NORDIC AMERICAN TANKER SHIPPING LTD
Form 424B2
September 27, 2006
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The information in this prospectus supplement is not complete and may be changed. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated September 26, 2006

Prospectus Supplement

(to Prospectus dated September 26, 2006)

5,000,000 Shares

Nordic American Tanker Shipping Limited

Common Shares

We are offering for sale 5,000,000 of our common shares.

Our common shares are listed on the New York Stock Exchange under the symbol NAT. On September 26, 2006, the closing price of our common shares on the New York Stock Exchange was $34.26 per share.

See Risk Factors beginning on page S-7 to read about the risks you should consider before purchasing our common shares.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds	$	$

We have granted the underwriters a 30-day option to purchase up to 750,000 additional shares to cover any over-allotments.

Delivery of the shares will be made on or about , 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these common shares or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

Bear, Stearns & Co. Inc. **Morgan Stanley**

DnB NOR Markets, Inc. **Dahlman Rose** **Scotia Capital**

The date of this prospectus supplement is , 2006

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Nordic Fighter

Nordic Freedom

IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying base prospectus and the documents incorporated by reference into this prospectus supplement and the base prospectus. The second part, the base prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, common shares only in jurisdictions where offers and sales are permitted. The information contained in or incorporated by reference in this document is accurate only as of the date such information was issued, regardless of the time of delivery of this prospectus supplement or any sale of our common shares.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this prospectus and the documents incorporated by reference in this prospectus may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements, which include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements which reflect our current views with respect to future events and financial performance. The words believe, anticipate, intend, estimate, forecast, project, plan, potential, will, may, should, expect, pending and s forward-looking statements.

The forward-looking statements in this document are based upon various assumptions, including without limitation, management s examination of historical operating trends, data contained in our records and data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

In addition to the factors discussed under the caption Risk Factors and matters discussed elsewhere in this prospectus and in the documents incorporated by reference in this prospectus, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

the strength of world economies and currencies,

general market conditions, including fluctuations in charter rates and vessel values,

changes in demand in the tanker market, as a result of changes in OPEC s petroleum production levels and world wide oil consumption and storage,

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- changes in our operating expenses, including bunker prices,
- drydocking and insurance costs,
- the market for our vessels,
- availability of financing and refinancing,
- changes in governmental rules and regulations or actions taken by regulatory authorities,
- potential liability from pending or future litigation,
- general domestic and international political conditions,
- potential disruption of shipping routes due to accidents or political events,
- vessel breakdowns and instances of off-hire,
- failure on the part of a seller to complete a sale to us,

and other important factors described from time to time in the reports we file with the United States Securities and Exchange Commission.

Common shares may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 and the Exchange Control Act 1972, and related regulations of Bermuda which regulate the sale of securities in Bermuda. In addition, specific permission is required from the Bermuda Monetary Authority, or the BMA, pursuant to the provisions of the Exchange Control Act 1972 and related regulations, for all issuances and transfers of securities of Bermuda companies, other than in cases where the BMA has granted a general permission. The BMA in its policy dated June 1, 2005 provides that where any equity securities, including our common shares, of a Bermuda company are listed on an appointed stock exchange, general permission is given for the issue and subsequent transfer of any securities of a company from and/or to a non-resident, for as long as any equities securities of such company remain so listed. The New York Stock Exchange (NYSE) is deemed to be an appointed stock exchange under Bermuda law.

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PROSPECTUS SUPPLEMENT SUMMARY

This section summarizes some of the information that is contained or incorporated by reference in other parts of this prospectus. As an investor or prospective investor, you should review carefully the entire prospectus, including the section entitled Risk Factors and the more detailed information incorporated by reference in this prospectus.

In this prospectus supplement, we, us, our and the Company all refer to Nordic American Tanker Shipping Limited. Some of the shipping terms used in this prospectus are defined in Glossary of Shipping Terms on page S-48. Unless otherwise indicated, references to our vessels and our fleet include the nine vessels we currently own and the three additional vessels that we expect to take delivery of no later than November 2006. Terms used in this prospectus supplement will have the meanings described in the base prospectus, unless otherwise specified. Unless otherwise indicated, all information presented in this prospectus supplement assumes that the underwriters option to purchase up to 750,000 additional shares to cover over-allotments is not exercised.

