NORDIC AMERICAN TANKERS LIMITED

2011 ANNUAL REPORT TO SHAREHOLDERS

HISTORY AND DEVELOPEMENT

Nordic American Tankers Limited, or the Company, was founded on June 12, 1995 under the name Nordic American Tanker Shipping Limited under the laws of the Islands of Bermuda and we maintain our principal offices at LOM Building, 27 Reid Street, Hamilton HM 11, Bermuda. Our telephone number at such address is (441) 292-7202. We are an international tanker company that currently owns 20 Suezmax tankers. The Company was formed for the purpose of acquiring and chartering three double-hull Suezmax tankers that were built in 1997. In the autumn of 2004, the Company owned three vessels; at the end of 2005 the Company owned eight vessels; at the end of 2006 the Company owned 12 vessels; at the end of 2009 the Company owned 15 vessels; at the end of 2010 the Company owned 17 vessels; and at the end of 2011 the Company owned 20 vessels. We expect that the expansion process will continue over time and that more vessels will be added to our fleet.

BUSINESS

We are an international tanker company that owns 20 double-hull Suezmax tankers that average approximately 156,000 dwt each. We chartered all of our vessels in the spot market pursuant to a cooperative arrangement with Gemini Tankers LLC until November 24, 2011. In November 2011, the Orion Tankers pool was established with Orion Tankers Ltd. as pool manager and our vessels were transferred from the Gemini Tankers LLC arrangement to the Orion Tankers pool upon completion of previously fixed charters within Gemini Tankers LLC.

Historically, oil trade and, therefore, charter rates increased in the winter months and eased in the summer months as demand for oil in the Northern Hemisphere rose in colder weather and fell in warmer weather. The tanker industry, in general, has become less dependent on the seasonal transport of heating oil than a decade ago as new uses for oil and oil products have developed, spreading consumption more evenly over the year. Most apparent is a higher seasonal demand during the summer months due to energy requirements for air conditioning and motor vehicles.

Our Fleet

Our current fleet consists of 20 double-hull Suezmax tankers and all of our vessels are employed in the spot market pursuant to our cooperative arrangement with Orion Tankers Ltd.

Vessel	Yard	Built	Deadweight Tons	Delivered to NAT
Nordic Harrier	Samsung	1997	151,475	August 1997
Nordic Hawk	Samsung	1997	151,475	October 1997
Nordic Hunter	Samsung	1997	151,400	December 1997
Nordic Voyager	Dalian New	1997	149,591	November 2004
Nordic Freedom	Daewoo	2005	163,455	March 2005
Nordic Fighter	Hyundai	1998	153,328	March 2005
Nordic Discovery	Hyundai	1998	153,328	August 2005
Nordic Saturn	Daewoo	1998	157,332	November 2005
Nordic Jupiter	Daewoo	1998	157,411	April 2006
Nordic Apollo	Samsung	2003	159,999	November 2006
Nordic Moon	Samsung	2002	159,999	November 2006
Nordic Cosmos	Samsung	2003	159,998	December 2006
Nordic Sprite	Samsung	1999	147,188	February 2009
Nordic Grace	Hyundai	2002	149,921	July 2009
Nordic Mistral	Hyundai	2002	164,236	November 2009
Nordic Passat	Hyundai	2002	164,274	March 2010
Nordic Vega	Bohai	2010	163,000	December 2010
Nordic Breeze	Samsung	2011	158,597	August 2011
Nordic Aurora	Samsung	1999	147,262	September 2011
Nordic Zenith	Samsung	2011	158,645	November 2011

During 2011, our fleet increased by three vessels, including two newbuilding vessels that we took delivery of from Samsung Heavy Industries Co., Ltd. pursuant to agreements that we entered into in April 2010.

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 may consider charters at fixed rates depending on market conditions.

We currently operate all of our 20 vessels in the spot market through a cooperative arrangement with other vessels that are not owned by us.

Spot Market

Spot Charters: Tankers operating in the spot market are typically chartered for a single voyage which may last up to several weeks. Under a voyage charter, revenue is generated from freight billing, as we are responsible for paying voyage expenses and the charterer is responsible for any delay at the loading or discharging ports. When our tankers are operating on spot charters the vessels are traded fully at the risk and reward of the Company. For vessels operating in the spot market other than through the pool (described below), the vessels will be operated by the pool manager. Under this type of employment, the vessel’s revenues are not included in the profit sharing of the participating vessels in the pool. The Company considers it appropriate to present this type of arrangement on a gross basis in the Statements of Operations. See note 2 to our audited financial statements for further information concerning our accounting policies.

During 2011, we temporarily operated six vessels in the spot market through the pool manager of the cooperative arrangement. No vessels were operated in the spot market through cooperative arrangements during 2010.

Cooperative Arrangements: The pool manager of the cooperative arrangements has the responsibility for the commercial management of the participating vessels, including marketing, chartering, operating and purchasing bunker (fuel oil) for the vessels. Revenue is generated from freight billing, as the pool manager is responsible for paying voyage expenses and the charterer is responsible for any delay at the loading or discharging ports. The pool manager employs the vessels in the pool under a contract with a particular charterer for a number of voyages, with each single voyage or contract of carriage being performed by a pool vessel after nomination by the pool manager. Each participant in the pool shall, in relation to each of its vessels, maintain the vessel in a seaworthy condition and to defined technical and operational standards and obtain and maintain the required number of vettings. The owners of the participating vessels remain responsible for the technical costs including crewing, insurance, repair and maintenance, financing and technical management of their vessels. The revenues, less voyage expenses, or net pool earnings of all of the vessels are aggregated and divided by the actual earning days each vessel is available during the period. The Company has considered it appropriate to present this type of arrangement on a net basis in the Statements of Operations. See Note 2 to our audited financial statement.

If a vessel does not temporarily comply with the pool requirements, the vessel will continue to be operated in the spot market by the pool manager, as described above under “Spot Charters.”

Until June 30, 2010, Frontline Ltd. (NYSE:FRO) and the private Stena Group of Sweden provided commercial management services for all of the Company`s vessels trading in the spot market. From July 1, 2010 until November 2011, we placed all of our vessels in a spot market cooperation with Gemini Tankers LLC, where Frontline Ltd. and Teekay Corporation (NYSE: TK), together with us were the main owners of the participating vessels.

In November 2011, the Orion Tankers pool was established with Orion Tankers Ltd. as pool manager. This company is owned equally by us and Frontline Ltd. In mid-November 2011, our vessels were transferred from the Gemini Tankers LLC arrangement to the Orion Tankers pool upon completion of previously fixed charters within Gemini Tankers LLC.

Time Charters

No vessels were employed on time charters during 2011 and 2010.

Bareboat Charters

Under a bareboat charter, the charterer is responsible for operating and maintaining the vessel and for paying all operating costs and expenses with respect to the vessel.

No vessels were employed on bareboat charters during 2011. During the year ended December 31, 2010, two of our vessels were employed on bareboat charters that expired in June 2010 and October 2010, respectively.

THE 2011 TANKER MARKET (Source: Fearnleys)

Based on data for 2011, it was the worst year for the freight market for all types and sizes of tankers in almost a decade. In 2002, freight rates were periodically lower than in 2011, but the downturn lasted for a shorter period of time, and, more importantly, bunker costs were approximately 75% lower in 2002 compared to 2011. As a result of bunker prices, earnings on a time charter equivalent basis for the largest vessels have been negative for a large part of the year whereas Suezmax earnings have been positive. Normally, time charter equivalents are calculated on the basis of normal service speed and corresponding bunker consumption, but more recently, due to speed optimization, time charter equivalents for the largest vessels have been above zero as well.

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 deadweight tons, or 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 $5,400 per day during 2011, or about 80% lower than in 2010. Suezmaxes, whose carrying capacity ranges from 120,000 dwt to 200,000 dwt, achieved $16,200 per day during the same period, down from $28,500 in the year 2010. Corresponding rates for Aframaxes, whose carrying capacity ranges from 80,000 dwt to 120,000 dwt, were about $10,600 per day compared with $15,500 per day in the year 2010. 2011 has been more challenging for owners than the weak tanker market in the year 2010. The earnings estimates used in this section are based on service speed and consumption. As most owners currently operate their vessels as economically as possible, i.e., by slow steaming, actual earnings are somewhat higher than those above. Earnings have periodically stayed far below operating costs resulting in substantial operating losses for many companies. Suezmax tankers have generally generated earnings above operating costs. Asset values in 2011 compared to 2010 for Suezmax tankers declined the least of the three main crude tanker segments.

Preliminary estimates for seaborne crude oil trade, measured in tonne-miles, indicate a decrease of about 2.0% in 2011 compared to 2010. Measured by volume, the decrease is estimated to be about 2.5%, indicating an increase in average distances. Crude oil imports to the U.S. show a decrease of about 3.3% compared to 2010. Based on 10 months seaborne trade statistics, transportation work during this period fell by 3.9% compared to the first 10 months of 2010. This indicates reduced average distances in combination with increased over land imports from Canada. In East Asia, Chinese crude oil imports have stagnated in 2011 whereas Korean crude oil imports have increased and Japanese and Taiwanese imports are down.

In 2011, a total of 60 VLCCs and 43 Suezmax tankers have been delivered from yards. The Suezmax fleet is expected to expand by 11.5% and the VLCC fleet by 11.1% (both measured by deadweight tons) in 2012. In total, net tanker fleet growth is estimated to be 8.0% in 2012.

The sale and purchase market for tankers, measured by the number of transactions, is expected to decrease compared with 2010. In 2011, about 225 tankers have been sold compared to 269 in 2010. Prices are down across the tanker market and, since the end of 2010, prices have declined between 9% and 44%.

The International Energy Agency (IEA), according to its November 2011 report, expects global demand for oil to increase by an estimated 1.2% in 2012. With the current financial turmoil, especially in Europe, and continued challenging times in the U.S. (despite falling unemployment and increased activity in the industry and construction sector) Fearnleys is quite uncertain about market developments for tankers in 2012. Following a period of rising inflation and numerous actions to restrict credit, the Chinese government has recently eased restrictions somewhat in order to stimulate domestic demand. However, the two main areas of Chinese economic activity – the real estate sector and exports – are expected to slow down in 2012. Fearnleys does not expect any significant increase in Chinese crude oil imports in 2012.

