

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report: Not applicable

Commission file number 001-36484

NORDIC AMERICAN OFFSHORE LTD.
(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

BERMUDA
(Jurisdiction of incorporation or organization)

LOM Building

27 Reid Street
Hamilton HM 11
Bermuda

(Address of principal executive offices)

Herbjørn Hansson, Executive Chairman,
Tel No. 47 33427300,
Canon's Court

c/o Scandic American Shipping Ltd., Hamilton HM EX, Bermuda
(Name, Telephone, E-mail and/or Facsimile number and
Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Common Stock, \$0.01 par value
Title of class

New York Stock Exchange
Name of exchange on which registered

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

As of December 31, 2017, there were 61,986,847 shares outstanding of the Registrant's common stock, \$0.01 par value per share.

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

If this report is an annual report or transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes

No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during this preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth Company. See the definitions of "large accelerated filer," "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer

Accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes

No

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain matters discussed herein may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements 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.

The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements.

The forward-looking statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our management's examination of historical operating trends, data contained in our records and other 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 statement, whether as a result of new information, future events or otherwise.

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 platform supply vessel (PSV) market, as a result of changes in the general market conditions of the oil and natural gas industry which influence charter hire rates and vessel values, demand in platform supply vessels, our operating expenses, including bunker prices, dry docking and insurance costs, governmental rules and regulations or actions taken by regulatory authorities as well as potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, the availability of financing and refinancing, vessel breakdowns and instances of off-hire and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission, or the SEC.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

ITEM 3. KEY INFORMATION

Throughout this annual report, all references to "Nordic American Offshore," "NAO," the "Company," "we," "our," and "us" refer to Nordic American Offshore Ltd. and its subsidiaries. Unless otherwise indicated, all references to "U.S. dollars," "USD," "dollars," "US\$" and "\$" in this annual report are to the lawful currency of the United States of America, references to "Norwegian Kroner" and "NOK" are to the lawful currency of Norway and references to "British Pounds" and "GBP" are to the lawful currency of the United Kingdom.

A. Selected Financial Data

The following selected historical financial information should be read in conjunction with our audited financial statements and related notes, which are included herein, together with Item 5. Operating and Financial Review and Prospects. The Statements of Operations data for the years ended December 31, 2017, 2016 and 2015 and the selected balance sheet data as of December 31, 2017 and 2016 have been derived from our audited financial statements included elsewhere in this document. The Statements of Operations data for the period from October 17, 2013 (inception) until December 31, 2013 and for the period ending December 31, 2014, and the selected balance sheet data as of December 31, 2013 and 2014 have been derived from our audited financial statements not included in this Annual Report on Form 20-F.

SELECTED CONSOLIDATED FINANCIAL DATA*All figures in thousands of USD except share data*

	2017	Year ended December 31,		2014	From October 17, 2013 to December 31, 2013
		2016	2015		
Charter Revenues	17,895	17,697	36,372	52,789	1,280
Charter Costs	(1,815)	(1,448)	(1,523)	(1,281)	(108)
Vessel Operating Costs	(20,454)	(24,137)	(24,580)	(23,038)	(686)
General and Administrative Costs	(4,222)	(4,503)	(4,261)	(5,815)	(482)
Depreciation Costs	(17,472)	(16,152)	(14,379)	(11,393)	(262)
Net Operating (Loss) Income	(26,068)	(28,543)	(8,372)	11,262	(258)
Interest Income	298	10	34	258	138
Interest Costs	(4,880)	(3,467)	(1,807)	(1,044)	-
Other Financial (Costs) Income	327	(151)	(699)	(2,333)	50
Total Other (Costs) Income	(4,255)	(3,608)	(2,472)	(3,119)	188
Income Tax Benefit (Expense)	997	-	-	(1,212)	-
Net (Loss) Income	(29,326)	(32,151)	(10,844)	6,931	(70)
Basic (Loss) Earnings per Share	(0.53)	(1.54)	(0.47)	0.34	(0.01)
Diluted (Loss) Earnings per Share	(0.53)	(1.54)	(0.47)	0.34	(0.01)
Cash Dividends Declared per Share	0.08	0.28	0.94	1.35	-
Basic Weighted Average Shares Outstanding	54,995,614	20,939,260	23,203,142	20,314,530	8,772,166
Diluted Weighted Average Shares Outstanding	54,995,614	20,939,260	23,203,142	20,350,404	8,772,166
Market Price per Common Share as of December 31,	1.20	2.75	5.27	12.28	NA
Other Financial Data:					
Net Cash (Used in) Provided by Operating Activities	(14,032)	(16,262)	5,987	17,183	(545)
Dividends Paid	(4,933)	(5,997)	(21,922)	(31,221)	-
Selected Balance Sheet Data (at period end):					
Cash and Cash Equivalents	31,506	2,953	5,339	46,398	109,819
Total Assets	387,711	374,854	336,200	322,421	245,382
Total Long-Term Debt (1)	136,552	136,193	45,833	-	-
Common Stock	647	234	234	234	167
Total Shareholders' Equity	248,273	234,196	280,857	319,230	243,321

(1) Debt consists of \$137,000, \$137,000 and \$47,000 as of December 31, 2017, 2016 and 2015 respectively. As of December 31, 2014 and 2013 we had no long-term debt (all numbers in thousands of U.S. dollars).

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the offer and use of Proceeds

Not applicable.

D. Risk Factors

Some of the following risks relate principally to the industry in which we operate. Other risks relate principally to ownership of our common shares. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or cash available for dividends or the trading price of our common shares.

Industry Specific Risk Factors

We rely on the oil and natural gas industry, and volatile oil and natural gas activity impacts demand for our services.

Demand for our services depends on activity in offshore oil and natural gas exploration, development and production. The level of exploration, development and production activity is affected by factors such as:

- prevailing oil and natural gas prices;
- expectations about future prices and price volatility;
- cost of exploring for, producing and delivering oil and natural gas;
- sale and expiration dates of available offshore leases;
- demand for petroleum products;
- current availability of oil and natural gas resources;
- rate of discovery of new oil and natural gas reserves in offshore areas;
- local and international political, environmental and economic conditions;

technological advances; and

ability of oil and natural gas companies to obtain leases, permits or obtain funds for capital.

The level of offshore exploration, development and production activity has historically been characterized by volatility. The oil and gas drilling industry is cyclical, and the industry is in a down cycle. Between March 2014 and March 2018 the price of Brent crude fell from over \$100 per barrel to approximately \$64 per barrel, reaching a low point in January 2016 of less than \$30 per barrel. In response to the decrease in prices of oil and gas, expenditures for offshore drilling decreased. The decline in exploration and development of offshore areas has resulted in a decline in demand for our offshore marine services. The lack of investment in offshore oil and gas exploration, development and production resulted in reductions in our day rates and utilization rates, and has a material effect on our financial condition and results of operations.

Risks involved with operating ocean-going vessels could affect our business and reputation, which could have a material adverse effect on our results of operations and financial condition.

The operation of an ocean-going vessel carries inherent risks. These risks include the possibility of:

a marine disaster;

terrorism;

environmental accidents;

cargo and property losses or damage; and

business interruptions caused by mechanical failure, human error, war, terrorism, piracy, political action in various countries, labor strikes, or adverse weather conditions.

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an oil spill or other environmental disaster may harm our reputation as a safe and reliable vessel operator.

An increase in the supply of PSVs would likely have a negative effect on charter rates for our vessels, which could reduce our earnings.

Charter rates for platform supply vessels, or PSVs, depend in part on the supply of vessels. Excess vessel capacity in the industry or a particular offshore market may result from:

constructing new vessels;

moving vessels from one offshore market area to another; or

converting vessels formerly dedicated to services other than offshore marine services;

In the last ten years, construction of vessels of the type we operate has increased. The addition of new capacity of various types to the worldwide offshore marine fleet are likely to increase competition in those markets where we presently operate which, in turn, could reduce day rates, utilization rates and operating margins, which would affect our financial condition and results of operations, cash flows and ability to pay dividends.

We are dependent on spot charters and any decrease in spot charter rates may adversely affect our earnings and our ability to pay dividends.

We currently own a fleet of 10 vessels, two of which will be reactivated from lay-up for the 2018 summer campaign. All of our vessels are employed in the spot market. We are therefore highly dependent on spot market charter rates. The spot charter rates for PSVs of our size have been highly volatile. The achieved average spot rate for our PSV's was \$7,998 per day for the year ended 2016 and \$10,784 per day for the year ended 2017.

Our business has inherent operational risks, which may not be adequately covered by insurance.

In the event of a casualty to a vessel or other catastrophic event, we will rely on our insurance to pay the insured value of the vessel or the damages incurred. We procure insurance for the vessels in our fleet against those risks that we believe the shipping industry commonly insures against. This insurance includes marine hull and machinery insurance, protection and indemnity insurance, which include pollution risks and crew liability insurance, and war risk insurance. Currently, the amount of coverage for liability for pollution, spillage and leakage available to us on commercially reasonable terms through protection and indemnity associations and providers of excess coverage is \$1 billion per vessel per such occurrence.

We may not be adequately insured against all risks. We may not be able to obtain adequate insurance coverage for our fleet in the future, and we may not be able to obtain certain insurance coverages. The insurers may not pay particular claims. Our insurance policies may contain deductibles for which we will be responsible and limitations and exclusions which may increase our costs or lower our revenue.

We cannot assure you that we will be adequately insured against all risks or that we will be able to obtain adequate insurance coverage at reasonable rates for our vessels in the future. For example, in the past more stringent environmental regulations have led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. Additionally, our insurers may refuse to pay particular claims. Any significant loss or liability for which we are not insured could have a material adverse effect on our financial condition.

Our operating results will be subject to seasonal fluctuations, which could affect our operating results.

The operations of our fleet may be subject to seasonal factors dependent upon which region of the world we are operating our PSVs. Since inception, our vessels have operated only in the North Sea, however, if the terms and conditions for operations in other regions are more favorable, we might fix contracts for our vessels in other markets.

Operations in the North Sea are generally at their highest levels during the months from April through August and at their lowest levels from December through February primarily due to lower construction activity and harsh weather conditions affecting the movement and servicing of drilling rigs.

Regulations relating to ballast water discharge coming into effect during September 2019 may adversely affect our revenues and profitability.

The IMO has imposed an updated guideline for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the IOPP renewal survey, existing vessels must comply with the updated D-2 standard on or after September 8, 2019. For most vessels, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms.

If economic conditions throughout the world deteriorate or become more volatile, it could impede our operations.

Our ability to secure funding is dependent on well-functioning capital markets and on an appetite to provide funding to the shipping industry. At present, capital markets are well-functioning and funding is available for the shipping industry. However, if global economic conditions worsen or lenders for any reason decide not to provide debt financing to us, we may not be able to secure additional financing to the extent required, on acceptable terms or at all. If additional financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due, or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

The world economy faces a number of challenges, trade wars that cause markets to plunge, the effects of volatile oil prices, continuing turmoil and hostilities in the Middle East, the Korean Peninsula, North Africa and other geographic areas and countries. If one or more of the major national or regional economies should weaken, there is a substantial risk that such a downturn will impact the world economy. There has historically been a strong link between the development of the world economy and demand for energy, including oil and gas.

In Europe, large sovereign debts and fiscal deficits, low growth prospects and high unemployment rates in a number of countries have contributed to the rise of Eurosceptic parties, which would like their countries to leave the Euro. The exit of the United Kingdom from the European Union and potential new trade policies in the United States further increase the risk of additional trade protectionism.

In China, a transformation of the Chinese economy is underway, as China transforms from a production-driven economy towards a service or consumer-driven economy. The Chinese economic transition implies that we do not expect the Chinese economy to return to double digit GDP growth rates in the near term. According to the International Monetary Fund, the growth rate of China's GDP increased to 6.9% for the year ending December 31, 2017, which despite being higher than expected, continues to remain below historical levels. Furthermore, there is a rising threat of a Chinese financial crisis resulting from massive personal and corporate indebtedness.

While the recent developments in Europe and China have not had a significant immediate impact on our charter rates, an extended period of deterioration in the world economy could reduce the overall demand for our services. Such changes could adversely affect our future performance, results of operations, cash flows and financial position.

Credit markets in the United States and Europe have in the past experienced significant contraction, de-leveraging and reduced liquidity, and there is a risk that U.S. federal and state governments and European authorities continue to implement a broad variety of governmental action and/or new regulation of the financial markets. Global financial markets and economic conditions have been, and continue to be, volatile.

We face risks attendant to changes in economic environments, changes in interest rates and instability in the banking and securities markets around the world, among other factors. We cannot predict how long the current market conditions will last. These recent and developing economic and governmental factors may have a material adverse effect on our results of operations and financial condition and may cause the price of our common shares to decline.

Prospective investors should consider the potential impact, uncertainty and risk associated with the development in the wider global economy. Further economic downturn in any of these countries could have a material effect on our future performance, results of operations, cash flows and financial position.

The state of global financial markets and economic conditions may adversely impact our ability to obtain financing on acceptable terms, which may hinder or prevent us from expanding our business.

Global financial markets and economic conditions have been, and continue to be, volatile. In recent years, operating businesses in the global economy have faced tightening credit, weakening demand for goods and services, deteriorating international liquidity conditions, and declining markets. Since 2008, there has been a general decline in the willingness of banks and other financial institutions to extend credit, particularly in the shipping industry, due to the historically volatile asset values of vessels. As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it has been negatively affected by this decline.

As a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets may increase as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers. Due to these factors, additional financing may not be available if needed and to the extent required, on acceptable terms or at all. If additional financing is not available when needed, or is available only on unfavorable terms, we may be unable to expand or meet our obligations as they come due or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

Due to these factors, we cannot be certain that financing will be available if needed and to the extent required, on acceptable terms. In addition, these difficulties may adversely affect the financial institutions that provide us with our original \$60.0 million revolving credit facility, or the Credit Facility, which on March 16, 2015, was increased to \$150.0 million, and may impair their ability to continue to perform under their financing obligations to us, which could negatively impact our ability to fund current and future obligations. As of December 31, 2017, we had drawn down an aggregate of \$137.0 million under the Credit Facility. However, we are unable to draw further on the Credit Facility due to the terms under the waivers obtained.

We are subject to laws and regulations, which can adversely affect our business, results of operations, cash flows and financial condition, and our ability to pay dividends.

Our operations are subject to numerous international, national, state and local laws, regulations, treaties and conventions in force in international waters and the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These regulations include, but are not limited to, the U.S. Oil Pollution Act of 1990, or OPA, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the U.S. Clean Air Act, the U.S. Clean Water Act and the U.S. Maritime Transportation Security Act of 2002, or the MTSA, and treaties and conventions of the United Nations International Maritime Organization, or the IMO, including the International Convention for the Prevention of Pollution from Ships of 1973, as from time to time amended and generally refer to as MARPOL, the International Convention for the Safety of Life at Sea of 1974, or the SOLAS Convention, and the International Convention on Load Lines of 1966. Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or implementation of operational changes and may affect the resale value or useful lives of our vessels. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations.

Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the U. S. Furthermore, the 2010 explosion of the Deepwater Horizon well and the subsequent release of oil into the Gulf of Mexico, or other similar events, may result in further regulation of the shipping and offshore industry, and modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages.

Climate change and greenhouse gas restrictions may adversely impact our operations and markets.

Due to concern over the risk of climate change, a number of countries and the IMO have adopted regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. In addition, although the emissions of greenhouse gases from international shipping currently are not subject to the Paris Agreement (discussed below), or the Kyoto Protocol to the United Nations Framework Convention on Climate Change, that required adopting countries to implement national programs to reduce emissions of certain gases, a new treaty may be adopted in the future that includes restrictions on shipping emissions.

We are subject to international safety standards and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.

The operation of our vessels is affected by the requirements set forth in the International Safety Management Code, or the ISM Code, promulgated by the IMO under the SOLAS Convention. The ISM Code requires ship owners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation of vessels and describing procedures for dealing with emergencies. In addition, vessel classification societies impose significant safety and other requirements on our vessels.

If labor interruptions are not resolved in a timely manner, they could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Our technical managers employ masters, officers and crews to man our vessels. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest could prevent or hinder our operations from being carried out as we expect and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

World events could affect our results of operations and financial condition.

Continuing conflicts in the Middle East and North Africa, and the presence of the United States and other armed forces in several countries, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain financing on terms acceptable to us or at all.

We are subject to war, sabotage, piracy, cyber-attacks and terrorism risk.

War, sabotage, pirate, cyber and terrorist attacks or any similar risk may affect our operations in unpredictable ways, including changes in the insurance markets, disruptions of fuel supplies and markets, particularly oil, and the possibility that infrastructure facilities, including pipelines, production facilities, refineries, electric generation, transmission and distribution facilities, offshore rigs and vessels, and communications infrastructures, could be direct targets of, or indirect casualties of, a cyber-attack or an act of piracy or terror. War or risk of war may also have an adverse effect on the economy. Insurance coverage can be difficult to obtain in areas of pirate and terrorist attacks resulting in increased costs that could continue to increase. We continually evaluate the need to maintain this insurance coverage as it applies to our fleet. Instability in the financial markets as a result of war, sabotage, piracy, cyber-attacks or terrorism could also affect our ability to raise capital and could also adversely affect the oil, natural gas and power industries and restrict their future growth.

Governments could requisition our vessels during a period of war or emergency, resulting in a loss of earnings.

A government could requisition one or more of our vessels for title or for hire. Requisition for title occurs when a government takes control of a vessel and becomes her owner, while requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although we would be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of payment would be uncertain. Government requisition of one or more of our vessels may negatively impact our revenues.

Company Specific Risk Factors

We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties, such as our vessel charterers, to meet their obligations could cause us to suffer losses or negatively impact our results of operations and cash flows.

We have entered into, and may enter into in the future, various contracts, including charter agreements, shipbuilding contracts and credit facilities. Such agreements subject us to counterparty risks. The ability and willingness of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, the overall financial condition of the counterparty, prevailing charter rates, and various expenses. For example, the combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us.

Should a counterparty fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on time charters may be at lower rates. As a result, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends, if any, in the future, and comply with covenants in our Credit Facility.

We operate a young fleet, however we may acquire additional secondhand vessels in the future, and we are exposed to increased operating costs which could adversely affect our earnings and, as our fleet ages, the risks associated with our vessels could adversely affect our ability to obtain profitable charters.

While we will inspect the secondhand vessels which we may acquire, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for, operated and maintained exclusively by us. Generally, purchasers of secondhand vessels do not receive the benefit of warranties from the builders for the secondhand vessels that they acquire.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel efficient than more recently constructed vessels due to improvements in engine technology. Governmental regulations, safety and other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment to some of our vessels and may restrict the type of activities in which these vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. As a result, regulations and standards could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends.

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

We did not recognize impairment charges in the year ended December 31, 2017. If the current weak market conditions continue, it would have a negative impact on future operating results and could possibly result in impairment charges.

We did not recognize impairment charges as of December 31, 2017. As more fully described in our accounting policies, we evaluate our individual assets for impairment whenever events or changes in circumstances indicate that the carrying amount of our vessels may not be recoverable. As required by U.S. GAAP (ASC 360), in determining whether our assets are recoverable, we compare our estimate of the undiscounted cash flows expected to be generated by the asset to its carrying amount. If the undiscounted cash flows are greater than the carrying amount, no impairment charge is recognized. As of December 31, 2017, we determined that the sum of the undiscounted cash flows for each vessel exceeded its carrying value.

Factors and conditions that could impact our estimates of future cash flows of our vessels include:

Reduced demand for our vessels;

Changes in behaviors and attitudes of our charterers towards technical, operational and environmental standards; and

Changes in regulations and requirements governing the technical and environmental capabilities of our vessels.

We believe that our impairment assumptions are reasonable.

During the past two years, the market value of vessels has declined, and we have identified impairment indicators. Our analysis assumed that we will keep all of our vessels for their remaining economic useful lives. We consider the economic useful life of each vessel to be 25 years from the time of construction.

In developing estimates of future undiscounted cash flows, we make assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, operating costs, capital expenditures, residual value and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations.

The most important assumptions in determining undiscounted cash flows are the estimated charter rates and utilization. For the first and second year of our analysis we use a 3-year weighted average, which is composed of the lower of the historical market rates and utilization, as provided by a third party, and the rates and utilization we have achieved for the same period. For year three of our analysis we have applied a one year ramp up where rates are based on 75% of the 15-year historical average rates provided by third party, while applying a utilization rate of 75%. The ramp up period is applied to reflect a potentially slower return to historical activity levels. For the rates and utilization thereafter we use the 15-year historical average as provided by a third party. Charter rates and utilization are volatile.

