



**Nordic American
Tanker Shipping Limited**

***NORDIC AMERICAN TANKER
SHIPPING LIMITED***

***1995 ANNUAL
REPORT TO
WARRANTHOLDERS***

SELECTED FINANCIAL INFORMATION

The following balance sheet as of December 31, 1995 and Income Statement for the period June 12, 1995 through December 31, 1995, have been derived from the Financial Statements of the Company which are included herein and which have been audited by Deloitte & Touche LLP, independent auditors, whose report thereon is also included herein. The balance sheet information provided below should be read in conjunction with the accompanying Financial Statements and the related notes thereto, and the discussion under Management's Discussion and Analysis of Financial Condition and Results of Operations herein.

BALANCE SHEET INFORMATION DECEMBER 31, 1995

ASSETS:

Cash and cash on deposit	\$ 497,953
Deferred Management Fee	361,644
Vessels under construction	<u>51,224,760</u>
Total Assets	<u>\$52,084,357</u>

SHAREHOLDER'S EQUITY:

82,237	common shares, par value \$0.01 per share, outstanding, 50 million authorized	\$ 822
12,000	class B shares, par value \$1.00 per share, authorized and outstanding	12,000
11,731,613	warrants to purchase common shares, net	51,215,041
	Additional paid-in capital	999,180
	Deficit	<u>(142,686)</u>
		<u>\$52,084,357</u>

**INCOME STATEMENT INFORMATION JUNE 12, 1995
THROUGH DECEMBER 31, 1995**

Revenue	-
Management Fee expense	\$ 138,356
Other fees and expenses	<u>4,330</u>
Loss	<u>\$ 142,686</u>

BUSINESS

General

Nordic American Tanker Shipping Limited (the "Company") was incorporated on June 12, 1995, under the laws of the Islands of Bermuda ("Bermuda") for the purpose of acquiring, disposing, owning, leasing, and chartering three double hull Suezmax oil tankers (the "Vessels") and engaging in activities necessary, suitable or convenient to accomplish, or in connection with or incidental to, the foregoing. The principal executive offices of the Company are located at: Cedar House, 41 Cedar Avenue, Hamilton HM EX, Bermuda, and its telephone number is (441) 295-2244. See "Additional Information".

The Company is currently a wholly owned subsidiary of Nordic American Shipping A/S, a Norwegian shipping company whose shares are listed on the Oslo Stock Exchange (the "Manager"). Pursuant to an agreement between the Company and the Manager (the "Management Agreement"), the Manager provides certain management, administrative and advisory services to the Company. After the Exercise Date (as such term is hereinafter defined) assuming the exercise of all of the Company's 11,731,613 Warrants each to purchase one Common Share (the "Warrants"), including all Warrants held by the Manager and assuming no other issuances of capital, the holders of Warrants (including the Manager) will hold approximately 99.3% of the Company's outstanding Common Shares, the balance constituting the Common Shares concurrently held by the Manager.

Vessels Under Construction

Each Vessel to be acquired by the Company will be a newly built, approximately 150,000 dead-weight tonne ("dwt") double hull Suezmax oil tanker each of which is currently under construction at the shipyard of Samsung Heavy Industries Co., Ltd. (the "Builder") in Korea. The purchase price of each Vessel is approximately \$56.9 million per Vessel (the "Original Contract Price"), subject to adjustment. The Company has made the first of two installments in respect of the Original Contract Price of each Vessel in an amount equal to approximately \$17.1 million per Vessel out of the proceeds of the offering to the public of the Warrants in September 1995. The Vessels are scheduled to be delivered between August and December 1997 and have been designed according to the specifications set forth in the shipbuilding contracts between the Builder and the Company (the "Shipbuilding Contracts"), which specifications were negotiated with the Builder by BP Shipping Limited (the "Charterer") on behalf of the Company. Pursuant to the Ship Construction Supervision Agreement between the Charterer and the Company (the "Supervision Agreement"), the Charterer is supervising the construction of the Vessels on behalf of the Company. Pursuant to the terms of the Charters (as such term is hereinafter defined) and the Supervision Agreement, all risks of loss or damage (including delays) associated with the construction and delivery of the Vessels are borne by the Charterer and not by the Company, and pursuant to the Supervision Agreement, the Charterer shall bear and pay for any amount by which the actual purchase price for any Vessel exceeds the Original Contract Price. The Charterer's obligations under the Supervision Agreement are guaranteed by The British Petroleum Company p.l.c. ("British Petroleum").