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 remained unchanged.

The Credit Facility provides funding for future vessel acquisitions and general corporate purposes. The Credit Facility cannot be reduced by the lenders 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. Borrowings under the Credit facility are secured by first priority mortgage over the Company's vessels and assignment of earning and insurance.

Borrowings under the Credit facility are secured by first priority mortgage over the Company's vessels and assignment of earning 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.

The undrawn amount of this facility as of December 31, 2011 was $270.0 million. The Company is currently in compliance with its loan covenants.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Results of Operations

We present our Statement of Operations using voyage revenues and voyage expenses. During the year ended December 31, 2011, all of our vessels were employed in the spot market. During the year ended December 31, 2010, two of our vessels were employed on bareboat charters that expired in June 2010 and October 2010 and the rest of our fleet was operated in the spot market. Under a bareboat charter, the charterer pays substantially all of the vessel voyage expenses. Under a spot charter, the vessel owner pays all vessel voyage expenses. Vessel voyage expenses consist primarily of fuel, port charges and commissions. Under our cooperative arrangement, the pool manager employs the vessels in the pool under a contract with a particular charterer for a number of voyages, with each single voyage or contract of carriage being performed by a pool vessel after nomination by the pool manager. The earnings of all of the vessels are aggregated and divided by the actual earning days each vessel is available during the period.

Since the amount of voyage expenses that we incur for a charter depends on the type of the charter, we use net voyage revenues to provide comparability among the different types of charters. Management believes that net voyage revenue, a non-GAAP financial measure, provides more meaningful disclosure than voyage revenues, the most directly comparable financial measure under accounting principles generally accepted in the United States, or US GAAP because it enables us to compare the profitability of our vessels which are employed under bareboat charters, spot related time charters and spot charters. Net voyage revenues divided by the number of days on the charter provides the Time Charter Equivalent (TCE) Rate. -For bareboat charters, vessel voyage expenses must be added in order to calculate TCE rates. Net voyage revenues and TCE rates are widely used by investors and analysts in the tanker shipping industry for comparing the financial performance of companies and for preparing industry averages. We believe that our method of calculating net voyage revenue is consistent with industry standards. The following table reconciles our net voyage revenues to voyage revenues.

	Year Ended December 31,		
All figures in USD ‘000	**2011**	**2010**	**Variance**
Voyage Revenue	94,787	126,416	(25.0%)
Voyage Expenses	(14,921)	-	-
Net Voyage Revenues	**79,866**	**126,416**	**(36.8%)**
Vessel Operating Expenses	(54,859)	(47,113)	(16.4%)
General and Administrative Expenses	(15,394)	(15,980)	3.7%
Depreciation Expense	(64,626)	(62,545)	(3.3%)
Loss on Contract	(16,200)	-	-
Net Operating (Loss) Income	**(71,213)**	**778**	
Interest Income	1,187	632	87.8%
Interest Expense	(2,130)	(1,971)	(8.1%)
Other Financial Expense	(142)	(248)	42.7%
Net (Loss) Income	**(72,298)**	**(809)**	**-**

	Year Ended December 31,		
All figures in USD ‘000	**2011**	**2010**	**Variance**
Voyage Revenue – net pool earnings	76,618	119,598	(35.9%)
Voyage Revenue – gross freight	18,169	-	
Bareboat Revenue	-	6,818	
Total Voyage Revenue	94,787	126,416	(25.0%)
Less Bareboat Revenue	-	(6,818)	
Less Voyage expenses – gross voyage expenses	(14,921)	-	
Total TCE revenue	**79,866**	**119.598**	**(33.2%)**
Vessel Calendar Days (1)	6,367	5,732	11.1%
Less bareboat days	-	395	
Less off-hire days (2)	116	101	14.9%
Total TCE days	**6,251**	**5,236**	**19.4%**
TCE Rate per day (3)	**$ 12,777**	**$ 22,841**	**(44.1%)**
Total Days – vessel operating expenses	6,370	5,337	19.4%

(1) Vessel Calendar Days is the total number of days the vessels were in our fleet.

(2) Nordic Harrier (former Gulf Scandic) was redelivered from a bareboat charter in October 2010 and went directly into drydock for repairs. The drydock period was completed in late April 2011 and the vessel was employed in the spot market pursuant to cooperative arrangements on May 1, 2011. The calendar days and the off-hire days in connection with the drydock period of the Nordic Harrier are not included in this table because the vessel had not operated in the spot market prior to May 1, 2011 and as a result, the number of calendar and off-hire days would not have an impact on the comparison of TCE rate per day.

(3) Time Charter Equivalent, (“TCE”), results from Total TCE revenue divided by Total TCE days

Voyage revenue decreased by 25.0% to $94.8 million for the year ended December 31, 2011, from $126.4 million for the year ended December 31, 2010. The decrease in voyage revenue was primarily the result of a decrease in net pool earnings by 35.9% to $76.6 million for the year ended December 31, 2011, from $119.6 million for the year ended December 31, 2010, due to a decline in spot market rates. The decrease in net pool earnings was offset by an increase in TCE days of 19.4% for the year ended December 31, 2011 from 2010, due to the expansion of the fleet by three vessels in 2011 and TCE days for a whole year for the vessels delivered in 2010.

Voyage expenses were $14.9 million for the year ended December 31, 2011, compared to $0.0 million for the year ended December 31, 2010. The voyage expenses of $14.9 million for the year ended December 31, 2011 is related to the six vessels we temporarily operated in the spot market where the Company was the principal of the vessel’s activities. During 2010 we did not operate as principal of the vessel’s activities. Vessels chartered for a single voyage are presented in the Statement of Operations on a gross basis. The gross freight achieved on these voyages is included in the voyage revenue. Revenues for vessels employed pursuant to a cooperative arrangement are presented net of voyage expenses.

Net voyage revenues were $79.9 million for the year ended December 31, 2011 compared to $126.4 million for the year ended December 31, 2010, representing a decrease of 36.8%. The decrease in net voyage revenues was primarily the result of a decrease in the spot market rates for the period. Average TCE rate was $12,777 for the year ended December 31, 2011 compared to $22,841 for the year ended December 31, 2010, representing a decrease of 44.1%. The decrease in net voyage revenues was offset by an increase in revenue days of 19.4%, due to expansion of the fleet by three vessels in 2011 and revenue days for a whole year for the vessels delivered in 2010.

Vessel operating expenses, or operating expenses, were $54.9 million for the year ended December 31, 2011 compared to $47.1 million for the year ended December 31, 2010, an increase of 16.4%. The increase in operating expenses for the year ended December 31, 2011 compared to 2010 was a result of an increase in operating days of 19.4%, due to expansion of the fleet by three vessels in 2011 and operating days for a whole year for the vessels delivered in 2010. The increase in operating expenses was offset by a decrease in the average operating expenses per day of $8,600 for the year ended December 31, 2011, from $8,800 per day for the year ended December 31, 2010. The decrease in average operating expenses per day is a result of our high focus on limiting costs and the cost synergies created by operating a homogenous fleet.

General and administrative expenses were $15.4 million for the year ended December 31, 2011 compared to $16.0 million for the year ended December 31, 2010, which resulted in a decrease of 3.7%. The decrease of $0.6 million in general and administrative expenses during 2011 as compared to 2010, is a result of a decrease of $2.2 million related to share-based compensation and pension costs, offset by an increase of $0.9 million related to the arbitration procedures for the Nordic Galaxy and of $0.7 million related to the increase in expenses primarily due to expansion of the fleet by three vessels in 2011. General and administrative expenses for the year ended December 31, 2011, include $3.1 million in expenses related to share-based compensation and pension costs as compared to $5.3 million for the year ended December 31, 2010. The decrease in general and administrative expenses of $2.2 million related to share-based compensation and pension cost for the year ended December 31, 2011 compared to the year ended December 31, 2010, is a result of a decrease in costs of $2.8 million related to the issuance of restricted shares to the Manager after a follow-on offering that was conducted in 2010 under the management agreement as compared to no such costs in 2011. In addition, a decrease in costs of $0.7 million in 2011 under deferred compensation plan is a result of foreign currency exchange fluctuations related to the deferred compensation agreements which are denominated in Norwegian krone and the financial assumption of the agreements. We had an increase in expenses in 2011 of $1.3 million related to restricted shares issued under the 2011 Equity Incentive Plan.

Depreciation expenses were $64.6 million for the year ended December 31, 2011 compared to $62.5 million for the year ended December 31, 2010 which is an increase of 3.3%. The increase in depreciation expenses is a result of an increase of $5.9 million in the total depreciation of vessels due to the expansion of our fleet by three vessels during 2011 and the inclusion of the depreciation for a whole year of the vessels delivered in 2010, offset by a decrease in amortization expenses of drydocking costs of $3.8 million related to capitalized drydocking expenses that were fully amortized during 2010.

Loss on Contract was $16.2 million for the year ended December 31, 2011. Loss on Contract is a result of the award granted by the arbitral tribunal related to the arbitration involving the Nordic Galaxy. Even though the result of the arbitration could have been more advantageous for the Company, we are satisfied that a ship that did not meet our specifications did not enter our fleet. For further details, see Note 9 of our audited financial statements.

Net operating loss was $71.2 million for the year ended December 31, 2011 compared to net operating income of $0.8 million for the year ended December 31, 2010. The increase in net operating loss of $70.4 million was primarily a result of a decrease in net voyage revenue of $46.6 million due to a decrease in spot market rates, an increase of vessel operating expenses of $7.7 million and an increase of depreciation expenses of $2.1 million due to an increase in operating days as well as the Loss on Contract of $16.2 million from the result of the award granted by the arbitral tribunal related to arbitration involving the Nordic Galaxy.

Interest income was $1.2 million for the year ended December 31, 2011 and $0.6 million for the year ended December 31, 2010. Interest income of $1.2 million was derived from the loan furnished from the Company to the seller of the Nordic Galaxy, which the Company did not take delivery of in August 2010. For further details, see Note 9 of our audited financial statements.

Interest expenses were $2.1 million for the year ended December 31, 2011 compared to $2.0 million for the year ended December 31, 2010. The increase in interest expenses is primarily the result of an increase in amounts borrowed under the Credit Facility and an increase in interest rates during 2011 compared to 2010.