Our Company

We are an international tanker company that owns nine modern double-hull Suezmax tankers averaging approximately 150,000 dwt each. In July 2006, we agreed to acquire three additional modern double-hull Suezmax tankers from an unrelated third party for an aggregate purchase price of approximately $245.9 million. We are also pursuing the acquisition of additional vessels to further expand the Company.

We were formed in June 1995 for the purpose of acquiring and chartering three Suezmax tankers that were built in 1997. These three vessels were bareboat chartered to BP Shipping Ltd., or BP Shipping, for a period of seven years. We have continued our relationship with BP Shipping by time chartering to it two of our original vessels at spot market related rates for three-year terms. We have bareboat chartered the third of our original three vessels to Gulf Navigation Company LLC, or Gulf Navigation, of Dubai, U.A.E. through November 2009, at a fixed rate of charterhire, subject to two one-year extensions at Gulf Navigation s option. We acquired our fourth vessel in November 2004, our fifth and sixth vessels in March 2005, our seventh vessel in August 2005, our eighth vessel in November 2005 and our ninth vessel in April 2006. We are currently operating eight of our vessels in the spot market or on spot market related time charters while the ninth vessel is on a long-term fixed rate charter.

We expect to take delivery of three additional vessels no later than November 2006. We plan to deploy these vessels in the spot market or on spot market related time charters in the near term. We believe that the acquisition of these three vessels, which increases our fleet to 12 Suezmax tankers, together with the acquisition of additional vessels financed with a portion of the net proceeds of this offering and borrowings under our Credit Facility (defined below) will enable us to pay a higher dividend per share than we otherwise would have been able to pay with a nine-vessel fleet.

Our Business Strategy

Our business strategy is to manage and expand our fleet in order to enable us to continue to pay attractive dividends to our shareholders. Key elements of our business strategy include:

Continuing to grow our operations and expand our fleet in a manner that is accretive to earnings and dividends per share.

Maintaining a strong balance sheet with low leverage. We have a five-year $500 million revolving credit facility, or the Credit Facility, to provide flexibility to pursue our acquisition strategy. As of August 31, 2006, we have approximately $115.0 million outstanding under our Credit Facility.

Minimizing our operating and maintenance costs by operating a modern and well-maintained fleet of double-hull tankers.

Taking advantage of potentially higher market rates through voyage charters and time charters with spot market related rates although we may consider charters at fixed rates depending on market conditions.

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Our Dividend Policy

Our policy is to declare quarterly dividends to shareholders, substantially equal to our net operating cash flow during the previous quarter 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 law. 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 certain 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.

We paid to shareholders aggregate dividends of $3.57 per share in respect of the four quarters of 2003, aggregate dividends of $5.31 per share in respect of the four quarters of 2004 and aggregate dividends of $4.47 per share in respect of the four quarters of 2005. We paid to shareholders aggregate dividends of $2.65 per share in respect of the first two quarters of 2006, including a dividend of $1.07 per share in respect of the second quarter of 2006 which was paid on August 31, 2006 to shareholders of record as of August 16, 2006.

Since we became an operating company in October 2004, we have successfully grown our fleet from three vessels to 12 vessels, including the three vessels that we have agreed to acquire and expect to take delivery of by November 2006. In our view, our growth strategy has enabled us to pay a higher dividend per share than we would have been able to pay had we continued to operate a three vessel fleet.

We believe that we have been able to pay a higher dividend per share in respect of the first half of 2006 as compared to the first half of 2005 because we have effectively managed our growth. We paid an aggregate dividend of $2.65 per share in respect of the first half of 2006 when the average spot market rate, according to Imarex, was $40,507 per day. This compares to an aggregate dividend of $1.99 per share in respect of the first half of 2005, when the Imarex average spot market was $39,754 per day.

In that period, we grew from, at June 30, 2005:

- a fleet of six vessels, five of which were operated in the spot market or on spot market related charters (including the *Nordic Freedom* and the *Nordic Fighter*, which we took delivery of in March 2005),
- no indebtedness, and
- 16,644,496 outstanding shares,

To, at June 30, 2006:

- a fleet of nine vessels, eight of which were operated in the spot market or on spot market related charters (including the *Nordic Jupiter*, which we took delivery of in April 2006),

$93.0 million in indebtedness, and

21,046,400 outstanding shares.