Each Vessel is expected to be initially registered in Bermuda and fly the British flag.
Chartering Operations Expected to Commence in Third Quarter 1997

By their terms, each Vessel will be chartered to the Charterer pursuant to separate "hell and high water" bareboat charters (the "Charters") upon the earlier of (i) the exercise date of the Warrants, which is September 30, 1997, subject to extension under certain circumstances up to December 29, 1997 (the "Exercise Date"), or (ii) the date of delivery of such Vessel from the Builder, (which is currently expected to be between August and December 1997). The initial term of these charters will end approximately seven years after the Exercise Date, subject to extension at the option of the Charterer for up to seven successive one-year periods. Under each Charter, the Charterer is required to provide the Company with at least twelve months' prior notice of each such extension. Regardless of when, or if, the Vessel is actually delivered, the Charterer is obligated under each Charter to pay charterhire to the Company commencing on the Exercise Date. Commencing in October 1997, the Company intends to pay dividends to the holders of the Company's common shares, par value \$0.01 per share (the "Common Shares"), in amounts substantially equal to the amounts received by it under the Charters, less expenses.

The daily charterhire rate payable under each Charter will be comprised of two components: (i) a fixed minimum rate of charterhire of \$13,500 per Vessel per day (the "Base Rate"), paid quarterly in advance, and (ii) additional charterhire (which will be determined and paid quarterly in arrears and may equal zero) which would equal the excess, if any, of a weighted average of the daily time charter rates for two round-trip trade routes traditionally served by Suezmax tankers (Bonny, Nigeria to/from the Louisiana Offshore Oil Port, and Hound Point, U.K. to/from Philadelphia, Pennsylvania (the "Reference Ports")), over the sum of (A) an agreed amount of \$8,500 representing daily operating costs and (B) the Base Rate ("Additional Hire"). The amount of Additional Hire, if any, will be determined by the London Tanker Brokers Panel or another panel of ship brokers mutually acceptable to the Charterer and the Company (the "Brokers Panel").

Pursuant to the terms of the Charters, the Charterer's obligation to pay charterhire is absolute, regardless of whether a Vessel is actually delivered by the Builder, and after delivery, whether there is loss or damage to a Vessel of any kind or whether such Vessel or any part thereof is rendered unfit for use or is requisitioned for hire or for title, and regardless of any other reason whatsoever. The Charterer is also obligated to indemnify and hold the Company harmless from all liabilities arising from the operation, design and construction of the Vessels prior to and during the term of the Charters, including environmental liabilities, other than liabilities arising out of the gross negligence or willful misconduct of the Company.

The Charters will end approximately seven years after the Exercise Date, unless extended as noted above. At least six months prior to the end of the term (including any extension thereof) of a Charter, the holders of the Common Shares will be entitled to vote on a proposal to sell the related Vessel and to distribute the net proceeds of such sale to the holders of the Common Shares to the extent permitted under Bermuda law. The Board of Directors of the Company (the "Board") will make a recommendation as to that proposal, which recommendation may favor such sale or an alternative plan, such as the operation, rechartering or other disposition of the Vessel. The proposal to sell the Vessel and distribute the resulting net proceeds shall be adopted if approved by the holders of a majority of the Common Shares voting at the meeting called for such purpose. If such proposal is not approved by the holders of the Common Shares, the Board may proceed with an alternative plan. The effectuation of any such sale, or any alternative plan, is expected to be subject to the Company's rights and obligations under the U.K. Finance Lease (described below).

Control of Registrant

The Company is currently, and until the Exercise Date will be, a wholly-owned subsidiary of Nordic American Shipping A/S, a Norwegian shipping company whose shares are listed on the Oslo Stock Exchange. The following table sets forth certain information as of March 31, 1996, concerning the beneficial ownership of the Company's outstanding voting securities by each person known by the Company to be the beneficial owner of more than 10% of such securities.

