principles in the United States and applicable rules and regulations.

Last Reviewed: September 2010