



NORDIC AMERICAN TANKER SHIPPING LIMITED

2009 ANNUAL REPORT TO SHAREHOLDERS

BUSINESS

General

Nordic American Tanker Shipping Limited (the “Company”) was formed on June 12, 1995 under the laws of the Island of Bermuda (“Bermuda”). We are an international tanker company that, own 16 Suezmax tankers and have agreed to acquire four newbuildings. We expect two newbuildings to be delivered to us in 2010, and two newbuildings to be delivered to us in 2011. In 2009 we agreed to acquire four vessels. Three vessels were delivered in 2009 and the fourth was delivered to us in March 2010. The 16 vessels we currently operate average approximately 155,000 dwt each. We have chartered 14 of our 16 operating vessels in the spot market pursuant to cooperative arrangements with third parties. We have chartered 2 of our 16 operating vessels on bareboat charters that are expected to expire in May and November 2010.

We were formed for the purpose of acquiring and chartering three double-hull Suezmax tankers that were built in 1997. These three vessels were initially bareboat chartered to BP Shipping Ltd., or BP Shipping, for a period of seven years. BP Shipping re-delivered these three vessels to us in September 2004, October 2004 and November 2004, respectively. We have bareboat chartered the third of our original three vessels to Gulf Navigation at a fixed rate charterhire for a five-year term that expired in November 2009, subject to two one-year extensions at Gulf Navigation’s option. The last one-year option was not exercised, and thus the vessel is scheduled to be re-delivered to the Company in November 2010. We expect to operate the Gulf Scandic in the spot market upon redelivery.

In November 2007, we agreed to acquire two Suezmax newbuildings to be built at Bohai Shipyard in China. We agreed to acquire these two newbuildings from First Olsen Ltd. for a price at delivery of \$90 million per vessel for which we have paid a deposit of \$18 million in aggregate. The acquisitions will be financed by resources of the Company. The vessels are expected to be delivered to the Company in June and September 2010, respectively.

In April 2010, we entered into agreements with Samsung Heavy Industries Co., Ltd, to build two Suezmax tankers of 158,000 dwt each to be delivered in the third and fourth quarters of 2011. The purchase prices of the two newbuilding vessels are \$64.5/\$65.0m, with about half to be paid on the signature of the contracts and the balance to be paid on delivery.

Our Fleet

Our fleet consists of 20 modern double-hull Suezmax tankers of which four are newbuildings. The following table provides information regarding each vessel, including its employment status.

<u>Vessel</u>	<u>Yard</u>	<u>Built</u>	<u>Dwt (1)</u>	<u>Flag</u>	<u>Delivered to NAT</u>	<u>Employment</u>
Gulf Scandic	Samsung	1997	151,475	Isle of Man	August 1997	Bareboat exp. 2010
Nordic Hawk	Samsung	1997	151,475	Bahamas	October 1997	Spot
Nordic Hunter	Samsung	1997	151,400	Bahamas	December 1997	Spot
Nordic Freedom	Daewoo	2005	163,455	Bahamas	March 2005	Spot
Nordic Voyager	Dalian New	1997	149,591	Norway	November 1997	Spot
Nordic Fighter	Hyundai	1998	153,328	Norway	March 2005	Spot
Nordic Discovery	Hyundai	1998	153,328	Norway	August 2005	Spot
Nordic Sprite	Samsung	2003	147,188	Norway	February 2009	Spot
Nordic Grace	Hyundai	2002	149,921	Norway	July 2009	Spot
Nordic Saturn	Daewoo	1998	157,332	Marshall Islands	November 2005	Spot
Nordic Jupiter	Daewoo	1998	157,411	Marshall Islands	April 2006	Spot
Nordic Apollo	Samsung	2003	159,999	Marshall Islands	November 2006	Spot
Nordic Cosmos	Samsung	2002	159,998	Marshall Islands	December 2006	Spot
Nordic Moon	Samsung	2002	159,999	Marshall Islands	November 2006	Spot
Nordic Mistral	Hyundai	2002	164,236	Marshall Islands	November 2009	Spot
Nordic Passat	Hyundai	2002	164,274	Marshall Islands	March 2010	Bareboat exp. 2010
Nordic Galaxy	Bohai	2010	163,000		Expected June 2010	
Nordic Vega	Bohai	2010	163,000		Expected September 2010	
Newbuilding	Samsung	2011	158,000		Expected September 2011	
Newbuilding	Samsung	2011	158,000		Expected December 2011	

(1) Deadweight tons.

OUR CHARTERS

It is our policy to operate our vessels either in the spot market, on time charters or on bareboat charters. Our goal is to take advantage of potentially higher market rates with spot market related rates and voyage charters. We currently operate fourteen of our sixteen existing vessels in the spot market or on spot market related time charters although we may consider charters at fixed rates depending on market conditions. Our fifteenth and sixteenth vessels are on bareboat charters that are expected to expire in May 2010 and November 2010, respectively.

Cooperative Arrangements

We currently operate fourteen of our sixteen existing vessels in spot market cooperations with other vessels that are not owned by us. These arrangements are managed and operated by the Swedish group Stena Bulk AB and by Frontline Chartering Services Inc, both of which are third party administrators. The administrators have the responsibility for the commercial management of the participating vessels, including marketing, chartering, operating and purchasing bunker (fuel oil) for the vessels. The owners of the participating vessels remain responsible for all other costs including the financing, insurance, crewing and technical management of their vessels. The earnings of all of the vessels are aggregated and divided according to the relative performance capabilities of each vessel and the actual earning days each vessel was available during the period. The vessels are operated in the spot market under our supervision. During 2010 it is expected that all our vessels will be in the cooperation, Gemini Tankers LLC, where Frontline Ltd. and Teekay Corporation, together with us, are main owners of the participating vessels.

Spot Charters

During the year ended December 31, 2009, we temporarily operated several vessels (Nordic Sprite, Nordic Hawk, Nordic Saturn and Nordic Grace) in the spot market, other than in cooperative arrangements. Tankers operating in the spot market are typically chartered for a single voyage which may last up to several weeks. Tankers operating in the spot market may generate increased profit margins during improvements in tanker rates, while tankers on fixed-rate time charters generally provide more predictable cash flows.

Under a typical voyage charter in the spot market, we are paid freight on the basis of moving cargo from a loading port to a discharge port. We are responsible for paying both operating costs and voyage costs and the charterer is responsible for any delay at the loading or discharging ports.

Bareboat Charters

We currently operate two of our sixteen existing vessels on bareboat charters.

The Gulf Scandic is under a bareboat charter to Gulf Navigation, for a five- year term which terminated in the fourth quarter of 2009, but was subject to two one-year extensions at Gulf Navigation's option. The last one-year option was not exercised, thus the vessel is scheduled to be re-delivered to the Company in November 2010. Under the terms of this bareboat charter, Gulf Navigation is obligated to pay a fixed charterhire of \$17,325 per day for the entire charter period.

The Nordic Passat is under a bareboat charter to the previous owner, concurrent with the delivery of the vessel, and for a period of 60 days up to 80 days at the charterer's option. Under the terms of this bareboat charter, the Charterer is obligated to pay a fixed charterhire of \$13,300 per day, subject to additional hire based on current market rates during the charter period. The vessel is expected to be re-delivered to the Company in May 2010.

During the charter period, Charterers are responsible for operating and maintaining the vessel and are responsible for covering all operating costs and expenses with respect to the vessel. We expect to operate the Gulf Scandic and Nordic Passat in the spot market upon re-delivery.

THE 2009 TANKER MARKET (Source: Fearnleys)

Following the onset of the global financial crisis in 2008, expectations, in general terms, were quite dismal for 2009. In a broader sense, the tanker market fared quite poorly in 2009, but had huge discrepancies between the various sub-segments.

The oil tanker fleet is generally divided into five major categories of vessels, based on carrying capacity and the types of cargoes carried. A tanker's carrying capacity is measured in dwt, which is the amount of crude oil measured in metric tons that the vessel is capable of loading. In the single voyage market the Very Large Crude Carrier ("VLCC"), whose carrying capacity ranges from 200,000 dwt to 320,000 dwt, reached an average of about \$29,000 per day in 2009, a significant decrease from \$88,000 per day in 2008. Suezmaxes, whose carrying capacity ranges from 120,000 dwt to 200,000 dwt, achieved \$31,500 per day in 2009, down from \$67,000 the year before. Corresponding rates for Aframaxes, whose carrying capacity ranges from 80,000 dwt to 120,000 dwt, were \$10,000 per day in 2009 compared with \$50,000 per day in 2008. Relatively speaking and in comparison with asset values the Suezmax market showed the strongest resilience in the downturn.