<u>Name</u>	<u>Number of Shares Owned</u>	<u>Percent of Class</u>
Nordic American Shipping A/S	82,237 Common Shares	100%
	12,000 Class B Shares, par value \$1.00	100%

Nature of Trading Market

The primary trading market for the Warrants is the American Stock Exchange (the "AMX"), on which the Warrants are listed under the symbol NAT.WS. The secondary trading market for the Warrants is the Oslo Stock Exchange (the "OSE").

The high and low bid prices for the Warrants, by quarter, since the initiation of trading on September 14, 1995 are as follows:

	<u>AMX</u> <u>Low</u>	<u>AMX</u> <u>High</u>	<u>OSE</u> <u>Low</u>	<u>OSE</u> <u>High</u>
For the quarter ended:				
September 30, 1995	USD 4-7/8	USD 5-1/8	NOK 29.00	NOK 31.40
December 31, 1995	USD 3-3/8	USD 4-7/8	NOK 21.00	NOK 28.50
March 31, 1996	USD 3-3/8	USD 4-3/8	NOK 21.00	NOK 23.00

These bid quotations represent interdealer quotations, without retail mark-ups, mark-downs or commissions, and do not necessarily represent actual transactions.

On March 31, 1996, the closing price of the Warrants as quoted on the AMX was USD 4-3/8, and as quoted on the OSE was NOK 21.50. On such date, there were 11,731,613 Warrants issued and outstanding, all of which were represented by a global Warrant certificate that was registered to Cede & Co. as nominee for the Depository Trust Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

In September 1995, the Company offered and sold to the public 11,731,613 Warrants at the initial public offering price of \$5.00 per Warrant. The exercise price of a Warrant is \$10.21. Prior to the Exercise Date, the Company is not expected to have any operations other

than certain limited operations related to the acquisition of the Vessels, which are under construction by the Builder and certain activities in connection with the exercise of the Warrants.

Pursuant to the Charters, the Charterer has agreed to charter each Vessel for a period commencing on the earlier of the Exercise Date and the delivery date of such Vessel (currently expected between August and December 1997) from the Builder and ending on a date approximately seven years after the Exercise Date. Each Charter is subject to extension at the option of the Charterer for up to seven successive one-year periods upon at least twenty months' prior notice to the Company of each such extension. The obligation of the Charterer to pay charterhire for each Vessel will commence on the Exercise Date regardless of whether, or when, such Vessel is delivered. During the term of each Charter (including any extension thereof) the Charterer is obligated to pay (i) the Base Rate, which is charterhire at a fixed minimum daily rate of \$13,500 per Vessel per day, payable quarterly in advance and (ii) Additional Hire, to the extent spot charter rates exceed certain levels, payable quarterly in arrears commencing in January 1998. The amount of Additional Hire, if any, will be determined by the Brokers Panel, and may vary, quarterly.

Results of Operations

The Company had no revenue for the period from June 12, 1995 through December 31, 1995 (the "Report Period"). Other than interest income earned in respect of certain amounts on deposit under the U.K. Finance Lease arrangements on and after January 1, 1997, the Company does not expect to have any revenues until the Exercise Date, after which time its revenues will consist of the charterhire payable under the Charters.

Expenses during the Report Period were \$142,686. Such expenses resulted from accrual of a portion of the management fee (the "Management Fee") paid to the Manager and the payment of certain expenses incurred in connection with the Warrants' offering. In September 1995 the Company prepaid the Management Fee for the period through and including the Exercise Date. Prior to the Exercise Date, the Company does not expect to have any additional cash expenses other than (i) premiums in respect of the Company's directors' and officers' and general liability insurance, estimated at \$180,000 per annum, which the Company expects to purchase and prepay for the period to and including the Exercise Date, and (ii) quarterly rental payments that may become due to a subsidiary of a major United Kingdom financial institution in connection with a proposed finance lease arrangement which the Company expects to enter into with respect to the Vessels. There can be no assurance, however, that the Company will not have other cash expenses or contingent liabilities for which reserves will be required.

The Company had no income tax liabilities for the Report Period.

Liquidity and Capital Resources

Total assets and total shareholder's equity of the Company at December 31, 1995 was \$52,084,357 compared to \$12,000 at June 12, 1995. The increase was due to (i) a capital contribution by the Manager of \$1 million for the 82,237 Common Shares purchased by the Manager in September 1995 and (ii) the net proceeds from the issuance of the Warrants, which amounted to \$51.22 million after deduction of underwriting discount and commissions of \$3.96 million and payment of a commencement fee to the Manager in the amount of \$1.85 million and other expenses of issuance and distribution in the amount of \$1.63 million.