We have used a long-term average because we believe it reflects the long-term perspective we have when we invest in our vessels and includes objective data reflecting both positive and negative cycles impacting our business. The actual rates and utilization we realize in the future in any given year is likely to differ significantly from the long-term historical averages that we use. We do not predict that rates and utilization will necessarily reach the 15-year historical average by the fourth year, but rather that we will achieve the average of the 15-year rates for the remaining useful life of the vessels. As the analysis is based on undiscounted cash flows, timing of cash flows is not important, but if we slowly ramp up with increases or decreases we would achieve the same result as using the average rates and utilization.

In the future, we might change the assumptions we use in our analysis if we conclude that there has been a fundamental shift in the market and that the 3-year and 15-year historical average market rates and utilization are no longer indicative of future market conditions. This change in assumptions could result in an impairment charge being recognized.

The average spot market rates provided by a third party for the year ended December 31, 2017, was \$9,983 per day, and the average market utilization, (including idle vessels) was 63%. Our achieved rate for the period was \$10,784 per day and the utilization was 65% for our vessels in operation. The figures presented with respect to us do not include longer term charter contracts for the respective periods. If the current weak market conditions continue for longer than we expect or decline further, it becomes more likely that we may recognize impairment charges. In a market where demand and supply for vessels are stable and rates are above a cash break-even, utilization rates are not as volatile. When the market is in such a state, the rates will fluctuate depending on the short-term demand and supply, but as an overall market is in balance, vessels in the market will be able to secure contracts regularly.

Our impairment analysis as of December 31, 2017, based on 3-year and 15-year historical average PSV rates and utilization as of December 31, 2017, indicates that our undiscounted cash flows are 37% higher than carrying values on an accumulated basis for our fleet.

We derive a significant portion of revenues from a relatively small number of larger customers, the loss of any of which could adversely affect our business and operating results.

The portion of our revenues attributable to any single customer may change over time, depending on the level of relevant activity by any such customer, our ability to meet the customer's needs and other factors, many of which are beyond our control. In addition, our results of operations, financial condition and cash flows could be materially adversely affected if one or more of these customers decide to interrupt or curtail their activities, terminate their contracts with us, fail to renew existing contracts, and/or refuse to award new contracts, and we were unable to contract our vessels with new customers at comparable day rates.

Volatility in LIBOR rates could affect our profitability, earnings and cash flow.

Our Credit Facility is advanced at a floating rate based on London Interbank Offered Rates, or LIBOR. Any volatility in the LIBOR rate will affect the amount of interest payable on our debt, which, in turn, could have an adverse effect on our earnings and cash flows.

Because we obtain some of our insurance through protection and indemnity associations, we may be required to make additional premium payments.

We may be subject to increased premium payments, or calls, in amounts based on our claim records, as well as the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability, including pollution-related liability.

A decision of our Board of Directors and the laws of Bermuda may prevent the declaration and payment of dividends.

Our ability to declare and pay dividends is subject at all times to the discretion of our board of directors, and compliance with Bermuda law, and may be dependent, among other things, our having sufficient available distributable reserves. For more information, please see Item 8. Financial Information—Dividend Policy. We may not continue to pay dividends at rates previously paid or at all.

If the United States Internal Revenue Service were to treat us as a "passive foreign investment company," that could have adverse tax consequences for United States shareholders.

A foreign corporation is treated as a "passive foreign investment company," or PFIC, for United States federal income tax purposes, if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of passive income. For purposes of these tests, cash is treated as an asset that produces passive income, and passive income includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. Income derived from the performance of services does not constitute passive income. United States shareholders of a PFIC may be subject to a disadvantageous United States federal income tax regime with respect to the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our current and proposed method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that income from our time chartering activities does not constitute "passive income," and the assets that we own and operate in connection with the production of that income do not constitute assets that produce, or are held for the production of, "passive income."

There is, however, no direct legal authority under the PFIC rules addressing our method of operation. We believe there is substantial legal authority supporting our position consisting of case law and United States Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and spot charters as services income rather than rental income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS or a court of law were to find that we are a PFIC for any taxable year, our United States shareholders who owned their shares during such year would face adverse United States federal income tax consequences and certain information reporting obligations. Under the PFIC rules, unless those United States shareholders made or make an election available under the Code (which election could itself have adverse consequences for such United States shareholders), such United States shareholders would be subject to United States federal income tax at the then highest income tax rates on ordinary income plus interest upon excess distributions (i.e., distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the United States shareholder's holding period for our common shares) and upon any gain from the disposition of our common shares, as if the excess distribution or gain had been recognized ratably over the United States shareholder's holding period of our common shares. In addition, non-corporate United States shareholders would not be eligible to treat dividends paid by us as "qualified dividend income" if we are a PFIC in the taxable year in which such dividends are paid or in the immediately preceding taxable year.

Risks Related to our Indebtedness

Servicing our current or future indebtedness limits funds available for other purposes and if we cannot service our debt, we may lose our vessels.

Borrowing under credit facilities requires us to dedicate a part of our cash flow from operations to paying interest on our indebtedness. These payments limit funds available for working capital, capital expenditures and other purposes, including further equity or debt financing in the future. Amounts borrowed under our Credit Facility will bear interest at variable rates. Increases in prevailing interest rates could increase the amounts that we would have to pay to our lenders, even though the outstanding principal amount remains the same, and our net income and cash flows would decrease. We expect our earnings and cash flow to vary from year to year due to the cyclical nature of the offshore supply vessel industry. If we do not generate or reserve enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as:

- seeking to raise additional capital;
- refinancing or restructuring our debt;
- selling our PSVs; or
- reducing or delaying capital investments.

However, these alternative financing options, if necessary, may not be sufficient to allow us to meet our debt obligations.

Our Credit Facility contains, and other debt agreements we may enter into in the future may contain, covenants which limit the amount of the facility available or that we may use for other corporate activities, which could negatively affect our growth and cause our financial performance to suffer.

Our Credit Facility imposes, and debt agreements we may enter into in the future may impose, operating and financial restrictions on us. These restrictions could limit our ability, or the ability of our subsidiaries that are party thereto to:

- pay dividends and make capital expenditures if we do not repay amounts due under our debt agreements or if there is another default under our debt agreements;
- incur additional indebtedness, including the issuance of guarantees;
- create liens on our assets;
- change the flag, class or management of our vessels or terminate or materially amend the management agreement relating to certain vessels;
- sell our vessels;
- merge or consolidate with, or transfer all or substantially all our assets to, another person; or
- enter into a new line of business.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders' interests may be different from ours and we may not be able to obtain our lenders' permission when needed. This may limit our ability to pay dividends if we determine to do so in the future, finance our future operations or capital requirements, make acquisitions or pursue business opportunities.

Such operating and financial restrictions include, or may in the future include, a requirement on us to maintain specified financial ratios and satisfy financial covenants, including ratios and covenants based on the market value of the vessels in our fleet.

Events beyond our control, including changes in the economic and business conditions in the shipping markets in which we operate, may affect our ability to comply with these covenants. Should our charter rates or vessel values materially decline in the future, we may be required to take action to reduce our debt or to act in a manner contrary to our business objectives to meet any such financial ratios and satisfy any such financial covenants. We cannot assure you that we will meet these ratios or satisfy these covenants or that our lenders will waive any failure to do so. A breach of any of the covenants in, or our inability to maintain the required financial ratios under our debt agreements would prevent us from borrowing additional money under debt agreements and could result in a default under our Credit Facility or future debt agreements into which we may enter. If a default occurs under our Credit Facility or any debt agreement which we may enter into in the future, the lenders could elect to declare the outstanding debt, together with accrued interest and other fees, to be immediately due and payable and foreclose on the collateral securing that debt, which could constitute all or substantially all of our assets.

As of December 31, 2016, we were in default of the minimum value adjusted equity, the minimum value adjusted equity ratio and the minimum liquidity covenants in the credit agreement governing the Credit Facility. The minimum value adjusted equity covenant requires us to maintain value adjusted equity of a minimum of \$150.0 million. The minimum value adjusted equity ratio requires us to have value adjusted equity to value adjusted total assets of at least 45%. The minimum liquidity covenant requires us to have the higher of \$10.0 million or 6% of our total debt. Waivers were obtained from our lenders lowering (i) the minimum value of equity and (ii) the minimum value adjusted equity ratio covenant requirements to levels at which the Company was in compliance, and suspending (iii) the minimum level of liquidity covenant. These waivers were effective until April 30, 2018. Under the waivers the Company is unable to draw further on the Credit Facility.

In April 2018 we entered into an amendment to the credit agreement for our Credit Facility that extends the waiver period up until December 31, 2019, for all the covenants associated with the Credit Facility except for reintroducing a liquidity covenant of \$5.0 million. Under the terms of this waiver, we are unable to draw further on the Credit Facility until we comply with the original terms and conditions under the Credit Facility agreement. The waiver obtained does not prohibit us from paying dividends. We may distribute dividends, subject to a corresponding amount being repaid under the Credit Facility.

Although we received waivers lowering our covenant requirements, should our charter rates or vessel values materially decline further in the future, we may be required to take action to reduce our debt or to act in a manner contrary to our business objectives to meet any such financial ratios and satisfy any such financial covenants.

Risks Relating to Investing in Our Common Shares

Our common share price may be highly volatile and future sales of our common shares could cause the market price of our common shares to decline.

The market price of our common shares may fluctuate significantly in response to many factors, such as actual or anticipated fluctuations in our operating results, changes in financial estimates by securities analysts, economic and regulatory trends, general market conditions, rumors and other factors, many of which are beyond our control.

Because we are a foreign corporation, you may not have the same rights that a shareholder in a U.S. corporation may have.

We are incorporated under the laws of Bermuda. Our Memorandum of Continuance, Bye-laws and the Companies Act govern our affairs. The Companies Act does not as clearly establish your rights and the fiduciary responsibilities of our directors as do statutes and judicial precedent in some U.S. jurisdictions. Therefore, you may have more difficulty in protecting your interests as a shareholder in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction. There is a statutory remedy under Section 111 of the Companies Act which provides that a shareholder may seek redress in the courts as long as such shareholder can establish that our affairs are being conducted, or have been conducted, in a manner oppressive or prejudicial to the interests of some part of the shareholders, including such shareholder.

We are incorporated in Bermuda and it may not be possible for our investors to enforce U.S. judgments against us.

We are incorporated under the laws of Bermuda. Substantially all of our assets are located outside of the United States. In addition, most of our directors and officers are non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside of the United States. As a result, it may be difficult or impossible for U.S. investors to serve process within the United States upon us, or our directors and officers or to enforce a judgment against us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we are incorporated or where our are located (1) would enforce judgments of U.S. courts obtained in actions against us based upon the civil liability provisions of applicable U.S. federal and state securities laws or (2) would enforce, in original actions, liabilities against us based on those laws.

Anti-takeover provisions in our organizational documents could have the effect of discouraging, delaying or preventing a merger or acquisition, or could make it difficult for our shareholders to replace or remove our current board of directors, which could adversely affect the market price of our common shares.

Several provisions of our Memorandum of Continuance and Bye-laws could make it difficult for our shareholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable. These provisions include:

authorizing our board of directors to issue "blank check" preferred shares without shareholder approval;

providing for a classified board of directors with staggered, three-year terms;

establishing certain advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings;

prohibiting cumulative voting in the election of directors;

limiting the persons who may call special meetings of shareholders;

authorizing the removal of directors only for cause and only upon the affirmative vote of two-thirds of the votes cast at an annual meeting of shareholders by the holders of shares entitled to vote thereon; and

establishing supermajority voting provisions with respect to amendments to certain provisions of our Bye-laws.

These anti-takeover provisions could substantially impede the ability of public shareholders to benefit from a change in control and, as a result, may adversely affect the market price of our common shares and your ability to realize any potential change of control premium.

Future sales of our common shares could cause the market price of our common shares to decline.

The market price of our common shares could decline due to sales of a large number of shares in the market, including sales of shares by our large shareholders, or the perception that these sales could occur. These sales could also make it more difficult or impossible for us to sell equity securities in the future at a time and price that we deem appropriate to raise funds through future offerings of our common shares.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common shares less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. We cannot predict if investors will find our common shares less attractive because we may rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our share price may be more volatile.

In addition, under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we are an emerging growth company. The Company will no longer satisfy the criteria to qualify as an emerging growth company after 2018.

For as long as we take advantage of the reduced reporting obligations, the information that we provide shareholders may be different from information provided by other public companies.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Nordic American Offshore Ltd. was formed on October 17, 2013 under the laws of the Republic of the Marshall Islands. We are an international company formed for the purpose of acquiring and operating platform supply vessels, or PSVs, and currently own and operate ten vessels. We maintain our principal offices at the LOM Building, 27 Reid Street, Hamilton HM 11 Bermuda.

Effective September 26, 2016, we discontinued our existence as a company organized under the laws of the Republic of the Marshall Islands and continued our existence as an exempted company incorporated under the laws of Bermuda, which we refer to as the Redomiciliation. There was no change in our business, assets and liabilities, principal locations, fiscal year, directors or executive officers following the Redomiciliation, and our financials are presented on an un-interrupted basis. On November 10, 2016, our shareholders approved the adoption of the new bye-laws, or the Bye-laws, at our annual general meeting of shareholders. As a result of the Redomiciliation, the rights of holders of our common shares are now governed by our Bermuda Memorandum of Continuance, the Bye-laws and the Companies Act 1981 of Bermuda, or the Companies Act.

Transactions

In February 2014, we purchased two newbuilding PSVs, NAO Storm and the NAO Viking, for a purchase price of \$36.0 million and \$36.5 million, respectively. The vessels were delivered to us in January 2015.

In May 2015, our Board of Directors authorized a share repurchase program under which we may repurchase up to 2.5 million of our common shares. As of the date of this annual report, 1,172,774 shares have been repurchased under the program at an average price of \$5.99 per share, of which 301,935 shares were purchased during the financial year ended December 31, 2016. No shares were purchased during the financial year ended December 31, 2017. The repurchase program had a maturity of two years, expiring in 2017.

In February 2016, we completed the purchase of 1,571,749 of our own common shares in a private transaction at a purchase price of \$4.50 per share.

In March 2017, we completed an underwritten public follow-on offering of 41,300,000 common shares, which included 1,300,000 common shares sold pursuant to the underwriters' partial exercise of the overallotment option to purchase additional common shares, at a price of \$1.25 per share. The net proceeds we received from the offering were used for general corporate purposes and working capital purposes. The net proceeds of this offering were approximately \$48.3 million.

As of the date of this annual report, we have 64,731,370 common shares issued, 61,986,847 outstanding and 2,744,523 treasury shares.

B. Business Overview

We are a platform supply vessel company that owns ten vessels. As of the date of this annual report, seven of our vessels are operating in the North Sea in the spot market and two of our vessels are in the process of being reactivated from lay-up, and we expect the vessels to commence commercial operation during the second quarter of 2018.

Our Fleet

As of the date of this annual report, our fleet currently consists of the following ten PSVs.

Vessel name	Yard (1)	Year Built	Capacity (dwt)	Cargo Deck Area (sq. meters)	Delivered to NAO
NAO Fighter	Ulstein	2012	4200	850	January 2014
NAO Prosper	Ulstein	2012	4200	850	January 2014
NAO Power	Ulstein	2013	4200	850	January 2014
NAO Thunder	Ulstein	2013	4200	850	December 2013
NAO Guardian	Ulstein	2013	4200	850	December 2013
NAO Protector	Ulstein	2013	4200	850	December 2013
NAO Storm	Ulstein	2014	4200	850	January 2015
NAO Viking	Ulstein	2014	4200	850	January 2015
NAO Galaxy	Vard	2016	4100	850	April 2016
NAO Horizon	Vard	2016	4100	850	June 2016

(1) "Ulstein" refers to Ulstein Verft AS and "Vard" refers to Vard Group AS.

Employment of Our Fleet

It is our policy to operate our vessels either in the spot market or on short to long-term time charters.

The vessels in our fleet are considered homogeneous and interchangeable as they have approximately the same cargo deck area and capacity. As of the date of issuance of this annual report, seven vessels in our fleet are now in operation. We operate our vessels through Nordic American Offshore UK (NAO UK) in the UK and Norwegian sectors of the North Sea on both spot and shorter term time charters, although we may consider other regions depending on market conditions. Two of these PSVs are in the process of being reactivated. The company established in January 2018 a subsidiary in Norway, NAO Norway AS which will take over the chartering activities and overseeing the technical management of the vessels from NAO UK.

Technical Management of our Vessels

The technical management of our vessels is handled by companies under direct instructions from NAO. As of December 31, 2017, the ship management firms Remøy Shipping AS, or "Remøy", and V. Ships Limited, or V. Ships provide technical management for six and four of the Company's vessels, respectively. We have appointed V. Ships as technical manager for the additional two vessels being reactivated in 2018.

Company Management

In January 2014, the Company, entered into a management agreement with Nordic American Tankers Ltd, "NAT" or "the Manager" for the provision of administrative services for the Company as requested by our management and in accordance with our objectives and policies as established and directed by our Board of Directors. All decisions of a material nature concerning our business are made by the Board of Directors.

For services under the management agreement NAT currently receives a management fee of \$100,000 per annum for a ten vessel fleet, and is reimbursed for costs incurred in connection with its services. In addition to costs incurred which are directly attributable to us, we also pay a portion of the operational costs such as salary and office rent among others, incurred by NAT which is allocated to us. For the years ended December 31, 2017 and 2016, we paid an aggregate of \$2.3 and \$2.2 million, respectively, for such costs incurred.

The International Offshore Market

International offshore support services are provided by a variety of companies both public and private. The vessels used vary significantly in size and specification depending on their expected role in supporting offshore drilling and production. Typically, the customer is either an oil company or an offshore oil rig operator. Employment of the vessels is categorized either as spot employment, where a vessel is hired anywhere from 24 hours to several weeks or long-term contract employment where the customer has the vessel at their disposition for more than twelve months or years.

The employment terms tend to vary between vessel types. The three main categories of offshore support vessels are Platform Supply Vessels (PSV), Anchor Handling Tug & Supply (AHTS) and Construction Support Vessels (CSV). The majority of PSV employment is related the support of oil production, bringing supplies, chemicals and equipment to the rigs, and returning waste product to land. PSVs are also used to support exploration activities. PSVs are distinguished based on deck area/cargo capacity and technical specification. AHTS are primarily used to support rig moves and tend to have more idle time than PSVs. CSVs are used in the construction of offshore installations for new oilfields and often equipped to perform subsea construction work.

Offshore oil exploration and production is a global activity and a variety of vessel types and rig types are employed. Operating costs and regulatory requirements vary significantly from region to region. Oil prices have risen in each of the last two years.

The North Sea market has the highest standards of safety and specification for PSVs, the only asset class owned by Nordic American Offshore. The vast majority of the vessels operating in this market are European, primarily built in Norway. Vessels operating in the North Sea may move to other markets, but vessels operating in other, worldwide markets for the most part do not have access to the North Sea. The North Sea offshore market is subject to seasonality. Activity is lower in winter months and higher in summer months as rig operators are more active in maintenance, rig moves and other activities when weather conditions are less harsh.

All offshore exploration and production businesses were impacted by the decline in the oil market in the second half of 2014. The lower oil price led to cancellation or postponement of many investment programs related to new fields and exploration. This negatively impacted the demand for all categories of offshore support vessels for the twelve months ended December 31, 2017 and 2016.

From the low point of \$30 per barrel in January 2016, the price of oil has started to improve and has remained above \$60 per barrel from December 2017 to the date of this report. The improved oil price and new lowered cash break even for the oil companies has resulted in a more positive sentiment in the industry. A stable oil price at profitable levels for oil companies can be expected to lead to increased investment activity and increased demand for AHTS and offshore support vessels.

The 2017 Offshore Support Vessel Market (Source: Fearnleys)

In the coming years, looking back at the present downturn, 2017 will likely represent the trough of the poor market. Except the Brent oil price, most of our market indicators decreased or developed practically sideways in 2017, and halfway through the year more than 35 % of the global OSV fleet was cold-stacked. That is not to say that there was nothing to be cheerful about, as much as we are more than able to curb our immediate enthusiasm. Throughout the year it also became apparent that close to all the supply vessel owners either had faced or were currently still facing severe financial challenges. However, only a small number of them actually disappeared from the market, with some returning only months afterwards. In the first quarter of 2017, the North Sea spot market was showing off its true colours as rates fluctuated a great deal. The market hit peak levels around GBP 75,000 for AHTS and GBP 20,000 for PSVs, yet there was little to warrant optimism apart from some sporadic high fixtures due to the high number of vessels re-entering the market from both lay-up and international waters. Average utilization for AHTS units was just shy of 40%, while PSVs achieved 63%. This is down from 2016 for both segments, and naturally, rates developed in a similar fashion, averaging just GBP 18,000 and GBP 7,800, respectively. As the market stabilized towards the end of the year, we register a change in the market sentiment towards the North Sea. The majority of market players now believe that the most challenging period of the downturn is behind us. Owners are adapting to challenging times in a number of ways in order to survive the next couple of years. It is apparent that several charterers seem to share this opinion, as now most of the invitations to tender include a request for considerable number of priced optional charter periods. This signals that charterers expect to retain their access to quality tonnage for a long time ahead, which brings cause for optimism.