Seaborne crude oil trade, measured in tonne-miles, declined approximately 1.0% in 2009. This was markedly less than anticipated. Crude oil imports to the US declined approximately 7.5%, but transportation work declined by about 13.5%. This was, to a certain degree, offset by strongly increased imports to China resulting in this country becoming the second largest crude oil importing country.

The onset of using tankers for floating storage increased in 2009. At the beginning of the year as a pure commodity price play (contango in the oil futures market) but later in the year a significant number of tankers were employed for storage due to brimming on-shore storage facilities. For greater parts of the year more than 30 VLCCs were employed in storage.

Periodically the crude tanker spot market yielded negative time charter results during 2009. It was expected that several Singel Hull (SH) ships would have been sold for demolition given the cut-off date in 2010 (IMO Phase out). However, demolition sales were low and only 8 VLCCs and 2 Suezmax tankers were sold for demolition. Currently, the world fleet contains 66 SH VLCCs and 24 SH Suezmax tankers that, given strict adherence to the IMO phase out schedule, are supposed to cease oil trading by the end of 2010.

In 2009 a total of 55 VLCCs and 46 Suezmax tankers were delivered from yards. The Suezmax fleet expanded by 13% and the VLCC fleet by 8% (both measured by deadweight). In total, net tanker fleet growth ended at 8.6%. Following the decline in crude oil prices in mid-2008, prices gradually rose throughout 2009 despite the fact that global oil demand decreased 1.2 mb/d, or 1.4%, to 85 mb/d. OPEC crude oil production declined 2.5 mb/d, or 8%, to 28.7 mb/d. OPEC NGL was only marginally up compared to 2008.

The sale and purchase market for tankers, measured by the number of transactions, decreased again in 2009. A total of about 155 transactions were concluded. There are several reasons for this decline, but primarily the difficulties in securing financing for acquisitions must be considered the prime cause. Secondly, the market was characterized by few sellers willing to take losses on either newbuildings ordered at record price levels or existing vessels purchased at the height of the market in 2007/08.

The IEA, in their latest market report, have become quite optimistic for growth in global oil demand in 2010. According to their March 2010 report global demand is estimated to increase 1.8% this year. At the same time, the downturn in North Sea output as well as new infrastructure in the FSU will have a quite negative impact on demand for short-haul crude oil tankers. A similar development is observed in North America where Mexican crude oil output is expected to continue falling. Both of these developments are expected to have a negative impact on Aframax tankers whereas the effects for Suezmax and VLCC crude tankers will be quite positive as crude oil has to be sourced in areas farther away generating a significant growth in transportation

OUR CREDIT FACILITY

The Company has a \$500 million revolving credit facility, which is referred to as the Credit Facility.

The Company entered into the Credit Facility in September 2005. During 2006 the Company increased the Credit Facility from \$300 million to \$500 million, and in March 2008 the term was extended from September 2010 to September 2013. All other terms are unchanged.

The Credit Facility provides funding for future vessel acquisitions and general corporate purposes. The Credit Facility cannot be reduced by the lender and there is no repayment obligation of the principal during the five year term. Amounts borrowed under the Credit Facility bear interest at an annual rate equal to LIBOR plus a margin between 0.7% and 1.2% (depending on the loan to vessel value ratio). The Company pays a commitment fee of 30% of the applicable margin on any undrawn amounts.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Results of Operations

<i>All figures in USD '000</i>	2009	2008	Variance
Voyage Revenue	124,370	228,000	
Voyage Expenses	(8,959)	(10,051)	
Net Voyage Revenues	115,411	217,950	(47.0)%
Vessel Operating Expenses	(43,139)	(35,593)	21.2%
General and Administrative Expenses	(14,819)	(12,785)	15.9%
Depreciation Expenses	(55,035)	(48,284)	14.0%
Net Operating Income	2,418	121,288	(98.0)%
Interest Income	614	931	
Interest Expenses	(1,794)	(3,392)	
Other Financial Income (Expenses)	(226)	17	
Net Income	1,012	118,844	(99.1)%
Revenue days ⁽¹⁾	4,788	4,224	16.4%

⁽¹⁾ Revenue days consist of 365 days related to the one vessel employed on bareboat charter and 4,423 days related to vessels employed in the spot market.

Our net voyage revenues decreased to \$115.4 million for the year ended December 31, 2009 from \$217.9 million for the year ended December 31, 2008, a decrease of 47.0%. The decrease in net voyage revenues was primarily the result of a decrease in the spot market rates for the period, offset by an increase in revenue days due to expansion of the fleet by three vessels in 2009. The average spot market rate for our fleet during 2009 was \$24,600 per day compared to \$54,900 during 2008.

Vessel operating expenses were \$43.1 million for the year ended December 31, 2009 compared to \$35.6 million for the year ended December 31, 2008, an increase of 21.2%. The increase in vessel operating expenses was primarily the result of an increase in operating days due to expansion of the fleet, and because the average operating expenses increased to approximately \$9,500 per day per vessel during 2009 from approximately \$8,800 per day per vessel during 2008. The increase in average operating expenses during 2009 is primarily a result of an increase in replacement of spare parts and repair and maintenance projects for 3 of our 16 vessels.

General and administrative expenses were \$14.8 million for the year ended December 31, 2009 compared to \$12.8 million for the year ended December 31, 2008, an increase of 15.9%. The general and administrative expenses in 2009 include a non-cash charge related to stock-based compensation to our manager, Scandic American Shipping Ltd., or the Manager, of \$5.4 million related to two follow-on offerings in 2009, and costs of \$1.6 million related to the deferred compensation plan for the Company's CEO and \$0.2 million related to the outstanding stock options awards under the 2004 Stock Incentive Plan which were cancelled in August 2009. The outstanding stock options awards under the 2004 Stock Incentive Plan were cancelled in exchange for a payment equal to the difference between the strike price of the options and the closing price per share for the Company's shares on the New York Stock Exchange. The compensation resulted in a cash outlay of \$2.3 million for the Company. For further details of the management agreement and administrative expenses we refer you to the section "The Management Agreement" on page 7 and Note 5 of our audited financial statements included herein. The general and administrative expenses in 2008 included a non-cash charge of \$3.6 million of stock-based compensation to our Manager, related to one follow-on offering concluded in that year, costs of \$1.4 million related to the deferred compensation plan for the Company's CEO and \$1.2 related to the 2004 Stock Incentive Plan.

Depreciation expenses were \$55.0 million for the year ended December 31, 2009 compared to \$48.3 million for the year ended December 31, 2008, an increase of 14.0%. The increase in depreciation expenses is primarily the result of expansion of the fleet by three vessels and capitalized ballast tank improvements during 2009.

The foregoing resulted in net operating income to be \$2.4 million for the year ended December 31, 2009 compared to \$121.3 million for the year ended December 31, 2008, a decrease of 98.0%.

Interest income was \$0.6 million for the year ended December 31, 2009 compared to \$0.9 million for the year ended December 31, 2008. Interest income was derived from the excess cash held in interim periods from the proceeds of the follow-on offerings and the timing of subsequent repayment of debt during the year. The decrease in interest income is primarily the result of a decrease in market rates in 2009 compared to 2008.

Interest expense was \$1.8 million for the year ended December 31, 2009 compared to \$3.4 million for the year ended December 31, 2008. The decrease is primarily due to repayment of debt, combined with a lower interest rate on the Credit Facility during 2009 compared to 2008.

Liquidity and Capital Resources

Cash flows provided by operating activities decreased by 50.6% to \$63.2 million for the year ended December 31, 2009 from \$127.9 million for the year ended December 31, 2008 primarily due to significantly lower spot market rates, and an increase in vessel operating expenses during 2009, as described above.

Cash flows used in investing activities increased to \$190.3 million for the year ended December 31, 2009 compared to \$10.1 million for the year ended December 31, 2008. The increase in investing activities is a result of expansion of our fleet by three vessels delivered to us in 2009, and loan to the sellers related to the two newbuildings which are expected to be delivered to us in 2010.

Cash flows provided by financing activities increased to \$126.3 million for the year ended December 31, 2009 compared to cash flow used in financing activities of \$99.8 million for the year ended December 31, 2008. The financing activities for the year ended December 31, 2009 represent (i) net repayment of debt under the Credit Facility of \$15.0 million, (ii) dividends paid of \$95.4 million, all of which were offset by proceeds from the follow-on offerings of \$236.7 million.

Management believes that the Company's working capital is sufficient for its present requirements.

Dividend payment

Total dividends paid in 2009 were \$95.4 million or \$2.35 per share. The quarterly dividend payments per share in 2009, 2008 and 2007 were as follows:

Period	2009	2008	2007
1 st Quarter	\$0.87	\$0.50	\$1.00
2 nd Quarter	0.88	1.18	1.24
3 rd Quarter	0.50	1.60	1.17
4 th Quarter	0.10	1.61	0.40
Total USD	\$2.35	\$4.89	\$3.81

The dividend paid out each quarter is based on the results of the previous quarter.

