

GULF ISLAND FABRICATION, INC.

AUDIT COMMITTEE CHARTER

This Audit Committee Charter has been adopted by the Board of Directors of Gulf Island Fabrication, Inc. (the “Company”). The Audit Committee (the “Committee”) shall review and reassess this charter annually and recommend any proposed changes to the Board for approval.

Composition and Independence

The Committee shall be appointed by the Board and shall consist of a minimum of three directors. All Committee members shall be independent under the rules of the Securities and Exchange Commission and the Nasdaq Stock Market. The members shall also meet Nasdaq’s financial literacy requirement and at least one member will be financially sophisticated as defined by Nasdaq. The Board’s goal is that the Committee have at least one “audit committee financial expert,” as defined by the Securities and Exchange Commission. No member of the Committee shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the three years prior to becoming a member of the Committee.

One member of the Committee shall be appointed by the Board as chair. The chair shall be responsible for leadership of the Committee, including scheduling and presiding over meetings, preparing agendas, and making regular reports to the Board. The Committee may not designate subcommittees except with the prior approval of the Board.

If a member ceases to be independent under the SEC or Nasdaq rules for reasons outside the member’s reasonable control, the member may remain as a member of the Committee until the earlier of the Company’s next annual stockholders’ meeting or one year from the occurrence of the event that caused the member to be no longer independent. If the Company relies on this paragraph, the Company shall give notice to Nasdaq immediately upon learning of the circumstances giving rise to such reliance.

Responsibilities

The Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, disclosure controls and procedures, internal control over financial reporting and financial reporting practices of the Company. Management is responsible for the preparation of the Company’s financial statements and the independent auditor is responsible for auditing those financial statements. The Committee and the Board recognize that management and the independent auditor have more resources and time, and more detailed knowledge and information regarding the Company’s accounting, auditing, disclosure controls and procedures, internal control over financial reporting and financial reporting practices than the Committee does. Accordingly the Committee’s role does not provide any guarantees as to the financial statements and other financial information provided by the Company to its shareholders and others.

The Committee shall have the authority and responsibilities set forth below. The Committee shall report its actions to the Board of Directors at its next meeting. Except as otherwise expressly provided, the Committee shall have the sole authority with respect to the responsibilities delegated below, and further action by the Company's Board of Directors shall not be required in order for the act of the Committee to constitute the act of the Company.

- The Committee shall be directly responsible for oversight of the Company's internal auditors, which the audit function can be performed by either employees or outsourced.
- The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of 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 (including resolution of disagreements between management and the auditor regarding financial reporting), and each such registered public accounting firm shall report directly to the Committee.
- The Committee shall pre-approve all audit services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by the independent auditor, pursuant to policies and procedures adopted by the Committee in accordance with applicable legal requirements. The Committee may delegate such responsibility (other than with respect to the audit of the Company's annual financial statements) to one or more members, provided that decisions made pursuant to such delegated authority shall be presented to the Committee at its next meeting.
- The Committee shall obtain at least annually from the independent auditor a formal written statement describing all relationships between the auditor and the Company, consistent with Independence Standards Board Standard Number 1 or any successor standard. The Committee shall actively engage in a dialogue with the independent auditor with respect to any relationships that may impact the objectivity and independence of the auditor and shall take appropriate actions to oversee and satisfy itself as to the auditor's independence.
- The Committee shall confirm annually with the independent auditor that it is registered with the Public Company Accounting Oversight Board and that its registration is in good standing.
- The Committee shall review the Company's audited financial statements and discuss them with management and the independent auditor. These discussions shall include the matters required to be discussed under Statement of Auditing Standards No. 61 (or any successor standard) and consideration of the quality of the Company's accounting principles as applied in its financial reporting, including a review of particularly sensitive accounting estimates, reserves and accruals, judgmental areas, audit adjustments (whether or not recorded), and other such inquiries as the Committee or the independent auditor shall deem

appropriate. Based on such review, the Committee shall make its recommendation to the Board as to the inclusion of the Company's audited financial statements 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).

- The Committee shall issue annually a report to be included in the Company's proxy statement as required by the rules of the Securities and Exchange Commission.
- The Committee shall discuss with a representative of management and the independent auditor: (1) the interim financial information contained in the Company's Quarterly Report on Form 10-Q prior to its filing, (2) the earnings announcement prior to its release, and (3) the results of the review of such information by the independent auditor. (These discussions may be held with less than the full Committee, provided at least a quorum of the Committee or the Chairman of the Audit Committee is present in person or by telephone.)
- The Committee shall discuss with management and the independent auditor the quality and adequacy of and compliance with the Company's disclosure controls and procedures and internal control over financial reporting.
- The Committee shall discuss with management and/or the Company's counsel any legal matters (including the status of pending litigation) that may have a material impact on the Company's financial statements, and any material reports or inquiries from regulatory or governmental agencies.
- The Committee shall establish and oversee the implementation of procedures for (1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (2) the confidential anonymous submission by the Company's employees and others of concerns regarding questionable accounting or auditing matters.
- The Committee shall perform such responsibilities as may be delegated to it pursuant to the Company's Code of Ethics for CEO and Senior Financial Officers and Code of Business Conduct and Ethics. The Committee shall have the sole authority to grant waivers of such Codes to a director or executive officer.
- The Committee shall conduct an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis and all such transactions must be approved by the Committee. For this purpose, "related party transaction" shall refer to those transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404.
- The Committee shall maintain free and open communication with the independent auditor and Company management.

- In discharging its oversight role, the Committee is empowered to investigate any matter relating to the Company's accounting, auditing, disclosure controls and procedures, internal control over financial reporting or financial reporting practices brought to its attention, with full access to all Company books, records, facilities and personnel.
- The Committee shall perform such other duties as may be assigned to it from time to time by the Board, the President or the Chairman of the Board.

Advisors and Funding

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal counsel, accountants or other advisors.

The Company shall provide for appropriate funding, as determined by the Committee, for payment of (1) compensation to 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, (2) compensation to any independent counsel and other advisers employed by the Committee as it determines necessary to carry out its duties, and (3) ordinary administrative expense of the Committee that are necessary or appropriate in carrying out its duties.

Meetings

The Committee shall meet at least four times annually or more frequently as circumstances dictate. At least once each year the Committee shall have separate private meetings with the independent auditor and management.

Meetings may be called by the chair of the Committee, or at the request of a majority of the members of the Committee, the President or Chairman of the Board.