The Asian region experienced a slight uptick in vessel demand during the latter half of 2017, albeit only to a moderate degree. The average term rates developed flat throughout the year, with virtually no volatility, as even more OSVs entered lay-up, thereby maintaining some form of supply and demand balance. An unfortunate trend that is important to consider though, is that the strongest demand growth in this region came from countries with strong or increasingly strict cabotage regulations, such as Malaysia, Thailand, and Indonesia. Now increasingly common in several regions, the consequence of the cabotage restrictions is a market environment where it is increasingly difficult to operate as a global player. How this will shape the future is difficult to tell, but we are certain that it will have a significant impact on how and where owners operate their fleet.

Finally, with a substantial amount of sales materializing, in the last quarter of the year, 2017 was a busy year for Sale and Purchase departments. Granted, here as with the charter rates, the transaction values achieved remained at a bare minimum, it is definitely a welcome development. In the face of debt restructuring and bankruptcy protection, a lot of owners were forced to offload several ships in order to please either bondholders and/or banks, but it also enables a lot of new players to enter the OSV industry. With a 57 % volume growth from 2015 to 2016, and a further 45 % growth last year, we are confident that there is significant interest in the future. Moreover, there were only two thirds as many ships delivered in all of 2017 compared to the number scrapped, clearly pointing towards the development in the direction of a vessel supply and demand balance.

Although there is much to be optimistic about for the future, 2017 demonstrated a low point for the market. Save the modest growth in the North Sea spot market, the global averages, both in terms of day rates as well as utilization, developed flat with few exceptions. The number of ships cold-stacked remained at staggering levels all through the year, and there were still more than 350 ships on the shipyards' orderbooks when the year was done.

The Offshore Market 2018

The sentiment in the offshore sector has improved significantly since year-end following the oil price stabilizing above \$60 per barrel and major oil companies being significantly cash positive. There have been various indicators of increased activity and inquiries for the upcoming 2018 summer campaign in the North Sea as more rigs become fixed for exploration campaigns, as well as other seasonal activities, such as pipe haul.

The effects of a more stable or increased level of activity from the oil companies will not have an immediate impact on the PSV market rates, as inherent overcapacity in laid-up vessels will continue to represent a ceiling on long-term charter rates this year. The scrapping of PSVs has mainly occurred in other regions, and has had less of an impact on the North Sea market thus far. We are however cautiously optimistic for the spot market in the North Sea in the coming summer season (including the second and third quarters of 2018) as many of the laid-up vessels will not be contenders for short term or spot work, due to costs and reactivation time, combined with their size and age.

Government and Environmental Regulation

Government regulation and laws significantly affect the ownership and operation of our fleet. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the United States Coast Guard ("USCG"), harbor master or equivalent), classification societies, flag state administrations (countries of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of the operation of one or more of our vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations frequently change and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

It should be noted that the U.S. is currently experiencing changes in its environmental policy, the results of which have yet to be fully determined. For example, in April 2017, the U.S. President signed an executive order regarding environmental regulations, specifically targeting the U.S. offshore energy strategy, which may affect parts of the maritime industry and our operations. Furthermore, recent action by the IMO's Maritime Safety Committee and United States agencies indicate that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. For example, cyber-risk management systems must be incorporated by ship-owners and managers by 2021. This might cause companies to cultivate additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. However, the impact of such regulations is hard to predict at this time.

International Maritime Organization

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels (the "IMO"), has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as "MARPOL," adopted the International Convention for the Safety of Life at Sea of 1974 ("SOLAS Convention"), and the International Convention on Load Lines of 1966 (the "LL Convention"). MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. MARPOL is applicable to drybulk, tanker and LPG carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried in bulk in liquid or in packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997.

Air Emissions

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution from vessels. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits "deliberate emissions" of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions, as explained below. Emissions of "volatile organic compounds" from certain tankers, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls, or PCBs) are also prohibited. We believe that all our vessels are currently compliant in all material respects with these regulations.

The IMO's Marine Environmental Protection Committee ("MEPC"), adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. On October 27, 2016, at its 70th session, the MEPC agreed to implement a global 0.5% m/m sulfur oxide emissions limit (reduced from the current 3.50%) starting from January 1, 2020. This limitation can be met by using low-sulfur compliant fuel oil, alternative fuels, or certain exhaust gas cleaning systems. Once the cap becomes effective, ships will be required to obtain bunker delivery notes and International Air Pollution Prevention ("IAPP") Certificates from their flag states that specify sulfur content. This subjects ocean-going vessels in these areas to stringent emissions controls, and may cause us to incur additional costs.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for marine diesel engines, depending on their date of installation. At the MEPC meeting held from March to April 2014, amendments to Annex VI were adopted which address the date on which Tier III Nitrogen Oxide (NOx) standards in ECAs will go into effect. Under the amendments, Tier III NOx standards apply to ships that operate in the North American and U.S. Caribbean Sea ECAs designed for the control of NOx with a marine diesel engine installed and constructed on or after January 1, 2016. Tier III requirements could apply to areas that will be designated for Tier III NOx in the future. At MEPC 70 and MEPC 71, the MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxide for ships built after January 1, 2021. The U.S. EPA promulgated equivalent (and in some senses stricter) emissions standards in late 2009. As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

As determined at the MEPC 70, the new Regulation 22A of MARPOL Annex VI is effective as of March 1, 2018 and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil consumption to an IMO database, with the first year of data collection commencing on January 1, 2019. The IMO intends to use such data as the first step in its roadmap (through 2023) for developing its strategy to reduce greenhouse gas emissions from ships, as discussed further below.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. All ships are now required to develop and implement Ship Energy Efficiency Management Plans ("SEEMPS"), and new ships must be designed in compliance with minimum energy efficiency levels per capacity mile as defined by the Energy Efficiency Design Index ("EEDI"). Under these measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014.

We may incur costs to comply with these revised standards. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition.

Safety Management System Requirements

The SOLAS Convention was amended to address the safe manning of vessels and emergency training drills. The Convention of Limitation of Liability for Maritime Claims (the "LLMC") sets limitations of liability for a loss of life or personal injury claim or a property claim against ship owners. We believe that all of our vessels are in substantial compliance with SOLAS and LL Convention standards.

Under Chapter IX of the SOLAS Convention, or the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the "ISM Code"), our operations are also subject to environmental standards and requirements. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical management team have developed for compliance with the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with the ISM Code requirements for a safety management system. No vessel can obtain a safety management certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. The company has nominated Remøy Shipping and V.Ships to technically operate our vessels. The technical managers have obtained the DOC (document of compliance) in order to operate in accordance with the ISM code.

Amendments to the SOLAS Convention Chapter VII apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code ("IMDG Code"). Effective January 1, 2018, the IMDG Code includes (1) updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, (2) new marking, packing and classification requirements for dangerous goods, and (3) new mandatory training requirements.

The IMO has also adopted the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW"). As of February 2017, all seafarers are required to meet the STCW standards and be in possession of a valid STCW certificate. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments (the "BWM Convention") in 2004. The BWM Convention entered into force on September 9, 2017. The BWM Convention requires ships to manage their ballast water to remove, render harmless, or avoid the uptake or discharge of new or invasive aquatic organisms and pathogens within ballast water and sediments. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, and require all ships to carry a ballast water record book and an international ballast Water management certificate.

On December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that the dates are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels delivered before the entry into force date "existing vessels" and allows for the installation of ballast water management systems on such vessels at the first International Oil Pollution Prevention (IOPP) renewal survey following entry into force of the convention. The MEPC adopted updated guidelines for approval of ballast water management systems (G8) at MEPC 70. At MEPC 71, the schedule regarding the BWM Convention's implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards. Ships over 400 gross tons generally must comply with a "D-1 standard," requiring the exchange of ballast water only in open seas and away from coastal waters. The "D-2 standard" specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. Depending on the date of the IOPP renewal survey, existing vessels must comply with the D2 standard on or after September 8, 2019. For most ships, compliance with the D2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Costs of compliance may be substantial.

Once mid-ocean ballast exchange ballast water treatment requirements become mandatory under the BWM Convention, the cost compliance could increase for ocean carriers and may be material. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The U.S., for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements. The costs of compliance with a mandatory mid-ocean ballast exchange could be material, and it is difficult to predict the overall impact of such a requirement on our operations.

The IMO also adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the "Bunker Convention") to impose strict liability on ship owners (including the registered owner, bareboat charterer, manager or operator) for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the LLMC). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

Ships are required to maintain a certificate attesting that they maintain adequate insurance to cover an incident. In jurisdictions, such as the United States where [the CLC OR the Bunker Convention] has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or on a strict-liability basis.

Anti-Fouling Requirements

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships, or the "Anti-fouling Convention." The Anti-fouling Convention, which entered into force on September 17, 2008, prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels. Vessels of over 400 gross tons engaged in international voyages will also be required to undergo an initial survey before the vessel is put into service or before an International Anti-fouling System Certificate is issued for the first time; and subsequent surveys when the anti-fouling systems are altered or replaced. We have obtained Anti-fouling System Certificates for all of our vessels that are subject to the Anti-fouling Convention.

Compliance Enforcement

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and European Union authorities have indicated that vessels not in compliance with the ISM Code by applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this report, each of our vessels is ISM Code certified. The company has nominated Remøy Shipping and V.Ships to technically operate our vessels. The technical managers have obtained the DOC (document of compliance) in order to operate in accordance with the ISM code. However, there can be no assurance that such certificates will be maintained in the future. The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

United States Regulations

The U.S. Oil Pollution Act of 1990 and the Comprehensive Environmental Response, Compensation and Liability Act

The U.S. Oil Pollution Act of 1990 ("OPA") established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all "owners and operators" whose vessels trade or operate within the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S.'s territorial sea and its 200 nautical mile exclusive economic zone around the U.S. The U.S. has also enacted the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners and operators are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers (fuel). OPA defines these other damages broadly to include:

- (i) injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- (ii) injury to, or economic losses resulting from, the destruction of real and personal property;
- (iv) loss of subsistence use of natural resources that are injured, destroyed or lost;
- (iii) net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;
- (v) lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- (vi) net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the responsibility party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damages for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5.0 million for vessels carrying a hazardous substance as cargo and the greater of \$300 per gross ton or \$500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. OPA and CERCLA both require owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. All the Company's vessels operate in the North Sea, and it is unlikely they will operate in the U.S. under the Jonas Act Scheme at a later time. Hence there is no requirement to carry USCG's COFR (Certificate of Financial responsibility) for our vessels.

The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico resulted in additional regulatory initiatives or statutes, including the raising of liability caps under OPA, new regulations regarding offshore oil and gas drilling, and a pilot inspection program for offshore facilities. However, the status of several of these initiatives and regulations is currently in flux. For example, the U.S. Bureau of Safety and Environmental Enforcement ("BSEE") announced a new Well Control Rule in April 2016, but pursuant to orders by the U.S. President in early 2017, the BSEE announced in August 2017 that this rule would be revised. In January 2018, the U.S. President proposed leasing new sections of U.S. waters to oil and gas companies for offshore drilling, vastly expanding the U.S. waters that are available for such activity over the next five years. The effects of the proposal are currently unknown. Compliance with any new requirements of OPA may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes. Additional legislation or regulations applicable to the operation of our vessels that may be implemented in the future could adversely affect our business.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA and some states have enacted legislation providing for unlimited liability for oil spills. Many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law. Moreover, some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters, although in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining tanker owners' responsibilities under these laws. The Company intends to comply with all applicable state regulations in the ports where the Company's vessels call.

We currently maintain pollution liability coverage insurance in the amount of \$ 1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage, it could have an adverse effect on our business and results of operation.

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) ("CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The CAA requires states to adopt State Implementation Plans, or SIPs, some of which regulate emissions resulting from vessel loading and unloading operations which may affect our vessels.

The U.S. Clean Water Act ("CWA") prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA.

The EPA and the USCG have also enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial costs, and/or otherwise restrict our vessels from entering U.S. Waters. The EPA requires a permit regulating ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters under the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels (the "VGP"). On March 28, 2013, the EPA re-issued the VGP for another five years from the effective date of December 19, 2013. The 2013 VGP focuses on authorizing discharges incidental to operations of commercial vessels, and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, stringent requirements for exhaust gas scrubbers, and requirements for the use of environmentally acceptable lubricants. For a new vessel delivered to an owner or operator after December 19, 2013 to be covered by the VGP, the owner must submit a Notice of Intent ("NOI") at least 30 days (or 7 days for eNOIs) before the vessel operates in United States waters. We have submitted NOIs for our vessels where required.

The USCG regulations adopted under the U.S. National Invasive Species Act ("NISA") impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters, which require the installation of certain engineering equipment and water treatment systems to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures, and/or may otherwise restrict our vessels from entering U.S. waters. The USCG has implemented revised regulations on ballast water management by establishing standards on the allowable concentration of living organisms in ballast water discharged from ships in U.S. waters. As of January 1, 2014, vessels were technically subject to the phasing-in of these standards, and the USCG must approve any technology before it is placed on a vessel. The USCG first approved said technology in December 2016, and continues to review ballast water management systems. The USCG may also provide waivers to vessels that demonstrate why they cannot install the new technology. The USCG has set up requirements for ships constructed before December 1, 2013 with ballast tanks trading within the exclusive economic zones of the U.S. to install water ballast treatment systems as follows: (1) ballast capacity 1,500-5,000m³—first scheduled drydock after January 1, 2014; and (2) ballast capacity above 5,000m³—first scheduled drydock after January 1, 2016. All of our vessels have ballast capacities over 5,000m³, and those of our vessels trading in the U.S. will have to install water ballast treatment plants at their first drydock after January 1, 2016, unless an extension is granted by the USCG.

The EPA, on the other hand, has taken a different approach to enforcing ballast discharge standards under the VGP. On December 27, 2013, the EPA issued an enforcement response policy in connection with the new VGP in which the EPA indicated that it would take into account the reasons why vessels do not have the requisite technology installed, but will not grant any waivers. In addition, through the CWA certification provisions that allow U.S. states to place additional conditions on the use of the VGP within state waters, a number of states have proposed or implemented a variety of stricter ballast requirements including, in some states, specific treatment standards. Compliance with the EPA, USCG and state regulations could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

Two recent United States court decisions should be noted. First, in October 2015, the Second Circuit Court of Appeals issued a ruling that directed the EPA to redraft the sections of the 2013 VGP that address ballast water. However, the Second Circuit stated that 2013 VGP will remain in effect until the EPA issues a new VGP. The effect of such redrafting remains unknown. Second, on October 9, 2015, the Sixth Circuit Court of Appeals stayed the Waters of the United States ("WOTUS") rule, which aimed to expand the regulatory definition of "waters of the United States," pending further action of the court. In response, regulations have continued to be implemented as they were prior to the stay on a case-by-case basis. In February 2017, the U.S. President issued an executive order directing the EPA and U.S. Army Corps of Engineers publish a proposed rule rescinding or revising the WOTUS rule. In January 2018, the Supreme Court held that the federal district courts, not the appellate courts, have jurisdiction to hear challenges to the WOTUS rule. Also in January 2018, the EPA and Army Corps of Engineers issued a final rule pursuant to the President's order, under which the Agencies will interpret the term "waters of the United States" to mean waters covered by the regulations, as they are currently being implemented, within the context of the Supreme Court decisions and agency guidance documents, until February 6, 2020. Litigation regarding the status of the WOTUS rule is currently underway, and the effect of future actions in these cases upon our operations is unknown.

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 (amending EU Directive 2009/16/EC) governs the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions annually starting on January 1, 2018, which may cause us to incur additional expenses.

The European Union has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, and flag as well as the number of times the ship has been detained. The European Union also adopted and extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply. Furthermore, the EU has implemented regulations requiring vessels to use reduced sulfur content fuel for their main and auxiliary engines. The EU Directive 2005/33/EC (amending Directive 1999/32/EC) introduced requirements parallel to those in Annex VI relating to the sulfur content of marine fuels. In addition, the EU imposed a 0.1% maximum sulfur requirement for fuel used by ships at berth in EU ports.

International Labour Organization

The International Labour Organization (the "ILO") is a specialized agency of the UN that has adopted the Maritime Labour Convention 2006 ("MLC 2006"). A Maritime Labour Certificate and a Declaration of Maritime Labour Compliance is required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. We believe that all our vessels are in substantial compliance with and are certified to meet MLC 2006.

Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions with targets extended through 2020. International negotiations are continuing with respect to a successor to the Kyoto Protocol, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the U.S. and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016 and does not directly limit greenhouse gas emissions from ships. On June 1, 2017, the U.S. president announced its intent to withdraw from the Paris Agreement. The timing and effect of such action has yet to be determined, but the Paris Agreement provides for a four year exit process.

At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships was approved. In accordance with this roadmap, in April 2018, nations at the MEPC 72 adopted an initial strategy to reduce greenhouse gas emissions from ships. The initial strategy identifies "levels of ambition" to reducing greenhouse gas emissions, including (1) decreasing the carbon intensity from ships through implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely. The initial strategy notes that technological innovation, alternative fuels and/or energy sources for international shipping will be integral to achieve the overall ambition. These regulations could cause us to incur additional substantial expenses.

The EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels by 2020. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol's second period from 2013 to 2020. Starting in January 2018, large ships calling at EU ports are required to collect and publish data on carbon dioxide emissions and other information.

In the United States, the EPA issued a finding that greenhouse gases endanger the public health and safety, adopted regulations to limit greenhouse gas emissions from certain mobile sources, and proposed regulations to limit greenhouse gas emissions from large stationary sources. However, in March 2017, the U.S. President signed an executive order to review and possibly eliminate the EPA's plan to cut greenhouse gas emissions. In response to that order, on October 16, 2017, the EPA proposed to repeal the Clean Power Plan, its first standards on carbon dioxide emissions from power plants. On December 28, 2017, the EPA published an Advance Notice of Proposed Rulemaking outlining its plans to replace the Clean Power Plan if the repeal moves forward. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, the EPA or individual U.S. states could enact environmental regulations that would affect our operations. For example, California has introduced a cap-and-trade program for greenhouse gas emissions, aiming to reduce emissions 40% by 2030.

Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol or Paris Agreement, that restricts emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time. Even in the absence of climate control legislation, our business may be indirectly affected to the extent that climate change may result in sea level changes or more intense weather events.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the U.S. Maritime Transportation Security Act of 2002 ("MTSA"). To implement certain portions of the MTSA, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities, some of which are regulated by the EPA.

Similarly, Chapter XI-2 of the SOLAS Convention imposes detailed security obligations on vessels and port authorities and mandates compliance with the International Ship and Port Facilities Security Code ("the ISPS Code"). The ISPS Code is designed to enhance the security of ports and ships against terrorism. To trade internationally, a vessel must attain an International Ship Security Certificate ("ISSC") from a recognized security organization approved by the vessel's flag state. Ships operating without a valid certificate may be detained, expelled from, or refused entry at port until they obtain an ISSC. The following are among the various requirements, some of which are found in the SOLAS Convention:

on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;

on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;

the development of vessel security plans;

ship identification number to be permanently marked on a vessel's hull;

a continuous synopsis record kept onboard showing a vessel's history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and

compliance with flag state security certification requirements.

The USCG regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel's compliance with the SOLAS Convention security requirements and the ISPS Code. Future security measures could have a significant financial impact on us. We intend to comply with the various security measures addressed by MTSA, the SOLAS Convention and the ISPS Code.

Inspection by Classification Societies

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. Most insurance underwriters make it a condition for insurance coverage and lending that a vessel be certified "in class" by a classification society which is a member of the International Association of Classification Societies, the IACS. The IACS has adopted harmonized Common Structural Rules, or the Rules, which apply to oil tankers and bulk carriers constructed on or after July 1, 2015. The Rules attempt to create a level of consistency between IACS Societies. All of our vessels are certified as being "in class" by all the applicable Classification Societies (e.g., American Bureau of Shipping, Lloyd's Register of Shipping).

A vessel must undergo annual surveys, intermediate surveys, drydockings and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Every vessel is also required to be drydocked every 60 months for inspection of the underwater parts of the vessel. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, drydocking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

Risk of Loss and Liability Insurance

General

The operation of any vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy incidents, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon shipowners, operators and bareboat charterers of any vessel trading in the exclusive economic zone of the United States for certain oil pollution accidents in the United States, has made liability insurance more expensive for shipowners and operators trading in the United States market. We carry insurance coverage as customary in the shipping industry, not all risks can be insured, specific claims may be rejected, and we might not be always able to obtain adequate insurance coverage at reasonable rates.

Hull and Machinery Insurance

We procure hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance and war risk insurance and freight, demurrage and defense insurance for our fleet. We generally do not maintain insurance against loss of hire (except for certain charters for which we consider it appropriate), which covers business interruptions that result in the loss of use of a vessel.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, covers our third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or "clubs."

