FLEX LNG GROUP

Q3 2012

FLEX LNG

BOARD REPORT

Financials, Third Quarter and Year to Date 2012

(Figures in brackets refer to the corresponding period of 2011)

In the first quarter the front-end engineering and design ("FEED") work for a potential project in Papua New Guinea ("PNG") was finalised, although subsequently no further progress has been made on this project. The Company has subsequently been engaged in discussions with Samsung Heavy Industries ("Samsung") in relation to the funds previously paid by the Company to Samsung including how they might be applied for alternative purposes. The plan is to apply an amount of paid-in instalments, net of deductions, each to be determined for the construction of LNG carriers and/or regasification vessels (the "Alternative Deployment"). The parties have so far not been able to agree on the precise terms of such Alternative Deployment, including the level of paid-in instalments that is to be carried over to the Alternative Deployment. The Company currently believes that either a conclusion will be reached with Samsung on the Alternative Deployment, in the fourth quarter, or will need to pursue steps for alternative options to enable the matter to be resolved.

The cash balances at 30 September were $7.7m ($16.9m) with $1.8m net outflow ($2.2m net inflow) in the quarter and $7.1m net outflow ($7.0m – net inflow) year to date. In the nine months in 2012 the operating cash outflow was $7.1m (principally the operating loss and working capital movements).

The loss before tax was $2.8m ($3.6m) in the quarter and $6.7m ($19.0m) year to date, with a year to date retained net loss of $6.7m ($19.0m). In the current quarter there have been reduced staff and general overhead costs, partly offset by additional legal expenditures. In the year there have also been a net credit of $0.9m on forfeited share options (2011: $3.6m share option charge) and 2011 included a $7.8m financing charge related to the share option provided to IOC and PACLNG.

In the 2011 statutory accounts, the Group recognised an impairment write-down on the new build assets. The Company currently expects to have greater clarity as to the carrying value as negotiations evolve with Samsung. The amount of capital transferred for Alternative Deployment will depend on a number of factors that are not directly under the control of the Group (including the commercial terms for the Alternative Deployment options). In case the current lack of agreement with Samsung, as to the Alternative Deployment continues, under IAS 36 the Company could be required to recognise a further impairment loss. This would be subject to the Company's best estimate of the recoverable amount, in relation to the carrying value of the new building assets, covering both the instalment amounts already received by Samsung and the capitalised development costs. No impairment provision has been made in the Q3 accounts as the Company is unable to reasonably make an impairment estimate at this time given the fact that the Company is currently reviewing alternative options with different impacts on an impairment value. Refer to note 4 for more details.

Outlook, Financing and Risks

In the event that Samsung and FLEX LNG agree to pursue an Alternative Deployment, the Company expects to consider a number of financing alternatives for raising working capital and instalment requirements; this will depend, among other things, on the number of vessels ordered, the debt equity ratio, level of instalments available for redeployment, economic terms of utilisation, final capital cost and market conditions. In the meantime, based upon current levels of cash utilisation, the Company believes that it will have sufficient working capital to last into 2013.

There can of course be no assurance that satisfactory agreement will be reached with Samsung on the Alternative Deployment. For that eventuality the Company has taken steps to be prepared to initiate alternative options to secure the net paid-in capital and therefore is also evaluating the need for and timing of any additional working capital requirements in that scenario.

In all cases where the Company may require additional funding, there can be no assurance that such funds may be raised on terms that are reasonable, if at all.

The Board believes the going concern position and risks remain both as described in the 2011 statutory accounts and as summarised by this Q3 2012 financial report, including note 2.

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Unaudited Interim Financial Report

Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

For the quarter ended 30 September 2012	Unaudited				
	Q3 12	**Q3 11**	**YTD 12**	**YTD 11**	**2011**
Operating revenues	0	0	0	0	0
Total revenue	**0**	**0**	**0**	**0**	**0**
Administrative expenses	2,703	3,589	6,294	11,074	13,287
Impairment write down	0	0	0	0	112,291
Operating loss before depreciation	**(2,703)**	**(3,589)**	**(6,294)**	**(11,074)**	**(125,578)**
Depreciation	25	40	96	116	146
Operating loss	**(2,728)**	**(3,629)**	**(6,390)**	**(11,190)**	**(125,724)**
Finance income	17	31	64	47	77
Finance cost	(128)	0	(382)	(7,817)	(10,224)
Loss before tax	**(2,839)**	**(3,598)**	**(6,708)**	**(18,960)**	**(135,871)**
Income tax expense	11	25	33	66	88
Net loss	**(2,850)**	**(3,623)**	**(6,741)**	**(19,026)**	**(135,959)**
Attributable to:					
Equity holders of the parent	(2,850)	(3,623)	(6,741)	(19,026)	(135,959)
Earnings per share:					
Basic	(0.02)	(0.03)	(0.05)	(0.16)	(1.13)
Diluted	(0.02)	(0.03)	(0.05)	(0.16)	(1.13)