The Company declared a dividend of \$0.25 per share in respect of the results of the fourth quarter of 2009 which was paid to shareholders in March 2010.

THE MANAGEMENT AGREEMENT

Scandic American Shipping Ltd is the Manager of the Company. Under the Management Agreement the Manager has the daily commercial and operational responsibility for our vessels and is generally required to manage our day-to-day business subject to our objectives and policies as established and directed by the Board of Directors. All decisions of a material nature concerning our business are reserved to the Board of Directors. The Management Agreement is effective through June 30, 2019. The Management Agreement terminates 10 years from the calendar date unless terminated earlier in accordance with its terms, essentially related to non-performance or negligence by the Manager.

For its services under the Management Agreement, the Manager is reimbursed for all of its costs incurred plus a management fee of \$265,000 per annum. The management fee was increased from \$225,000 per annum to \$265,000 per annum effectively from July 1st 2009. In order to align the Manager's interests with those of the Company, the Company issued to the Manager restricted common shares equal to 2% of our outstanding common share. Any time additional common shares are issued, the Manager will receive restricted common shares to maintain the number of common shares issued to the Manager at 2% of our total outstanding common shares. In connection with nine follow-on offerings, we have issued a total of 937,976 restricted shares to our Manager pursuant to the Management Agreement. These restricted shares are non-transferable for three years from the date of issuance.

COMMERCIAL AND TECHNICAL MANAGEMENT AGREEMENTS

The Company has outsourced the commercial and technical management of its vessels to third party operators.

Under the supervision of the Manager, the firm Frontline Ltd. (NYSE:FRO) and the private Stena group of Sweden provides commercial management services for 14 of the Company's 16 existing vessels. Frontline and Stena's duties include seeking and negotiating charters for these vessels. These arrangements are expected to create synergies through economies of scale, resulting in a positive impact on the overall results. During 2010 it is expected that all our vessels will be in the cooperation, Gemini Tankers LLC, where Frontline Ltd. and Teekay Corporation, together with us are main owners of the participating vessels.

Under the supervision of the Manager, the ship management firm of V.Ships Norway AS or V.Ships, provides the technical management for 13 of the Company's 16 existing vessels. The ship management firm of Colombia Shipmanagement Ltd, Cyprus provides the technical management for 1 of the Company's 16 vessels and will provide technical management on 1 of the 2 vessels which are on bareboat charters that are expected to expire in April and November 2010, respectively.

The compensation under the commercial and technical management agreements is in accordance with industry standards.

SHAREHOLDERS' RIGHTS PLAN

The Board of Directors adopted a shareholder rights plan in 2007 designed to enable the Company to protect shareholder interests in the event that an unsolicited attempt is made for a business combination with or takeover of the Company. The Company believes that the shareholder rights plan will enhance the Board's negotiating power on behalf of shareholders in the event of a coercive offer or proposal. The Company is not currently aware of any such offers or proposals, and adopted the plan as a matter of prudent corporate governance.

The terms of the shareholder rights plan are set forth in the Company's Form 8-A filed with the Securities and Exchange Commission on February 14, 2007. Rights under the plan were issued to shareholders of record as of the close of business on February 27, 2007.

COMPENSATION OF DIRECTORS AND OFFICERS

The six non-employee directors received, in the aggregate, approximately \$413,000 in cash fees for their services as directors for the year ended December 31, 2009. The Vice Chairman of the Board of Directors receives an additional annual cash compensation of \$5,000 per year. The members of the Audit Committee receive an additional annual cash retainer of \$12,000 each per year. The Chairman of the Audit Committee receives an additional annual cash compensation of \$6,000 per year. We do not pay director fees to employee directors. We do, however, reimburse all of our directors for all reasonable expenses incurred by them in connection with their services as member of our Board of Directors.

EMPLOYMENT AGREEMENTS

We have an employment agreement with Herbjørn Hansson, our Chairman, President and Chief Executive Officer, Turid M. Sørensen, our Chief Financial Officer, and Rolf I. Amundsen, our Chief Investor Relations Officer and Advisor to the Chairman. Mr. Hansson does not receive any additional compensation for his services as a director or the Chairman of the Board. The aggregate compensation of our executive officers during 2009 was approximately \$2.9 million of which \$1.2 million relates to the cancellation of 2004 Stock Incentive Plan. The aggregate compensation of our executive officers is expected to be approximately \$1.9 million during 2010. Under certain circumstances, the employment agreement may be terminated by us or Mr. Hansson upon six months' written notice to the other party. The employment agreement with Ms. Sørensen may be terminated by us or by Ms. Sørensen upon six months' written notice to the other party. The employment agreement with Mr. Amundsen may be terminated by us or Mr. Amundsen upon three months' written notice to the other party.

The President and the CEO has a separate deferred compensation plan. The CEO has served in his present position since the inception of the Company in 1995. Please see Note 6 to the audited financial statements included herein for further information about the Plan.

2004 STOCK INCENTIVE PLAN

Outstanding stock options awards under the Company`s 2004 Stock Incentive Plan, or (the “Plan”), were cancelled in 2009.

Under the terms of the Plan, the directors, officers and certain key employees of the Company and the Manager were eligible to receive awards which included incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units, performance shares and phantom stock units. A total of 400,000 common shares were reserved for issuance upon exercise of options, as restricted share grants or otherwise under the Plan. Included under the Plan were options to purchase common shares at an exercise price equal to \$38.75, subject to annual downward adjustment if the payment of dividends in the related fiscal year exceeds a 3% yield calculated based on the initial strike price. During 2005, the Company granted an aggregate of 320,000 stock options under the terms of the Plan. These options vest in equal installments on each of the first four anniversaries of the grant dates. During 2006, the Company granted an aggregate of 16,700 restricted shares. No stock options were granted in 2006. During 2007, the Company granted 10,000 stock options to a newly elected Board member with an exercise price equal to \$35.17, subject to annual downward adjustment if the payment of dividends in the related fiscal year exceeds a 3% yield calculated based on the initial strike price. During 2008, a former Board member cancelled his stock incentive award in agreement with the Company and received compensation of \$100,000. In August 2009 the Company announced that it has cancelled all outstanding stock options awards under the Plan. The outstanding stock options awards were cancelled in exchange for a payment equal to the difference between the strike price of the options and the closing price of \$30.70 per share for the Company`s shares on the New York Stock Exchange on August 13, 2009. Following the cancellation of the outstanding stock options awards, the Company has no outstanding stock options under the Plan. Please see Note 10 to the audited financial statements included herein for further information about the Plan.

May 21 2010

**NORDIC AMERICAN TANKER
SHIPPING LIMITED**

NORDIC AMERICAN TANKER SHIPPING LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Nordic American Tanker Shipping Limited
Hamilton, Bermuda

We have audited the accompanying balance sheets of Nordic American Tanker Shipping Ltd. (the "Company") as of December 31, 2009 and 2008, and the related statements of operations, shareholders' equity and cash flows for each of the three years ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Nordic American Tanker Shipping Ltd as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

Deloitte AS



Oslo, Norway
May 21, 2010

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STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, AND 2007

All figures in USD '000, except share and per share amount

	Notes	Year Ended December 31,		
		2009	2008	2007
Voyage Revenues	3	124,370	228,000	186,986
Voyage Expenses		(8,959)	(10,051)	(47,122)
Vessel Operating Expense - excluding depreciation expense presented below		(43,139)	(35,593)	(32,124)
General and Administrative Expenses	2,5,6,10	(14,819)	(12,785)	(12,132)
Depreciation Expenses	7	(55,035)	(48,284)	(42,363)
Net Operating Income		2,418	121,288	53,245
Interest Income		614	931	904
Interest Expenses	12	(1,794)	(3,392)	(9,683)
Other Financial Income (Expense)		(226)	17	(260)
Total Other Expenses		(1,406)	(2,443)	(9,039)
Net Income		1,012	118,844	44,206
Basic Earnings per Share	15	0.03	3.63	1.56
Diluted Earnings per Share	15	0.03	3.62	1.56
Basic Weighted Average Number of Common Shares Outstanding		40,449,522	32,739,057	28,252,472
Diluted Weighted Average Number of Common Shares Outstanding		40,449,522	32,832,854	28,294,997

The footnotes are an integral part of these financial statements.

BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008*All figures in USD '000, except share and per share amount*

	<u>Notes</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents		30,496	31,378
Accounts Receivable, net \$0 allowance at December 31, 2009 and 2008	3	22,685	40,335
Prepaid Expenses and Other Current Assets	4,8	<u>57,020</u>	<u>22,406</u>
Total Current Assets		<u>110,201</u>	<u>94,119</u>
Non-current Assets			
Vessels, Net	7	825,449	707,853
Deposit on Contract	8	-	9,000
Other Non-current Assets	9	<u>10,928</u>	<u>2,906</u>
Total Non-current Assets		<u>836,377</u>	<u>719,759</u>
Total Assets		<u>946,578</u>	<u>813,878</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable	2	3,364	1,947
Deferred Revenue	13	537	449
Accrued Liabilities	14	<u>2,909</u>	<u>3,817</u>
Total Current Liabilities		<u>6,810</u>	<u>6,214</u>
Long-term Debt	11	-	15,000
Deferred Compensation Liability	6	<u>5,684</u>	<u>4,078</u>
Total Liabilities		<u>12,494</u>	<u>25,292</u>
Commitments and Contingencies	17	-	-
SHAREHOLDERS' EQUITY			
Common Stock, par value \$0.01 per Share; 51,200,000 shares authorized, 42,204,904 shares issued and outstanding and 34,373,271 shares issued and outstanding at December 31, 2009 and December 31, 2008, respectively	16	422	344
Additional Paid-in Capital		933,662	905,262
Retained Earnings		<u>-</u>	<u>(117,020)</u>
Total Shareholders' Equity		<u>934,084</u>	<u>788,586</u>
Total Liabilities and Shareholders' Equity		<u>946,578</u>	<u>813,878</u>

The footnotes are an integral part of these financial statements.

STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, AND 2007

All figures in USD '000, except number of shares

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2006	26,914,088	269	728,851	(117,174)	611,946
Net Income	-	-	-	44,206	44,206
Common Shares Issued, net of \$4.5 million issuance costs	3,000,000	31	119,720	-	119,751
Compensation - Restricted Shares	61,224	-	2,289	-	2,289
Share-based Compensation	-	-	1,261	-	1,261
Dividend Paid, \$3.81 per share	-	-	-	(107,349)	(107,349)
Balance at December 31, 2007	29,975,312	300	852,121	(180,316)	672,105
Net Income	-	-	-	118,844	118,844
Common Shares Issued, net of \$6.5 million issuance costs	4,310,000	43	158,847	-	158,890
Compensation - Restricted Shares	87,959	1	3,617	-	3,618
Share-based Compensation	-	-	1,015	-	1,015
Dividend Paid, \$4.89 per share	-	-	(110,338)	(55,548)	(165,886)
Balance at December 31, 2008	34,373,271	344	905,262	(117,020)	788,586
Accumulated dividend distributions defined as return of capital.	-	-	(117,020)	117,020	-
Net Income	-	-	-	1,012	1,012
Common Shares Issued, net of \$10.6 million issuance costs	7,675,000	77	236,607	-	236,684
Compensation - Restricted Shares	156,633	1	5,365	-	5,366
Share-based Compensation	-	-	(2,133)	-	(2,133)
Dividend Paid, \$2.35 per share	-	-	(94,419)	(1,012)	(95,431)
Balance at December 31, 2009	42,204,904	422	933,662	-	934,084

The footnotes are an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009,
2008, AND 2007**

All figures in USD '000

	Year Ended December 31,		
	2009	2008	2007
Cash Flows from Operating Activities			
Net Income	1,012	118,844	44,206
Reconciliation of Net Income to Net Cash Provided by Operating Activities			
Depreciation Expense	55,035	48,284	42,363
Dry-dock Expenditures	(5,330)	(18,049)	(9,496)
Amortization of Deferred Finance Costs	653	618	514
Deferred Compensation Liability	1,606	1,413	2,665
Compensation - Restricted Shares	5,366	3,618	2,289
Share-based Compensation	(2,133)	1,015	1,261
Capitalized Interest	124	(607)	(305)
<i>Changes in Operating Assets and Liabilities:</i>			
Accounts Receivables	17,650	(25,846)	(1,072)
Accounts Payable and Accrued Liabilities	(38)	(5,461)	(2,971)
Prepaid and Other Current Assets	(1,706)	(3,585)	2,260
Deferred Revenue	88	(88)	-
Voyages in Progress	-	7,753	100
Other Non-current Assets	(9,132)	(9)	1,835
Net Cash Provided by Operating Activities	63,195	127,900	83,649
Cash Flows from Investing Activities			
Deposit on Contract	-	-	(18,000)
Investment in Vessels	(190,330)	(10,053)	(8,424)
Net Cash Used in Investing Activities	(190,330)	(10,053)	(26,424)
Cash Flows from Financing Activities			
Proceeds from Issuance of Common Stock	236,684	158,890	119,751
Proceeds from Use of Credit Facility	66,000	25,000	55,000
Repayments on Credit Facility	(81,000)	(115,500)	(123,000)
Credit Facility Costs	-	(2,316)	(14)
Dividends Paid	(95,431)	(165,886)	(107,349)
Net Cash Provided by (Used in) Financing Activities	126,253	(99,812)	(55,612)
Net (Decrease) Increase in Cash and Cash Equivalents	(882)	18,036	1,613
Cash and Cash Equivalents at the Beginning of Year	31,378	13,342	11,729
Cash and Cash Equivalents at the End of Year	30,496	31,378	13,342
Cash Paid for Interest	1,249	3,441	9,690
Cash Paid for Taxes	-	-	-

The footnotes are an integral part of these financial statements.

NORDIC AMERICAN TANKER SHIPPING LIMITED

NOTES TO FINANCIAL STATEMENTS

(All amounts in USD '000 except where noted)

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: Nordic American Tanker Shipping Limited (the “Company”) was formed on June 12, 1995 under the laws of the Islands of Bermuda. The Company owns and operates double hull crude oil tankers. The Company’s shares trade under the symbol “NAT” on the New York Stock Exchange.

Our fleet consists of 20 modern double-hull Suezmax tankers of which four are newbuildings. The following chart provides information regarding each vessel, including its employment status.

<u>Vessel</u>	<u>Yard</u>	<u>Built</u>	<u>Dwt (1)</u>	<u>Flag</u>	<u>Delivered to NAT</u>	<u>Employment</u>
Gulf Scandic	Samsung	1997	151,475	Isle of Man	August 1997	Bareboat exp 2010
Nordic Hawk	Samsung	1997	151,475	Bahamas	October 1997	Spot
Nordic Hunter	Samsung	1997	151,400	Bahamas	December 1997	Spot
Nordic Freedom	Daewoo	2005	163,455	Bahamas	March 2005	Spot
Nordic Voyager	Dalian New	1997	149,591	Norway	November 1997	Spot
Nordic Fighter	Hyundai	1998	153,328	Norway	March 2005	Spot
Nordic Discovery	Hyundai	1998	153,328	Norway	August 2005	Spot
Nordic Sprite	Samsung	2003	147,188	Norway	February 2009	Spot
Nordic Grace	Hyundai	2002	149,921	Norway	July 2009	Spot
Nordic Saturn	Daewoo	1998	157,332	Marshall Islands	November 2005	Spot
Nordic Jupiter	Daewoo	1998	157,411	Marshall Islands	April 2006	Spot
Nordic Apollo	Samsung	2003	159,999	Marshall Islands	November 2006	Spot
Nordic Cosmos	Samsung	2002	159,998	Marshall Islands	December 2006	Spot
Nordic Moon	Samsung	2002	159,999	Marshall Islands	November 2006	Spot
Nordic Mistral	Hyundai	2002	164,236	Marshall Islands	November 2009	Spot
Nordic Passat	Hyundai	2002	164,274	Marshall Islands	March 2010	Bareboat exp 2010
Nordic Galaxy	Bohai	2010	163,000		Expected June 2010	
Nordic Vega	Bohai	2010	163,000		Expected September 2010	
Newbuilding	Samsung	2011	158,000		Expected September 2011	
Newbuilding	Samsung	2011	158,000		Expected December 2011	

(1) Deadweight tons.

Basis of Accounting: These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Use of Estimates: Preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those amounts. The affects of changes in accounting estimates are accounted for in the same period in which the estimates are changed.

Foreign Currency Translation: The functional currency of the Company is the United States (“U.S.”) dollar as all revenues are received in U.S. dollars and the majority of the Company’s expenditures are incurred and paid in U.S. dollars. The Company’s reporting currency is also the U.S. dollar. Transactions in foreign currencies during the year are translated into U.S dollars at the rates of exchange in effect at the date of the transaction.

Cash and Cash Equivalents: Cash and cash equivalents consist of deposits with original maturities of three months or less.