We believe that the application of a portion of the net proceeds from this offering to repay our outstanding debt, the acquisition of the three additional Suezmax tankers which we have agreed to acquire, the acquisition of additional vessels financed by the proceeds of this offering and with drawings under our Credit Facility, and revenues from those vessels, will enable us to pay a higher dividend per share than we would have been able to pay otherwise.

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Our Credit Facility

In September 2005, we entered into a $300 million revolving credit facility, which we refer to as the Credit Facility. The Credit Facility became effective as of October 2005 and replaced our previous credit facility from October 2004. The Credit Facility will mature in September 2010. 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 principal repayment obligation during the five year term. Amounts borrowed under the Credit Facility bear interest at a rate equal to LIBOR plus a margin between 0.7% and 1.2% (depending on the loan to vessel value ratio). We must pay a commitment fee of 30% of the applicable margin on any undrawn amounts.

In October 2005, we refinanced the borrowings under our previous credit facility by drawing on our Credit Facility.

Together with our borrowings to support vessel acquisitions, we currently have $115.0 million outstanding on our Credit Facility, including $22.0 million that we borrowed under the Credit Facility to fund a portion of the deposits related to the three vessels which we have agreed to acquire.

In September 2006, we increased our Credit Facility to $500 million. The other material terms of the Credit Facility were not amended.

We expect to use a portion of the net proceeds of this offering and drawings under the Credit Facility to fund the balance of the purchase price for the three vessels which we have agreed to acquire and to fund future vessel acquisitions. We may also draw up to $50 million under the Credit Facility for working capital purposes.

Borrowings under the Credit Facility are secured by mortgages over our vessels and assignment of earnings and insurance. We will be able to pay dividends in accordance with our dividend policy as long as we are not in default under the Credit Facility. We refer to the discussion contained in the section entitled Our Business Our Credit Facility.

Recent Developments

Our net income was $14.2 million for the second quarter of 2006, as compared to net income of $9.4 million for the second quarter of 2005. Our earnings per share were $0.68 for the second quarter of 2006 calculated on the basis of 21,046,400 shares outstanding, as compared to earnings per share of $0.57 for the second quarter of 2005, calculated on the basis of 16,644,496 shares outstanding. We declared a dividend of $1.07 per share in respect of the second quarter of 2006 as compared to a dividend of $0.84 per share in respect of the second quarter of 2005.

None of our vessels were in drydock during the second quarter of 2006 or the third quarter of 2006 through the date of this prospectus supplement and there are no vessels scheduled for drydocking during the remainder of the third quarter of 2006.

The table below shows the number of vessel revenue days over the last seven quarters for all of our vessels, reflecting the growth of the Company.

Period	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06
Revenue days	314	371	549	576	697	720	808

The average rates on a quarterly basis achieved by our vessels on spot market or spot market related charters in 2005 ranged from approximately $26,800 to $59,900 per day and the average rates on a quarterly basis achieved by our vessels on spot market or spot market related charters in the first half of 2006 ranged from approximately $39,050 to $53,014 per day. Based upon our current chartering policies, our results of operations are largely dependent upon the level of spot market rates. Since most of our revenue is derived from spot charters

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or spot market related time charters, we believe that the index of average spot rates published by the International Maritime Exchange ASA, or Imarex, a freight derivatives market and a provider of shipping industry data, provides a reliable indicator of levels of spot market rates for Suezmax tankers generally and for our fleet. The Imarex rates below are based on a West Africa Philadelphia route for single and double-hull Suezmax tankers with a maximum age of 20 years. According to Imarex, the average spot rate for the second quarter of 2006 was $35,659 per day and have fluctuated between approximately 28,537 and $60,534 since July 1, 2006. Spot market rates are volatile and could rise, fall or remain at present levels. In addition, the actual rates that we achieve are likely to differ from those published by Imarex. Investors should use the Imarex index solely as an indicator of spot rate levels.

In July 2006, we entered into agreements to acquire three additional modern double-hull Suezmax tankers from an unrelated party for an aggregate purchase price of approximately $245.9 million. We drew down $22.0 million under our Credit Facility to fund a portion of the aggregate down payment for the vessels in the amount of $24.6 million. The balance was funded from working capital. We expect to take delivery of these vessels, which will increase our fleet to 12 vessels, no later than November 2006. We expect to repay the amounts outstanding under the Credit Facility with a portion of the net proceeds of this offering. We then expect to use the balance of the net proceeds of this offering, together with borrowings under our Credit Facility, to fund the balance of the purchase price of these three vessels and to fund future vessel acquisitions.