As of August 28, 1995, the Company's common shares, par value \$1.00 per share, were redesignated as Class B Shares, par value \$1.00 per share. 12,000 Class B shares are currently issued to the Manager, which constitute all of the authorized, issued and outstanding Class B Shares. Also, as of such date, the Company authorized 50,000,000 of its Common Shares.

Inflation

Management does not believe that inflation will significantly affect the Company's expenses over the term of the Charters. During the term of the Charters, inflationary pressures could result in increased spot charter rates resulting in an increase in Additional Hire payable by the Charterer. In the event that inflation becomes a significant factor in the world economy, management believes that inflationary pressures could materially and adversely affect the market for crude oil and oil tankers (including the Vessels), and result in increased vessel operating costs. These factors may affect the Charterer's decision whether or not to extend one or more of the Charters and may be significant to the Company in the event that the Charterer does not exercise its right to those extensions.

Currency Exchange Rates

The Company's revenues from the Charters and its anticipated cash expenses (other than those related to the U.K. Finance Leases) will be in United States Dollars. It is expected that payments by the U.K. Lessor, the Company and the Charterer in connection with the U.K. Finance Leases (including amounts deposited in the Cash Collateral Account) will be denominated in Pounds Sterling. Thus, in order to pay such amounts as are due under the Leases, the Company would enter into foreign exchange transactions and convert charterhire received under the Charters in United States Dollars to Pounds Sterling and would then convert a corresponding amount released from the Cash Collateral Account from Pounds Sterling to United States Dollars. The Charterer would (i) indemnify the Company for any foreign exchange losses that the Company realized in connection with the U.K. Finance Leases and (ii) receive from the Company any foreign exchange gains that the Company realized in connection with the U.K. Finance Leases.

Although the Company's activities will be conducted worldwide, the international shipping industry's functional currency is the United States Dollar and, as discussed above, virtually all of the Company's operating revenues and most of its anticipated cash expenses (other than those related to the U.K. Finance Leases) are expected to be denominated in United States Dollars. However, demand for shipping services may be affected by the ability of shippers to pay United States Dollar denominated charges. Accordingly, the Company's operating results following expiration of the Charters may be adversely affected by movements in currency exchange rates or the imposition of currency controls in the jurisdictions in which the Vessels operate.

DIRECTORS AND OFFICERS

Directors and Senior Management of the Company and the Manager

Pursuant to the Management Agreement, the Manager provides management, administrative and advisory services to the Company with respect to the Vessels.

Set forth below are the names and positions of the directors and executive officers of the Company and the Manager. Directors of both the Company and the Manager are elected annually, and each director elected holds office until a successor is elected. Officers of both the Company and the Manager are elected from time to time by vote of the respective board of directors and hold office until a successor is elected.

The Company

<u>Name</u>	<u>Age</u>	<u>Position</u>
Herbjørn Hansson	48	Director and President
John D. Campbell	53	Director and Secretary
Niels Erik Feilberg	34	Vice President and Treasurer
Tharald Brøvig	54	Director
Hon. Sir David Gibbons	68	Director
George C. Lodge	68	Director
Axel Stove Lorentzen	43	Director

The Manager

<u>Name</u>	<u>Age</u>	<u>Position</u>
Herbjørn Hansson	48	Director; President and Chief Executive Officer
Axel Stove Lorentzen	43	Director; Chairman
Tharald Brøvig	54	Director
Njål Hansson	53	Director
Ragnar G.A. Sissener	54	Director
Chris Rytter Jr	41	Director

Certain biographical information with respect to each director and executive officer of the Company and the Manager is set forth below.

Herbjørn Hansson has been President and Chief Executive Officer of the Company and of the Manager since July 1995 and September 1993, respectively, and has served as a director of the Manager since its organization in June 1989 and as a director of the Company since July 1995. Mr. Hansson formerly served as the Chairman of the Board of the Manager from June 1989 to September 1993. Mr. Hansson has been involved in various aspects of the shipping industry and international finance since the early 1970s, including serving as Chief Economist of Intertanko, the International Association of Tanker Owners and independent operators, from 1975-1980. He was an officer of the Anders Jahre/Kosmos Group from 1980 to 1989, serving as Chief Financial Officer from 1983 to 1988.