Liquidity and Capital Resources

Cash flows (used in) provided by operating activities decreased to ($12.2) million for the year ended December 31, 2011 from $57.8 million for the year ended December 31, 2010. The decrease in cash flows provided by operating activities is primarily due to lower spot market rates and an increase of vessel operating expenses due to the expansion of the fleet in December 2010 and during 2011.

Cash flows used in investing activities decreased to $81.8 million for the year ended December 31, 2011 compared to $202.8 million for the year ended December 31, 2010. The cash flows used in investing activities for the year ended December 31, 2011 consists primarily of payments made in connection with the drydocking of the Nordic Harrier and in connection with the delivery of the Nordic Breeze, the Nordic Aurora and the Nordic Zenith. The cash flows used in investing activities for the year ended December 31, 2010 were primarily a result of the expansion of our fleet by two vessels in 2010, a loan to the sellers of the Nordic Galaxy of $8.4 million which we did not take delivery of, and advances related to the two newbuildings that were delivered to us in August 2011 and in November 2011.

Cash flows provided by financing activities decreased to $100.7 million for the year ended December 31, 2011 compared to cash flow provided by financing activities of $131.8 million for the year ended December 31, 2010. The financing activities for the year ended December 31, 2011 are the net proceeds from the drawdown of $155.0 million under the Credit Facility less $54.3 million paid in dividends. The financing activities for the year ended December 31, 2010 represent proceeds from the follow-on offering of $136.5 million and the net proceeds from a drawdown of $75.0 million under the Credit Facility less $79.7 million paid in dividends.

During 2012, eight of the Company’s vessels are required, as part of the class renewal survey, to be drydocked for overhaul repair and maintenance. The total off-hire days are estimated to be 160 days and drydocking costs are estimated to be $16.0 million. These drydocking costs are to be financed through the financial resources of the Company. Management believes that the Company’s working capital is sufficient for its present requirements.

Contractual Obligations

The Company's contractual obligations as of December 31, 2011, consist of our obligations as borrower under our Credit Facility, the Management Agreement with Scandic American Shipping Ltd., and our deferred compensation agreement for our Chairman, President and CEO and our Chief Financial Officer.

The following table sets out long-term financial, commercial and other obligations outstanding as of December 31, 2011 (all figures in thousands of USD).

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Credit Facility (1)	230,000	-	230,000	–	–
Interest Payments (2)	12,246	4,536	7,709	–	–
Commitment Fees (3)	1,556	576	980	–	–
Management Fees (4)	5,000	500	1,000	1,000	2,500
Deferred Compensation Agreement (5)	9,876	-	-	–	9,876
Total	258,678	5,613	239,689	1,000	12,376

Notes:
(1) Refers to obligation to repay indebtedness outstanding as of December 31, 2011.
(2) Refers to estimated interest payments over the term of the indebtedness outstanding as of December 31, 2011.
(3) Refers to estimated commitment fees over the term of the indebtedness outstanding as of December 31, 2011.
(4) Refers to the management fees payable to Scandic American Shipping Ltd. under the Management Agreement as of December 31, 2011.
(5) Refers to estimated deferred compensation agreements payable to the Company's CEO and CFO as of December 31, 2011.

Dividend payment

Our policy is to declare quarterly dividends to shareholders, substantially equal to our net operating cash flow (determined as described below) during the previous quarter. The dividend to shareholders could be higher than the operating cash flow or the dividend to shareholders could be lower than the operating cash flow after reserves as the Board of Directors may from time to time determine are required, taking into account contingent liabilities, the terms of our Credit Facility, our other cash needs and the requirements of Bermuda. However, if we declare a dividend in respect of a quarter in which an equity issuance has taken place, we calculate the dividend per share as our net operating cash flow for the quarter (after taking into account the factors described above) divided by the weighted-average number of shares over that quarter. Net operating cash flow represents net income plus depreciation and non-cash administrative charges. The dividend paid is the calculated dividend per share multiplied by the number of shares outstanding at the end of the quarter.

Total dividends paid in 2011 were $54.3 million or $1.15 per share. The quarterly dividend payments per share in 2011, 2010 and 2009 were as follows:

Period	**2011**	**2010**	**2009**
1st Quarter	$0.25	$0.25	$0.87
2nd Quarter	0.30	0.60	0.88
3rd Quarter	0.30	0.60	0.50
4th Quarter	0.30	0.25	0.10
Total USD	**$1.15**	**$1.70**	**$2.35**

The Company declared a dividend of $0.30 per share in respect of the fourth quarter of 2011, which was paid to shareholders in March 2012.

THE MANAGEMENT AGREEMENT

In June 2004, the Company entered into a Management Agreement with Scandic American Shipping Ltd. (“Manager”). The Manager is owned by a company controlled by the Chairman and Chief Executive Officer of the Company, Mr. Herbjørn Hansson and his family. Under the management agreement (“Management Agreement”), the Manager has the daily, administrative commercial and operational responsibility for our vessels and is generally required to manage our day-to-day business according to our objectives and policies as established and directed by the Board of Directors. All decisions of a material nature concerning our business are taken by the Board of Directors. The Management Agreement shall terminate on the date which is ten years from the calendar date, so that the remaining term of the Management Agreement shall always be ten years 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 $500,000 per annum for the total fleet. The management fee was increased from $350,000 to $500,000 per annum on December 1, 2011. In order to align the Manager’s interests with those of the Company, the Company has issued to the Manager restricted common shares equal to 2% of our outstanding common shares. Any time additional common shares are issued, the Manager will receive restricted common shares in order to maintain the number of common shares issued to the Manager at 2% of our total outstanding common shares.

In 2011, the Board of Directors approved a new incentive plan, which we refer to as the 2011 Equity Incentive Plan, under which a maximum of 400,000 common shares were reserved for issuance. A total of 400,000 restricted common shares that are subject to vesting have been allocated among 23 persons employed in the management of the Company, the Manager and the members of the Board. The holders of the restricted shares are entitled to voting rights as well as receive dividends paid during the vesting period.

COMMERCIAL AND TECHNICAL MANAGEMENT AGREEMENTS

The Company has outsourced the commercial and technical management of its vessels to third-party companies operating under the supervision of the Manager. The compensation under the commercial and technical management agreements is in accordance with industry standards.

Commercial Management Agreements

Until June 30, 2010, Frontline Ltd. and the private Stena Group of Sweden provided commercial management services for all the Company`s vessels trading in the spot market. In March 2010 the Company announced that it decided to place all of its vessels in a spot market cooperation with Gemini Tankers LLC, where Frontline Ltd. and Teekay Corporation, together with us were the main owners of the participating vessels. The Gemini Tankers LLC, cooperative arrangement commenced on July 1, 2010.

In November 2011, the Orion Tankers pool was established with Orion Tankers Ltd. as pool manager. This company is owned equally by us and Frontline Ltd. In mid-November 2011, our vessels were transferred from the Gemini Tankers LLC arrangement to the Orion Tankers pool upon completion of previously fixed charters within Gemini Tankers LLC.

Technical Management Agreements

The ship management firm of V.Ships Norway AS or V.Ships provides the technical management for 14 of the Company's vessels. The ship management firm of Colombia Shipmanagement Ltd, Cyprus provides the technical management for four of the Company's vessels. The ship management firm DSD Shipping AS, Norway provides the technical management for one of the Company's vessels. The ship management firm Hellespont Ship Management GmbH & Co KG, Germany provides the technical management for one of the Company's vessels.

DIVIDEND REINVESTMENT AND DIRECT STOCK PURCHASE PLAN

On March 26, 2009, the Company filed a registration statement on Form F-3ASR relating to the Dividend Reinvestment and Direct Stock Purchase Plan for 1,664,450 shares of common stock to allow existing shareholders to purchase additional common stock by reinvesting all or a portion of the dividends paid on their common stock and by making optional cash investments and new investors to enter into the plan by making an initial investment. As at December 31, 2011, December 31, 2010, and December 31, 2009, no shares were issued pursuant to the plan.

STOCKHOLDERS RIGHTS PLAN

On February 13, 2007, the Board of Directors adopted a stockholders rights agreement and declared a dividend of one preferred stock purchase right to purchase one one-thousandth of a share of our Series A Participating Preferred Stock for each outstanding share of our common stock, par value $0.01 per share. The dividend was payable on February 27, 2007 to stockholders of record on that date. Each right entitles the registered holder to purchase from us one one-thousandth of a share of Series A Participating Preferred Stock at an exercise price of $115, subject to adjustment. We can redeem the rights at any time prior to a public announcement that a person has acquired ownership of 15% or more of the Company's common stock.

This stockholders rights plan was designed to enable us to protect stockholder interests in the event that an unsolicited attempt is made for a business combination with, or a takeover of, the Company. We believe that the stockholders rights plan should enhance our Board's negotiating power on behalf of stockholders in the event of a coercive offer or proposal. We are not currently aware of any such offers or proposals.

COMPENSATION OF DIRECTORS AND OFFICERS

The six directors received, in the aggregate, $490,000 in cash fees for their services as directors for the year ended December 31, 2011. The Vice Chairman of the Board of Directors received an additional annual cash compensation of $10,000 in 2011. 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 the Chairman, President and Chief Executive Officer. We do, however, reimburse all of our directors for all reasonable expenses incurred by them in connection with their services as members of our Board of Directors.

EMPLOYMENT AGREEMENTS

We have employment agreements with Herbjørn Hansson, our Chairman, President and Chief Executive Officer; Turid M. Sørensen, our Chief Financial Officer; Rolf I. Amundsen, our Chief Investor Relations Officer and Advisor to the Chairman; and Jan Erik Langangen, our Executive Vice President, Business Development & Legal. Mr. Hansson does not receive any additional compensation for his services as a director or Chairman of the Board. The aggregate compensation of our executive officers during the year ended December 31, 2011 was approximately $2.9 million.

In 2011, the Board of Directors established the 2011 Equity Incentive Plan. The aggregate number of restricted shares issued to our executive officers during the year ended December 31, 2011 was 110,000. The aggregate number of restricted shares to our Directors during the year ended December 31, 2011 was 53,000. The vesting period is a four-year cliff vesting period for 326,000 shares and a five-year cliff vesting period for 74,000 shares, that is, none of these shares may be sold during the first four or five years after grant, as applicable, and the shares are forfeited if the grantee leaves the Company before that time. The holders of the restricted shares are entitled to voting rights as well as receive dividends paid in the period. The Board considers this arrangement to be in the best interests of the Company.