We expect that our dividend per share in respect of the third quarter of 2006 will be in the range of $1.28 to $1.31 per share and our earnings per share for the third quarter of 2006 will be in the range of $0.92 to $0.95 per share. These estimates are based on current charters for the Company s vessels and present levels of operating costs and assumes the following:

Our charterers will pay charter hire to us when due;

None of our vessels will suffer a total or constructive loss or experience any reduced hire or off-hire time;

We will not have any unanticipated expenses, liabilities or charges; and

We will remain in compliance with the terms of our Credit Facility.

The estimated dividend per share in respect of the third quarter of 2006 is calculated based on our having a weighted average of 21,046,400 shares outstanding during the third quarter of 2006, which excludes the shares offered by this prospectus. The holders of shares issued in this offering are expected to receive the same dividend per share. As a result, aggregate dividends paid in respect of the third quarter of 2006 will exceed net operating cash flow for the third quarter of 2006.

Incident Involving the *Nordic Jupiter*

On September 25, 2006, the *Nordic Jupiter* was involved in a minor incident with another vessel at a port in Brazil. Based on preliminary reports, the *Nordic Jupiter* sustained minor hull damage involving one of its ballast tanks, but did not experience any pollution or personal injuries. We expect the vessel to unload its oil cargo and then to undergo repairs. Based on the preliminary reports, our current estimate is that, as a consequence of this incident, the vessel will experience five off-hire days in the third quarter of 2006, and approximately 30 off-hire days during the fourth quarter of 2006 while undergoing repairs. Based on this estimate, we anticipate that our fourth quarter revenue days will be reduced by approximately 3%. In addition, based on the preliminary reports, we believe that the repair work should be covered by our hull and machinery insurance, which has a deductible of $350,000 per incident, and that any tort claims arising from the incident should be covered by our protection and indemnity insurance, which has a deductible of $25,000 per incident.

Our Corporate Structure

We are incorporated under the laws of the Islands of Bermuda. We maintain our principal offices at LOM Building, 27 Reid Street, Hamilton HM 11 Bermuda. Our telephone number is (441) 292-7202. Our website address is www.nat.bm. The information on our website is not a part of this prospectus.

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The Offering

Common shares offered by this prospectus supplement	5,000,000
Common shares to be outstanding immediately after this offering	26,148,782
Use of Proceeds	We estimate that the net proceeds from this offering, after deducting underwriting discounts and commissions and estimated expenses relating to this offering, will be approximately $ million, or approximately $ million if the underwriters exercise their option to purchase additional shares in full. We plan to use a portion of the net proceeds from this offering to repay borrowings under our Credit Facility. We then expect to use the balance of the net proceeds of this offering, together with borrowings under our Credit Facility, to pay the balance of the purchase price of the three additional vessels which we have agreed to acquire and that we expect to be delivered to us no later than November 2006 and to fund future vessel acquisitions. We may use any remaining balance of the net proceeds for general corporate purposes, including repaying future indebtedness. We refer you to the section entitled Use of Proceeds.
New York Stock Exchange Symbol	NAT

The number of shares to be outstanding after this offering is based on 21,046,400 shares issued and outstanding as of September 25, 2006 and includes an additional 102,382 restricted common shares to be issued under the Management Agreement to Scandic American Shipping Ltd., or the Manager, following the closing of this offering, but excludes:

400,000 common shares that are reserved for issuance upon exercise of options, as restricted share grants or otherwise, under our 2004 Stock Incentive Plan,

1,664,450 common shares that may be issued under our Dividend Reinvestment and Direct Stock Purchase Plan, and

the underwriters option to cover over-allotments. See Underwriting.

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SUMMARY FINANCIAL INFORMATION

The table below sets forth summary financial information for the periods indicated. The information as of and for the three years ended December 31, 2005, 2004, and 2003 has been derived from our audited financial statements. Historical results are not necessarily indicative of results that may be expected for any future period. Information as of and for the six months ended June 30, 2006 and 2005 has been derived from our unaudited interim financial statements. Interim results are not necessarily indicative of full year results. Our interim and full year financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP.

You should read the information in this table together with our audited financial statements and related notes and the information included under Item 5 Operating and Financial Review and Prospects in our Annual Report on Form 20-F for the year ended December 31, 2005, and in our Report as Form 6-K, filed on September 25, 2006, for the six months ended June 30, 2006.