Inventories: Inventories, which are comprised of bunker fuel and lubrication oil, are stated at cost which is determined on a first-in, first-out (“FIFO”) basis. Inventory is reported within “Prepaid Expenses and Other Current Assets” within the Balance Sheet.

Vessels, net: Vessels are stated at their historical cost, which consists of the contracted purchase price and any direct material expenses incurred upon acquisition (including improvements, on site supervision expenses incurred during the construction period, commissions paid, delivery expenses and other expenditures to prepare the vessel for its initial voyage) less accumulated depreciation. Financing costs incurred during the construction period of the vessels are also capitalized and included in vessels’ cost based on the weighted average method. Certain subsequent expenditures for conversions and major improvements are also capitalized if it is determined that they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessel. Depreciation is calculated based on cost less estimated residual value, and is provided over the estimated useful life of the related assets using the straight-line method. The estimated useful life of a vessel is 25 years from the date the vessel is delivered from the shipyard. Repairs and maintenance are expensed as incurred.

Impairment of Long-Lived Assets: Long-lived assets are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the carrying amount of the asset, and less than the estimated fair market value the asset is deemed impaired. The amount of the impairment is measured as the difference between the carrying value and the fair value of the asset. There have been no impairments recorded for the years ended December 31, 2009, 2008 or 2007.

Drydocking: The Company's vessels are required to be drydocked approximately every 30 to 60 months for overhaul repairs and maintenance that cannot be performed while the vessels are in operation. The Company follows the deferral method of accounting for drydocking costs whereby actual costs incurred are deferred and are amortized on a straight-line basis through the expected date of the next drydocking. Ballast tank improvements are capitalized and amortized on a straight-line basis over a period of eight years. Unamortized drydocking costs of vessels that are sold are written off to income in the year of the vessel's sale. The capitalized and unamortized drydocking costs are included in the book value of the vessels. Amortization expense of the drydocking costs is included in depreciation expense.

Segment Information: The Company has identified only one operating segment under Accounting Standard Codification (ASC) Topic 280, “Segment Reporting.” The Company has only one type of vessel – Suezmax crude oil tankers – operating on time charter contracts at market related rates, in the spot market and on long-term bareboat contracts.

Geographical Segment: The Company currently operates 14 of its 16 vessels in spot market cooperations with other vessels that are not owned by the Company. The cooperations are managed by third party commercial managers. The earnings of all of the vessels are aggregated and divided according to the relative performance capabilities of the vessel and the actual earning days each vessel is available. As a significant portion of the Company’s vessels are operated in cooperations, it is not practical to allocate geographical data to each vessel nor would it give meaningful information to the reader. The Company currently operates 2 of its 16 vessels on bareboat charterers that expire within November 2010.

Fair Value of Financial Instruments: The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate carrying value because of the short-term nature of these instruments.

Deferred Financing Costs: Finance costs, including fees, commissions and legal expenses, which are recorded as “Other assets” on the Balance Sheet are deferred and amortized on a straight-line basis over the term of the relevant debt borrowings. Amortization of finance costs is included in “Interest Expense” in the Statement of Operations.

Revenue and Expense Recognition: Revenue and expense recognition policies for voyage and time charter agreements are as follows:

Cooperative agreements: Revenues and voyage expenses of the vessels operating in cooperative agreements are combined and the resulting net revenues, calculated on a time charter equivalent basis, are allocated to participating vessels according to an agreed formula. Formulas used to allocate net revenues vary among different cooperative arrangements, but generally, revenues are allocated to participants on the basis of the number of days a vessel operates with weighting adjustments made to reflect each vessels' differing capacities and performance capabilities. The administrators of the cooperations are responsible for collecting voyage revenue, paying voyage expenses and distributing net pool revenues to the owners of the participating vessels.

Earnings generated from cooperative agreements in which the Company is the principal of its vessels' activities are recorded based on the gross method. Earnings generated from cooperative agreements in which the Company is not regarded as the principal of its vessels' activities are recorded based on the net method. The Company accounts for the net revenues allocated by these cooperative agreements as "Voyage Revenue" in its Statements of Operations. See Note 3 for further information.

Spot charters: Voyage revenues are recognized on a pro rata basis based on the relative transit time in each period. A voyage is deemed to commence upon the completion of discharge of the vessel's previous cargo and is deemed to end upon the completion of discharge of the current cargo. Voyage expenses are recognized as incurred and primarily include only those specific costs which are borne by the Company in connection with voyage charters which would otherwise have been borne by the charterer under time charter agreements. These expenses principally consist of fuel, canal and port charges. Demurrage income represents payments by the charterer to the vessel owner when loading and discharging time exceed the stipulated time in the voyage charter. Demurrage income is measured in accordance with the provisions of the respective charter agreements and the circumstances under which demurrage claims arise and is recognized when earned. Demurrage income is included in "Voyage Revenues" in the Statement of Operations. At December 31, 2009 and 2008, the Company had no reserves associated with the outstanding receivables from demurrage revenues.

Bareboat: Revenues from bareboat charters are recorded at a fixed charterhire rate per day over the term of the charter. The charterhire is payable monthly in advance. During the charter period the charterer is responsible for operating and maintaining the vessel and bears all costs and expenses with respect to the vessel.

Vessel Operating Expenses: Vessel operating expenses include crewing, repair and maintenance, insurance, stores, lubricants, communication expenses and tonnage tax. These expenses are recognized when incurred.

Derivative Instruments: The Company did not hold any derivative instruments as at December 31, 2009 or 2008.

Share-Based Compensation: The compensation costs for all of the Company's stock-based compensation awards are based on the fair value method as defined in ASC Topic 718, "Compensation – Stock Compensation". The Company records the compensation expense for such awards over the vesting period. See Note 10 for additional information.

Restricted Shares to Manager: Restricted shares issued to the Manager are non-forfeitable and vest immediately. Accordingly the compensation expense for each of the respective issuances was measured at fair value on the date the award was issued, or the grant date, and expensed immediately as performance was deemed to be complete. The fair value was determined using the stated par value, the number of shares issued, and the Company's stock price on the date of grant.

Income Taxes: The Company is incorporated in Bermuda. Under current Bermuda law, the Company is not subject to corporate income taxes.

Other Comprehensive Income (Loss): The Company follows the guidance in ASC Topic 220, "Comprehensive Income" which requires separate presentation of certain transactions that are recorded directly as components of stockholders' equity. The Company has no other comprehensive income / (loss) and accordingly comprehensive income / (loss) is equal to net income for the periods presented.

Concentrations:

Fair value: The Company operates in the shipping industry which historically has been cyclical with corresponding volatility in profitability and vessel values. Vessel values are strongly influenced by charter rates which in turn are

influenced by the level and pattern of global economic growth and the world-wide supply and demand for vessels. The spot market for tankers is highly competitive and charter rates are subject to significant fluctuations. Dependence on the spot market may result in lower utilization. Each of the aforementioned factors are important considerations associated with the Company's assessment of whether the carrying amount of its own vessels are recoverable.

Credit risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The fair value of the financial instrument approximates the net book value. The Company maintains its cash with financial institutions it believes are reputable. The terms of these deposits are on demand to minimize risk. The Company has not experienced any losses related to these cash deposits and believes it is not exposed to any significant credit risk. However, due to the current financial crisis the maximum credit risk the Company would be exposed to is a total loss of outstanding cash and cash equivalents and accounts receivable. See Note 3 for further information.

Accounts receivable consist of uncollateralized receivables from international customers engaged in the international shipping industry. The Company routinely assesses the financial strength of its customers. Accounts receivable are presented net of allowances for doubtful accounts. If amounts become uncollectible, they will be charged to operations when that determination is made. For the years ended December 31, 2009 and 2008, the Company did not record an allowance for doubtful accounts.

Interest risk: The Company is exposed to interest rate risk for its debt borrowed under the Credit Facility. In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company has no outstanding derivatives at December 31, 2009 and 2008, and has not entered into any such arrangements during 2009.

Recent Accounting Pronouncements: In June 2009, the FASB issued "Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" (the "Codification") which became the single source of authoritative accounting principles recognized by the FASB and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. The Codification's content carries the same level of authority, effectively superseding previous guidance. In other words, the GAAP hierarchy was modified to include only two levels of GAAP: authoritative and non-authoritative. Rules and interpretive releases of the SEC under the authority of federal securities laws are also source of authoritative GAAP for SEC registrants. The guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company adopted the Codification in 2009.

In February 2008, the FASB issued FASB Staff Position No. 157-2 (codified into ASC Topic 820) "Fair Value Measurement and Disclosures", which delays the effective date of SFAS No. 157, "Fair Value Measurement," to fiscal years beginning after November 15, 2008 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company adopted SFAS 157, except as it applies to non-financial assets and liabilities as noted in FSP 157-2, beginning from January 1, 2008. Effective January 1, 2009, the Company adopted this guidance for non financial assets and liabilities measured at fair value on a non recurring basis. The application of this guidance did not have a significant impact on the Company's financial statement.