Our Chairman, President and Chief Executive Officer and our Chief Financial Officer have individual deferred compensation agreements. The Chief Executive Officer has served in his present position since the inception of the Company in 1995. Please see Note 7 to the audited financial statements for further information about the agreements.

SHARE-BASED COMPENSATION PLANS

Management Agreement

In order to align the Manager's interests with those of the Company, the Company has issued to the Manager restricted common shares equal to 2% of our outstanding common shares. Any time additional common shares are issued, the Manager will receive restricted common shares in order to maintain the number of common shares issued to the Manager at 2% of our total outstanding common shares.

2004 Stock Incentive Plan

As of December 31, 2010, the Company had a share-based compensation plan that had been active since 2004. The plan was cancelled in 2011. Total compensation cost related to the 2004 Stock Incentive Plan was $0.06 million for the year ended December 31, 2010, and was recorded within "General and Administrative expense" in the Statement of Operations. All the restricted shares to employees and non-employees had vested by the end of 2010.

2011 Equity Incentive Plan

In 2011, the Board of Directors approved a new incentive plan under which a maximum of 400,000 common shares were reserved for issuance. A total of 400,000 restricted common shares that are subject to vesting have been allocated among 23 persons employed in the management of the Company, the Manager and the members of the Board. Under the terms of the Plan, the directors, officers and certain key employees of the Company and the Manager are eligible to receive awards which include incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units and other equity-based awards. The aggregate number of restricted shares issued to our executive officers during the year ended December 31, 2011 was 110,000. The aggregate number of restricted shares issued to our Directors during the year ended December 31, 2011 was 53,000.

The vesting period is a four-year cliff vesting period for 326,000 shares and a five-year cliff vesting period for 74,000 shares, that is, none of these shares may be sold during the first four or five years after grant, as applicable, and the shares are forfeited if the grantee discontinues working for the Company before that time. The holders of the restricted shares are entitled to voting rights as well as receive dividends paid during the vesting period.

Please see Note 11 to the audited financial statements for further information about the share-based compensation Plan.

April 17, 2012 NORDIC AMERICAN TANKERS LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheets of Nordic American Tankers Limited (the "Company") as of December 31, 2011 and 2010, and the related statements of operations, shareholders' equity and cash flows for each of the three years ended December 31, 2011. 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 Tankers Limited as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte AS

Oslo, Norway
April 16, 2012

NORDIC AMERICAN TANKERS LIMITED
STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009
All figures in USD '000, except share and per share amount

		Year Ended December 31,		
	Notes	**2011**	**2010**	**2009**
Voyage Revenues	4	94,787	126,416	124,370
Voyage Expenses		(14,921)	–	(8,959)
Vessel Operating Expense – excluding depreciation expense presented below		(54,859)	(47,113)	(43,139)
General and Administrative Expense	3,6,7,11	(15,394)	(15,980)	(14,819)
Depreciation Expense	8	(64,626)	(62,545)	(55,035)
Loss on Contract	9	(16,200)	-	-
Net Operating (Loss) Income		**(71,213)**	**778**	**2,418**
Interest Income		1,187	632	614
Interest Expense	13	(2,130)	(1,971)	(1,794)
Other Financial Expense		(142)	(248)	(226)
Total Other Expenses		**(1,085)**	**(1,587)**	**(1,406)**
Net (Loss) Income		**(72,298)**	**(809)**	**1,012**
Basic (Loss) Earnings per Share	15	(1.53)	(0.02)	0.03
Diluted (Loss) Earnings per Share	15	(1.53)	(0.02)	0.03
Basic Weighted Average Number of Common Shares Outstanding		47,159,402	46,551,564	40,449,522
Diluted Weighted Average Number of Common Shares Outstanding		47,159,402	46,551,564	40,449,522

The footnotes are an integral part of these financial statements.

NORDIC AMERICAN TANKERS LIMITED
BALANCE SHEETS AS OF DECEMBER 31, 2011 AND 2010
All figures in USD '000, except share and per share amount

	Notes	As of December 31, 2011	2010
ASSETS			
Current Assets			
Cash and Cash Equivalents		24,006	17,221
Marketable securities	19	583	-
Accounts receivable, net	4	17,586	11,046
Accounts receivable, net related party	3,4	1,571	-
Inventory		7,586	3,604
Prepaid Expenses and Other Current Assets	5,9	31,768	39,772
Total Current Assets		**83,100**	**71,643**
Non-Current Assets			
Vessels, Net	8	1,022,793	988,263
Investment in joint venture	20	61	-
Related party receivables	3	18,941	-
Other Non-current Assets	10	490	23,177
Total Non-current Assets		**1,042,285**	**1,011,440**
Total Assets		**1,125,385**	**1,083,083**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable		4,378	2,035
Accounts Payable, related party	3	926	899
Accrued Liabilities	14	12,642	4,060
Total Current Liabilities		**17,946**	**6,994**
Long-term Debt	12	230,000	75,000
Deferred Compensation Liability	7	9,876	8,134
Total Liabilities		**257,822**	**90,128**
Commitments and Contingencies	17	-	-
SHAREHOLDERS' EQUITY			
Common Stock, par value $0.01 per Share; 90,000,000 and 51,200,000 shares authorized, 47,303,394 and 46,898,782 shares issued and outstanding at December 31, 2011 and December 31, 2010, respectively	16	473	469
Additional Paid-in Capital		12,867	11,480
Contributed Surplus		926,733	981,815
Accumulated other Comprehensive Loss		(212)	-
Retained Earnings		(72,298)	(809)
Total Shareholders' Equity		**867,563**	**992,955**
Total Liabilities and Shareholders' Equity		**1,125,385**	**1,083,083**

The footnotes are an integral part of these financial statements.

NORDIC AMERICAN TANKERS LIMITED
STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

All figures in USD '000, except number of shares

	Number of Shares	Common Stock	Additional Paid-in Capital	Contributed Surplus	Accumulated other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2008	**34,373,271**	**344**	**5,300**	**899,963**	**–**	**(117,021)**	**788,586**
Accumulated dividend distributions defined as return of capital.	–	–		(117,021)	–	117,021	-
Net (Loss) Income	–	–	–	–	–	1,012	1,012
Common Shares Issued, net of $10.6 million issuance costs	7,675,000	77	236,607	–	–	–	236,684
Reduction of share premium			(236,607)	236,607	–	–	–
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**	**8,533**	**925,129**	**–**	**–**	**934,084**
Net (Loss) Income	–	–	–		–	(809)	(809)
Common Shares Issued, net of $3.5 million issuance costs	4,600,000	46	136,464	–	–	–	136,510
Reduction of share premium	-	–	(136,414)	136,414	–	–	–
Compensation –Restricted Shares	93,878	1	2,837	–	–	–	2,838
Share-based Compensation	–	–	60	–	–	–	60
Return of Capital	–	–	–	(79,728)	–	–	(79,728)
Balance at December 31, 2010	**46,898,782**	**469**	**11,480**	**981,815**	**–**	**(809)**	**992,955**
Accumulated coverage of loss as of December 31, 2010	–	–	–	(809)	–	809	–
Net (Loss) Income	–	–	–	–	–	(72,298)	(72,298)
Common Shares Issued, 2011 Equity Incentive Plan	400,000	4	–	–	–	–	4
Other Comprehensive (Loss) Income	–	–	–	–	(212)	–	(212)
Compensation – Restricted Shares	4,612	–	67	–	–	–	67
Share-based Compensation	–	–	1,320	–	–	–	1,320
Return of Capital	–	–	–	(54,273)	–	–	(54,273)
Balance at December 31, 2011	**47,303,394**	**473**	**12,867**	**926,733**	**(212)**	**(72,298)**	**867,563**

The footnotes are an integral part of these financial statements.

NORDIC AMERICAN TANKERS LIMITED
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

All figures in USD '000

	Year Ended December 31,		
	2011	**2010**	**2009**
Cash Flows from Operating Activities			
Net (Loss) Income	(72,298)	(809)	1,012
Reconciliation of Net (Loss) Income to Net Cash Provided by Operating Activities			
Depreciation Expense	64,626	62,545	55,035
Loss on Contract	16,200	-	-
Dry-dock Expenditures	(11,577)	(5,205)	(5,330)
Amortization of Deferred Finance Costs	653	653	653
Deferred Compensation Liability	1,741	2,450	1,606
Compensation– Restricted Shares	67	2,838	5,366
Share-based Compensation	1,320	60	(2,133)
Other, net	–	–	124
Changes in Operating Assets and Liabilities:			
Accounts Receivables	(8,111)	7,326	17,650
Accounts Payable and Accrued Liabilities	14,909	(3,151)	(38)
Prepaid and Other Current Assets	(8,149)	172	(1,706)
Deferred Revenue	–	(537)	88
Voyages in Progress	(5,233)	–	-
Other Non-current Assets	(6,311)	(8,590)	(9,132)
Net Cash (Used in) Provided by Operating Activities	**(12,163)**	**57,752**	**63,195**
Cash Flows from Investing Activities			
Investment in Marketable Securities	(795)	–	–
Investment in Joint Venture	(61)	–	–
Investment in Vessels	(91,536)	(194,426)	(179,275)
Loan repayment from (paid to) seller, Nordic Galaxy	10,609	(8,384)	(11,055)
Net Cash Used in Investing Activities	**(81,783)**	**(202,810)**	**(190,330)**
Cash Flows from Financing Activities			
Proceeds from Issuance of Common Stock	4	136,510	236,684
Proceeds from Use of Credit Facility	155,000	225,000	66,000
Repayments on Credit Facility	–	(150,000)	(81,000)
Dividends Paid	(54,273)	(79,728)	(95,431)
Net Cash Provided by Financing Activities	**100,731**	**131,783**	**126,253**
Net Increase (Decrease) in Cash and Cash Equivalents	**6,785**	**(13,275)**	**(882)**
Cash and Cash Equivalents at the Beginning of Year	**17,221**	**30,496**	**31,378**
Cash and Cash Equivalents at the End of Year	**24,006**	**17,221**	**30,496**
Cash Paid for Interest	1,902	1,551	1,249
Cash Paid for Taxes	–	–	–

The footnotes are an integral part of these financial statements.