John D. Campbell has been Secretary of the Company and a director of the Company since July 1995. Mr. Campbell has been the Senior Partner of the law firm of Appleby, Spurling & Kempe, Bermuda counsel to the Company, since December 1987. Mr. Campbell has also served as a director of ADT Limited, from September 1984 to August 1991 and Sea Containers Limited since February 1980.

Niels Erik Feilberg has been Vice President and Treasurer of the Company since July 1995 and has been Vice President of Finance of the Manager since 1994. He was working in the Treasury Department of Anders Jahre/Kosmos Group from 1987 and in the same area in the Skaugen Group from 1989 to the end of 1993.

Tharald Brøvig has been a director of the Company since July 1995 and has been a director of the Manager since its organization in June 1989.

Sir David Gibbons has been a director of the Company since September 1995. Sir David served as the Prime Minister of Bermuda from August 1977 to January 1982. Sir David has served as Chairman of The Bank of N.T. Butterfield and Son Limited since 1986 and as Chief Executive Officer of Edmund Gibbons Ltd. since 1954.

George C. Lodge has been a director of the Company since September 1995. Professor Lodge has been a member of the Harvard Business School faculty since 1963. He was named associate professor of business administration at Harvard in 1968 and received tenure in 1972.

Axel Stove Lorentzen has been a director of the Company since September 1995. Mr. Lorentzen has also served as a director and Chairman of the Manager since May 1991 and September 1993, respectively, a director and Chairman of Lorentzen & Stemoco A/S since January 1981 and November 1994, respectively, and as a director of Skipskredittforeningen AS since March 1988. Mr. Lorentzen formerly served as a director of Grand Hotel AIS from May 1986 to October 1993 and a director of Belships Company Ltd. Ships A/S from February 1984 to June 1993.

Njål Hansson has been a director of the Manager since its organization in June 1989. Mr. Hansson is a private investor and owns the company Siving, Njål Hansson A/S is a company engaged in the importing and distribution of consumer electronics in Norway. Mr. Hansson is the brother of Herbjørn Hansson.

Ragnar G.A. Sissener has been a director of the Manager since its organization in June 1989. Mr. Sissener is employed by Brookwater Ltd., Connecticut, a shipping and ship brokerage company.

Chris Rytter Jr has been a director of the Manager since May 1996. Mr. Rytter is Managing Director of L.Giil-Johannessen AS and is also a Chairman of Seabulk a.s.

COMPENSATION OF DIRECTORS AND OFFICERS

Pursuant to the Management Agreement, the Manager will pay from the Management Fee the annual directors' fees of the Company, currently estimated at an aggregate amount of \$60,000 per annum.

From the inception of the Company through December 31, 1995, an aggregate of \$0 has been paid to the Company's directors and executive officers as a group for services rendered by them to the Company in all capacities.

INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

The Manager owns all of the outstanding Common Shares and Class B Shares of the Company as of the date hereof and has entered into the Management Agreement with the Company, pursuant to which the Manager is entitled to a management fee of \$250,000 per annum, and certain other amounts.

On the date of organization of the Company, the Manager made a capital contribution to the Company in an amount equal to \$12,000 in consideration for 12,000 Class B Shares. On the date of issuance of the Warrants, the Manager (i) made a capital contribution to the Company in an amount equal to \$1,000,002 in consideration for 82,237 Common Shares and (ii) purchased 829,016 Warrants at the initial public offering price of \$5.00 per Warrant.

The Company and the Manager have agreed to indemnify Lazard FrPres & Co. LLC, the underwriter for the Warrants, against certain liabilities, including liabilities under the Securities Act of 1933, as amended. The indemnification obligation of the Manager is limited to the amount of \$2.6 million and will terminate on the Exercise Date. In the event that the Manager pays any amounts to the Underwriter in connection therewith, the Company is obligated to reimburse the Manager promptly after the Exercise Date in an amount equal to 120% of the amount paid by the Manager (the "Indemnity Payments"), plus an amount equal to interest at the rate of 12% per annum on any Indemnity Payments outstanding commencing on the date of the first such Indemnity Payment and ending on the date all such Indemnity Payments are paid in full.