In May 2009, the Financial Accounting Standard Board (FASB) issued SFAS No. 165 (codified into ASC Topic 855) "Subsequent Events", which provides guidance on management's assessment of subsequent events. The new guidance:

- Clarifies that management must evaluate, as of each reporting period (i.e. interim and annual), events or transactions that occur after the Balance Sheet date "through the date that the financial statements are issued or are available to be issued."
- Does not change the recognition and disclosure requirements in AICPA Professional Standards, AU Section 560, "Subsequent Events" ("AU Section 560") for Type I and Type II subsequent events; however, the guidance refers to them as recognized (Type I) and non-recognized subsequent events (Type II).
- Indicates that management should consider supplementing historical financial statements with the pro forma impact of non-recognized subsequent events if the event is so significant that disclosure of the event could be best made through the use of pro forma financial data.

This new guidance is effective prospectively for interim or annual financial periods ending after June 15, 2009. Adoption of this new guidance in the second quarter of 2009 did not have significant impact on the Company's financial statements.

In June 2009, the FASB issued SFAS No. 167 "Amendments to FASB Interpretation No. 46(R)" codified into ASC Topic 810 "Consolidation". This guidance eliminates Interpretation 46(R)'s exceptions to consolidating qualifying special-purpose entities, contains new criteria for determining the primary beneficiary, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a variable interest entity. This guidance also contains a new requirement that any term, transaction or arrangement that does not have a substantive effect on an entity's status as a variable interest entity, a company's power over a variable interest entity, or a company's obligation to absorb losses or its right to receive benefits of an entity must be disregarded in applying Interpretation 46(R)'s provisions. The elimination of the qualifying special-purpose entity concept and its consolidation exceptions means more entities will be subject to consolidation assessments and reassessments. This new guidance will be effective January 1, 2010. The adoption of this pronouncement is not expected to have a material impact on the Company's financial position and results of operations.

2. RELATED PARTY TRANSACTIONS

Scandic American Shipping Ltd. (the "Manager"), is owned by a company owned by the Chairman and Chief Executive Officer ("CEO") of the Company, Mr. Herbjørn Hansson, and his family. The Manager, under a management agreement with the Company (the "Management Agreement"), assumes commercial and operational responsibility for the Company's vessels and is required to manage the Company's day-to-day business, subject to the objectives and policies established by the Board of Directors. For its services under the Management Agreement, the Manager is entitled to reimbursement of costs directly related to the Company plus a management fee equal to \$265,000 per annum. The Manager also has a right to ownership of 2% of the Company's total outstanding shares. During 2009, the Company issued to the Manager 156,633 shares at an average fair value of \$33.37. The Company recognized \$2.6 million, \$2.2 million, and \$2.2 million of total costs for services provided under the Management Agreement for the years ended December 31, 2009, 2008 and 2007, respectively. Additionally, the Company recognized \$5.4 million, \$3.6 million and \$2.3 million in non-cash share-based compensation expense for the years ended December 31, 2009, 2008 and 2007, respectively, related to the issuance of shares to the Manager. All of these costs are included in "General and Administrative Expenses" within the Statement of Operations. The related party balances included within accounts payable were \$0.6 million and \$0.4 million at December 31, 2009 and 2008, respectively.

Mr. Jan Erik Langangen, Executive Vice President of the Manager, is a partner of Langangen & Helset Advokatfirma AS, a firm which provides services to the Company. The Company recognized \$0.1 million, \$0.1 million, and \$0.2 million in costs for the years ended December 31, 2009, 2008 and 2007, respectively, for the services provided by Langangen & Helset Advokatfirma AS. These costs are included in "General and Administrative Expenses" within the Statement of Operations. There were no related amounts included within "Accounts Payable" at December 31, 2009 and December 31, 2008, respectively.

3. REVENUE

For year ending December 31, 2009, the Company's only source of revenue was from the Company's 15 existing vessels.

Revenues generated from cooperations in which the Company is the principal of its vessels' activities are recorded based on the gross method. Revenues generated from cooperations in which the Company is not regarded as the principal of its vessels' activities are recorded per the net method. The table below provides the breakdown of revenues recorded as per the net method and the gross method.

<i>All figures in USD '000</i>	2009	2008	2007
Net Method	102,229	204,402	65,354
Gross Method	22,141	23,598	121,632
Total Voyage Revenue	124,370	228,000	186,986

Two cooperation arrangements accounted for 41% and 40% of the Company's revenues for the year ended December 31, 2009. Two cooperation arrangements accounted for 50% and 41% of the Company's revenues for the year ended December 31, 2008. Five cooperation arrangements accounted for 24%, 23%, 16%, 15% and 14% of the Company's revenues, respectively, for the year ended December 31, 2007.

Accounts receivable at December 31, 2009 and 2008 are \$22.7 million and \$40.3 million, respectively. Two cooperation arrangements accounted for 61% and 33% of the Company's accounts receivables, for the year ended December 31, 2009. Two cooperation arrangements accounted for 53% and 43% of the Company's accounts receivables for the year ended December 31, 2008.

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

<i>All figures in USD '000</i>	2009	2008
Lubricants	2,850	2,137
Prepaid expenses	3,067	2,304
Deposit on Vessel, Nordic Passat	5,150	-
Deposit on Contracts, Nordic Galaxy and Nordic Vega	18,000	9,000
Loans to seller, Nordic Galaxy and Nordic Vega	25,795	7,370
Financial Charges	653	653
Other	1,505	942
Total as per December 31,	57,020	22,406

5. GENERAL AND ADMINISTRATIVE EXPENSES

<i>All figures in USD '000</i>	2009	2008	2007
Management fee to related party	245	225	162
Directors and officers insurance	82	87	109
Salary and wages	2,202	1,711	1,331
Audit, legal and consultants	954	684	849
Administrative services provided by related party	2,514	2,208	2,162
Other fees and expenses	1,670	1,724	1,304
Total General and Administration expense with cash effect	7,667	6,639	5,917
Compensation to Manager – restricted shares issued to related party	5,366	3,618	2,289
Share-based compensation (2004 Stock Incentive Plan)	180	1,115	1,261
Deferred compensation plan	1,606	1,413	2,665
Total General and Administrative expense without cash effect	7,152	6,146	6,215
Total for year ended December 31,	14,819	12,785	12,132

6. DEFERRED COMPENSATION LIABILITY

In May 2007, the Board of Directors approved a new unfunded deferred compensation plan for Herbjørn Hansson, the Chairman, President and CEO. The plan provides for unfunded deferred compensation computed as a percentage of salary. Benefits vest over a period of employment of 11 years up to a maximum of 66% of the salary level at the time of retirement. Interest is imputed at 5.4% and 6.0% as per December 31, 2009 and 2008, respectively.

The rights under the plan commenced in October 2004. The total expense recognized in 2009, 2008 and 2007 were \$1.6 million, \$1.4 million and \$2.7 million (of which \$1.8 million relates to retroactive effect), respectively. As the plan was effective in 2007, the full expense was recognized in 2007. The CEO has served in his present position since the inception of the Company in 1995.

7. VESSELS, NET

Vessels, net consist of 15 modern double hull Suezmax crude oil tankers and drydocking charges. Depreciation is calculated based on cost less estimated residual value of \$4.0 million and is provided over the estimated useful life of the vessel using the straight-line method. The estimated useful life of a vessel is 25 years from the date the vessel is delivered from the shipyard.

<i>All figures in USD '000</i>	Vessels	Drydocking	Total
Net Book Value December 31, 2008	686,788	21,066	707,853
Accumulated depreciation December 31, 2008	176,611	9,339	185,950
Depreciation expense 2008	41,063	7,222	48,284
Net Book Value December 31, 2009	807,714	17,735	825,449
Accumulated depreciation December 31, 2009	222,563	15,994	238,557
Depreciation expense 2009	45,953	9,082	55,035

8. DEPOSIT ON CONTRACT

In November 2007, the Company entered into an agreement to acquire two Suezmax newbuildings which are expected to be delivered in June and September 2010. The Company will take ownership of the vessels upon delivery from the shipyard at which time the title is transferred from the seller. The vessels are being built by a Chinese shipyard. The sellers are subsidiaries of First Olsen Ltd. and the agreed total price at delivery is \$90.0 million per vessel, including supervision expenses.

The Company has agreed to furnish to the sellers a loan equivalent to the remaining payment installments under the shipbuilding contract. The loan will be paid in installments on the dates and in amounts corresponding to the payment schedule under the shipbuilding contract. The debt shall accrue interest at a rate equal to the Company's cost of funds at any time. The debt will be repayable on delivery of the vessels.