NORDIC AMERICAN TANKERS LIMITED

NOTES TO FINANCIAL STATEMENTS
(All amounts in USD '000 except where noted)

1. NATURE OF BUSINESS

Nordic American Tankers Limited (the "Company") was formed on June 12, 1995 under the laws of the Islands of Bermuda. The Company's shares trade under the symbol "NAT" on the New York Stock Exchange.

We are an international tanker company that owns 20 double-hull Suezmax tankers, which average approximately 156,000 dwt each. We chartered all of our vessels in the spot market pursuant to a cooperative arrangement with Gemini Tankers LLC in 2011, until November 24, 2011, when we entered into a spot market arrangement with Orion Tankers Ltd. ("Orion Tankers"). In 2010, we had chartered two of our 17 operating vessels on bareboat charters that expired in June 2010, and October 2010, respectively. The Nordic Harrier (former Gulf Scandic) was redelivered to the Company in October 2010 and went directly into drydock. The drydock period was completed in late April 2011, and the vessel was employed in the spot market pursuant to cooperative arrangements on May 1, 2011.

Tanker markets are typically stronger in the fall and winter months (the fourth and first quarters of the calendar year) in anticipation of increased oil consumption in the northern hemisphere during the winter months. Seasonal variations in tanker demand normally result in seasonal fluctuations in spot market charter rates.

Our Fleet

Our current fleet consists of 20 double-hull Suezmax tankers and all of our vessels are employed in the spot market pursuant to our cooperative arrangement with Orion Tankers Ltd.

Vessel	Yard	Built	Deadweight Tons	Delivered to NAT
Nordic Harrier	Samsung	1997	151,475	August 1997
Nordic Hawk	Samsung	1997	151,475	October 1997
Nordic Hunter	Samsung	1997	151,400	December 1997
Nordic Voyager	Dalian New	1997	149,591	November 2004
Nordic Freedom	Daewoo	2005	163,455	March 2005
Nordic Fighter	Hyundai	1998	153,328	March 2005
Nordic Discovery	Hyundai	1998	153,328	August 2005
Nordic Saturn	Daewoo	1998	157,332	November 2005
Nordic Jupiter	Daewoo	1998	157,411	April 2006
Nordic Apollo	Samsung	2003	159,999	November 2006
Nordic Moon	Samsung	2002	159,999	November 2006
Nordic Cosmos	Samsung	2003	159,998	December 2006
Nordic Sprite	Samsung	1999	147,188	February 2009
Nordic Grace	Hyundai	2002	149,921	July 2009
Nordic Mistral	Hyundai	2002	164,236	November 2009
Nordic Passat	Hyundai	2002	164,274	March 2010
Nordic Vega	Bohai	2010	163,000	December 2010
Nordic Breeze	Samsung	2011	158,597	August 2011
Nordic Aurora	Samsung	1999	147,262	September 2011
Nordic Zenith	Samsung	2011	158,645	November 2011

During 2011, our fleet has increased by three vessels, including two newbuilding vessels that we entered into agreements with Samsung Heavy Industries Co., Ltd. in April 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 estimates. The effects 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**.**

Revenue and Expense Recognition: Revenues and expenses are recognized on the accruals basis. Revenues are generated from spot charters, cooperative arrangements and bareboat charter hires.

Voyage revenues and expenses are recognized ratably over the estimated length of each voyage and, therefore, are allocated between reporting periods based on the relative transit time in each period. The impact of recognizing voyage expenses ratably over the length of each voyage is not materially different on a quarterly and annual basis from a method of recognizing such costs as incurred. Probable losses on voyages are provided for in full at the time such losses can be estimated. Based on the terms of the customer agreement, 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. However, the Company does not recognize revenue if a charter has not been contractually committed to by a customer and the Company, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage.

Spot Charters: Revenues and voyage expenses of the vessels operating on spot charters are tankers typically chartered for a single voyage which may last up to several weeks. Revenue is generated from freight billing, as we are responsible for paying voyage expenses and the charterer is responsible for any delay at the loading or discharging ports. When our tankers are operating on spot charters the vessels are traded fully at the risk and reward of the Company. For vessels operating in the spot market other than through the pool (described below under "Cooperative arrangement"), the vessels will be operated by the pool manager. Under this type of employment, the vessel's revenues are not included in the profit sharing of the participating vessels in the pool. The Company considers it appropriate to present the gross amount earned revenue from the spot charter, showing voyage expenses related to the voyage separately in the statements of operations.

Cooperative Arrangement: Revenues and voyage expenses of the vessels operating in pool arrangements, through cooperative arrangements, are combined and the resulting net pool revenues, calculated on a time charter equivalent basis, are allocated to pool participants 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 same revenue and expense principles stated above are applied in determining the pool's net pool revenues. The Manager of the cooperative agreements is responsible for collecting voyage revenue, paying voyage expenses and distributing net pool revenues to the owners of the participating vessels. Net revenues 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.

If a vessel does not temporarily comply with the pool requirements, the vessel will continue to be operated in the spot market by the pool manager, as described above under "Spot Charters."

Bareboat Charters: 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, management fee, communication expenses and tonnage tax. These expenses are recognized when incurred.

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

Marketable Securities: Marketable equity securities held by the Company are considered to be available-for-sale securities and as such are carried at fair value. Any resulting unrealized gains and losses, net of deferred taxes if any, are recorded as a separate component of other comprehensive income in equity unless the securities are considered to be other than temporarily impaired, in which case unrealized losses are recorded in the income statement.

Accounts Receivable: Accounts and other receivables are presented net of allowances for doubtful balances. If amounts become uncollectable, they are charged against income when that determination is made.

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 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 carrying amount of the asset is less than its estimated fair market value an asset is considered to be impaired. If the estimated undiscounted future cash flows expected to result from the use of the impaired asset and its eventual disposition is less than the carrying amount of the asset, an impairment charge is recorded; if greater than the carrying amount, no impairment is recorded. The amount of impairment is determined as the difference between the carrying value and the fair value of the asset. There was no impairment charges recorded for the years ended December 31, 2011, 2010 or 2009.

Drydocking: The Company's vessels are required to be drydocked approximately every 30 to 60 months. The Company capitalizes a substantial portion of the costs incurred during drydocking and amortizes those costs on a straight-line basis from the completion of a drydocking or intermediate survey to the estimated completion of the next drydocking. Consistent with prior periods, drydocking costs include a variety of costs incurred while vessels are placed within drydock, including expenses related to the dock preparation and port expenses at the drydock shipyard, general shipyard expenses, expenses related to hull, external surfaces and decks, expenses related to machinery and engines of the vessel, as well as expenses related to the testing and correction of findings related to safety equipment on board. Company includes in capitalized drydocking those costs incurred as part of the drydock to meet classification and regulatory requirements. The Company expenses costs related to routine repairs and maintenance performed during drydocking, and for annual class survey costs. Ballast tank improvements are capitalized and amortized on a straight-line basis over a period of eight years. 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.

Investment in Joint Venture: The Company's investment in joint venture is accounted for using the equity method of accounting. Under the equity method of accounting, the investment is stated at initial cost and is adjusted for subsequent additional investments and the Company's proportionate share of earnings or losses and distributions. The Company evaluates its investment in joint venture for impairment when events or circumstances indicate that the carrying value of the investment may have experienced an other than temporary decline in value below its carrying value. If the estimated fair value is less than the carrying value and is considered an other than temporary decline, the carrying value is written down to its estimated fair value and the resulting impairment is recorded in net income (loss).

Deferred Compensation Liability: The Company has two individual deferred compensation agreements with the Company's CEO and CFO. The deferred compensation liabilities are denominated in Norwegian currency. The agreements are accounted for on an accrual basis using actuarial calculations. Any currency translation adjustments as well as actuarial gains and losses are recognized in general and administration expenses as incurred.

Other Comprehensive Income (Loss): The Company follows the guidance in Accounting Standard Codification (ASC) Topic 220, "Comprehensive Income" which requires separate presentation of certain transactions that are recorded directly as components of shareholders' equity.

Segment Information: The Company has identified only one operating segment under ASC Topic 280, "Segment Reporting." The Company has only one type of vessel – Suezmax crude oil tankers.

Geographical Segment: The Company currently operates all of its 20 vessels in the spot market through cooperative arrangements with other vessels that are not owned by us. The earnings of all of the vessels are aggregated and divided by the actual earning days each vessel was available during the period. The Company does not provide a geographical analysis because the Company's business is global in nature and the location of our vessels continually changes.

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.

Derivative Instruments: The Company did not hold any derivative instruments during 2011, 2010 and 2009, or at December 31, 2011 or 2010, respectively.

Share-Based Payments:

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."

Restricted Shares to Employees and Non-Employees: The fair value of restricted shares is estimated based on the market price of the Company's shares. The fair value of unvested restricted shares granted to employees is measured at grant date and the Company records the compensation expense for such awards over the vesting period. The fair value of unvested restricted shares granted to non-employees is measured at fair value at each reporting date and the Company records the compensation expense for such awards over the vesting period.

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 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.

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 amounts 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 4 for further information.

Accounts receivable, net, consists 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, 2011 and 2010, 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, 2011 and 2010, and has not entered into any such arrangements during 2011 or 2010.

Recent Accounting Pronouncements: In April 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-04 to amend, *Fair Value Measurements and Disclosures* (Topic 820). This ASU requires new disclosures and clarifies certain existing disclosures requirements about fair value measurements. ASU 2011-04 is effective for interim and annual reporting periods beginning after December 15, 2011, early adoption is not permitted. The Company does not expect the adoption of ASU 2011-04 to have a material impact on our financial position, results of operations, or cash flows.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*. This ASU requires the Company to report all components of comprehensive income in the financial statement in the period in which they are recognized. The guidance ASU 2011-05 is effective for public companies for fiscal years, and interim periods within those years beginning after December 15, 2011. Early adoption is permitted. The Company does not expect the adoption of ASU 2011-05 to have a material impact on our financial position, results of operations, or cash flows.