Sir David Gibbons, who is a director of the Company, is also Chairman of the Bank of N.T. Butterfield and Son Limited ("Butterfield"). Butterfield is the co-registrar and co-transfer agent for the Common Shares and the Warrants.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission an Annual Report on Form 20-F. A copy of such report is available without cost to each warrant holder.

**NORDIC AMERICAN TANKER
SHIPPING LIMITED**

NORDIC AMERICAN TANKER SHIPPING LIMITED

INDEX TO FINANCIAL STATEMENTS

	Page
INDEPENDENT AUDITORS' REPORT	F-2
FINANCIAL STATEMENTS:	
Balance Sheets as of December 31, 1995 and June 12, 1995	F-3
Statement of Operations for the Period June 12, 1995 through December 31, 1995	F-4
Statement of Shareholder's Equity for the Period June 12, 1995 through December 31, 1995	F-5
Statement of Cash Flows for the Period June 12, 1995 through December 31, 1995	F-6
Notes to Financial Statements	F-7-8



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nordic American Tanker Shipping Limited
Bermuda

We have audited the accompanying balance sheets of Nordic American Tanker Shipping Limited as of December 31, 1995 and June 12, 1995 and the related statements of operations, shareholders' equity and cash flows for the period from June 12, 1995 through December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Nordic American Tanker Shipping Limited as of December 31, 1995 and June 12, 1995 and the results of its operations and its cash flows for the period from June 12, 1995 through December 31, 1995 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

May 21, 1996

NORDIC AMERICAN TANKER SHIPPING LIMITED

BALANCE SHEETS

DECEMBER 31, 1995 AND JUNE 12, 1995

	December 31, 1995	June 12, 1995
ASSETS		
CASH AND CASH ON DEPOSIT	\$ 497,953	\$ 12,000
DEFERRED MANAGEMENT FEE	361,644	-
VESSELS UNDER CONSTRUCTION	<u>51,224,760</u>	<u>-</u>
TOTAL ASSETS	<u>\$52,084,357</u>	<u>\$ 12,000</u>
SHAREHOLDER'S EQUITY		
Common shares, 82,237, \$0.01 par value - outstanding, 50 million authorized	\$ 822	\$ -
12,000 class B shares, \$1.00 par value - authorized and outstanding	12,000	12,000
11,731,613 warrants to purchase common shares - net additional paid-in capital	51,215,041	-
Deficit	999,180	-
	<u>(142,686)</u>	<u>-</u>
TOTAL SHAREHOLDER'S EQUITY	<u>\$52,084,357</u>	<u>\$ 12,000</u>

See notes to financial statements.

NORDIC AMERICAN TANKER SHIPPING LIMITED

STATEMENT OF OPERATIONS

PERIOD JUNE 12, 1995 THROUGH DECEMBER 31, 1995

REVENUE	\$ -
EXPENSES:	
Management fee	138,356
Other fees and expenses	<u>4,330</u>
NET LOSS	<u>\$ 142,686</u>

See notes to financial statements.

NORDIC AMERICAN TANKER SHIPPING LIMITED

STATEMENT OF SHAREHOLDER'S EQUITY PERIOD OF JUNE 12, 1995 THROUGH DECEMBER 31, 1995

	Common Stock Issued		Class B Stock Issued		Additional Paid-in Capital		Common Stock		Warrants	Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
BALANCE, JUNE 12, 1995	12,000	\$ 12,000	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Net loss in 1995	-	-	-	-	-	-	-	-	-	(142,686)
Redesignation of common stock to class B stock on June 28, 1995	(12,000)	(12,000)	12,000	12,000	-	-	-	-	-	-
Issuance of common stock on June 28, 1995 (par value \$.01, .50 million authorized)	82,237	822	-	-	-	999,180	-	-	-	-
Convertible warrants issued in September 14, 1995 (11,731,613 issued, exercise price price \$10.21)	-	-	-	-	-	-	-	58,658,065	-	-
Warrant issue costs	-	-	-	-	-	-	-	(7,443,024)	-	-
BALANCE, DECEMBER 31, 1995	82,237	\$ 822	12,000	\$ 12,000	-	\$ 999,180	12,000	\$ 51,215,041	-	\$ (142,686)

See notes to financial statements.