Our current protection and indemnity insurance coverage for pollution is \$1 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. Each P&I Association has capped its exposure to this pooling agreement at \$4.5 billion. As a member of a P&I Association, which is a member of the International Group, we are subject to calls payable to the associations based on our claim records as well as the claim records of all other members of the individual associations and members of the shipping pool of P&I Associations comprising the International Group.

Permits and Authorizations

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our vessels. The kinds of permits, licenses and certificates required depend upon several factors, including the commodity transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of a vessel. We expect to be able to obtain all permits, licenses and certificates currently required to permit our vessels to operate. Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of us doing business.

Seasonality

Operations in the North Sea are generally at their highest levels during the months from April through August and at their lowest levels from December through February primarily due to lower construction activity and harsh weather conditions affecting the movement and servicing of drilling rigs. Operations in any market may be affected by seasonality often related to unusually long or short construction seasons due to, among other things, abnormal weather conditions, as well as market demand associated with increased drilling and development activities.

C. Organizational Structure

As of December 31, 2017, we are the sole owner of all of the outstanding shares of Blue Power Limited, a company organized under the laws of Bermuda and Nordic American Offshore (UK) Ltd., a company organized under the laws of the United Kingdom. In January 2018 we have established NAO Norway AS, a company incorporated under the laws of Norway.

D. Property, Plants and Equipment

Other than our vessels, we do not own any material property. Please see Item 4. Information on the Company—Business Overview—Our Fleet, for a description of our vessels. All of our PSVs are mortgaged as collateral under our Credit Facility.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

We present our Statement of Operations and Comprehensive (Loss) Income using charter revenues and charter costs. During the periods ended December 31, 2017, 2016 and 2015, our vessels were employed in the North Sea on term and spot charters.

RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017 COMPARED TO YEAR ENDED DECEMBER 31, 2016

<i>All figures in USD '000</i>	Year ended December 31,		Variance
	2017	2016	
Charter Revenues	17,895	17,697	1.1%
Charter Costs	(1,815)	(1,448)	25.4%
Vessel Operating Costs	(20,454)	(24,137)	(15.3%)
General and Administrative Costs	(4,222)	(4,503)	(6.2%)
Depreciation Costs	(17,472)	(16,152)	8.2%
Net Operating Loss	(26,068)	(28,543)	(8.7%)
Interest Income	298	10	2880%
Interest Costs	(4,880)	(3,467)	40.8%
Other Financial Income (Costs)	327	(151)	(316.6%)
Total Other Costs	(4,255)	(3,608)	17.9%
Loss before income taxes	(30,323)	(32,151)	(5.7%)
Income Tax	997	-	NA
Net Loss and Comprehensive Loss	(29,326)	(32,151)	(8.9%)

Charter Revenues increased by 1.1% from December 31, 2016 to December 31, 2017. We consider the increase to be marginal, resulting from increased average rates and decreased average utilization at December 31, 2017 compared to December 31, 2016. In 2017, we had seven vessels trading and three vessels laid up for the full year. Of the seven operating vessels, one vessel was fixed on a term contract of seven months and the six others were trading on the spot market. The nature of the spot market leads to an increase in harbor costs, fuel costs and other off-hire related costs such as pilotage, linesmen, light dues, off-hire surveys, etc., in comparison to a term contract where the client covers all these costs while the vessel is on-hire.

The increase in charter costs of 25.4% is primarily due to increased port charges and off-hire costs. Off-hire costs increased since the average utilization at December 31, 2017 compared to December 31, 2016 decreased and that at December 31, 2017 we had three vessels in layup, involving bunkering costs and costs associated with having the vessels laid up).

The decrease in vessel operating costs is primarily due to the three new vessels added to the fleet that were in lay-up during 2017, which had significantly lower operating costs than a vessel in operation. The increase in costs from adding two new vessels to the fleet that were previously laid up was partly offset by one additional vessel being laid up since October 2016.

The 6.2% decrease in general and administrative costs is due to legal fees incurred in 2016 due to our re-domiciliation from the Marshall Islands to Bermuda.

The 8.2% increase in depreciation costs is a result of the acquisition of two new vessels in 2016. The vessels were delivered in April and June 2016, and were depreciated from the time of delivery. 2017 is the first year with full depreciation for the two vessels delivered in 2016.

Net operating loss was \$26.0 million for the twelve months ended December 31, 2017, compared to \$28.5 million for the twelve months ended December 31, 2016. The decrease in net operating loss is primarily caused by the reduction in vessel operating costs.

No vessel impairment was recorded for the year after having performed an impairment analysis. The Company's fleet's average age is just over 4 years and the estimated undiscounted cash flows exceed the book value of each vessel as of December 31, 2017. Please see further information under "Item 5H.-Critical Accounting Estimates".

As of December 2017, interest expenses increased by 40.8% compared with the same period last year. This is due to increased interest rates and the fact that another \$90 million of the credit facility was drawn on our credit facility in 2016.

RESULTS FOR THE YEAR ENDED DECEMBER 31, 2016 COMPARED TO YEAR ENDED DECEMBER 31, 2015

<i>All figures in USD '000</i>	Year ended December 31,		Variance
	2016	2015	
Charter Revenues	17,697	36,372	(51.3%)
Charter Costs	(1,448)	(1,523)	(4.9%)
Vessel Operating Costs	(24,137)	(24,580)	(1.8%)
General and Administrative Costs	(4,503)	(4,261)	5.7%
Depreciation Costs	(16,152)	(14,379)	12.3%
Net Operating Loss	(28,543)	(8,372)	240.9%
Interest Income	10	34	(70.7%)
Interest Costs	(3,467)	(1,807)	91.9%
Other Financial Costs	(151)	(699)	(78.4%)
Total Other Costs	(3,608)	(2,472)	46.0%
Loss before income taxes	(32,151)	(10,844)	196.5%
Income Tax	-	-	NA
Net Loss and Comprehensive Loss	(32,151)	(10,844)	196.5%

In 2015 we had three term charters, two of which were for the whole year and one for the first six months, where rates were significantly higher than the spot market. In 2016 all trading days, except three months of a term charter signed in 2014 for one vessel, were in the spot or short term market where rates and utilization remained low. The expiry of the term contracts is the primary reason for the 51.3% decline in charter revenues. Additionally, both our utilization and charter rates in the spot market for the year ended December 31, 2016, were lower than for the year ended December 31, 2015. We had two vessel delivered in 2016 which did not enter into trading and our trading capacity in 2016 was slightly lower than 2015 due to the NAO Fighter being laid up in October 2016.

The reduction in charter costs of 4.9% is primarily due to reduced commissions. Commissions are primarily paid on a percentage of the rate, and with the reduction in charter revenues these costs decrease. The decrease is offset by increased fuel consumption charged to the Company. This is consumption incurred when the vessels are not chartered to a customer.

The new vessels added to the fleet in 2016 are in lay-up with an operating cost significantly lower than operating costs for a vessel in operation. The increase in costs from adding two new vessels which were laid up to the fleet was offset by one additional vessel being laid up in October 2016 and this together with the U.S. dollar strengthening by approximately 2.5% to the Norwegian Krone reduced the vessel operating costs by 1.8% as compared to 2015 where eight vessels were in full operation for the whole year.

The 5.7% increase in general and administrative costs is due to the strengthening of the organization with additional employees increasing the cost basis. In addition, fees to our auditor and legal advisors increased due to our re-domiciliation from the Marshall Islands to Bermuda.

The 12.3% increase in depreciation costs is a result of the acquisition of two new vessels in 2016. The vessels were delivered in April and June 2016, and were depreciated from the time of delivery.

Net operating loss was \$28.5 million for the twelve months ended December 31, 2016, compared to \$8.4 million for the twelve months ended December 31, 2015. The increase in net operating loss is primarily caused by the reduction in charter revenues and increase in depreciation as described above.

No vessel impairment was recorded for the year after having performed an impairment analysis. The Company's fleet's average age is just over 3 years and the estimated undiscounted cash flows exceed the book value of each vessel as of December 31, 2016. Please see further information under "Item 5H.-Critical Accounting Estimates".

The increase of 91.9% in interest costs is due to an increase of \$90.0 million in amounts drawn on the Credit Facility for the twelve months ended December 31, 2016 compared with the twelve months ended December 31, 2015. This was due to the company repurchasing 1,873,684 of its own shares, taking delivery of two ships, and drawing down on the Credit Facility for general corporate purposes in 2016.

B. Liquidity and Capital Resources

We operate in a cyclical and capital intensive industry and we have historically financed our acquisitions of PSV's mainly through raising new equity in combination with loan finance. We refer to further comments below in regards to our Credit Facility. As of December 31, 2017 and December 31, 2016 we had cash and cash equivalents of \$31.5 million and \$2.9 million, respectively.

Equity Issuances

In November 2013, we issued an aggregate of 16,666,666 common shares in the Private Placement in Norway at \$15.00 per share, resulting in net proceeds to us of \$243.4 million. The net proceeds of the Private Placement were used to finance the acquisition of the first six vessels in our fleet.

In June 2014, we completed our IPO of 6,764,704 common shares, including the full exercise of the underwriters' option to purchase 882,352 additional common shares, at \$16.00 per share, resulting in net proceeds to us of approximately \$100.2 million. The net proceeds of the IPO were used to finance a portion of the purchase price of the newbuilds acquired in 2014.

In March 2017, we completed an underwritten public follow-on offering of 41,300,000 common shares, which includes 1,300,000 common shares sold pursuant to the underwriters' partial exercise of the overallotment option to purchase additional common shares, at a price of \$1.25 per share. The net proceeds we received from the offering were approximately \$48.3 million and were to be used for general corporate purposes and working capital financing purposes.

Our Borrowing Activities

Credit Facility

On December 19, 2013, we entered into a revolving credit facility with DNB Bank ASA and Skandinaviska Enskilda Banken AB for up to \$60.0 million, the (Credit Facility). On March 16, 2015, we expanded the Credit Facility to \$150.0 million. The Credit Facility provides funding for general corporate purposes. Amounts borrowed under the Credit Facility bear interest at an annual rate equal to LIBOR plus a margin and we pay a commitment fee on any undrawn amounts. The maximum potential annual commitment fee payable on undrawn amounts is \$600,000. There are no mandatory repayments of principal during the term of the Credit Facility, and we pay interest only on drawn amounts and commitment fee for undrawn amounts. The maturity of the Credit Facility has been extended to March 2020, as part of increasing the facility in 2015.

As of December 31, 2017 and December 31, 2016, we had \$137.0 million and \$137.0 million, respectively outstanding under the Credit Facility.

Borrowings under the Credit Facility are currently secured by first priority mortgages on our vessels and assignments of earnings and insurance. Under the Credit Facility, we are subject to certain covenants requiring among other things, the maintenance of (i) a minimum value adjusted amount of equity, and (ii) a minimum value adjusted equity ratio, and (iii) a minimum level of liquidity, and (iv) a positive working capital. The Credit Facility also includes customary events of default, including non-payment, breach of covenants, insolvency, cross defaults and material adverse change. A breach of any of these covenants would result in the Credit Facility becoming callable by the lenders.

As of December 31, 2016 and December 31, 2017 we were in default with three of our debt covenants, (i) the minimum value adjusted amount of equity clause, (ii) the minimum value adjusted equity ratio clause and (iii) a minimum level of liquidity. In April 2018 we entered into an amendment to the credit agreement for our Credit Facility that extends the waiver period up until December 31, 2019, for all the covenants associated with the Credit Facility except for reintroducing a liquidity covenant of \$5.0 million. Under the terms of the waiver obtained, the Company are unable to draw further on the Credit Facility until we comply with the original terms and conditions under the Credit Facility agreement. The waiver obtained does not prohibit the Company from paying dividends. The Company can distribute dividends, subject to a corresponding amount being repaid under the Credit Facility.

Cash on hand was \$31.5 million as of December 31, 2017.

On a regular basis, we perform cash flow projections to evaluate whether we will be in a position to cover our liquidity needs for the next 12-month period and the compliance with financial and security ratios under our existing financing agreements. In developing estimates of future cash flows, we make assumptions about the vessels' future performance, market rates, operating expenses, capital expenditure, fleet utilization, general and administrative expenses and interest charges. The assumptions applied are based on historical experience and future expectations.

We believe that our current cash and cash equivalents and cash expected to be generated from operations are sufficient to meet our working capital needs and other liquidity requirements for the next 12 months from the date of this report. If the charter rates and utilization of our vessels fall below the rates and utilization achieved in 2017 for the coming twelve months, we may have to ask our lenders for further waivers or we may have to raise equity to strengthen the liquidity of the Company and to comply with our financial covenants.

Cash Flow

Cash outflows from operating activities improved by \$2.3 million from (\$16.3) million to (\$14.0) million used in operating activities for the year ended December 31, 2017. The improvement in cash flows from operating activities is primarily due to reduced operating expenses as a result of vessels being stacked and the increase in average realized rates, which are the primary driver of cash flows from operating activities. The average utilization for the year ended December 31, 2017 decreased compared with the average utilization for the year end December 31, 2016, but it did not materially affect the cash flow as the change was minimal. The majority of the operating cash flows earned in 2017 and 2016, have been based on assignments in the spot market.

Cash outflows from investing activities decreased to (\$0.8) million for the year ended December 31, 2017 from (\$61.6) million for the year ended December 31, 2016. The decrease in cash flows from investing activities is primarily due to the delivery of two vessels acquired in 2016. No vessels were delivered in 2017.

Cash inflows from financing activities decreased to \$43.4 million for the year ended December 31, 2017 compared to \$75.5 million for the year ended December 31, 2016. The decrease in 2017 is mainly due to no utilization of the credit facility in 2017, offset by the offering of \$48.3 in March 2017.

C. Research and Development, Patents and Licenses, etc.

Not applicable.

D. Trend Information

The offshore supply vessel industry is cyclical and changes in oil price and exploration activity are causing volatility in the charter hire rates. The market is subject to seasonality with lower activity in the winter months. See Item 4. Information on the Company—B. Business Overview – The International Offshore Market.

E. Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

Our contractual obligations as of December 31, 2017, consist of our obligations as a borrower under our Credit Facility.

The following table sets out financial, commercial and other obligations outstanding as of December 31, 2017 (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)	\$ 137,000	-	\$ 137,000	-	-
Interest Payments (2)	\$ 18,842	\$ 8,388	\$ 10,454	\$ -	-
Commitment Fees (3)	\$ 201	\$ 91	\$ 110	\$ -	-
Total	\$ 156,043	\$ 8,479	\$ 147,564	\$ -	-

(1) Refers to obligations to repay indebtedness outstanding as of December 31, 2017

(2) Refers to estimated interest payments over the term of the indebtedness outstanding as of December 31, 2017

(3) Refers to estimated commitment fees over the term of the indebtedness outstanding as of December 31, 2017. Estimate based on applicable commitment fee on undrawn amount as of December 31, 2017

As of December 31, 2017 we have \$31.5 million in cash on hand, and \$13 million undrawn under our Credit Facility. Under the terms of the waiver that we have obtained, we are unable to draw further on the Credit Facility.

G. Safe Harbor

See "Cautionary Statement Regarding Forward Looking Statements" at the beginning of this annual report.

H. Critical Accounting Estimates and Policies

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. For a description of our material accounting policies, please read Item 18. Financial Statements Note 2 Summary of Significant Accounting Policies.

Implications of Being an Emerging Growth Company: We had less than \$1.0 billion in revenue during our last fiscal year, which means that we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act, or JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include:

exemption from the auditor attestation requirement in the assessment of the emerging growth company's internal controls over financial reporting;

exemption from new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies; and

exemption from compliance with any new requirements adopted by the Public Company Accounting Oversight Board, or the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and financial statements.

We may take advantage of these provisions until the end of the fiscal year following the fifth anniversary of our initial public offering or such earlier time that we are no longer an emerging growth company. We will cease to be emerging growth companies if, among other things, we have more than \$1.0 billion in "total annual gross revenues" during the most recently completed fiscal year. We may choose to take advantage of some, but not all, of these reduced burdens. For as long as we take advantage of the reduced reporting obligations, the information that we provide shareholders may be different from information provided by other public companies. We are choosing to "opt out" of the extended transition period relating to the exemption from new or revised financial accounting standards and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth public companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Use of Estimates: Preparation of financial statements in accordance with U.S. 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 costs 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.

Impairment of Long-Lived Assets: Our vessels are evaluated for possible impairment whenever events or changes in circumstances indicate that the carrying amount of a vessel may not be recoverable. If the estimated undiscounted future cash flows expected to result from the use of the vessel and its eventual disposition is less than the carrying amount of the vessel, the vessel is deemed impaired. Impairment charges may be limited to each individual vessel. There was no impairment on vessels for the years ended December 31, 2017, 2016 or 2015. The amount of the impairment is measured as the difference between the carrying value and the estimated fair value of the vessel. This assessment is made at the individual vessel level as separately identifiable cash flow information for each vessel is available.

In developing estimates of future undiscounted cash flows, the Company makes assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, operating costs, capital expenditures, residual value and the estimated remaining useful life of each vessel.

The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. The estimated discounted cash flows are determined by estimating daily charter and utilization rates for the remaining operating days. The Company estimates daily charter and utilization rates for the remaining operating days considering the historical company-specific performance, average for similar vessels and utilizing available market data to estimate charter and utilization rates over the remaining estimated life of the vessel, assumed to be 25 years from the delivery of the vessel from the shipyard, net of brokerage commissions, expected outflows for vessels' maintenance and vessel operating costs (including planned drydocking and engine overhaul expenditures). For operating cost, we have applied a weighted company-specific average for the preceding three financial years and applied an annual growth factor of 2.0%.

When developing the forecast for daily charter rates for the remaining useful life of the vessels, we have divided the revenue forecast into three categories. For the first and second year of our analysis we have applied a 3-year weighted average, which is composed of the lower of the historical market rates and utilization, as provided by a third party, and the rates and utilization we have achieved for the same period. For year three of our analysis we have applied a one year ramp up where rates are based on 75% of the 15-year historical average rates provided by a third party, while applying a utilization rate of 75%. The ramp up period is applied to reflect a potentially slower return to historical activity levels. For the rates and utilization thereafter we use the 15-year historical average as provided by a third party.

Cost associated with vessels in lay-up have been included in the estimation for the relevant vessels and for the expected time of lay-up. No revenue is generated during lay-up.

If our estimate of undiscounted future cash flows for any vessel is lower than the vessel's carrying value, the carrying value is written down to the vessel's fair market value. Fair market value is calculated based on estimated discounted operating cash flows. Although we believe that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective.

The Total Fleet – Comparison of Carrying Value versus Market Value

During the past two years the market value of vessels as provided by offshore shipbrokers has declined, and we have identified impairment indicators. We have performed a cash flow analysis with undiscounted values to assess the recoverability of the carrying value of our vessels. Our analysis did not result in any vessels having carrying values exceeding undiscounted cash flows. Below is the basis of our analysis of undiscounted cash flows and a comparison of our carrying values to the current values of our vessels as assessed by brokers.

The table below indicates the charter rates applied in our impairment assessment, (1) the break-even rate that indicates the rate when the undiscounted cash flows would not recover the carrying value for the first vessel in our fleet, (2) Achieved rates by us and (3) historical market rates for the North Sea, obtained from an external party.

	Rates used				Break-even (1)	Achieved rates (2)		Market rates (3)	
	First year	Second year	Third year	Thereafter		2017	2016	2013-2017	2008-2017
\$ per day									
Rates	\$ 9,580	\$ 9,580	\$ 14,930	\$ 19,907	\$ 18,065	\$ 10,784	\$ 7,998	\$ 13,134	\$ 17,063
Utilization	69%	69%	75%	88%	NA	65%	67%	78%	85%

If, in performing our impairment analysis as of December 31, 2017, we had used the 10-year historical average PSV rates (no change in utilization, base case), carrying value would have exceeded the undiscounted cash flows for six of our vessels. We would have recognized an impairment charge estimated at \$95.1 million, if these six vessels were written down to market values based on estimates by ship brokers. If, in performing our impairment as of December 31, 2017 using the 10-year average utilization (no change in rates, base case), none of our vessels would have been impaired.

If we had used the 5-year historical average PSV rates (no change in utilization, base case) as of December 31, 2017, all of our vessels would have had carrying values exceeding undiscounted cash flows, and we would have recognized an impairment charge of \$134.6 million if all vessels were written down to market values based on estimates by ship brokers. If, in performing our impairment as of December 31, 2017 using the 5-year average utilization (no change in rates, base case), carrying value would have exceeded the undiscounted cash flows for six of our vessels. We would have recognized an impairment charge estimated at \$95.1 million, if these six vessels were written down to market values based on estimates by ship brokers.

The table set forth below indicates the carrying value of each of our vessels as of December 31, 2017, all of which exceed the market values based on shipbroker reports and the aggregate of difference between carrying values and market values.