3. RELATED PARTY TRANSACTIONS

Scandic American Shipping Ltd.:

In June 2004, the Company entered into a Management Agreement with Scandic American Shipping Ltd. ("Scandic" or the "Manager"). The Manager is owned by a company controlled by the Chairman and Chief Executive Officer of the Company, Mr. Herbjørn Hansson and his family. The Manager has administrative, commercial and operational responsibility for the Company's vessels and is required to manage the Company's day-to-day business subject to the Company's objectives and policies as 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 $500,000 per annum for the total fleet, increased from $350,000 to $500,000, effective December 1, 2011.

In order to align the Manager's interests with those of the Company, the Company has issued to the Manager restricted common shares equal to 2% of our outstanding common shares at par value of $0.01 per 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. During 2011, the Company issued to the Manager 4,612 shares at an average fair value of $14.45, in connection with the adoption of the 2011 Equity Incentive

Plan. During 2010, the Company issued to the Manager 93,878 shares at a fair value of $30.24. The Company recognized $0.1 million, $2.8 million and $5.4 million in noncash share-based compensation expense for the years ended December 31, 2011, 2010 and 2009, respectively, related to the issuance of shares to the Manager. All of these costs are included in "General and Administrative Expenses" within the statements of operations. 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 primarily non-transferable for three years from the date of issuance, except for a total of 149,183 restricted shares that are non-transferable for six years from the date of issuance.

The Company recognized $3.8 million, $3.7 million, and $2.5 million of total costs for services provided under the Management Agreement for the years ended December 31, 2011, 2010 and 2009, respectively. These costs are included in "General and Administrative Expenses" in the statements of operations. The related party balances included within accounts payable were $0.9 million and $0.9 million at December 31, 2011 and 2010, respectively.

In February 2011, the Company adopted a new equity incentive plan which we refer to as the 2011 Equity Incentive Plan, pursuant to which a total of 400,000 restricted shares were reserved for issuance. A total of 174,000 restricted shares were allocated to the Manager. The vesting period is four-year cliff vesting period for 100,000 shares and five-year cliff vesting period for 74,000 shares, that is, none of these shares may be sold during the first four or five years after grant, as applicable, and the shares are forfeited if the grantee discontinues working for the Company before that time. The holders of the restricted shares are entitled to voting rights as well as receive dividends paid in the period. Under the terms of the Plan, the directors, officers and certain key employees of the Company and the Manager are eligible to receive awards which include incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units and other equity-based awards.

As of December 31, 2011, the Manager owned, together with its owners, 2.20% of the Company's shares. The Management Agreement terminates on the date which is ten years from the calendar date, so that the remaining term of the Management Agreement is always ten years unless terminated earlier in accordance with its terms, essentially related to non-performance or negligence by the Manager.

Board Member and Employees:
Mr. Jan Erik Langangen, Board Member and an employee of the Company, is a partner of Langangen & Helset Advokatfirma AS, a firm which provides legal services to the Company. The Company recognized $0.1 million in costs in each of the years ended December 31, 2011, 2010 and 2009, respectively, for the services provided by Langangen & Helset Advokatfirma AS. These costs are included in "General and Administrative Expenses" within the statements of operations. There were no related amounts included within "Accounts Payable" at December 31, 2011 and December 31, 2010.

Mr. Rolf Amundsen, the Company's Investor Relations Manager, is a partner of Amundsen & Partners AS, a firm which provides consultancy services to the Company. The Company recognized $0.1 million in costs in each of the years ended December 31, 2011 and 2010 and 2009, respectively, for the services provided by Amundsen & Partners AS. These costs are included in "General and Administrative Expenses" within the statements of operations. There were no related amounts included within "Accounts Payable" at December 31, 2011 and December 31, 2010.

Orion Tankers Ltd:
In November 2011, the Orion Tankers pool was established, with Orion Tankers Ltd. as pool manager. Orion Tankers Ltd. is owned equally by us and Frontline Ltd. In mid-November 2011, our vessels were transferred from the Gemini Tankers LLC arrangement to the Orion Tankers pool upon completion of previously fixed charters within Gemini Tankers LLC. The Company has recognized $0.1 million in costs for the year ended December 31, 2011. These costs are included in "Voyage Expenses" within the statements of operations. As of December 31, 2011, the "Accounts receivable, net related party" amount was $1.6 million and the amount represents the outstanding net earnings from Orion pool.

As of December 31, 2011, the "Related party receivable" amount was $18.9 million and the amount represents the outstanding working capital from the Orion pool. The working capital represents the value of bunkers on board our vessels at the time of vessel delivery to the cooperative arrangements, including payment of initial funding of $0.2 million per vessel. The working capital is to be repaid to the Company within six months after the date of the withdrawal from the agreements.

4. REVENUE

During, 2011, we operated all of our 20 vessels in the spot market through cooperative arrangements with Gemini Tankers LLC and Orion Tankers pool. During 2011, we temporarily operated six vessels in the spot market, through cooperative arrangements as spot charters, compared to none during 2010. During 2009, we temporarily operated four vessels in the spot market, through cooperative arrangements. During the year ended December 31, 2010, and 2009, two of our vessels were employed on bareboat charters that expired in June 2010 and October 2010, respectively.

The table below provides the breakdown of revenues recorded as per the net method and the gross method.

All figures in USD '000	**2011**	**2010**	**2009**
Voyage revenues, net pool earnings	76,618	119,598	102,229
Voyage revenues, gross freight through spot charters	18,169	–	15,817
Bareboat revenues	–	6,818	6,324
Total Voyage Revenues	**94,787**	**126,416**	**124,370**

Since July 1, 2010 and until mid-November 2011, our vessels were employed in a spot market arrangement with Gemini Tankers LLC, of which Frontline Ltd., Teekay Corporation, and we were the main owners of the participating vessels. The cooperative arrangement was managed and operated by Gemini Tankers LLC. In November 2011, the Orion Tankers pool was established, with Orion Tankers Ltd. as pool manager. Orion Tankers Ltd. is owned equally by us and Frontline Ltd., and therefore a related party of the Company. In mid-November 2011, our vessels were transferred from the Gemini Tankers LLC arrangement to the Orion Tankers pool upon completion of previously fixed charters within Gemini Tankers LLC.

Gemini Tankers LLC accounted for 97% and Orion Pool accounted for 3% of the Company's revenues for the year ended December 31, 2011. Gemini Tankers LLC accounted for 78% and Stena pool accounted for 17% of the Company's revenues for the year ended December 31, 2010. Stena pool accounted for 41% and Gemini pool accounted for 40% of the Company's revenues for the year ended December 31, 2009.

Accounts receivable, net, as of December 31, 2011 and 2010, were $17.6 million and $11.0 million, respectively. Gemini Tankers LLC accounted for 99% of the Company's accounts receivable, net for the year ended December 31, 2011 and accounted for 100% of the Company's accounts receivable, net for the year ended December 31, 2010. Stena pool accounted for 61% and Gemini Tankers LLC accounted for 33% of the Company's accounts receivables for the year ended December 31, 2009.

Accounts receivable, net related party, as of December 31, 2011 was $1.6 million. Orion pool accounted for 100% of the Company's accounts receivable, net related party for the year ended December 31, 2011.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

All figures in USD '000	**2011**	**2010**
Prepaid expenses	2,714	1,894
Deposit on Contracts, Nordic Galaxy	9,000	9,000
Loans to seller, Nordic Galaxy	–	26,809
Deferred Financing Costs	653	653
Voyage in Progress – temporarily spot charters	5,233	–
Working Capital, cooperative arrangements	12,779	-
Other	1,389	1,416
Total as of December 31,	**31,768**	**39,772**

As of December 31, 2011, the prepaid expenses and other current assets were $31.8 million compared to $39.8 million as of December 31, 2010, a decrease of $8 million. The decrease is primarily due to a settlement of the loan from the seller related to Nordic Galaxy of $26.8 million (see Note 9), offset by an increase related to gross presentation of accrued income of $5.2 million for vessels temporarily operated as spot charters (see Note 4) and an increase of $12.8 million in working capital balance against Gemini Tankers LLC which were presented as part of other non-current assets as per December 31, 2010.

6. GENERAL AND ADMINISTRATIVE EXPENSES

All figures in USD '000	**2011**	**2010**	**2009**
Management fee to related party	363	307	245
Directors and officers insurance	86	80	82
Salary and wages	2,904	2,859	2,202
Audit, legal and consultants	1,099	624	954
Legal fees – Nordic Galaxy	2,362	1,500	–
Administrative services provided by related party	3,821	3,686	2,514
Other fees and expenses	1,631	1,576	1,670
Total General and Administration expense with cash effect	**12,266**	**10,632**	**7,667**
Compensation – Restricted shares to Manager	67	2,838	5,366
Share-based compensation	1,320	60	180
Deferred compensation plan	1,741	2,450	1,606
Total General and Administrative expense without cash effect	**3,128**	**5,348**	**7,152**
Total for year ended December 31,	**15,394**	**15,980**	**14,819**

At the end of 2009 the Company owned 15 vessels; at the end of 2010 the Company owned 17 vessels; and at the end of 2011 the Company owned 20 vessels.

7. DEFERRED COMPENSATION LIABILITY

In August 2010, the Board of Directors approved a new unfunded deferred compensation agreement for Turid M. Sørensen, the Chief Financial Officer. The agreement provides for unfunded deferred compensation computed as a percentage of salary, and certain benefits for dependents. The deferred compensation liabilities are denominated in Norwegian currency. Benefits vest over a period of employment of 20.5 years up to a maximum of 66% of the salary level at the time of retirement, age of 67. Interest is imputed at 3.90% and 4.60% as of December 31, 2011 and 2010, respectively. The rights under the agreement commenced in May 2008. As the agreement was effective in 2010, vested rights under the agreement were recognized in 2010.

In May 2007, the Board of Directors approved an unfunded deferred compensation agreement for Herbjørn Hansson, the Chairman, President and CEO. The agreement provides for unfunded deferred compensation computed as a percentage of salary, and certain benefits for dependents. The deferred compensation liabilities are denominated in Norwegian currency. Benefits vest over a period of employment of 14 years up to a maximum of 66% of the salary level at the time of retirement, age of 70. Interest is imputed at 3.90% and 4.60% as of December 31, 2011 and 2010, respectively. The rights under the agreement commenced in October 2004. The CEO has the right to require a bank guarantee for the deferred compensation liability and the CEO has served in his position since the inception of the Company in 1995. The total expense recognized in 2011, 2010 and 2009 was $1.7 million, $2.5 million and $1.6 million, respectively.