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

For the quarter ended 30 September 2012	Unaudited				
	Q3 12	**Q3 11**	**YTD 12**	**YTD 11**	**2011**
Loss for the period	**(2,850)**	**(3,623)**	**(6,741)**	**(19,026)**	**(135,959)**
Exchange differences on translation	22	(49)	27	(1)	(14)
Total other comprehensive profit / (loss)	22	(49)	27	(1)	(14)
Total comprehensive income for the period	**(2,828)**	**(3,672)**	**(6,714)**	**(19,027)**	**(135,973)**
Attributable to:					
Equity holders of the parent	(2,828)	(3,672)	(6,714)	(19,027)	(135,973)

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Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

For the period ended 30 September 2012		Unaudited		
	Note	**YTD 2012**	**YTD 2011**	**2011**
New building assets and capitalised costs	4	332,412	433,624	342,412
Plant and equipment		88	210	178
Investment – unquoted shares	5	0	875	0
Total non-current assets		**332,500**	**444,709**	**342,590**
Other current assets		725	942	1,049
Loan	5	0	1,532	0
Cash and cash equivalents	6	7,699	16,909	14,754
Total current assets		**8,424**	**19,383**	**15,803**
TOTAL ASSETS		**340,924**	**464,092**	**358,393**
Share capital		1,254	1,245	1,248
Share premium		562,288	561,771	561,946
Other equity		(254,431)	(130,445)	(246,788)
Equity attributable to equity holders of the parent		309,111	432,571	316,406
Total equity		**309,111**	**432,571**	**316,406**
Other financial liabilities	7	29,865	20,456	29,238
Total non-current liabilities		**29,865**	**20,456**	**29,238**
Current liabilities	7	1,948	11,065	12,749
Total current liabilities		**1,948**	**11,065**	**12,749**
Total liabilities		**31,813**	**31,521**	**41,987**
TOTAL EQUITY AND LIABILITIES		**340,924**	**464,092**	**358,393**

FLEX LNG

Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

For the period ended 30 September 2012	Share capital	Share premium reserve	P&L reserve	Exchange translation reserve	Option, warrant and shares	To equity holders
At 01.01.12	**1,248**	**561,946**	**(268,875)**	**(314)**	**22,401**	**316,406**
Loss for the period			(6,741)			**(6,741)**
Other comprehensive income				27		**27**
Total comprehensive income			(6,741)	27		**(6,714)**
Shares issued	6	342			(348)	**0**
Share-based payment (options / warrants)					(871)	**(871)**
Share-based payment (shares)					290	**290**
At 30.09.12	**1,254**	**562,288**	**(275,616)**	**(287)**	**21,472**	**309,111**

For the period ended 30 September 2011	Share capital	Share premium reserve	P&L reserve	Exchange translation reserve	Option, warrant and shares	To equity holders
At 01.01.11	1,130	552,490	(132,916)	(300)	10,091	430,495
Loss for the period			(19,026)			(19,026)
Other comprehensive income				(1)		(1)
Total comprehensive income			(19,026)	(1)		(19,027)
Shares issued	115	9,324			7,722	17,161
Expenses related to share issue		(43)				(43)
Share-based payment (options / warrants)					3,597	3,597
Share-based payment (shares)					388	388
At 30.09.11	1,245	561,771	(151,942)	(301)	21,798	432,571

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Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)

For the period ended 30 September 2012	Unaudited YTD 12	YTD 11	2011
Loss before tax	(6,708)	(18,960)	(135,871)
Non cash items	82	11,972	127,141
Working capital adjustments	(406)	7,710	9,397
Income tax paid	(111)	(140)	(140)
Interest received	71	39	69
Net cash flow from operating activities	(7,072)	621	596
Purchase of plant and equipment	(10)	(59)	(56)
Payment on new building assets & capitalised expenditure	0	(2,841)	(4,961)
Net cash flow used in investing activities	(10)	(2,900)	(5,017)
Net proceeds of share issue	0	9,300	9,300
Net cash flow from financing activities	0	9,300	9,300
Net cash flow	**(7,082)**	**7,021**	**4,879**
Net exchange translation effect	27	(1)	(14)
Cash balance at beginning of period	14,754	9,889	9,889
Cash balance at end of period	**7,699**	**16,909**	**14,754**

Notes to the Interim Consolidated Accounts

Note 1: General information

FLEX LNG Ltd is a limited liability company, incorporated in the British Virgin Islands. The Group includes eight 100% owned subsidiaries. The Group's activities are focused on developing production, transportation and/or storage of liquefied natural gas and related activities.