Vessel	Yard	Year built	Delivered to NAO	Carrying value 2017 (\$ millions)	Carrying value 2016 (\$ millions)
NAO Fighter*	Ulstein	2012	January 2014	36.8	38.6
NAO Prosper*	Ulstein	2012	January 2014	37.1	38.7
NAO Power*	Ulstein	2013	January 2014	37.3	39.2
NAO Thunder*	Ulstein	2013	December 2013	36.9	38.6
NAO Guardian*	Ulstein	2013	December 2013	37.1	38.8
NAO Protector*	Ulstein	2013	December 2013	36.7	38.5
NAO Storm*	Ulstein	2015	January 2015	31.8	33.2
NAO Viking*	Ulstein	2015	January 2015	32.1	33.6
NAO Horizon*	VARD	2016	April 2016	33.1	34.5
NAO Galaxy*	VARD	2016	June 2016	31.8	33.2

* Indicates vessels where we believe the carrying value exceeds the market value, based on estimates by shipbrokers, as of December 31, 2017. We believe that the aggregate carrying value of our vessels exceeds their aggregate market value on that basis by approximately \$134.6 million.

We believe that the future undiscounted cash flows expected to be earned by our vessels over their operating lives exceeded the vessels' carrying amounts at December 31, 2017.

Drydocking and engine overhaul: The Company's vessels are required to be drydocked approximately every 60 months, and to have engines overhauled after 10,000 – 11,000 running hours. The Company will capitalize a substantial portion of the costs incurred during drydocking and overhaul, and amortize those costs on a straight line basis from the completion of a drydocking, intermediate survey or overhaul to the estimated completion of the next drydocking or overhaul. For the vessels acquired an estimate of \$200,000 and \$365,000 for drydock cost and overhaul costs, respectively, has been allocated from the purchase price. Drydocking is depreciated over five years, and engine overhauls are depreciated based on the number of running hours within the reporting period according to the built-in overhaul method.

Vessels, net: Vessels and equipment are stated at historical costs, less accumulated depreciation which is provided by the straight line method over their estimated useful life of 25 years. Interest is capitalized in connection with the construction of vessels. Certain subsequent expenditures for conversions and major improvements are also capitalized if it is determined that they appreciably extend the life, increase the earnings capacity or improve the efficiency or safety of the vessel. Repairs and maintenance are expensed as incurred. The vessels' estimated residual values and useful life are reviewed when there has been a change in circumstances that indicate the original estimate may no longer be appropriate. Residual values are estimated at approximately \$1.5 million for each vessel in the fleet at December 31, 2017 and 2016.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Directors and Senior Management of the Company and the Manager

Set forth below are the names, ages and positions of our directors and executive officers. Our Board of Directors currently consists of five directors and is elected annually on a staggered basis. Each director elected holds office for a three-year term or until his or her successor is duly elected and qualified, except in the event of his or her death, resignation, removal or the earlier termination of his term of office. The term of our Class A director will expire at our 2020 annual meeting of shareholders. The term of our Class B directors will expire at the 2018 annual meeting of shareholders. The term of our Class C directors will expire at the 2019 annual meeting of shareholders.

Officers are appointed from time to time by our Board of Directors and hold office until a successor is appointed. The business address of each of our directors and executive officers listed below is Nordic American Offshore Ltd., LOM Building, 27 Reid Street, Hamilton HM 11, Bermuda.

Name	Age	Position
Herbjørn Hansson	70	Executive Chairman and Class C Director
Marianne Lie	57	Executive Vice Chairman and Class C Director
Paul J. Hopkins	71	Class B Director and Audit Committee Member
James Kelly	65	Class B Director
David M. Workman	58	Class A Director
Bjørn Giæver	50	Chief Financial Officer

Biographical information concerning the directors and executive officers listed above is set forth below.

Herbjørn Hansson, Executive Chairman and Class C Director

Herbjørn Hansson earned his M.B.A. at the Norwegian School of Economics and Business Administration and attended Harvard Business School. In 1974 he was employed by the Norwegian Shipowners' Association. In the period from 1975 to 1980, he was Chief Economist and Research Manager of INTERTANKO, an industry association whose members control about 70% of the world's independently owned tanker fleet, excluding state owned and oil company fleets. During the 1980s, he was Chief Financial Officer of Kosmos/Anders Jahre, at the time one of the largest Norwegian based shipping and industry groups. In 1989, Mr. Hansson founded Uglund Nordic Shipping AS, or UNS, which became one of the world's largest owners of specialized shuttle tankers. He served as Chairman in the first phase and as Chief Executive Officer as from 1993 to 2001 when UNS, under his management, was sold to Teekay Shipping Corporation, or Teekay, for an enterprise value of \$780.0 million. He continued to work with Teekay, recently as Vice Chairman of Teekay Norway AS, until he started working full-time for Nordic American Tankers, or NAT (NYSE:NAT) on September 1, 2004. He also has been a member of various governing bodies of companies within shipping, insurance, banking, manufacturing, national/international shipping agencies including classification societies and protection and indemnity associations. Mr. Hansson is fluent in Norwegian and English, and has a command of German and French for conversational purposes. Mr. Hansson has been Executive Chairman of Nordic American Offshore Ltd., or NAO (NYSE:NAO) since its establishment in 2013.

Marianne Lie, Executive Vice Chairman and Class C Director

Marianne Lie has served as our Class C director since December 2013. In June 2016, Ms. Lie was appointed as our Executive Vice Chairman. The Managing Director of NAO reports to Ms. Lie. Having broad international experience, she has been and still is a board member of several Norwegian companies mainly within the shipping, offshore business, energy and finance industries. She was until recently a member of the shareholders Committee of the Central Bank of Norway. She was in the Norwegian Shipowners Association from 1988 until 1998, after which she was managing director of the Norwegian Branch of Vattenfall, a Swedish based energy group. Ms. Lie was also a board member of the Finnish energy group Fortum. She was managing director of the Norwegian Shipowners Association from 2002 to 2008. Ms. Lie has studied law and political science at the University of Oslo.

Paul J. Hopkins, Class B Director

Paul J. Hopkins has been a director of the Company since its inception and was a director of NAT from June 2005 until December 13, 2013. Until March 2008, Mr. Hopkins was also a Vice President and a director of Corridor Resources Inc., a Canadian publicly traded exploration and production company. From 1989 through 1993 he served with Lasmo as Project Manager during the start-up of the Cohasset/Panuke oilfield offshore Nova Scotia, the first offshore oil production in Canada. Earlier, Mr. Hopkins served as a consultant on frontier engineering and petroleum economic evaluations in the international oil industry. Mr. Hopkins was seconded to Chevron UK in 1978 to assist with the gas export system for the Ninian Field. Previously, beginning in 1973, he was employed with Ranger Oil (UK) Limited, being involved in the drilling and production testing of oil wells in the North Sea. Through the end of 1972 he worked with Shell Canada as part of its Offshore Exploration Group.

James Kelly, Class B Director

James Kelly has been a director of the Company since its inception and a director of NAT since June 2010. Mr. Kelly has worked for Time Inc., the world's largest magazine publisher, since 1978. He served as Foreign Editor during the fall of the Soviet Union and the first Gulf War, and was named Deputy Managing Editor in 1996. In 2001, Mr. Kelly became the magazine's managing editor, and during his tenure the magazine won a record four National Magazine awards. In 2004, Time Magazine received its first EMMA for its contribution to the ABC News Series "Iraq: Where Things Stand." In late 2006, Mr. Kelly became the managing editor of all of Time Inc., helping supervise the work of more than 2,000 journalists working at 125 titles, including Fortune, Money, Sports Illustrated and People. Since 2009, Mr. Kelly has worked as a consultant at Bloomberg LP and taught at Princeton and Columbia Universities.

David M. Workman, Class A Director

David M. Workman has served as our Class A Director since December 2013. Mr. Workman was, until recently Chief Operating Officer and member of the Supervisory Board of Stork Technical Services having guided, as Chief Executive Officer, the sale of the RBG Offshore Services Group into the STS Group. Mr. Workman has 30 years of broad experience in the offshore sector ranging from drilling operations/field development through production operations and project management. He has worked with a wide variety of exploration and production companies in the sector and has balanced this with exposure to the service sector, working with management companies. As part of his experience with these different companies, he has had extensive exposure to the North Sea market. Mr. Workman graduated from Imperial College London in 1983 with a Masters in Petroleum Engineering and spent his early years as a Drilling/Production Operations Engineer with BP. In 1987 he joined Hamilton Brothers Oil and Gas who were early adopters of floating production systems. In 1993 he joined Kerr McGee as an operations manager for the Tentech 850 designed Gryphon FPSO, the first permanently moored FPSO in the North Sea. In 1996, Mr. Workman established the service company Atlantic Floating Production, which went on to become the management contractor and duty holder on the John Fredriksen owned Northern Producer and on the Petroleum Geo-Services (PGS) owned Banff FPF. In 2003, Mr. Workman was instrumental in founding Tuscan Energy which went on to redevelop the abandoned Argyll Field in the UK Continental Shelf. In 2009, Mr. Workman was appointed as Chief Executive Officer and led the sale of the RBG Group to Stork Technical Services in 2011.

Bjørn Giæver, Chief Financial Officer

Bjørn Giæver has served as our Chief Financial Officer since October 16, 2017. Mr. Giæver has more than 20 years of experience in the shipping industry, holding key roles in corporate finance and equity research. Mr. Giæver joins NAT/NAO from the well reputed firm of Fearnley Securities AS with main office in Oslo, Norway, an investment bank with special focus on the maritime sectors, where he served as a director and partner in the Corporate Finance division. Mr. Giæver has served as a corporate advisor in the John Fredriksen group in London, top rated Senior Shipping Analyst in DNB Markets and partner in Inge Steensland AS, specializing in gas related maritime matters.

B. Compensation

We currently have employment agreements with our Executive Chairman and Executive Vice Chairman to be paid an aggregate amount of about \$502,000 per year. Under the terms of these employment agreements, either party may terminate the agreement with up to six months' prior notice.

Our current non-executive directors receive annual compensation in the amount of \$37,500 plus reimbursement of their out-of-pocket expenses incurred while attending any meeting of the board of directors or any board committee.

We do not have a retirement benefit plan for our officers or directors.

C. Board Practices

Our Board of Directors is elected annually, and each director elected holds office for a three-year term or until his or her successor is duly elected and qualified. Our current Class B and Class C directors were elected at our annual general meeting held in 2013. The Class B directors were re-elected at our 2015 annual general meeting to serve until the 2018 annual general meeting. Our Class C director was re-elected for a new term at our 2016 annual general meeting to serve until the 2019 annual general meeting. Our current Class A director was re-elected at our 2017 annual general meeting to serve until the 2020 annual general meeting.

The sole member and Chairman of our Audit Committee is Mr. Hopkins. The Audit Committee provides assistance to the Board of Directors in fulfilling its responsibilities to shareholders, and the investment community relating to corporate accounting, reporting practices of the Company, and the quality and integrity of the financial reports of the Company. The Audit Committee, among other duties, recommends the independent auditors to be selected to audit the financial statements of the Company, meets with the independent auditors and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized, reviews with the independent auditors, and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the Company, and reviews the financial statements contained in the annual report to shareholders with management and the independent auditors.

Pursuant to an exemption for foreign private issuers, we are not required to comply with many of the corporate governance requirements of the NYSE that are applicable to U.S. listed companies. For more information, see "Item 16G.—Corporate Governance".

There are no contracts between us and any of our directors providing for benefits upon termination of their employment.

D. Employees

As of December 31, 2017 we have four employees filling the positions of Executive Chairman, Executive Vice-Chair, Chief Financial Officer, and a chartering manager.

E. Share Ownership

With respect to the total amount of common stock owned by all of our officers and directors individually and as a group, please see Item 7. Major Stockholders and Related Party Transactions.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**A. Major Shareholders**

The following table sets forth information regarding beneficial ownership of our common shares for (i) owners of more than five percent of our common shares and (ii) our directors and officers, of which we are aware as of the date of this annual report.

Title	Identity of Person	No. of Shares	Percent of Class
Common	Nordic American Tankers Limited (2)	9,993,535	(1) 16.1%
Common	Magnus Roth (3)	7,116,248	11.5%
Common	Mackenzie Financial Corporation (4)	6,243,928	10.1%
Common	High Seas AS (Hansson family) and Herbjørn Hansson directly (5)(6)	8,204,240	13.2%
Common	Marianne Lie		*
Common	Paul J. Hopkins		*
Common	James Kelly		*

(1) Based on 61,986,847 common shares outstanding as of the date of this annual report unless otherwise indicated.

(2) Based on information contained in Schedule 13D/A that was filed with the SEC on September 14, 2017.

(3) Based on information contained in Schedule 13G/A that was filed with the SEC on February 9, 2018.

(4) Based on information contained in Schedule 13G/A that was filed with the SEC on March 9, 2018.

(5) Based on information contained in Schedule 13D/A that was filed with the SEC on September 12, 2017.

(6) High Seas AS is a company controlled by Herbjørn Hansson, our Chairman, for the benefit of his family.

* Less than 1% of our outstanding shares of common shares.

B. Related Party Transactions**Nordic American Tankers Limited**

In December 2013, NAO entered into a management agreement with Nordic American Tankers Ltd. "NAT, for the provision of administrative services as requested by our management and in accordance with our objectives and policies as established and directed by our Board of Directors. All decisions of a material nature concerning our business are made by the Board of Directors. For services under the Management Agreement, the Company paid \$100,000 for 2017, \$100,000 for 2016 and \$200,000 for 2015 and all directly attributable costs related to the Company are reimbursed. For the years ended December 31, 2017, 2016, and 2015, an aggregate of \$2.3 million \$2.2 million and \$2.1 million, respectively, for such directly attributable costs were incurred which were included in General and Administrative Costs.

In August 2014, NAT distributed approximately 700,000 of its NAO shares to its shareholders as dividend-in-kind. All shareholders that held 500 or more NAT shares were eligible to receive NAO shares. Shareholders holding less than 500 NAT shares and fractional shares were compensated with a cash distribution.

In March 2017, NAT purchased 8,000,000 common shares in our underwritten following-on offering of common shares. Mr. Herbjørn Hansson, our Executive Chairman and director and his son Alexander purchased 1,600,000 common shares in the follow-on offering. Other Executive management and advisors to the Company purchased an aggregate of 108,000 common shares in the follow-on offering.

On August 31, 2017, NAT paid a dividend, which included a cash dividend of \$0.10 per share and a distribution of an aggregate of 4,024,745 common shares of NAO, which were owned by NAT. Each of NAT's shareholders that held 250 or more of its common shares received one NAO common share per 24.4 NAT common shares, which we recognized at a cash value of \$0.05 per share. Fractional shares were compensated by a cash dividend based on the closing price of NAO shares on the NYSE on July 20, 2017, which was \$1.22. Each of NAT's shareholders that held 249 or fewer shares received an additional cash dividend of \$0.05 per common share. Following this distribution and as of the date of this report, NAT owned 16.1% of the outstanding common shares of NAO.

Other related parties

In May 2015, our Board of Directors authorized a share repurchase program under which we may repurchase up to 2.5 million of our common shares. As of the date of this annual report, 1,172,774 shares have been repurchased under the program at an average price of \$5.99 per share, of which 301,935 shares were purchased during the financial year ended December 31, 2016. No shares were purchased during the financial year ended December 31, 2017. The repurchase program had a maturity of two years, expiring May 2017.

In February 2016, we completed the purchase of 1,571,749 of our own common shares in a private transaction at a purchase price of \$4.50 per share.

Our Executive Chairman and High Seas AS, an entity related to our Executive Chairman, owned 2,223,233 common shares as of December 31, 2016, and increased its holdings to 8,204,240 shares after acquiring 5,981,007 shares during 2017. From the shares purchased during 2017, 1,600,000 were acquired in the underwritten public follow-on offering completed during March 2017. All shares owned by High Seas AS and our Executive Chairman were acquired in the open market at the trading price, or in offerings at the same price as the other investors. High Seas AS does not hold any position in which it provides services to NAO, the position as Chairman held by Herbjørn Hansson is not due to the ownership through High Seas AS and no shares are transferred to High Seas AS as remuneration of Mr. Hansson.

In 2014, we entered into an agreement with an immediate family member of our Chairman for the use of an asset for corporate and marketing activities. This agreement was terminated in the second quarter of 2017. The cost of this arrangement for the year ended December 31, 2016 and 2015 was \$0.1 million per year, which are included in General and Administrative costs. No amounts were due to the related party as of December 31, 2017, 2016 or 2015.

C. Interest of Experts and Counsel

Not applicable

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and other Financial Information

See Item 18. Financial Statements

Legal Proceedings

To our knowledge, we are not currently a party to any lawsuit that, if adversely determined, would have a material adverse effect on our financial position, results of operations or liquidity. As such, we do not believe that pending legal proceedings, taken as a whole, should have any significant impact on our financial statements. From time to time in the future we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. While we expect that these claims would be covered by our existing insurance policies, those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We have not been involved in any legal proceedings which may have, or have had, a significant effect on our financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our financial position, results of operations or liquidity.

Dividend Policy

Our policy is to declare quarterly dividends to shareholders as decided by the Board of Directors. The dividend to shareholders could be higher than the non-U.S. GAAP measure adjusted net operating earnings, which is defined as income from vessel operations before depreciation and non-cash administrative charges, or the dividend to shareholders could be lower than the non-U.S. GAAP measure adjusted net operating earnings after reserves as the Board of Directors may from time to time determine are required, taking into account contingent liabilities, the covenants contained in our Credit Facility, our other cash needs and the requirements of Bermuda law.

Total dividends paid in the year ended December 31, 2017 and 2016 were \$4.9 million and \$6.0 million or \$0.08 and \$0.28 per share, respectively. The Company declared a dividend of \$0.02 per share in respect of the fourth quarter of 2017 to shareholders of record as of February 23, 2018 which was paid to shareholders on March 13, 2018.

B. Significant Changes

There have been no significant changes since the date of the consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

Not applicable except for Item 9. A.4. and Item 9.C.

Share History and Markets

Since June 12, 2014, the primary trading market for our common shares has been the NYSE, on which our shares are listed under the symbol "NAO".

The following tables sets forth the high and low market prices for shares of our common stock as reported by the NYSE.

For the Year Ended:	HIGH		LOW	
December 31, 2014*	\$	20.40	\$	9.70
December 31, 2015	\$	13.32	\$	4.34
December 31, 2016	\$	5.69	\$	2.60
December 31, 2017	\$	2.95	\$	0.87

*For the period beginning June 12, 2014.

For the quarter ended:		HIGH		LOW
June 30, 2016	\$	5.69	\$	4.22
September 30, 2016	\$	4.86	\$	3.50
December 31, 2016	\$	3.75	\$	2.60
March 31, 2017	\$	2.95	\$	1.05
June 30, 2017	\$	1.25	\$	0.87
September 30, 2017	\$	1.52	\$	1.14
December 31, 2017	\$	1.54	\$	1.17
March 31, 2018	\$	1.39	\$	1.10

For the month:		HIGH		LOW
September 2017	\$	1.52	\$	1.38
October 2017	\$	1.47	\$	1.27
November 2017	\$	1.54	\$	1.23
December 2017	\$	1.24	\$	1.17
January 2018	\$	1.39	\$	1.20
February 2018	\$	1.22	\$	1.18
March 2018	\$	1.20	\$	1.10
April 2018	\$	1.17	\$	1.04
May 2018*	\$	1.15	\$	1.12

* Through and including May 2, 2018.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum of Continuance and Bye-laws

Objects and Powers

As stated in our Memorandum of Continuance, the objects of the Company are unrestricted and it has the capacity, rights, powers and privileges of a natural person. The Bye-laws do not impose any limitations on the ownership rights of our shareholders.

Authorized capitalization

Under our Memorandum of Continuance our authorized share capital consists of 200,000,000 common shares, par value \$0.01 per share, of which 64,731,370 common shares are issued and 61,986,847 outstanding, as of the date of this annual report, and 50,000,000 preferred shares, par value \$0.01 per share, of which none are issued and outstanding as of the date of this annual report. We have 2,744,523 treasury shares as of the date of this annual report.

Common shares

Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding preferred shares, holders of common shares are entitled to receive ratably all dividends, if any, declared by our Board of Directors out of funds legally available for dividends. Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of our common shares are entitled to receive pro rata our remaining assets available for distribution. Holders of common shares do not have conversion, redemption or pre-emptive rights to subscribe to any of our securities. The rights, preferences and privileges of holders of our common shares are subject to the rights of the holders of any preferred shares, which we may issue in the future.

Preferred shares

The Bye-laws authorize our Board of Directors to establish one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

the designation of the series;

the number of shares of the series;

the preferences and relative, participating, option or other special rights, if any, and any qualifications, limitations or restrictions of such series; and

the voting rights, if any, of the holders of the series.