8. VESSELS, NET

Vessels, net, consist of the carrying value of 20 vessels including drydocking costs. During 2011 and 2010, we did not impair any of our vessels' carrying value, as we believe the future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed the vessels' carrying amounts.

All figures in USD '000	Vessels	Drydocking	Total
Carrying Value December 31, 2010	971,018	17,245	988,263
Accumulated depreciation December 31, 2010	275,744	19,782	295,526
Depreciation expense 2010	53,181	9,364	62,545
Carrying Value December 31, 2011	1,005,147	17,646	1,022,793
Accumulated depreciation December 31, 2011	334,846	9,398	344,244
Depreciation expense 2011	59,102	5,524	64,626

During 2011, our fleet has increased by three vessels, including two newbuilding vessels that we entered into agreements with Samsung Heavy Industries Co., Ltd. in April 2010.

Newbuilding Deliveries.

In April 2010, the Company entered into agreements with Samsung Heavy Industries Co. Ltd. to acquire two Suezmax newbuildings and the first vessel, the *Nordic Breeze* was delivered to the Company in August 2011 and the *Nordic Zenith* was delivered to the Company in November 2011. The Company took ownership of the vessels upon delivery from the shipyard at which time the title was transferred from the seller. The agreed total prices at delivery were $64.7 million and $64.7 million, respectively with 55% of the purchase prices paid when we signed the contracts and the balance paid on delivery. The table below shows total capitalized costs related to the two newbuildings delivered in 2011:

All figures in USD '000	2011	2010
Newbuilding – Nordic Breeze		
Instalment	64,750	35,700
Capitalized interest	417	191
Capitalized cost *)	2,091	183
Total Newbuilding – Nordic Breeze as of December 31,	**67,258**	**36,074**

All figures in USD '000	2011	2010
Newbuilding – Nordic Zenith		
Instalment	64,750	35,700
Capitalized interest	501	191
Capitalized cost *)	2,035	160
Total Newbuilding – Nordic Breeze as of December 31,	**67,286**	**36,051**
Total as of December 31,	**134,544**	**72,125**

***)** Capitalized cost consists of direct expenses incurred upon acquisition, such as supervision expenses incurred during the construction period, commission paid and legal fees.

9. NORDIC GALAXY

In August 2010, we did not take delivery of the first of the two newbuilding vessels we agreed to acquire on November 5, 2007, because the vessel in our judgment was not in a deliverable condition as under the Memorandum of Agreement between the Company and the seller. The seller, a subsidiary of First Olsen Ltd, did not agree with the Company and the parties commenced arbitration procedures which took place in London, in October and November 2011. The agreed total price at scheduled delivery was $90.0 million per vessel, including supervision expenses. The Company paid $9.0 million as deposit on contract in 2010. The Company furnished to the seller a loan equivalent to the payment instalments under the shipbuilding contract. The loan from the Company to the seller accrued interest at a rate equal to the Company's cost of funds, and the loan was to be repaid on delivery of the vessel.

According to the first partial award received on November 18, 2011, the vessel was found to be in a deliverable condition in August 2010. The seller originally claimed $26.8 million in compensation, which was the same amount as the outstanding loan balance between the Company and the seller as per December 31, 2010. However, the first partial award was limited to $16.2 million. The Loss on Contract of $16.2 million was recognized as a subsequent event in our interim Statement of Operations for the nine months ended September 30, 2011, on Form 6-K filed on January 18, 2011 in connection with the follow-on offering. The recorded Loss on Contract did not have an impact on the Company's net cash flow.

As a consequence of the first partial award, the seller repaid to us the net outstanding loan balance of $10.6 million. In November 2011, the seller paid $1.2 million in interest income to us in connection with the outstanding balance of the loan, which is presented as interest income in the Statement of Operations.

On January 17, 2012, we received the final award from the tribunal and as a consequence we shall be responsible for some of the legal costs of the seller. We expect that the amount of legal fees of the seller will be approximately $1.2 million. The Company recognized $2.4 million, including the legal fees of the seller and $1.5 million of legal expenses related to the Nordic Galaxy for the years ended December 31, 2011 and 2010, respectively. These costs are included in "General and Administrative Expenses" in the Statement of Operations.

In February 2012, we received the deposit on contract of $9.0 million and interest income of $0.2 million.

10. OTHER NON-CURRENT ASSETS

All figures in USD '000	**2011**	**2010**
Working Capital, cooperative arrangements	-	22,034
Financial Charges	490	1,143
Total as of December 31,	**490**	**23,177**

As of December 31, 2010, the working capital of $22.0 million represents the value of bunkers on board our vessels at the time of vessel delivery to the cooperative arrangement Gemini Tankers LLC, including payment of initial funding of $0.2 million per vessel. The working capital is according to the Gemini Tankers agreement to be repaid to the Company within six months after the date of the withdrawal from the agreement. In November, 2011, the Company exited the cooperative arrangement with Gemini Tankers LLC and entered into cooperative arrangement with Orion Tankers Pool. As a result of the withdrawal from the Gemini Tankers LLC agreement, the outstanding working capital as of December 31, 2011 is transferred from other non-current assets, to prepaid expenses and other current assets, see Note 5 of our audited financial statements.

11. SHARE-BASED COMPENSATION PLAN

Management Agreement

In order to align the Manager's interests with those of the Company, the Company has issued to the Manager restricted common shares equal to 2% of our outstanding common shares at par value of $0.01 per 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. During 2011, the Company issued to the Manager 4,612 shares at an average fair value of $14.45, in connection with the adoption of the 2011 Equity Incentive Plan. During 2010, the Company issued to the Manager 93,878 shares at a fair value of $30.24. These restricted shares are primarily non-transferable for three years from the date of issuance, except for a total of 149,183 restricted shares that are non-transferable for six years from the date of issuance.

2004 Stock Incentive Plan

As of December 31, 2010, the Company had a share-based compensation plan that had been active since 2004. The plan was cancelled in 2011. Total compensation cost related to the 2004 Stock Incentive Plan was $0.06 million for the year ended December 31, 2010, and was recorded within "General and Administrative expense" in the Statement of Operations. All the restricted shares to employees and non-employees had vested by the end of 2010.

2011 Equity Incentive Plan

In 2011, the Board of Directors decided to establish a new incentive plan involving a maximum of 400,000 restricted shares of which all 400,000 shares have been allocated among 23 persons employed in the management of the Company, the Manager and the members of the Board. The shares are considered restricted as the shares vest after a fixed day determined in the plan. The vesting period is four-year cliff vesting for 326,000 shares and five-year cliff vesting for 74,000 shares, that is, none of these shares may be sold during the first four or five years after grant, as applicable, and the shares are forfeited if the grantee discontinues working for the Company before that time. The holders of the restricted shares are entitled to voting rights as well as receive dividends paid in the period. Under the terms of the Plan, the directors, officers and certain key employees of the Company and the Manager are eligible to receive awards which include incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units and other equity-based awards.

The compensation cost is recognized on a straight-line basis over the vesting period and is presented as part of the general and administrative expenses. The total compensation cost related to restricted shares under the plan for the year ended December 31, 2011 was $1.3 million. The intrinsic value of restricted shares outstanding at December 31, 2011 was $4.7 million.

As of December 31, 2011, there were 400,000 restricted shares outstanding at a weighted-average grant date fair value of $23.88 for Employees of the Company including members of the Board, and of $22.06 for Non-employees which includes the Manager and to persons employed by the Manager. As of December 31, 2011, unrecognized compensation cost related to unvested restricted shares aggregated $6.7 million, which will be recognized over a weighted period of 3.42 years.

The tables below summarize the Company's restricted shares in connection with the 2011 Equity Incentive Plan as of December 31, 2011:

	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, 2011	-	-	-	-
Granted during the year	163,000	$23.88	237,000	$22.06
Vested during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Non-vested at December 31, 2011	163,000	$23.88	237,000	$22.06

Under the terms of the 2004 Stock Incentive 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. At December 31, 2010, 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, 2010, all restricted stocks are vested. As of December 31, 2009, unrecognized compensation cost related to unvested restricted stock aggregated $0.1 million.

The tables below summarize the Company's restricted stock awards as of December 31, 2010:

	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, 2010	2,425	$31.99	1,750	$31.99
Granted during the year	-	-	-	-
Vested during the year	2,425	-	1,750	-

Forfeited during the year	-	-	-	-
Non-vested at December 31, 2010	-	-	-	-

12. 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, 2011 and December 31, 2010 were $0.8 million and $0.9 million, respectively. The undrawn amount of this facility as of December 31, 2011 and December 31, 2010 was $270.0 million and $425.0 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, 2011, accrued interest and commitment fee was $0.2 million which was paid during the first quarter of 2012. The Company was in compliance with its loan covenants for the year ended December 31, 2011.

13. 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, 2011, 2010 and 2009 was $0.7 million, $0.7 million and $0.7 million, respectively. Total deferred financing costs were $1.1 million and $1.8 million at December 31, 2011 and 2010, respectively.

14. ACCRUED LIABILITIES

All figures in USD '000	**2011**	**2010**
Accrued Interest	184	83
Accrued Expenses	4,624	3,028
Accrued Drydock expenses Nordic Harrier	–	949
Accrued voyage expenses *)	7,834	–
Total as of December 31,	**12,642**	**4,060**

*) As of December 31, 2011, we temporarily operated three vessels in the spot market, by the pool manager through cooperative arrangements. The accrued voyage expenses of $7.8 million represents accrued port costs, bunkers expenses and other voyage related expenses. No vessels were operated in the spot market by the pool manager through cooperative arrangements during 2010.

The increase of accrued expenses as of December 31, 2011, compared to December 31, 2010, is related to the increase in the size of our fleet by three vessels during 2011.

15. EARNINGS (LOSS) 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.

For the year ended December 31, 2011 and 2010, the Company had a net loss, thus any effect of common stock equivalents outstanding would be antidilutive. For the years ended December 31, 2011 and 2010, the Company had 400,000 restricted shares and 16,700 restricted shares outstanding, which were included in the total common shares issued and outstanding as at December 31, 2011 and 2010, respectively.