As of December 31, 2009, the Company has paid a deposit of 10% of the purchase price in the aggregate amount of \$18.0 million for both vessels, and furnished to the seller a loan of \$25.8 million.

The table below shows total capitalized costs related to the two newbuildings:

<i>All figures in USD '000</i>	2009	2008
Newbuilding - Nordic Galaxy expected delivery 2Q10		
Deposit on contract	9,000	9,000
Capitalized interest	225	163
Capitalized cost	153	108
Total Newbuilding – Nordic Galaxy as per December 31,	9,378	9,271
Newbuilding – Nordic Vega expected delivery 3Q10		
Deposit on contract	9,000	9,000
Capitalized interest	205	143
Capitalized cost	130	108
Total Newbuilding - Nordic Vega as per December 31,	9,335	9,251
Total as per December 31,	18,713	18,522

Due to the expected delivery of the newbuildings in 2010, items related to these vessels have been classified as current assets and recorded within "Prepaid Expenses and Other Current Assets" in the Balance Sheet.

9. OTHER NON-CURRENT ASSETS

All figures in USD '000

	2009	2008
Working Capital, cooperative arrangements	9,133	-
Financial Charges	1,795	2,448
Other Non-current assets	-	458
Total as per December 31,	10,928	2,906

10. SHARE-BASED COMPENSATION PLAN

The Company has a share-based compensation plan which is described below. Total compensation cost related to the plan was \$0.2 million, \$1.1 million and \$1.3 million for the years ended December 31, 2009, 2008 and 2007, respectively and was recorded within "General and Administrative expense" in the Statement of Operations. Unrecognized compensation cost related to the plan was \$0.1 million (restricted shares) as of December 2009.

2004 Stock Incentive Plan

Outstanding stock option awards under the Company's 2004 Stock Incentive Plan, were cancelled in 2009.

Under the terms of the Plan, the directors, officers and certain key employees of the Company and the Manager were eligible to receive awards which include incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units, performance shares and phantom stock units. The Company believes that such award better align the interests of its employees with those of its shareholders. A total of 400,000 common shares are reserved for issuance upon exercise of options, as restricted share grants or otherwise under the Plan. A total of 330,000 options and 16,700 restricted shares had been issued as of December 31, 2008. New shares were issued upon exercise of stock options. In August 2007, the Board of Directors adopted amendments to the Plan to provide for the issuance of Phantom Stock Units and to give discretion to the Administrator of the Plan with respect to dividends paid on common shares awarded under the Plan. No modifications were made to the terms of the Plan.

Stock option awards were granted with an exercise price equal to the market price of the Company's stock at the date of a public offering in November 2004, with later adjustments for dividends to shareholders exceeding 3% of the initial stock option exercise price. Stock options granted in 2007 had an exercise price equal to the market price of the shares at the grant date, with later adjustments for dividends exceeding 3%. Stock option awards generally vest equally over four years from grant date and have a 10-year contractual term.

The fair value of each option award was estimated on the date of grant using the Black-Scholes option valuation model. Stock options to non-employees were measured at each reporting date and fair value was estimated with the same model used for estimating fair value of the options granted to employees. Because the option valuation model incorporated ranges of assumptions for inputs, those ranges were disclosed. Expected volatilities were based on implied volatilities from historical volatility of the Company's stock and other factors. Expected life of the options was estimated to be equal to the vesting period for employees when calculating the fair value of the options. When calculating the fair value of the options issued to non-employees the expected life was equal to the actual life of options. The Company recognized the compensation cost for stock options issued to non-employees over the service period, which was considered to be equal to the vesting period. All options issued were expected to be exercised.

Stock options to employees were measured at fair value at the grant date and the compensation cost was recognized on a straight-line basis over the vesting period.

Stock options to non-employees were treated in accordance with ASC 505-50 and unvested options were measured at fair value at each Balance Sheet date with a final measurement date upon vesting. Fair value measurement of unvested options was considered to be appropriate since the performance commitment for non-employees had not been reached for unvested options. The fair value of the options was used to measure the value of the services provided by the non-employees as it was considered to be more reliable than measuring the fair value of the services received. The compensation cost was recognized using the accelerated method.

The risk-free rate for periods within the contractual life of the stock options was based on the U.S. Treasury yield curve in effect at the time of grant for options to employees. The risk-free rate at year-end was used for stock options issued to non-employees.

A summary of option activity under the Plan as of December 31, 2009, and changes during the year then ended is presented below:

Options	Options employees	Options non-employees	Weighted-average exercise price
Outstanding at January 1, 2009	240,000	80,000	\$ 24.81
Granted	-	-	-
Exercised	-	-	-
Forfeited or expired	(240,000)	(80,000)	\$30.70
Outstanding at December 31, 2009	-	-	-
Exercisable at December 31, 2009	-	-	-

In August 2009 the Company announced that it had cancelled all stock options (400,000) granted under the Plan including the 320,000 options previously granted to its directors (10,000 each, 60,000 in total), to the Chairman and CEO (100,000), to employees of the Company (80,000) and to employees of its Manager (80,000). The stock options were cancelled in exchange for a payment equal to the difference between the strike price of the options and the closing price of \$30.70 per share for the Company's shares on the New York Stock Exchange. The compensation of \$7.23 per option resulted in a cash outlay of \$2.3 million for the Company, which decreased the Additional Paid in Capital.

	Options – Employees	Weighted-average grant-date fair value – Employees	Options – Non-employees	Weighted-average grant-date fair value – Non-employees
Non-vested at January 1, 2007	125,000	\$ 18.64	47,500	\$ 21.25
Granted during the year	10,000	\$ 7.00	-	-
Vested during the year	(60,000)	\$ 17.84	(20,000)	\$ 22.93
Forfeited during the year	-	-	-	-
Estimated forfeitures unvested options	-	-	-	-
Non-vested at December 31, 2007	75,000	\$ 17.73	27,500	\$20.03

	Options – Employees	Weighted-average grant-date fair value – Employees	Options – Non-employees	Weighted-average grant-date fair value – Non-employees
Non-vested at January 1, 2008	75,000	\$ 17.73	27,500	\$20.03
Granted during the year	-	-	-	-
Vested during the year	(52,500)	\$ 16.84	(20,000)	\$ 22.93
Forfeited during the year	(10,000)	\$ 20.36	-	-
Estimated forfeitures unvested options	-	-	-	-
Non-vested at December 31, 2008	12,500	\$ 7.78	7,500	\$12.32

Following the cancellation described above, there are no more outstanding stock options under the Plan. The total fair value of options vested during the years ended December 31, 2009, 2008 and 2007 approximates the amounts expensed in the periods

Specification of the aggregate compensation cost related to the Plan recognized in the Statements of Operations account is disclosed in Note 5.

There is no material income tax benefit for stock-based compensation due to the Company's tax structure.

Restricted Shares to Employees and Non-Employees

Under the terms of the Plan 16,700 shares of restricted stock awards were granted to certain employees and non-employees during 2006. The restricted shares were granted on May 12, 2006 (the date the awards were approved by the Board) at a grant date fair value of \$31.99 per share.

The fair value of restricted shares is estimated based on the market price of the Company's shares. The fair value of restricted shares granted to employees is measured at grant date and the fair value of unvested restricted shares granted to non-employees is measured at fair value at each reporting date. See further comments above related to measurement of options and restricted shares issued to non-employees.

The shares are considered restricted as the shares vest equally in annual installments over a period of four years. The holders of the restricted shares are entitled to receive dividends paid in the period as well as voting rights.

The restricted shares vest in four equal amounts in May 2007, May 2008, May 2009 and May 2010. There were 9,700 restricted shares granted to employees and 7,000 restricted shares granted to non-employees in 2006. 2,425 (2008: 2,425) restricted shares granted to employees and 1,750 (2008: 1,750) restricted shares granted to non-employees vested in 2009.

The compensation cost for employees and non-employees is recognized on a straight-line basis over the vesting period. The total compensation cost in 2009 related to restricted shares was \$ 0.1 million (2008: \$0.1 million). The intrinsic value of restricted shares outstanding and restricted shares vested at December 31, 2009 was \$0.5 million and \$0.4 million, respectively.

At December 31, 2009, there were 16,700 restricted shares outstanding at a weighted-average grant date fair value of \$31.99 for employees and \$31.99 for non-employees. As of December 31, 2009, unrecognized compensation cost related to unvested restricted stock aggregated \$0.1 million (\$0.2 million per December 31, 2008), which will be recognized over a weighted average period of 0.36 years.

Specification of the aggregate compensation cost related to the Plan recognized in the Statements of Operations is disclosed in Note 5.