Directors

Our directors are elected by a simple majority of the votes cast by shareholders entitled to vote. There is no provision for cumulative voting.

The Bye-laws require our Board of Directors to consist of at least one member. Our Board of Directors currently consists of five members. The Bye-laws may be amended by a simple majority of the votes cast by shareholders entitled to vote.

Directors are elected annually on a staggered basis, and each shall serve for a three year term and until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal, or the earlier termination of his term of office. Our Board of Directors has the authority to fix the amounts which shall be payable to the members of the Board of Directors for attendance at any meeting or for services rendered to us.

Shareholder meetings

Under the Bye-laws, annual general meetings of the Company will be held at a time and place selected by our Board of Directors and special general meetings may be called at any time by our Board of Directors, provided that at least 5 days' notice is given of a meeting (other than an adjourned meeting), as required by the Companies Act, unless shorter notice is agreed by all shareholders entitled to attend and vote at an annual general meeting or by those shareholders holding not less than 95% of the nominal value of the shares giving a right to attend and vote at a special general meeting. The meetings are held in or outside of Bermuda. Our Board of Directors may fix any date as the record date for the purpose of identifying the persons entitled to receive notices of any general meeting. Any such record date may be on or at any time before or after any date on which such notice is dispatched. One or more shareholders representing at least one-third of the total voting rights of our total issued and outstanding shares present in person or by proxy at a shareholder meeting shall constitute a quorum for the purposes of the meeting.

Dissenters' rights of appraisal and payment

Under the Companies Act, in the event of an amalgamation or a merger of a Bermuda company with another company or corporation, a shareholder of the Bermuda company who did not vote in favor of the amalgamation or merger and is not satisfied that fair value has been offered for such shareholder's shares may, within one month of notice of the special general meeting, apply to the Supreme Court of Bermuda to appraise the fair value of those shares.

Shareholders' derivative actions

Under the Companies Act, any of our shareholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the shareholder bringing the action is a holder of common shares both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

Limitations on liability and indemnification of officers and directors

The Companies Act authorizes companies to limit or eliminate the personal liability of directors and officers to companies and their shareholders for monetary damages for breaches of directors' fiduciary duties. The Bye-laws include a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent permitted by law.

The limitation of liability and indemnification provisions in the Bye-laws may discourage shareholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our shareholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Anti-takeover effect of certain provisions of the Bye-laws

Several provisions of the Bye-laws, which are summarized below, may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our Board of Directors to maximize shareholder value in connection with any unsolicited offer to acquire us. However, these anti-takeover provisions, which are summarized below, could also discourage, delay or prevent (1) the merger or acquisition of us by means of a tender offer, a proxy contest or otherwise that a shareholder may consider in its best interest and (2) the removal of incumbent officers and directors.

Blank check preferred shares

Under the terms of the Bye-laws, our Board of Directors has authority, without any further vote or action by our shareholders, to issue up to 50,000,000 shares of blank check preferred shares. Our Board of Directors may issue preferred shares on terms calculated to discourage, delay or prevent a change of control of us or the removal of our management and might harm the market price of our common shares. We have no current plans to issue any preferred shares.

Election and removal of directors

The Bye-laws require parties other than the Board of Directors to give advance written notice of nominations for the election of directors. The Bye laws also provide that our directors may be removed for cause upon the affirmative vote of not less than two-thirds of the outstanding common shares entitled to vote for those directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

Limited actions by shareholders

The Bye-laws provide that any action required or permitted to be taken by our shareholders must be effected at an annual or special general meeting of the Company or by the unanimous written resolution of our shareholders. The Bye-laws provide that, save for the ability of shareholders holding not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company to requisition the Board of Directors to convene a special general meeting, as set out in the Companies Act, only our Board of Directors may call special general meetings of the Company and the business transacted at the special general meeting is limited to the purposes stated in the notice. Accordingly, save in the circumstances described above, a shareholder will be prevented from calling a special meeting for shareholder consideration of a proposal unless scheduled by our Board of Directors and shareholder consideration of a proposal may be delayed until the next annual general meeting of the Company.

Advance notice requirements for shareholder proposals and director nominations

The Bye-laws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual general meeting of the Company must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a shareholder's notice must be received at our registered office not less than 120 days nor more than 180 days prior to the one-year anniversary of the immediately preceding annual meeting of shareholders. The Bye-laws also specify requirements as to the form and content of a shareholder's notice. These provisions may impede shareholders' ability to bring matters before an annual general meeting of the Company or make nominations for directors at an annual general meeting of the Company.

Classified Board of Directors

As described above, the Bye-laws provide for the division of our Board of Directors into three classes of directors, with each class as nearly equal in number as possible, serving staggered three year terms beginning on the expiration of the initial term for each class. Accordingly, approximately one-third of our Board of Directors will be elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of us. It could also delay shareholders who do not agree with the policies of our Board of Directors from removing a majority of our Board of Directors for two years.

Business combinations

Although the Companies Act does not contain specific provisions regarding "business combinations" between companies incorporated under the laws of Bermuda and "interested shareholders," we have included these provisions in our Bye-laws. Specifically, our Bye-laws prohibit us from engaging in a "business combination" with certain persons for three years following the date the person becomes an interested shareholder. Interested shareholders generally include:

any person who is the beneficial owner of 15% or more of our outstanding voting shares; or

any person who is our affiliate or associate and who held 15% or more of our outstanding voting shares at any time within three years before the date on which the person's status as an interested shareholder is determined, and the affiliates and associates of such person.

Subject to certain exceptions, a business combination includes, among other things:

certain amalgamations, mergers or consolidations of us or any direct or indirect majority-owned subsidiary of ours;

any sale, lease, exchange, mortgage, pledge, transfer or other disposition of our assets or of any subsidiary of ours having an aggregate market value equal to 10% or more of either the aggregate market value of all of our assets, determined on a combined basis, or the aggregate value of all of our outstanding shares;

certain transactions that result in the issuance or transfer by us of any shares of ours to the interested shareholder;

any transaction involving us or any of our subsidiaries that has the effect of increasing the proportionate share of any class or series of shares, or securities convertible into any class or series of shares, of ours or any such subsidiary that is owned directly or indirectly by the interested shareholder or any affiliate or associate of the interested shareholder; and

any receipt by the interested shareholder of the benefit directly or indirectly (except proportionately as a shareholder) of any loans, advances, guarantees, pledges or other financial benefits provided by or through us.

These provisions of the Bye-laws do not apply to a business combination if:

before a person became an interested shareholder, our Board of Directors approved either the business combination or the transaction in which the shareholder became an interested shareholder;

upon consummation of the transaction which resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of our voting shares outstanding at the time the transaction commenced, other than certain excluded shares;

at or following the transaction in which the person became an interested shareholder, the business combination is approved by our Board of Directors and authorized at an annual or special meeting of shareholders, and not by written consent, by the affirmative vote of the holders of at least two-thirds of our outstanding voting shares that is not owned by the interest shareholder;

the shareholder was or became an interested shareholder prior to the closing of our IPO;

a shareholder became an interested shareholder inadvertently and (i) as soon as practicable divested itself of ownership of sufficient shares so that the shareholder ceased to be an interested shareholder; and (ii) would not, at any time within the three-year period immediately prior to a business combination between us and such shareholder, have been an interested shareholder but for the inadvertent acquisition of ownership; or

the business combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required under our amended and restated articles of incorporation which (i) constitutes one of the transactions described in the following sentence; (ii) is with or by a person who either was not an interested shareholder during the previous three years or who became an interested shareholder with the approval of the board; and (iii) is approved or not opposed by a majority of the members of the Board of Directors then in office (but not less than one) who were directors prior to any person becoming an interested shareholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors. The proposed transactions referred to in the preceding sentence are limited to:

- o an amalgamation, merger or consolidation involving us (except for an amalgamation or merger in respect of which, pursuant to the Companies Act, no vote of our shareholders is required);
- o a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of our assets or those of any direct or indirect majority-owned subsidiary of ours (other than to any direct or indirect wholly owned subsidiary or to us) having an aggregate market value equal to 50% or more of either the aggregate market value of all of our assets determined on a consolidated basis or the aggregate market value of all the outstanding shares; or
- o a proposed tender or exchange offer for 50% or more of our outstanding voting shares.

Dividend Reinvestment and Direct Stock Purchase Plan

We have a Dividend Reinvestment and Direct Stock Purchase Plan for 1,500,000 common shares to allow existing shareholders to purchase additional common shares 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, 2017 and as of the date of this annual report no shares were issued pursuant to the plan. We currently have a post-effective amendment reflecting the Redomiciliation to a registration statement on Form F-3 (Registration No. 333-208592) filed with and declared effective by the SEC in connection with the Dividend Reinvestment and Direct Stock Purchase Plan.

Listing

Our common shares are listed on the NYSE under the symbol "NAO."

Transfer Agent

The registrar and transfer agent for our common shares is Computershare Trust Company, N.A.

C. Material Contracts

Attached as exhibits to this annual report are the contracts we consider to be both material and outside the ordinary course of business during the two-year period immediately preceding the date of this annual report. For a description of our Credit Facility, please see Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources-Credit Facility. For a description of our Management Agreement with Nordic American Tankers Ltd., please see Item 4. Information on the Company - Company Management.

Other than as set forth above, we have not entered into any material contracts outside the ordinary course of business during the past two years.

D. Exchange Controls

The Company has been designated as a non-resident of Bermuda for exchange control purposes by the Bermuda Monetary Authority.

The Company's common shares are currently listed on an appointed stock exchange. For so long as the Company's shares are listed on an appointed stock exchange the transfer of shares between persons regarded as resident outside Bermuda for exchange control purposes and the issuance of common shares to or by such persons may be effected without specific consent under the Bermuda Exchange Control Act of 1972 and regulations made thereunder. Issues and transfers of common shares between any person regarded as resident in Bermuda and any person regarded as non-resident for exchange control purposes require specific prior approval under the Bermuda Exchange Control Act 1972 unless such common shares are listed on an appointed stock exchange.

Subject to the foregoing, there are no limitations on the rights of owners of shares in the Company to hold or vote their shares. Because the Company has been designated as non-resident for Bermuda exchange control purposes, there are no restrictions on its ability to transfer funds in and out of Bermuda or to pay dividends to United States residents who are holders of common shares, other than in respect of local Bermuda currency.

In accordance with Bermuda law, share certificates may be issued only in the names of those with legal capacity. In the case of an applicant acting in a special capacity (for example, as an executor or trustee), certificates may, at the request of the applicant, record the capacity in which the applicant is acting. Notwithstanding the recording of any such special capacity, the Company is not bound to investigate or incur any responsibility in respect of the proper administration of any such estate or trust.

The Company will take no notice of any trust applicable to any of its shares or other securities whether or not it had notice of such trust.

As an "exempted company," the Company is exempt from Bermuda laws which restrict the percentage of share capital that may be held by non-Bermudians, but as an exempted company, the Company may not participate in certain business transactions including: (i) the acquisition or holding of land in Bermuda except for land required for its business by way of lease for a term not exceeding 50 years or otherwise, with the express authorization of the Ministers of Economic Development of Bermuda; (ii) the taking of mortgages on land in Bermuda to secure an amount in excess of \$50,000 without the consent of the Minister of Economic Development of Bermuda, land by way of lease for a term not exceeding 21 years in order to provide accommodation or recreational facilities for its officers and employees; (iii) the acquisition of securities created or issued by, or any interest in, any local company or business, other than certain types of Bermuda government securities or securities of another "exempted company, exempted partnership or other corporation or partnership resident in Bermuda but incorporated abroad"; or (iv) the carrying on of business of any kind in Bermuda, except in so far as may be necessary for the carrying on of its business outside Bermuda or under a license granted by the Minister of Economic Development of Bermuda.

The Bermuda government actively encourages foreign investment in "exempted" entities like the Company that are based in Bermuda but do not operate in competition with local business. In addition to having no restrictions on the degree of foreign ownership, the Company is subject neither to taxes on its income or dividends nor to any exchange controls in Bermuda other than outlined above. In addition, there is no capital gains tax in Bermuda, and profits can be accumulated by the Company, as required, without limitation. For more information, please see Item 10. — Additional Information — E. Taxation—Bermuda Tax Considerations.

E. Taxation

Under current Bermuda law, there are no taxes on profits, income or dividends nor is there any capital gains tax. Furthermore, the Company has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act of 1966, as amended, an undertaking that, in the event that Bermuda enacts any legislation imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to the Company or to any of its operations, or the common shares, debentures or other obligations of the Company, until March 31, 2035. This undertaking does not, however, prevent the imposition of any such tax or duty on such persons as are ordinarily resident in Bermuda and holding such shares, debentures or obligations of the Company or of property taxes on Company-owned real property or leasehold interests in Bermuda.

The United States does not have a comprehensive income tax treaty with Bermuda. However, Bermuda has legislation in place (*U.S.A. – Bermuda Tax Convention Act 1986*) which authorizes the enforcement of certain obligations of Bermuda pursuant to the *Convention Between The Government Of The United Kingdom Of Great Britain And Northern Ireland (On Behalf Of The Government Of Bermuda) And The Government Of The United States Of America Relating To The Taxation Of Insurance Enterprises And Mutual Assistance In Tax Matters* entered into on 11 July 1986 (the "Convention"). Article 5 of the Convention states that the U.S.A. and Bermuda "shall provide assistance as appropriate in carrying out the laws of the respective covered jurisdictions (Bermuda and U.S.A.) relating to the prevention of tax fraud and the evasion of taxes. In addition, the competent authorities shall, through consultations, develop appropriate conditions, method, and techniques for providing, and shall thereafter provide, assistance as appropriate in carrying out the fiscal laws of the respective covered jurisdictions other than those relating to tax fraud and the evasion of taxes."

U.S. Federal Income Tax Considerations

In the opinion of Seward & Kissel, LLP, our U.S. counsel, the following are the material U.S. federal income tax consequences of the ownership of common shares to U.S. Holders and Non-U.S. Holders, each as defined below. The following discussion of U.S. federal income tax matters is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the U.S. Department of the Treasury, or the Treasury Regulations, all of which are subject to change, possibly with retroactive effect. The discussion below is based, in part, on the description of our business as described in this annual report and assumes that we conduct our business as described herein. This discussion applies only to investors that hold our common shares as a capital asset and not to all categories of investors to which special rules may apply. All investors are urged to consult their own tax advisors with respect to the ownership of our common shares.

U.S. Federal Income Taxation of the Company

We are not currently subject to any U.S. federal income tax on our income. However, in the future we may directly or through a subsidiary conduct activities which would give rise to U.S.-source income. Depending on the nature of those activities, we may be subject to U.S. federal income tax on all or a portion of the income from such activities.

Gain on Sale of Vessels

We will not be subject to U.S. federal income taxation with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under U.S. federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel by us will be considered to occur outside of the United States.

U.S. Federal Income Taxation of U.S. Holders

As used herein, the term "U.S. Holder" means a holder that for U.S. federal income tax purposes is a beneficial owner of common shares and is an individual U.S. citizen or resident, a U.S. corporation or other U.S. entity taxable as a corporation, an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If a partnership holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common shares, you are encouraged to consult your tax advisor.

Distributions

Subject to the discussion of passive foreign investment companies below, any distributions made by the Company with respect to its common shares to a U.S. Holder will generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of the Company's earnings and profits will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in his common shares on a dollar-for-dollar basis and thereafter as capital gain. Because the Company is not a U.S. corporation, U.S. Holders that are corporations will generally not be entitled to claim a dividends-received deduction with respect to any distributions they receive from the Company. Dividends paid with respect to our common shares will generally be treated as foreign source dividend income and will generally constitute "passive category income" for purposes of computing allowable foreign tax credits for U.S. foreign tax credit purposes.

Dividends paid to a U.S. Holder which is an individual, trust, or estate, referred to herein as a "U.S. Non-Corporate Holder," will generally be treated as "qualified dividend income" that is taxable to U.S. Holders at preferential U.S. federal income tax rates, provided that (1) the common shares are readily tradable on an established securities market in the United States (such as the NYSE on which the common shares are listed); (2) the Company is not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which the Company does not believe it is, has been or will be); (3) the U.S. Non-Corporate Holder has owned the common shares for more than 60 days in the 121-day period beginning 60 days before the date on which the common shares become ex-dividend; and (4) the U.S. Non-Corporate Holder is not under an obligation (whether pursuant to a short sale or otherwise) to make payments with respect to positions in substantially similar or related property. There is no assurance that any dividends paid on our common shares will be eligible for these preferential rates in the hands of a U.S. Non-Corporate Holder. Any dividends paid by the Company which are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Non-Corporate Holder.

Special rules may apply to any "extraordinary dividend" (generally, a dividend in an amount which is equal to or in excess of 10% of a shareholder's adjusted tax basis in a common share) paid by us. If we pay an "extraordinary dividend" on our common shares that is treated as "qualified dividend income" to a non-corporate U.S. Holder, then any loss derived by such non-corporate U.S. Holders from the sale or exchange of such common shares will be treated as long-term capital loss to the extent of such dividend.

Sale, Exchange or Other Disposition of Common Shares

Assuming we do not constitute a passive foreign investment company for any taxable year, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such shares. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as U.S. source income or loss, as applicable, for U.S. foreign tax credit purposes. Long-term capital gains of certain non-corporate U.S. Holders are currently eligible for reduced rates of taxation. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

PFIC Status and Significant Tax Consequences

Special U.S. federal income tax rules apply to a U.S. Holder that holds stock in a foreign corporation classified as a passive foreign investment company, or a "PFIC", for U.S. federal income tax purposes. In general, the Company will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such holder held the Company's common shares, either:

at least 75% of the Company's gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business), or

at least 50% of the average value of the assets held by the Company during such taxable year produce, or are held for the production of, such passive income.

For purposes of determining whether the Company is a PFIC, the Company will be treated as earning and owning its proportionate share of the income and assets, respectively, of any of its subsidiary corporations in which it owns at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by the Company in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute passive income unless the Company is treated under specific rules as deriving its rental income in the active conduct of a trade or business.

Based on the Company's current operations and future projections, the Company does not believe that it is, nor does it expect to become, a PFIC with respect to any taxable year. Although there is no legal authority directly on point, the Company's belief is based principally on the position that, for purposes of determining whether the Company is a PFIC, the gross income the Company derives or is deemed to derive from the time chartering and spot chartering activities of its wholly-owned subsidiaries should constitute services income, rather than rental income. Correspondingly, the Company believes that such income does not constitute passive income, and the assets that the Company or its wholly-owned subsidiaries own and operate in connection with the production of such income, in particular, the vessels, do not constitute assets that produce or are held for the production of passive income for purposes of determining whether the Company is a PFIC. The Company believes there is substantial legal authority supporting its position consisting of case law and Internal Revenue Service, or the "IRS", pronouncements concerning the characterization of income derived from time charters and spot charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. It should be noted that in the absence of any legal authority specifically relating to the statutory provisions governing PFICs, the IRS or a court could disagree with the Company's position. In addition, although the Company intends to conduct its affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, there can be no assurance that the nature of its operations will not change in the future.

As discussed more fully below, if the Company were to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different U.S. federal income taxation rules depending on whether the U.S. Holder makes an election to treat the Company as a "Qualified Electing Fund," which election is referred to as a "QEF Election." As discussed below, as an alternative to making a QEF Election, a U.S. Holder should be able to make a "mark-to-market" election with respect to the common stock, which election is referred to as a "Mark-to-Market Election". If the Company were to be treated as a PFIC, a U.S. Holder would be required to file IRS Form 8621 to report certain information regarding the Company.

Taxation of U.S. Holders Making a Timely QEF Election

If a U.S. Holder makes a timely QEF Election, which U.S. Holder is referred to as an "Electing Holder", the Electing Holder must report each year for U.S. federal income tax purposes his pro rata share of the Company's ordinary earnings and net capital gain, if any, for the Company's taxable year during which it is a PFIC that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received by the Electing Holder from the Company. The Electing Holder's adjusted tax basis in the common stock will be increased to reflect amounts included in the Electing Holder's income. Distributions received by an Electing Holder that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common stock and will not be taxed again once distributed. An Electing Holder would not, however, be entitled to a deduction for its pro rata share of any losses that the Company incurs with respect to any taxable year. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of the common stock. A U.S. Holder would make a timely QEF Election for our common shares by filing IRS Form 8621 with such holder's U.S. federal income tax return for the first year in which such holder held such shares when the Company was a PFIC. If the Company determines that it is a PFIC for any taxable year, it will provide each U.S. Holder with all necessary information in order to make the QEF Election described above.