All figures in USD	**2011**	**2010**	**2009**
Numerator:			
Net Income (Loss)	(72,298,337)	(809,130)	1,012,240
Denominator:			
Basic - Weighted Average Common Shares Outstanding	47,159,402	46,551,564	40,449,522
Dilutive Effect of Stock Options *	–	–	–
Dilutive – Weighted-Average Common Shares Outstanding	47,159,402	46,551,564	40,449,522
Income (Loss) per Common Share:			
Basic	(1.53)	(0.02)	0.03
Diluted	(1.53)	(0.02)	0.03

* In August 2009, the Company announced that it had cancelled all outstanding stock options. Following the cancellation described in Note 11, there is no more outstanding stock option under the Plan.

16. SHAREHOLDERS' EQUITY

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

All figures in USD ´000, except number of shares	**Authorized Shares**	**Issued and Out-standing Shares**	**Common Stock**
Balance as of December 31, 2008	**51,200,000**	**34,373,271**	**344**
Common Shares Issued in Follow-on Offering		3,450,000	35
Compensation – Restricted Shares		70,408	–
Common Shares Issued in Follow-on Offering		4,225,000	42
Compensation – Restricted Shares		86,225	1
Balance as of December 31, 2009	**51,200,000**	**42,204,904**	**422**
Common Shares Issued in Follow-on Offering		4,600,000	46
Compensation – Restricted Shares		93,878	1
Balance as of December 31, 2010	**51,200,000**	**46,898,782**	**469**
Common Shares Issued, 2011 Equity		400,000	4

Incentive Plan			
Compensation – Restricted Shares		4,612	0
Increased authorized share capital	38,800,000		
Balance as of December 31, 2011	**90,000,000**	**47,303,394**	**473**

On June 1, 2011, at its Annual General Meeting ("AGM") held in Bermuda, the Company increased authorized share capital from 51,200,000 common shares to 90,000,000 common shares, par value $0.01 per share.

In connection with the issuance of 400,000 shares related to the 2011 Equity Incentive Plan, the Manager was entitled to 4,612 restricted shares in the Company. The 4,612 restricted shares were issued to the Manager on October 24, 2011.

The total issued and outstanding shares, as of December 31, 2011, were 47,303,094 shares of which 578,306 shares were restricted shares issued to the Manager and of which 226,000 shares were restricted to members of the Board, employees of the Company and to persons employed by the Manager. As of December 31, 2010, all the 16,700 restricted shares issued to employees and non-employees are vested, as described in Note 11. The total issued and outstanding shares, as of December 31, 2010, were 46,898,782 shares of which 399,694 shares were restricted shares issued to the Manager.

In January 2010, the Company completed an underwritten public offering of 4,600,000 common shares. The net proceeds from the offering were $136.5 million. The net proceeds from the offering increased the Company's Share Premium Fund and the proceeds were used to prepare the Company for further expansion and repay of borrowings under the Credit Facility.

In January 2009, the Company issued 3,450,000 common shares at $32.50 per share in a registered transaction. The net proceeds of the offering were used to fund further acquisitions under planning and for general corporate purposes.

In May 2009, the Company issued 4,225,000 common shares at $32.00 per share in a registered transaction. The net proceeds of the offering were used to fund further acquisitions under planning and for general corporate purposes.

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, including public notice to our creditors and a subsequent period for creditor notice of concern, regarding the Company's intention to make such funds available for distribution following shareholder approval. The Share Premium Fund was $0.0 million and $0.0 million as of December 31, 2011 and 2010 respectively. Credits and Charges to Additional Paid in Capital was a result of the accounting for the Company's share based compensation programs.

On June 29, 2010, at the Company's Annual General Meeting, shareholders voted to reduce the Share Premium Fund by the amount of $136.4 million. The legal procedures related to this reduction were finalized on August 6, 2010, upon which the amount became eligible for distribution.

On June 19, 2009, at the Company`s Annual General Meeting, shareholders voted to reduce the Share Premium Fund by the amount of $236.6 million. The legal procedures related to this reduction were finalized on August 12, 2009, upon which the amount became eligible for distribution.

Contributed Surplus Account

The Company's Contributed Surplus Account as defined by Bermuda law, consists of amounts previously recorded as share premium, transferred to Contributed Surplus Account when resolutions are adopted by the Company's shareholders to make Share Premium Fund distributable or available for other purposes. As indicated by the laws governing the Company, the Contributed Surplus Account can be used for dividend distribution and to cover accumulated losses from its operations.

For 2010, the Company had a net loss of 0.8 million. As such, all dividend distributions were charged to our Contributed Surplus Account. The accumulated deficit at the end of 2010 is to be charged against the Company's Contributed Surplus Account in 2011.

Stockholders Rights Plan

In 2007, the Board of Directors adopted a stockholders rights agreement and declared a dividend of one preferred stock purchase right to purchase one one-thousandth of a share of our Series A Participating Preferred Stock for each outstanding share of our common stock, par value $0.01 per share. The dividend was payable on February 27, 2007 to stockholders of record on that date. Each right entitles the registered holder to purchase from us one one-thousandth of a share of Series A Participating Preferred Stock at an exercise price of $115, subject to adjustment. We can redeem the rights at any time prior to a public announcement that a person has acquired ownership of 15% or more of the Company's common stock.

This stockholders rights plan was designed to enable us to protect stockholder interests in the event that an unsolicited attempt is made for a business combination with, or a takeover of, the Company. We believe that the stockholders rights plan should enhance our Board's negotiating power on behalf of stockholders in the event of a coercive offer or proposal. We are not currently aware of any such offers or proposals.

17. COMMITMENTS AND CONTINGENCIES

Nordic Galaxy

On January 17, 2012, we received the final award from the tribunal and as a consequence we shall be responsible for some of the legal costs of the seller. We expect that the amount of legal fees of the seller will be approximately $1.2 million, which is recognized as part of the "General & Administrative Expenses" as of December 31, 2011. Please see Note 9.

Nordic Harrier

In October 2010, Nordic Harrier was redelivered, from a long-term bareboat charter agreement, to the Company, and went directly into drydock for repair. The drydock period lasted until the end of April 2011. The vessel had not been technically operated according to sound maintenance practices by Gulf Navigation Company LLC, and the vessel's condition on redelivery to us was far below the contractual obligation of the charterer. All drydock expenses are capitalized and were paid during 2011. We have sought compensation for these expenses, but have not been able to reach an agreement with the charterer. The arbitration procedures have started and are expected to be finalized in 2013.

Legal Proceedings and Claims

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 2011 or 2010, and the Company has not been a party to any legal proceedings for the year ended December 31, 2011, December 31, 2010 and December 31, 2009, except as disclosed in Note 9.

18. FINANCIAL INSTRUMENTS

The Company did not hold any derivative instruments during 2011, 2010 or 2009, or as of December 31, 2011 or 2010.

The majority of the Company's transactions, assets and liabilities are denominated in United States dollars, the functional currency of the Company. There is no significant risk that currency fluctuations will have a negative effect of the value of the Company's cash flows.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments and other financial assets.

- The carrying value of cash and cash equivalents and marketable securities, is a reasonable estimate of fair value.
- The estimated fair value for the working capital, cooperative arrangements is consider to be equal to the carrying values since it is not possible to estimate the time or period of repayment, and the effect of this discounting the outstanding balance is not expected to be material as compared to carrying value.
- The estimated fair value for the long-term debt is considered to be equal to the carrying values since it bears variable interest rates.

The Company categorizes its fair value estimates using a fair value hierarchy based on the inputs used to measure fair value for those assets that are recorded on the balance sheet at fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets.
Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
Level 3. Unobservable inputs in which there is little or no market date, which require the reporting entity to develop its own assumptions.

The carrying value of estimated fair value of the Company`s financial instruments at December 31, 2011 and 2010 are as follows:

All figures in USD '000	**Fair Value Hierarchy Level**	**2011 Fair Value**	**2011 Carrying Value**	**2010 Fair Value**	**2010 Carrying Value**
Cash and Cash Equivalents	1	24,006	24,006	17,221	17,221
Marketable Securities	1	583	583	-	–
Working capital, cooperative arrangements (current assets)		12,779	12,779	–	–
Loan to First Olsen Ltd. – refer to Note 5		–	–	26,809	26,809
Working capital, cooperative arrangements (non-current assets)		18,941	18,941	22,034	22,034
Credit Facility		(230,000)	(230,000)	(75,000)	(75,000)

19. MARKETABLE SECURITIES

Marketable securities held by the Company are equity securities considered to be available-for-sale securities.

All figures in USD '000	**2011**	**2010**
Cost	795	–
Accumulated net unrealized loss	(212)	–
Fair value	**583**	–

At December 31, 2011, net unrealized loss on marketable securities included in comprehensive income is $0.2 million. The Company has not recognized any sale of marketable securities in the period.

20. EQUITY METHOD INVESTMENTS

Orion Tankers Ltd. is a private limited company formed in November 2011 under the laws of the Island of Bermuda. Orion Tankers Ltd. has a share capital $100,000, which is comprised of 10,000,000 shares with $0.01 per value. Orion Tankers Ltd. is owned equally by the Company and Frontline Ltd. and, the business of the Orion Tankers Ltd. is to provide transportation services on the high seas and administrative services herewith in general and the operation and management of the Orion Tankers Pool. The net result of $0.01 million for the year ended December 31, 2011, is included in interest income within the Statement of Operations.

Orion Tankers Ltd. acquired the Gemini Tankers AS, Norway in November, 2011, which was a full subsidiary of Gemini Tankers LLC. Orion Tankers Ltd. paid $0.5 million for Gemini Tankers AS, to Gemini Tankers LLC. The purchase of Gemini Tankers AS was funded by the owners of the Orion Tankers Ltd. in February 2012.

All figures in USD ‘000	**2011**	**2010**
Acquisition cost	50	–
Net Income	11	–
Carrying value	**61**	**-**

21. SUBSEQUENT EVENTS

In January 2012, the Company completed an underwritten public offering of 5,500,000 common shares which strengthened its equity by $75.9 million. The underwritten public offering enhances the capacity of the Company to strengthen the Company’s resources, to fund future acquisition and for general corporate purposes.

In February 2012, the Company declared a dividend of $0.30 per share in respect of the results for the fourth quarter of 2011, which was paid to shareholders in March 2012.

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