	Year ended December 31,			Six months ended June 30,	
	2003	**2004**	**2005**	**2005**	**2006**
(All amounts reported in USD)					
Selected Statement of Operations Data:					
Voyage Revenue	$ 37,370,756	$ 67,451,598	$ 117,110,178	$ 46,525,043	$ 85,779,458
Voyage Expense	(184,781)	(4,925,353)	(30,980,916)	(12,371,783)	(21,247,390)
Vessel operating expenses		(1,976,766)	(11,220,770)	(4,498,065)	(9,291,419)
Administrative expenses (1)	(468,087)	(10,851,688)	(8,492,164)	(5,773,531)	(6,013,751)
Depreciation	(6,831,040)	(6,918,164)	(17,529,000)	(6,890,149)	(13,540,788)
Net operating income	**29,886,848**	**42,779,627**	**48,887,328**	**16,991,515**	**35,686,110**
Interest income	26,462	143,230	850,803	556,602	522,130
Interest expense	(1,797,981)	(1,971,304)	(3,453,963)	(655,471)	(2,806,512)
Other financial income (charges)	(15,040)	(135,621)	33,574	3,942	(75,338)
Net financial items	**(1,786,559)**	**(1,963,695)**	**(2,569,586)**	**(94,927)**	**(2,359,720)**
Net profit	**$ 28,100,289**	**$ 40,815,932**	**$ 46,317,742**	**$ 16,896,588**	**$ 33,326,390**
Basic and diluted earnings per share	$ 2.89	$ 4.05	$ 3.03	$ 1.10	$ 1.70
Cash dividends declared per share	3.57	5.31	4.47	2.58	2.65
Weighted average shares outstanding basic and diluted	9,706,606	10,078,391	15,263,622	15,339,877	19,587,724
Common shares outstanding (at period end)	9,706,606	13,067,838	16,644,496	16,644,496	21,046,400
Other Financial Data:					
Net cash from operating activities	$ 29,893,551	$ 62,817,261	$ 51,055,588	$ 22,911,012	$ 56,233,459
Dividends paid	29,605,410	47,195,842	64,279,487	40,311,227	64,544,964
Selected Balance Sheet Data (at period end):					
Cash and cash deposit	$ 565,924	$ 30,732,516	$ 14,240,482	$ 18,310,673	$ 13,633,753
Total assets	136,896,298	224,203,411	505,844,453	365,686,637	559,962,320
Total debt (2)	30,000,000		130,000,000		93,000,000
Shareholders equity	105,707,976	221,868,393	370,872,171	364,599,042	458,476,745
Fleet Operating Data					
Operating days of the fleet	1,095	1,133	2,193	920	1,528

(1) The administrative expenses for the year ended December 31, 2004 include expenses associated with our transition to an operating company of $962,438 and non-cash expenses of $9,252,365 related to the share based compensation paid to our Manager, Scandic American Shipping Ltd. The administrative expenses for the year ended December 31, 2005 include non-cash expenses of $4,997,995 related to the share-based compensation paid to the Manager and the 2004 Stock Option Plan. The administrative expenses for the six months ended June 30, 2005, include non-cash expenses of $4,117,769 related to the share-based compensation to the Manager and the 2004 Stock Option Plan. The administrative expenses for the six months ended June 30, 2006, include non-cash expenses of $3,830,664 related to the share-based compensation to the Manager and the 2004 Stock Option Plan.

(2) Total debt outstanding at August 31, 2006 was $115.0 million.

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RISK FACTORS

Investing in our common shares involves risks. You should carefully consider the following risk factors relating to our common shares and our business in addition to the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus in deciding whether to invest in our common shares.

Industry Specific Risk Factors

The cyclical nature of the tanker industry may lead to volatile changes in charter rates and vessel values which may adversely affect our earnings.

If the tanker market, which has been cyclical, is depressed in the future, our earnings and available cash flow may decrease. Our ability to recharter our vessels or to sell them on the expiration or termination of their charters and the charter rates payable under our two spot market related time charters, the spot charters we expect to enter into, or any renewal or replacement charters, will depend on, among other things, economic conditions in the tanker market. Fluctuations in charter rates and tanker values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products.

The factors affecting the supply and demand for tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for tanker capacity include:

demand for oil and oil products,

supply of oil and oil products,

region