Taxation of U.S. Holders Making a Mark-to-Market Election

Alternatively, if the Company were to be treated as a PFIC for any taxable year and, as anticipated, the common shares are treated as "marketable stock," a U.S. Holder would be allowed to make a Mark-to-Market Election with respect to the Company's common shares. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common shares at the end of the taxable year over such holder's adjusted tax basis in the common stock. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common shares over their fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the Mark-to-Market Election. A U.S. Holder's tax basis in his common shares would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of the common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

Taxation of U.S. Holders Not Making a Timely QEF Election or Mark-to-Market Election

Finally, if the Company were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a QEF Election or a Mark-to-Market Election for that year, whom is referred to as a "Non-Electing Holder", would be subject to special U.S. federal income tax rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the common shares in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three (3) preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common shares), and (2) any gain realized on the sale, exchange or other disposition of the common stock. Under these special rules:

the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common stock;

the amount allocated to the current taxable year and any taxable years before the Company became a PFIC would be taxed as ordinary income; and

the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

If a Non-Electing Holder who is an individual dies while owning the common shares, such holder's successor generally would not receive a step-up in tax basis with respect to such shares.

U.S. Federal Income Taxation of "Non-U.S. Holders"

As used herein, the term "Non-U.S. Holder" means a holder that, for U.S. federal income tax purposes, is a beneficial owner of common shares (other than a partnership) that is not a U.S. Holder.

If a partnership holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common shares, you are encouraged to consult your tax advisor.

Dividends on Common Shares

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on dividends received from us with respect to our common shares, unless that income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. In general, if the Non-U.S. Holder is entitled to the benefits of an applicable U.S. income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Sale, Exchange or Other Disposition of Common Shares

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized upon the sale, exchange or other disposition of our common shares, unless:

- (1) the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States; in general, in the case of a Non-U.S. Holder entitled to the benefits of an applicable U.S. income tax treaty with respect to that gain, that gain is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or
- (2) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

Income or Gains Effectively Connected with a U.S. Trade or Business

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, dividends on the common shares and gain from the sale, exchange or other disposition of the shares, that is effectively connected with the conduct of that trade or business (and, if required by an applicable U.S. income tax treaty, is attributable to a U.S. permanent establishment), will generally be subject to regular U.S. federal income tax in the same manner as discussed in the previous section relating to the taxation of U.S. Holders. In addition, in the case of a corporate Non-U.S. Holder, its earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional U.S. federal branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable U.S. income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, and the payment of gross proceeds on a sale or other disposition of our common shares, made within the United States to a non-corporate U.S. Holder will be subject to information reporting. Such payments or distributions may also be subject to backup withholding if the non-corporate U.S. Holder:

- (1) fails to provide an accurate taxpayer identification number;
- (2) is notified by the IRS that it has failed to report all interest or dividends required to be shown on its U.S. federal income tax returns; or
- (3) in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding with respect to dividend payments or other taxable distributions on our common shares by certifying their status on an applicable IRS Form W-8. If a Non-U.S. Holder sells our common shares to or through a U.S. office of a broker, the payment of the proceeds is subject to both U.S. backup withholding and information reporting unless the Non-U.S. Holder certifies that it is a non-U.S. person, under penalties of perjury, or it otherwise establishes an exemption. If a Non-U.S. Holder sells our common shares through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid outside the United States, then information reporting and backup withholding generally will not apply to that payment. However, U.S. information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the United States, if a Non-U.S. Holder sells our common shares through a non-U.S. office of a broker that is a U.S. person or has some other contacts with the United States. Such information reporting requirements will not apply, however, if the broker has documentary evidence in its records that the Non-U.S. Holder is not a U.S. person and certain other conditions are met, or the Non-U.S. Holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Rather, a refund may generally be obtained of any amounts withheld under backup withholding rules that exceed the taxpayer's U.S. federal income tax liability by filing a timely refund claim with the IRS.

Individuals who are U.S. Holders (and to the extent specified in applicable Treasury Regulations, Non-U.S. Holders and certain U.S. entities) who hold "specified foreign financial assets" (as defined in Section 6038D of the Code) are required to file IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds \$75,000 at any time during the taxable year or \$50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury Regulations). Specified foreign financial assets would include, among other assets, our common shares, unless the common shares are held in an account maintained with a U.S. financial institution. Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event an individual U.S. Holder (and to the extent specified in applicable Treasury Regulations, a Non-U.S. Holder or a U.S. entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. U.S. Holders (including U.S. entities) and Non-U.S. Holders are encouraged to consult their own tax advisors regarding their reporting obligations in respect of our common shares.

Other Tax Considerations

In addition to the tax consequences discussed above, we may be subject to tax in one or more other jurisdictions where we conduct activities. The amount of any such tax imposed upon our operations may be material.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements we file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, NE, Room 1580, Washington, D.C. 20549. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information that we and other registrants have filed electronically with the SEC. Our filings are also available on our website at www.nao.bm. This web address is provided as an inactive textual reference only. Information contained on our website does not constitute part of this annual report.

Shareholders may also request a copy of our filings at no cost, by writing or telephoning us at the following address:

Nordic American Offshore Ltd.
LOM Building
27 Reid Street
Hamilton HM 11
Bermuda
Tel: +1 441 298 3535
Fax: +1 441 298 3451

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates related to the variable rate of the Company's borrowings under our Credit Facility, and to foreign currency risks related to the exchange rate between the USD and NOK and GBP, in respect of revenues generated and costs incurred in NOK and GBP.

Amounts borrowed under the Credit Facility bear interest at a rate equal to LIBOR plus a margin. Increasing interest rates could affect our future profitability. In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates.

A 100 basis points increase in LIBOR would have resulted in an increase of approximately \$1.4 million in our interest expense for the year ended December 31, 2017.

A 10% increase in the exchange rate between USD and NOK would have resulted in a decrease of \$1.8 million in our operating result for the year ended December 31, 2017.

A 10% increase in the exchange rate between USD and GBP would have resulted in a decrease of \$1.5 million in our operating result for the year ended December 31, 2017.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures.

Our principal Executive Officer and our Principal Financial and Accounting Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of December 31, 2017, have concluded that, as of such date, our disclosure controls and procedures were effective and ensured that information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial and Accounting Officer to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time period specified by the SEC's rules and forms.

B. Management's annual report on internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation and presentation of published financial statements for external purposes in accordance with Generally Accepted Accounting Principles in the United States. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria for effective internal control over financial reporting set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its 2013 Internal Control-Integrated Framework. Based on this assessment, management has concluded that, as of December 31, 2017, our internal control over financial reporting was effective.

C. Attestation report of the registered public accounting firm.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. As an "emerging growth company," we are currently exempt from having our independent auditors assess our internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act.

D. Changes in internal control over financial reporting.

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. RESERVED

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that Paul Hopkins, who serves as Chairman and sole member of the Audit Committee, qualifies as an "audit committee financial expert" under SEC rules. Mr. Hopkins is "independent" as determined in accordance with the rules of the New York Stock Exchange.

ITEM 16B. CODE OF ETHICS

The Company has adopted a code of ethics that applies to all of the Company's employees, including our principal executive officer, principal financial officer, principal accounting officer or controller. The code of ethics may be downloaded at our website (www.nao.bm). Additionally, any person, upon request, may ask for a hard copy or an electronic file of the code of ethics. If we make any substantive amendment to the code of ethics or grant any waivers, including any implicit waiver, from a provision of our code of ethics, we will disclose the nature of that amendment or waiver on our website. During the year ended December 31, 2017, no such amendment was made or waiver granted.

ITEM 16C. PRINCIPAL ACCOUNTING FEES AND SERVICES

A. Audit Fees

Our Board of Directors has established preapproval and procedures for the engagement of the Company's independent public accounting firms for all audit and non-audit services. The following table sets forth, for the two most recent fiscal years, the aggregate fees billed for professional services rendered by our principal accountant, KPMG AS, for the audit of the Company's annual financial statements and services provided by the principal accountant in connection with statutory and regulatory filings or engagements for the two most recent fiscal years.

FISCAL YEAR ENDED DECEMBER 31, 2017	\$	922,867
FISCAL YEAR ENDED DECEMBER 31, 2016	\$	861,404

B. Audit-Related Fees

Not applicable.

C. Tax Fees

Not applicable.

D. All Other Fees

Not applicable.

E. Audit Committee's Pre-Approval Policies and Procedures

Our audit committee pre-approves all audit, audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees prior to the engagement of the independent auditor with respect to such services.

F. Not applicable

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PERSONS.

No shares were purchased during the financial year ended December 31, 2017. The repurchase program had a maturity of two years and expired during 2017.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Pursuant to an exception for foreign private issuers, we, as a Bermuda company, are not required to comply with the corporate governance practices followed by U.S. companies under the NYSE listing standards. We believe that our established practices in the area of corporate governance are in line with the spirit of the NYSE standards and provide adequate protection to our shareholders.

There are four significant differences between our corporate governance practices and the NYSE standards applicable to listed U.S. companies. The NYSE requires that non-management directors meet regularly in executive sessions without management. The NYSE also requires that all independent directors meet in an executive session at least once a year. As permitted under Bermuda law and our bye-laws, our non-management directors do not regularly hold executive sessions without management and we do not expect them to do so in the future. The NYSE requires that a listed U.S. company have a nominating/corporate governance committee of independent directors and a committee charter specifying the purpose, duties and evaluation procedures of the committee. As permitted under Bermuda law and our bye-laws, we do not currently have a nominating or corporate governance committee. The NYSE requires, among other things, that a listed U.S. company have an audit committee with a minimum of three members. As permitted by Rule 10A-3 under the Securities Exchange Act of 1934, our audit committee consists of one independent member of our Board of Directors. The NYSE requires U.S. companies to adopt and disclose corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation. We are not required to adopt such guidelines under Bermuda law and we have not adopted such guidelines.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See Item 18. Financial Statements

ITEM 18. FINANCIAL STATEMENTS

The financial statements beginning on page F-1 through F-18 together with the respective reports of the Independent Registered Public Accounting firms therefore, are filed as a part of this annual report.

ITEM 19. EXHIBITS

- 1.1 [Memorandum of Continuance of the Company^{\(1\)}](#)
- 1.2 [Bye-laws of the Company^{\(2\)}](#)
- 2.1 [Form of Common Share Certificate^{\(1\)}](#)
- 4.1 [\\$60 million revolving credit facility by and among the Company, DNB Bank ASA, as arranger, security agent and agent, lender and swap bank, and Skandinaviska Enskilda Banken AB \(publ\), as arranger, lender and swap bank, dated December 19, 2013^{\(3\)}](#)
- 4.2 [Management Agreement by and among the Company and Scandic American Shipping Ltd., dated January 1, 2014^{\(4\)}](#)
- 8.1 [Subsidiaries of the Company](#)
- 12.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of the Chief Executive Officer](#)
- 12.2 [Rule 13a-14\(a\) /15d-14\(a\) Certification of the Chief Financial Officer](#)
- 13.1 [Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 13.2 [Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 15.1 [Consent of Independent Registered Public Accounting Firm](#)
- 15.2 [Consent of Fearnley's](#)
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Schema Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Schema Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Schema Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Schema Presentation Linkbase Document

- (1) Incorporated by reference to the Company's Report of Foreign Private Issuer on Form 6-K filed with the SEC on September 28, 2016.
- (2) Incorporated by reference to the Company's Report of Foreign Private Issuer on Form 6-K filed with the SEC on November 14, 2016.
- (3) Incorporated by reference to the Company's Registration Statement on Form F-1 filed with the SEC on March 17, 2014 (File No. 333-194612).
- (4) Incorporated by reference to the Company's Registration Statement on Form F-1/A filed with the SEC on May 5, 2014 (File No. 333-194612).

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

May 3, 2018

NORDIC AMERICAN OFFSHORE LTD

/s/ Herbjørn Hansson

Name: Herbjørn Hansson

Title: Executive Chairman

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To the Shareholders and Board of Directors
Nordic American Offshore Ltd.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Nordic American Offshore Ltd. and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive (loss) income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG AS

We have served as the Company's auditor since 2014.

Oslo, Norway
May 3, 2018

NORDIC AMERICAN OFFSHORE LTD

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

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

	Years ended December 31,		
	2017	2016	2015
Charter Revenues	17,895	17,697	36,372
Charter Costs	(1,815)	(1,448)	(1,523)
Vessel Operating Costs	(20,454)	(24,137)	(24,580)
General and Administrative Costs	(4,222)	(4,503)	(4,261)
Depreciation Costs	(17,472)	(16,152)	(14,379)
Net Operating Loss	(26,068)	(28,543)	(8,372)
Interest Income	298	10	34
Interest Costs	(4,880)	(3,467)	(1,807)
Other Financial Costs	327	(151)	(699)
Total Financial Costs	(4,255)	(3,608)	(2,472)
Loss before income taxes	(30,323)	(32,151)	(10,844)
Income Tax Benefit	997	-	-
Net Loss and Comprehensive Loss	(29,326)	(32,151)	(10,844)
Basic Loss per Share	(0.53)	(1.54)	(0.47)
Diluted Loss per Share	(0.53)	(1.54)	(0.47)
Basic Weighted Average Number of Common Shares Outstanding	54,995,614	20,939,260	23,203,142
Diluted Weighted Average Number of Common Shares Outstanding	54,995,614	20,939,260	23,203,142
Cash dividend declared per common share	0.08	0.28	0.94

The accompanying notes are an integral part of these consolidated financial statements.

NORDIC AMERICAN OFFSHORE LTD
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2017 AND 2016
All figures in USD '000, except share and per share amount

	As of December 31,	
	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	31,506	2,953
Accounts Receivable, net	2,096	1,490
Prepaid Expenses	1,274	1,129
Inventory	1,510	1,240
Other Current Assets	690	1,097
Total Current Assets	37,076	7,909
Non-Current Assets		
Vessels, net	350,635	366,945
Total Non-Current Assets	350,635	366,945
Total Assets	387,711	374,854
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	317	301
Accounts Payable, related party	728	581
Accrued Liabilities	1,764	2,210
Taxes Payable	-	997
Total Current Liabilities	2,809	4,089
Long-Term Debt (1)		
Other Non-Current Liabilities	136,552	136,193
	77	375
Total Non-Current Liabilities	136,629	136,568
Commitments and Contingencies		
Shareholders' Equity		
Preferred shares, par value \$0.01 per Share, 50,000,000 and 50,000,000 shares authorized, none issued at December 31, 2017 and December 31, 2016 respectively	-	-
Common shares, par value \$0.01 per Share; 200,000,000 and 200,000,000 shares authorized, 64,731,370 shares issued, 61,986,847 outstanding and 2,744,523 treasury shares at December 31, 2017 and 23,431,370 shares issued, 20,686,847 outstanding and 2,744,523 treasury shares at December 31, 2016	647	234
Additional Paid-In Capital	319,947	276,957
Accumulated Deficit	(72,321)	(42,995)
Total Shareholders' Equity	248,273	234,196
Total Liabilities and Shareholders' Equity	387,711	374,854

(1) Long-Term Debt consist outstanding amounts on the Credit Facility less unamortized deferred financing cost. Outstanding amounts on the Credit Facility were \$137,000 and \$137,000 as of December 31, 2017 and 2016, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

NORDIC AMERICAN OFFSHORE LTD

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

All figures in USD '000, except number of shares

	Number of shares	Common Stock	Additional Paid- In Capital	Accumulated Deficit	Total Shareholders' Equity
Balance at January 1, 2015	23,431,370	234	318,996	-	319,230
Issuance and listing costs	-	-	(17)	-	(17)
Repurchase of shares	(870,839)	-	(5,590)	-	(5,590)
Dividends distributed	-	-	(21,922)	-	(21,922)
Net Loss	-	-	-	(10,844)	(10,844)
Balance at December 31, 2015	22,560,531	234	291,467	(10,844)	280,857
Repurchase of shares	(1,873,684)	-	(8,513)	-	(8,513)
Dividend distributed	-	-	(5,997)	-	(5,997)
Net Loss	-	-	-	(32,151)	(32,151)
Balance at December 31, 2016	20,686,847	234	276,957	(42,995)	234,196
Common Shares Issued, net of \$0,9 million issuance cost	41,300,000	413	47,923	-	48,336
Dividends distributed	-	-	(4,933)	-	(4,933)
Net Loss	-	-	-	(29,326)	(29,326)
Balance at December 31, 2017	61,986,847	647	319,947	(72,321)	248,273

The accompanying notes are an integral part of these consolidated financial statements.

NORDIC AMERICAN OFFSHORE LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

All figures in USD '000

	Year ended December 31,		
	2017	2016	2015
Cash Flows from Operating Activities			
Net Loss	(29,326)	(32,151)	(10,844)
Reconciliation of Net Loss to Net Cash (Used In) Provided by Operating Activities			
Depreciation Costs	17,480	16,053	14,379
Amortization of Deferred Financing Costs	359	359	305
Overhaul of Engines Costs and Dry-dock	(341)	(151)	(575)
Foreign currency loss	(12)	31	78
<i>Changes in Operating Assets and Liabilities</i>			
Accounts Receivable	(606)	2,485	(872)
Inventory	(270)	(446)	(560)
Prepaid and Other Current Assets	262	2,603	(2,244)
Accounts Payable, Accrued Liabilities and Tax Payable	(1,725)	(5,031)	6,397
Accounts Payable, Related Party	147	(15)	(77)
Net Cash (Used In) Provided by Operating Activities	(14,032)	(16,262)	5,987
Cash Flows from Investing Activities			
Investment in Vessels	(830)	(61,583)	(63,529)
Deposit on Contracts paid		-	(1,693)
Net Cash Used in Investing Activities	(830)	(61,583)	(65,222)
Cash Flows from Financing Activities			
Proceeds from Issuance of Common Stock	48,336	-	(17)
Proceeds from Use of Credit Facility	-	90,000	47,000
Credit Facility Costs	-	-	(1,217)
Repurchase of Treasury Stock	-	(8,513)	(5,590)
Dividends Paid	(4,933)	(5,997)	(21,922)
Net Cash Provided by Financing Activities	43,403	75,490	18,253
Net (Decrease)/Increase in Cash and Cash Equivalents	28,541	(2,355)	(40,982)
Cash and Cash Equivalents at Beginning of Period	2,953	5,339	46,398
Effect of Exchange Rate Changes on Cash and Cash Equivalents	12	(31)	(78)
Cash and Cash Equivalents at the End of Period	31,506	2,953	5,339
Cash Paid for Interest, Net of Amounts Capitalized	4,417	2,803	1,365
Cash Paid for Tax	-	214	-

The accompanying notes are an integral part of these consolidated financial statements.

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

1. NATURE OF BUSINESS**History of business**

Nordic American Offshore Ltd ("NAO" or "The Company") was formed on October 17, 2013, under the laws of The Marshall Islands. The Company's shares trade under the symbol "NAO" on the New York Stock Exchange.

Effective September 26, 2016 the Company re-domiciled to the Islands of Bermuda. The financial statements are presented on an un-interrupted basis.

On November 22, 2013, the Company completed a private placement of 16,666,666 common shares, issued at \$15 per share, and was listed on the Norwegian Over the Counter ("OTC") Market on November 27, 2013, under the symbol "NAO".

On June 12, 2014, the Company was successfully listed on the New York Stock Exchange ("NYSE"), under the Symbol "NAO". After the listing on NYSE, shares traded on the OTC were transferred to NYSE, and trade on the OTC discontinued.

On May 21, 2015, we announced a share repurchase program of 2.5 million common shares. As of December 31, 2016 and 2015, 301,935 and 870,839 shares have been repurchased at an average price of \$5.99 and \$6.42 per share, respectively. We have during the share repurchase program purchased a total of 1,172,774 shares. No shares were purchased during the financial year ended December 31, 2017. The share repurchase program had a maturity of two years, and expired in May 2017.

In March 2017, we completed an underwritten public follow-on offering of 41,300,000 common shares, which includes 1,300,000 common shares sold pursuant to the underwriters' partial exercise of the overallotment option to purchase additional common shares, at a price of \$1.25 per share. The net proceeds we received from the offering were used for general corporate purposes, working capital purposes and for the expansion of our fleet. The net proceeds of this offering were approximately \$48.3 million. As of the date of this annual report, we have 200,000,000 authorized common shares, 64,731,370 common shares issued, 61,986,847 outstanding and 2,744,523 treasury shares.

The Company's Fleet

The Company owns and operates Platform Supply Vessels ("PSV") in the North Sea.

The Company's fleet consists of ten PSVs.

Vessel Name	Yard	Year Built	Delivered to NAO
NAO Fighter	Ulstein	2012	January 2014
NAO Prosper	Ulstein	2012	January 2014
NAO Power	Ulstein	2013	January 2014
NAO Thunder	Ulstein	2013	December 2013
NAO Guardian	Ulstein	2013	December 2013
NAO Protector	Ulstein	2013	December 2013
NAO Storm	Ulstein	2015	January 2015
NAO Viking	Ulstein	2015	January 2015
NAO Horizon	Vard	2016	April 2016
NAO Galaxy	Vard	2016	June 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Principles of Consolidation: Entities in which NAO has controlling financial interest are consolidated. Subsidiaries are consolidated from the date on which control is obtained. The subsidiaries' accounting policies are in conformity with U.S. GAAP. All intercompany balances and transactions have been eliminated upon consolidation.