NORDIC AMERICAN TANKER SHIPPING LIMITED

STATEMENT OF CASH FLOWS

PERIOD JUNE 12, 1995 THROUGH DECEMBER 31, 1995

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$ (142,686)
Increase in deferred management fee	<u>(361,644)</u>
Net cash used in operating activities	<u>(504,330)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment in vessels	<u>(51,224,760)</u>
Cash flows used in investing activities	<u>(51,224,760)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from sale of common stock	1,000,002
Net proceeds from sale of warrants	<u>51,215,041</u>
Cash flows provided by financing activities	<u>52,215,043</u>
NET INCREASE IN CASH	485,953
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>12,000</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 497,953</u>

See notes to financial statements.

NORDIC AMERICAN TANKER SHIPPING LIMITED

NOTES TO FINANCIAL STATEMENTS PERIOD JUNE 12, 1995 THROUGH DECEMBER 31, 1995

1. DESCRIPTION

Nordic American Tanker Shipping Limited (the "Company") is a company incorporated on June 12, 1995 organized under the laws of Bermuda for the purpose of engaging in acts and activities related to the acquisition, disposition, leasing, ownership and chartering of sea-going vessels. The Company is a wholly-owned subsidiary of Nordic American Shipping A/S ("NAS"), a Norwegian shipping company, whose shares are listed on the Oslo stock exchange.

The Company completed an initial public offering (the "offering") of warrants for the purchase of its common shares which are listed on the American Stock Exchange and the Oslo Stock Exchange. The net proceeds of the offering of the warrants were used to substantially fund an initial down payment for the construction of three double hull Suezmax oil tankers ("Vessels") whose total purchase price will amount to approximately \$170.7 million. The proceeds of the exercise of the warrants, which are to be exercisable on September 30, 1997 (subject to extension), will be used substantially to fund the final payment for the Vessels. The Company has entered into a standby agreement with Silver Island Corporation, N.V. ("Silver Island"), a wholly-owned subsidiary of Coöperative Centrale Raiffeissen Boerenleenbank, B.A., "Rabobank Nederland" ("Rabobank") a Netherlands organized bank unaffiliated with the Company, whereby Silver Island will purchase from the Company, on the fourth business day after the exercise date of the warrants, all common shares otherwise issuable in respect to warrants that have not been exercised on the exercise date at a price per share equal to the exercise price. NAS intends to subscribe for such number of common shares and warrants which would result in NAS acquiring an equity interest of between 5% and 10% in the Company, and to maintain a continuing interest in the Company subsequent to the exercise date.

Concurrent with the offering, the Company entered into bareboat charter agreements with BP Shipping Limited ("BPS"), a wholly-owned subsidiary of The British Petroleum Company p.l.c. ("BP"), for an initial period of seven years commencing upon the earlier of the exercise date of the warrants and the delivery of each Vessel and renewable for up to seven successive one-year periods. BPS has agreed in connection therewith to indemnify and hold the company harmless from any liabilities, including environmental liabilities, arising from the operation of the Vessels, except for liabilities arising out of the Company's gross negligence or willful misconduct. Prior to the delivery of the Vessels, BPS will supervise the construction of the Vessels on behalf of the Company pursuant to the terms of an agreement between BPS and the Company (the "Supervision Agreement"), and assume all risks associated with such construction. BP will guaranty BPS's obligations under the bareboat charter agreements and Supervision Agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash on Deposit - Cash and cash on deposit consists of all cash and demand deposits with a maturity of three months or less.

Income and Expenses - The Company accounts for all income and expenses using the accrual method of accounting.

Income taxes - The Company is not subject to taxation in the United States of America.

3. RELATED PARTY TRANSACTION

The Company has entered into a management agreement with NAS under which NAS will provide certain administrative, management and advisory services to the Company for an amount of \$250,000 per year. This fee was prepaid for two years and is being amortized over the same period. In addition, a fee of \$1.85 million was paid by the Company to NAS on the date of the issuance of the warrants in consideration for certain of NAS's previous activities on behalf of the Company prior to the consummation of the offering. This fee is included as part of the offering costs and is shown net in the carrying value of the warrants.

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