The tables below summarize the Company's restricted stock awards as of December 31, 2009 and December 31, 2008:

	Restricted shares - Employees	Weighted-average grant-date fair value - Employees	Restricted shares - Non-employees	Weighted-average grant-date fair value - Non-employees
Non-vested at January 1, 2008	7,275	\$31.99	5,250	\$31.99
Granted during the year	-	-	-	-
Vested during the year	2,425	-	1,750	-
Forfeited during the year	-	-	-	-
Non-vested at December 31, 2008	4,850	\$31.99	3,500	\$31.99

	Restricted shares - Employees	Weighted-average grant-date fair value - Employees	Restricted shares - Non-employees	Weighted-average grant-date fair value - Non-employees
Non-vested at January 1, 2009	4,850	\$31.99	3,500	\$31.99
Granted during the year	-	-	-	-
Vested during the year	2,425	-	1,750	-
Forfeited during the year	-	-	-	-
Non-vested at December 31, 2009	2,425	\$31.99	1,750	\$31.99

11. LONG-TERM DEBT

The Company has a \$500 million revolving credit facility (the "Credit Facility"), with a maturity in 2013.

The Credit Facility provides funding for future vessel acquisitions and general corporate purposes. The Credit Facility cannot be reduced by the lender and there is no repayment obligation of the principal during the term of the facility. Amounts borrowed under the Credit Facility bear interest at an annual rate equal to LIBOR plus a margin between 0.70% and 1.20% (depending on the loan to vessel value ratio). The Company pays a commitment fee of 30% of the applicable margin on any undrawn amounts. Total commitment fees paid for the year ended December 31, 2009 and December 31, 2008 were \$1.0 million and \$1.0 million, respectively. The undrawn amount of this facility as of December 31, 2009 and December 31, 2008 was \$500.0 million and \$485.0 million, respectively.

Borrowings under the Credit Facility are secured by first priority mortgages over the Company's vessels and assignment of earnings and insurance. Under the terms and conditions of the Credit Facility the Company is, among other things, required to maintain certain loan to vessel value ratios, and to maintain a book equity of no less than \$150.0 million, and to remain listed on a recognized stock exchange, and to obtain the consent of the lenders prior to creating liens on or disposing of the Company's vessels. The Company is permitted to pay dividends in accordance with its dividend policy as long as it is not in default under the Credit Facility.

At December 31, 2009, accrued interest and commitment fee was \$0.05 million which was paid during the first quarter of 2010.

The Company was in compliance with its loan covenants for the year ended December 31, 2009.

12. INTEREST EXPENSE

Interest expense consists of interest expense on the long-term debt, the commitment fee and amortization of the deferred financing costs related to the Credit Facility. Amounts borrowed under the Credit Facility bear interest equal to LIBOR plus a margin between 0.7% and 1.2%. The financing costs incurred in connection with the refinancing of the previous Credit Facility are deferred and amortized over the term of the Credit Facility on a straight-line basis. The amortization of deferred financing costs for the years ended December 31, 2009, 2008 and 2007 was \$0.6 million, \$0.6 million and \$0.5 million, respectively. Total capitalized deferred financing costs were \$2.5 million and \$3.1 million at December 31, 2009 and 2008, respectively.

13. DEFERRED REVENUE

Deferred revenue at December 31, 2009 of \$0.5 million represents prepaid freight received from one of our customers prior to December 31, 2009 for services to be rendered during January 2010.

14. ACCRUED LIABILITIES

<i>All figures in USD '000</i>	2009	2008
Accrued Interest	174	85
Accrued Expenses	2,735	2,997
Accrued Commission	-	462
Other Liabilities	-	273
Total as per December 31,	2,909	3,817

15. EARNING PER SHARE

Basic earnings per share ("EPS") are computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the weighted average number of common shares and dilutive common stock equivalents (i.e. stock options, warrants) outstanding during the period.

<i>All figures in USD</i>	2009	2008	2007
<i>Numerator:</i>			
Net Income	1,012,240	118,844,410	44,205,635
<i>Denominator:</i>			
Basic - Weighted Average Common Shares Outstanding	40,449,522	32,739,057	28,252,472
Dilutive Effect of Stock Options *	-	93,797	42,525
Dilutive – Weighted Average Common Shares Outstanding	40,449,522	32,832,854	28,294,997
<i>Income per Common Share:</i>			
Basic	0.03	3.63	1.56
Diluted	0.03	3.62	1.56

* In August 2009, the Company announced that it had cancelled all outstanding stock options. Following the cancellation described in Note 10, there are no more outstanding stock options under the Plan.

16. SHAREHOLDERS' EQUITY

Authorized, and issued and outstanding common shares roll-forward is as follows:

<i>All figures in USD '000, except number of shares</i>	Authorized Shares	Issued and Outstanding Shares	Common Stock
Balance at January 1, 2007	51,200,000	26,914,088	269
Issuance of Common Shares in Follow-on Offering		3,000,000	30
Share-based Compensation		61,224	1
Balance at December 31, 2007	51,200,000	29,975,312	300
Issuance of Common Shares in Follow-on Offering		4,310,000	43
Share-based Compensation		87,959	1
Balance at December 31, 2008	51,200,000	34,373,271	344
Issuance of Common Shares in Follow-on Offering		3,450,000	35
Share-based Compensation		70,408	-
Issuance of Common Shares in Follow-on Offering		4,225,000	42
Share-based Compensation		86,225	1
Balance at December 31, 2009	51,200,000	42,204,904	422

In January 2009, the Company completed an underwritten public offering of 3,450,000 common shares. The net proceeds from the offering were \$107.2 million. In May 2009, the Company completed an underwritten public offering of 4,225,000 common shares. The net proceeds from the offering were \$129.5 million. The net proceeds from the offerings increased the Company's Share Premium Fund and the proceeds were used to prepare the Company for further expansions and repay borrowings under the Credit Facility.

The total issued and outstanding shares as of December 31, 2009 were 42,204,904 shares of which 305,816 shares were restricted shares issued to the Manager and 4,175 shares were restricted shares issued to employees and non-employees as described in Note 9. The total issued and outstanding shares as of December 31, 2008 were 34,373,271 shares of which 354,575 shares were restricted.

Additional Paid in Capital

Included in Additional Paid in Capital is the Company's Share Premium Fund as defined by Bermuda Law. The Share Premium Fund cannot be distributed without complying with certain legal procedures designed to protect the creditors of the Company. The Share Premium Fund was \$0.0 million and \$0.0 million as of December 31, 2009 and 2008 respectively.

On June 19, 2009, at the Company's Annual General Meeting, shareholders voted to reduce the Share Premium Fund by the amount of \$236.7 million. The legal procedures related to this reduction were finalized on August 12, 2009, upon which the amount became eligible for distribution.

17. COMMITMENTS AND CONTINGENCIES

The Company may become a party to various legal proceedings generally incidental to its business and is subject to a variety of environmental and pollution control laws and regulations. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any claim which might be pending or threatened, either individually or on a combined basis, will not have a materially adverse effect on the financial position of the Company, but could materially affect the Company's results of operations in a given year.

No claims have been filed against the Company for the fiscal year 2009 or 2008. The Company is not a party to any legal proceedings for the year ended December 31, 2009 and December 31, 2008.

At December 31, 2009, the Company had payment obligations totalling \$182.6 million in connection with the agreement to acquire two newbuildings entered into in November 2007 and the double-hull Suezmax tanker Nordic Passat agreed to acquire in November 2009. The payments obligations of \$182.6 million are due in 2010. Please see Note 8 for further information related to the newbuildings.

18. SUBSEQUENT EVENTS

In January 2010, the Company completed an underwritten public offering of 4,600,000 common shares which strengthened its equity by \$136.8 million before expenses relating to the offering. The underwritten public offering enhances the capacity of the Company to make further accretive acquisitions.

In February 2010, the Company declared a dividend of \$0.25 per share in respect of the results for the fourth quarter of 2009 which was paid to shareholders in March 2010.

In March 2010, the double-hull Suezmax tanker Nordic Passat was delivered to the Company.

In March 2010, the Company announced that it has decided to place all its vessels in the Gemini Suezmax cooperation. Frontline Ltd. and Teekay Corporation are among other key members of the Gemini arrangement.

In April 2010, we announced agreements with Samsung Heavy Industries Co., Ltd, to build two Suezmax tankers of 158,000 dwt each to be delivered in the third and fourth quarters of 2011. The purchase prices of the two newbuilding vessels are \$64.5/\$65.0 million, with about half to be paid on the execution of the contracts and the balance to be paid on delivery.

In May 2010, the Company declared a dividend of \$0.60 per share in respect of the results for the first quarter of 2010 which is scheduled to be paid to shareholders in June 2010.

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