Use of Estimates: Preparation of financial statements in accordance with U.S. 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 costs 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.

Functional Currency and Foreign Currency Translation: The Company determined its functional currency to be the United States ("U.S.") dollars. 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 transactions. For the year ended December 31, 2017, a total exchange gains of \$0.3 million. December 31, 2016 and December 31, 2015 a total exchange loss of \$0.2 million and \$0.6 million, respectively, is included in Other Financial (Costs) Income.

Revenue Recognition: Revenue is generated from time and spot charters and is recognized as services are performed based on contractual daily charter rates and when collectability is reasonable assured.

Vessel Operating Costs: Vessel operating costs include crewing, repair and maintenance, insurance, stores, lubricants, management fee, communication costs, and tonnage tax. These costs are recognized when incurred.

Cash and Cash equivalents: Cash Equivalents consist of highly liquid investments such as time deposits with an original maturity at acquisition of three months or less.

Accounts Receivable: Accounts Receivables are presented net of allowance for doubtful balances. If balances are determined uncollectable, after all means of collections have been exhausted and the potential for recovery is considered to be remote, they are charged against the allowance for doubtful balances. As of December 31, 2017 and 2016, the Company has not made any allowance for doubtful balances.

Inventories: Inventories, which comprise bunker fuel and lubrication oil, are stated at the lower of cost or net realizable value, which is determined on a first-in, first-out ("FIFO") basis. Bunker fuel onboard at the time of delivery to a charterer is purchased by the charterer, and re-purchased by the Company at the time of re-delivery.

Vessels, net: Vessels and equipment are stated at historical costs, less accumulated depreciation which is provided by the straight line method over their estimated useful life of 25 years. Interest is capitalized in connection with the construction of vessels. The capitalized interest is included as part of the asset to which it relates and depreciated over the asset's estimated useful life.

Certain subsequent expenditures for conversions and major improvements are also capitalized if it is determined that they appreciably extend the life, increase the earnings capacity or improve the efficiency or safety of the vessel. Repairs and maintenance are expensed as incurred. The vessels estimated residual values and useful life are reviewed when there has been a change in circumstances that indicate the original estimate may no longer be appropriate. Residual values are estimated at \$1.5 million for each vessel in the fleet at December 31, 2017 and 2016.

Impairment of Long-Lived Assets: The Company reviews for impairment long-lived assets held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In this respect, the Company reviews its assets for impairment on an asset by asset basis. When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, the Company evaluates the asset for impairment loss. In developing estimates of future undiscounted cash flows, the Company makes assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, operating costs, capital expenditures, residual value and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. The estimated net operating undiscounted cash flows are determined by considering an estimated daily charter rate for the remaining operating days. The Company estimates the daily charter rate for the remaining operating days based on the historical average for similar vessels and utilizing available market data for current charter rates over the remaining estimated life of the vessel, assumed to be 25 years from the delivery of the vessel from the shipyard, net of brokerage commissions, expected outflows for vessels' maintenance and vessel operating costs (including planned drydocking and engine overhaul expenditures). If the Company's estimate of undiscounted future cash flows for any vessel is lower than the vessel's carrying value, the carrying value is written down, by recording a charge to operations, to the vessel's fair market value, less cost to sell. Fair market value is calculated based on the higher of estimated discounted operating cashflow from use and realizable value as presented by independent brokers.

Drydocking and engine overhaul: The Company's vessels are required to be drydocked approximately every 60 months, and to have engines overhauled after 10,000 – 11,000 running hours. The Company will capitalize a substantial portion of the costs incurred during drydocking and overhaul, and amortize those costs on a straight line basis from the completion of a drydocking, intermediate survey or overhaul to the estimated completion of the next drydocking or overhaul. 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. The 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. For the vessels acquired an estimate of \$200,000 and \$365,000 for drydock cost and overhaul costs respectively has been allocated from the purchase price. Drydocking is depreciated over five years, and engine overhauls are depreciated based on the number of running hours within the reporting period according to the built-in overhaul method.

Geographical segments: The Company has not presented segment information as it considers it operates as one reportable segment, the offshore support vessel market, where all vessels currently operate in the North Sea.

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.

Termination Fee: In 2015 the Company received \$3.9 million related to a termination of a charter contract for one of their vessels. The termination fee received is subject to future conditions, and is deferred and recognized in future periods when these conditions have been met. \$1.2 million and \$1.2 million of the termination fee were recognized as charter revenue for the years ended December 31, 2017 and December 31, 2016, respectively. Deferred termination fees of \$0.4 million and \$0.0 million are recorded as Accrued Liabilities and Non-Current Liabilities, respectively, as of December 31, 2017. As of December 31, 2016, \$ 0.3 million and \$1.1 million were recorded as Accrued Liabilities and Other Non-Current Liabilities, respectively.

Income Taxes: The Company is incorporated in Bermuda. Under current Bermuda law, the Company is not subject to corporate income taxes. The statutory applicable rate to consolidated corporate earnings is 0%. On March 10, 2014 the Company's vessel was accepted into the UK Tonnage Tax regime. The company no longer qualifies for inclusion in the UK Tonnage Tax regime and made an exit February 2017, and subsequent to this the Company was subject to the regular tax regime in UK. No deferred tax asset in respect of losses incurred has been recognized at the end of 2017 as the UK operations have ceased and so the losses cannot be utilized to offset future UK or other taxable income.

Concentration of 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 Company's cash is primarily held in major banks and financial institutions in Norway and the United Kingdom and typically insured up to a set amount. Accordingly, the Company believes the risk of any potential loss on deposits held in these institutions is minimal. Concentrations of credit risk relative to accounts receivable are limited to our client base in the energy industry that may be affected by changes in economic or other external conditions. The Company does not require collateral for its accounts receivable. The fair value of the financial instruments approximates the net book value.

For the year ended December 31, 2017, three charterers accounted for 44% of the total revenues with 21%, 13%, and 10%, respectively.

For the year ended December 31, 2016, three charterers accounted for 36% of the total revenues, with 14%, 11%, and 11%, respectively.

For the year ended December 31, 2015, three charterers accounted for 85% of the total revenues, with 49%, 22%, and 14%, respectively.

For the year ended December 31, 2017, three charterers accounted for 66% of the outstanding accounts receivable, with 28%, 19%, and 19%, respectively.

For the year ended December 31, 2016, four charterers accounted for 70% of the outstanding accounts receivable, with 28%, 19%, 13%, and 10%, respectively.

For the year ended December 31, 2015, four charterers accounted for 69% of the outstanding accounts receivable, with 33%, 15%, 11% and 10% respectively.

Recent Accounting Pronouncements:

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. This update establishes a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. Effective date is for reporting periods commencing on or after December 15, 2017.

The Company will adopt the standard using the modified retrospective option as of January 1, 2018 and we have determined that the adoption will not have a significant effect on our consolidated financial statements, other than additional revenue disclosures in the notes to the consolidated financial statements, while the Company has all its vessels employed under time charter agreements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The update requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. It also offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The guidance will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, Statement of cash flows (230): Restricted cash, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company has early adopted this ASU and the adoption did not have any effect on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of cash flows (Topic 230). The Company has early adopted this ASU and the adoption did not have any effect on the consolidated financial statements.

3. RELATED PARTY TRANSACTIONS

Nordic American Tankers Limited:

Nordic American Tankers Ltd (NAT) is the largest shareholder in the Company. NAT participated in the offering in March 2017 by buying 8,000,000 shares. NAT announced that its shareholders are expected to receive NAO shares as a part dividend payment from NAT during August 2017. NAT holds 16.12% of the outstanding shares per December 31, 2017.

In December 2013, NAO entered into a management agreement with Scandic American Shipping Ltd, now a wholly owned subsidiary of NAT, for the provision of administrative services as requested by our management and in accordance with our objectives and policies as established and directed by our Board of Directors. All decisions of a material nature concerning our business are made by the Board of Directors.

For services under the Management Agreement, the Company paid \$200,000 for 2015, \$100,000 for 2016, and \$100,000 for 2017 all directly attributable costs related to the Company are reimbursed. For the years ended December 31, 2017, 2016, and 2015, an aggregate of \$2.3 million \$2.2 million and \$2.1 million, respectively, for such directly attributable costs were incurred which were included in General and Administrative Costs.

Other related parties

High Seas AS is controlled by Mr. Hansson and his closest family. High Seas AS does not hold any position in which it provides services to NAO, the position as Chairman held by Herbjørn Hansson is not due to the ownership through High Seas AS and no shares are transferred to High Seas AS remuneration of Mr. Hansson. High Seas AS owned 603,233 shares per December 31, 2016, and increased to 8,204,240 shares after acquiring 7,601,007 shares during 2017. Out of these shares 1,600,000 was acquired in the offering, March 2017. All shares owned by High Seas AS were acquired in the open market at the current quoted market price, or in offerings at the same price as for other investors.

4. VESSELS, NET

Vessels, net consist of the carrying value of the Company's vessels, including drydocking, engine overhaul costs and capitalized interest from the period of the vessel being constructed.

<i>All Figures in USD '000</i>	2017	2016
Vessels	404,377	404,174
Drydocking	2,179	1,736
Engine Overhaul	3,737	3,221
Total	410,293	409,131
Less Accumulated Depreciation	59,658	42,186
Vessels, net	350,635	366,945

Impairment of vessels

For the year ended December 31, 2017, 2016 and 2015 the Company performed impairment tests of the vessels. Impairment tests performed did not result in the carrying value for any of the Company's vessels exceeding future undiscounted cash flows.

The Company reviews for impairment of long-lived assets held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In this respect, the Company reviews its assets for impairment on a vessel by vessel basis. When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, the Company evaluates the asset for impairment loss. The impairment loss is determined by the difference between the carrying amount of the asset and fair value (estimated undiscounted cash flows exceed the book value of each vessel).

In developing estimates of future undiscounted cash flows, the Company makes assumptions and estimates about the vessels' future performance, with the significant assumptions being related to spot rates, fleet utilization, operating expenses, capital expenditures, residual value and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations.

For the first and second year of our analysis we applied a 3-year weighted average, which is composed of the lower of the historical market rates and utilization, as provided by a third party, and the rates and utilization we have achieved for the same period. For year three of our analysis we have applied a one year ramp up where rates are based on 75% of the 15-year historical average rates provided by third party, while applying a utilization rate of 75%. For the rates and utilization thereafter we use the 15-year historical average as provided by a third party. There were no impairment charges recorded on vessels for the years ended December 31, 2017, 2016 and 2015.

5. LONG-TERM DEBT

Credit Facility:

On December 19, 2013, the Company entered into a \$60.0 million revolving credit facility ("Credit Facility") with a syndicate of lenders in order to secure available liquidity for general corporate purposes. Amounts borrowed under the Credit Facility bear interest at an annual rate equal to LIBOR plus a margin, and the Company pays a commitment fee on any undrawn amounts. The credit facility originally matured in December 2018.

In March 2015 the Company expanded its Credit Facility from \$60.0 million to \$150.0 million. The new maturity of the expanded credit facility is March 2020. There are no repayment requirements before maturity on the Credit Facility.

Borrowings under the Credit Facility are currently secured by first priority mortgages on the Company's vessels and assignments of earnings and insurance. Under the Credit Facility, the Company is subject to certain covenants requiring among other things, the maintenance of (i) a minimum value adjusted amount of equity, and (ii) a minimum value adjusted equity ratio, and (iii) a minimum level of liquidity, and (iv) a positive working capital. The Credit Facility also includes customary events of default, including non-payment, breach of covenants, insolvency, cross defaults and material adverse change. A breach of any of these covenants would result in that the credit facility is callable by the lenders. In connection with the establishment and expansion of the Credit Facility the Company incurred \$0.8 million and \$1.2 million in 2013 and 2015, respectively, in deferred financing cost, which is amortized over the term of the loan.

As at December 31, 2017 and 2016, the Company had \$137.0 million drawn on its Credit Facility, respectively.

As of December 31, 2016 and December 31, 2017 the Company was in default with three of its debt covenants, (i) the minimum value adjusted amount of equity clause, (ii) the minimum value adjusted equity ratio clause and (iii) a minimum level of liquidity. A waiver was obtained from its lenders lowering (i) the minimum value of equity and (ii) the minimum value adjusted equity ratio covenant requirements to levels at which the Company was in compliance, and suspending (iii) the minimum level of liquidity covenant. These waivers were effective until April 30, 2018. Under the waiver the Company is unable to draw further on the Credit Facility.

The Company has in April 2018 entered into an amendment to the credit agreement for our Credit Facility that extends the waiver period up until December 31, 2019, for all the covenants associated with the Credit Facility except for reintroducing a liquidity covenant of \$5.0 million. Under the terms of the waiver obtained, the company are unable to draw further on the Credit Facility until we comply with the original terms and conditions under the Credit Facility agreement. The waiver obtained does not prohibit the Company from paying dividends. The Company can distribute dividends, subject to a corresponding amount being repaid under the Credit Facility.

The Company was in compliance with the modified loan covenants as of December 31, 2017 and the long-term debt of \$137 million is presented as non-current.

The estimated fair value for the long-term debt is considered to be approximately equal to the carrying value since it reflects both a recently revised margin and a variable interest rate.

6. INTEREST COSTS

Interest costs consist of interest incurred on the long-term debt, the commitment fee and amortization of the deferred financing cost related to the Credit Facility described in Note 6.

<i>All amounts in USD '000</i>	2017	2016	2015
Interest Costs, net of capitalized interest	4,428	2,781	752
Commitment Fee	93	327	750
Amortization of Deferred Financing Cost	359	359	305
Total interest costs	4,880	3,467	1,807

For the years ended December 31, 2017 and 2016, \$0.0 million and \$0.1 million of interest costs were capitalized, respectively.

7. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing net (loss) income by the weighted average number of common shares outstanding for the period. Diluted EPS are calculated by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding during the period. For the years ended December 31, 2017, 2016 and 2015, the Company had a net loss, thus any effect of common stock equivalents outstanding would be antidilutive.

<i>All figures in USD</i>	2017	2016	2015
<i>Numerator</i>			
Net Loss	(29,326,000)	(32,151,000)	(10,844,000)
<i>Denominator</i>			
Basic - Weighted Average Common Shares Outstanding	54,995,614	20,939,260	23,203,142
Dilutive effect of Warrants issued	-	-	-
Dilutive - Weighted Average Common Shares Outstanding	54,995,614	20,939,260	23,203,142
<i>Loss per Common Share</i>			
Basic	(0.53)	(1.54)	(0.47)
Dilutive	(0.53)	(1.54)	(0.47)

8. SHAREHOLDERS' EQUITY

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

	Authorized shares	Issued Shares	Outstanding Shares	Common Shares
Balance, January 1, 2015	250,000,000	23,431,370	23,431,370	234
Common Shares Repurchased under Share Repurchase Program	-		(870,839)	
Balance, December 31, 2015	250,000,000	23,431,370	22,560,531	234
Common Shares Repurchased under Share Repurchase Program			(301,935)	
Common Shares Repurchased in Private Transaction			(1,571,749)	
Balance, December 31, 2016	250,000,000	23,431,370	20,686,847	234
Common Shares Issued		41,300,000	41,300,000	413
Balance, December 31, 2017	250,000,000	64,731,370	61,986,847	647

Common shares issued

The Company's authorized share capital is 200,000,000 common shares, par value \$0.01 per share and 50,000,000 preferred shares, par value \$0.01 per share.

Repurchase plan

In May 2015 the Company announced a share repurchase program of under which the Company may repurchase up to 2.5 million of NAO's outstanding common stock over the two subsequent years. As of December 31, 2016 and 2015 the Company had repurchased 301,935 and 870,839 shares under the share repurchase program, respectively. The Company repurchased a total of 1,172,774 shares under the share repurchase program. The repurchase program had a maturity of two years, and expired May 2017.

9. FINANCIAL INSTRUMENTS AND OTHER FAIR VALUE DISCLOSURES

The Company categorizes its fair value estimates using a fair value hierarchy based on the inputs used to measure fair value for those assets and liabilities that are recorded on the balance sheet as 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. Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- 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 data, which require the reporting entity to develop its own assumptions.

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 is a reasonable estimate of fair value.
- The estimated fair value for the long-term debt is considered to be equal to the carrying values since it reflects both a recently revised margin and a variable interest rates which approximate market rates.
- The basis for the estimated fair value of the firm commitment and the value related to the forward contracts has been put forth above.

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2017 and 2016 are as follows:

All figures in USD '000

	Fair Value Hierarchy Level	2017 Fair Value	2017 Carrying Value	2016 Fair Value	2016 Carrying Value
Cash and Cash Equivalents	1	31,506	31,506	2,953	2,953
Credit Facility	2	(137,000)	(137,000)	(137,000)	(137,000)

Contracts with the same counterparty are presented net as these contracts are allowed to be net settled.

The estimated fair value for the long-term debt, excluding issuance cost recognized as described in Note 1, is considered to be approximately equal to the carrying value since it reflects both a recently revised margin and a variable interest rate.

10. OTHER CURRENT ASSETS AND ACCRUED LIABILITIES

Other Current Assets

All figures in USD '000

	2017	2016
Deferred Financing Costs	359	359
Other Current Assets	331	738
Total as of December 31,	690	1,097

Accrued Liabilities

All figures in USD '000

	2017	2016
Accrued Interest	692	589
Accrued Costs	684	515
Deferred Revenues	388	1,106
Total as of December 31,	1,764	2,210

11. COMMITMENTS AND CONTINGENCIES

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

No claims have been filed against the Company, nor has it been part to any legal proceedings for the fiscal years ended December 31, 2017 and 2016.

12. SUBSEQUENT EVENTS

On April 30, 2018, the Company executed amendment and waiver agreements on our credit facility expiring on December 31, 2019.

On February 8, 2018, the Company declared a cash dividend of \$0.02 per share with respect of the result of the fourth quarter 2017, which was paid on March 13, 2018.

EX-8.1 2 d7885881_ex8-1.htm

Exhibit 8.1

The following is a list of the Company's subsidiaries as of May 3, 2018:

<i>Name</i>	<i>Vessel/Activity</i>	<i>Organization</i>	<i>Ownership percentage</i>
Blue Power Limited	Owner of Blue Power	Bermuda	100%
Nordic American Offshore (UK) Ltd.	Management Company	United Kingdom	100%

EX-12.1 3 d7881546_ex12-1.htm

Exhibit 12.1**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER**

I, Herbjørn Hansson, certify that:

1. I have reviewed this annual report on Form 20-F of Nordic American Offshore Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: May 3, 2018

/s/ Herbjørn Hansson
Herbjørn Hansson
Executive Chairman (Principal Executive Officer)

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Bjørn Giæver, certify that:

1. I have reviewed this annual report on Form 20-F of Nordic American Offshore Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: May 3, 2018

Bjørn Giæver

Bjørn Giæver

Chief Financial Officer (Principal Financial Officer)

**PRINCIPAL EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Annual Report of Nordic American Offshore Ltd. (the "Company") on Form 20-F for the year ended December 31, 2017 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Herbjørn Hansson, Executive Chairman of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: May 3, 2018

/s/ Herbjørn Hansson
Herbjørn Hansson
Executive Chairman (Principal Executive Officer)

**PRINCIPAL FINANCIAL OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Annual Report of Nordic American Offshore Ltd. (the "Company") on Form 20-F for the year ended December 31, 2017 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Bjørn Giæver, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: May 3, 2018

Bjørn Giæver

Bjørn Giæver

Chief Financial Officer (Principal Financial Officer)



Fearnley Offshore Supply

Nordic American Offshore Ltd
LOM Building
27 Reid Street
Hamilton HM 11
Bermuda

Oslo, April 16, 2018

Ladies and Gentlemen:

Reference is made to the annual report on Form 20-F for the year ended December 31, 2017 of Nordic American Tankers Offshore Ltd (the "Company") to be filed with the U.S. Securities and Exchange Commission (the "SEC") (the "Annual Report").

We hereby consent to all references to our name in the Annual Report and to the use of the statistical information supplied by us set forth in the Annual Report, including, without limitation, the information set forth in the Annual Report under the heading "The 2017 Offshore Support Vessel Market". We further advise the Company that our role has been limited to the provision of such statistical data supplied by us. With respect to such statistical data, we further advise you that:

(1) we have accurately described the information and data of the offshore support vessel shipping industry, subject to the availability and reliability of the data supporting the statistical and graphical information presented; and

(2) our methodologies for collecting information and data may differ from those of other sources and does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the offshore support vessel shipping industry.

We hereby consent to the filing of this letter as an exhibit to the Annual Report to be filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, and to the references to our firm in the section of the Annual Report entitled "The 2017 Offshore Support Vessel Market".

Yours faithfully,



By: _____
Name: Tor Allen Widing
Title: Managing Director

Fearnley Offshore Supply AS

Enterprise number NO 991 436 804 VAT

An Astrup Fearnley company

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