The interim condensed consolidated financial statements of the Group for the nine months and quarter ended 30 September 2012 were authorised for issue by the board of directors on 22 November 2012.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter ended 30 September 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting, with the understanding that the Company is at this time unable to reasonably estimate any impairment in the carrying value of the New Building contracts (covering both the instalment amounts already received by Samsung and the capitalised development costs for the LNG Producer), as further described in note 4, under the requirements of IAS 36. The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

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Note 2: Accounting principles (continued)
The preparation of interim accounts involves the use of appraisals, estimates and assumptions influencing the application of accounting principles and recognised amounts for assets, obligations and costs. Actual results may differ from these estimates. The uncertainties and risks include both those noted in the 2011 accounts and as summarised below. These include the calculation of the recoverable amount for the paid in instalments with Samsung; the settlement of the negotiations with Samsung being on reasonable terms; agreeing the level of paid-in instalments available for redeployment with Samsung on reasonable terms; agreement to the Alternative Deployment and the economics of such Alternative Deployment (including being able to secure employment contracts on reasonable terms for any alternative vessel constructed by Samsung); the consequences if this does not occur; potential Samsung claims on the Company; possible future FLNG project contractual arrangements being on economically viable terms; obtaining finance and working capital at reasonable terms. The Group is operating in only one segment with respect to products and services. Segment reporting is thus not relevant.

Significant accounting policies - The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of new Standards and Interpretation as of 2012, as noted below:

IFRS 7 - New disclosures for de-recognition of financial instruments. The adoption of this amendment has had no material impact on the financial position or performance of the Group.

As of the end of Q3 2012, some new standards, changes in existing standards and interpretations have been issued, but not yet become effective:

IFRS 1 - Amendment: Severe hyperinflation and removal of fixed dates for first time adopters; IFRS 1 - Amendment: Government Loans; IFRS 7 - Amendment: New disclosure requirements - Offsetting of Financial Assets and Financial Liabilities; IFRS 9 - Financial Instruments; IFRS 10 – Consolidated Financial Statements; IFRS 11 - Joint Arrangements; IFRS 12 - Disclosure of Interests in Other Entities; IFRS 13 - Fair Value Measurement; IAS 1 – Amendment Presentation of Items of Other Comprehensive Income; IAS 12 - Amendment: Deferred tax- Recovery of underlying assets; IAS 19 – Amendment Employee Benefits; IFRS 10, IFRS 11, IFRS 12 - Amendments - Transition Guidance; IAS 27 Revised Separate Financial Statements; IAS 28 Revised Investments in Associates and Joint Ventures; IAS 32 - Amendment: Offsetting Financial Assets and Financial Liabilities; IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine; and Improvements to IFRSs (2009-2011) - Amendment to IFRS 1 - Repeated application and Borrowing costs, IAS 1 - Clarification of the requirements for comparative information, IAS 16 - Classification of servicing equipment, IAS 32 - Tax effect of distributions to holders of equity instruments and IAS 34 - Interim financial reporting and segment information for total assets and liabilities.

The Group intends to adopt those standards when they become effective. Currently the Group estimates that the implementation will have no impact, or are unable to determine the impact.

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Note 3: Option, warrant and salary costs

In Q3 2012 the Company issued no new options to staff. The P&L cost for all outstanding options and warrants for the quarter was $0.3m (2011: $2.0m) and a $0.9m credit year to date (2011: $3.6m cost). The exercise rights for the majority of the options and warrants are based on vesting criteria linked to LNGP commercial targets and a scheme expiry date of 31/12/16, and the 2012 costs are based on assumptions that these commercial targets are achievable. Were these targets not to be achievable, or an Alternative Deployment route followed, it would have an impact on the income statement in respect of the options and warrants schemes, as it would be expected that the vesting criteria would no longer be achievable. The Company expects to have further insight on this once the negotiations with Samsung are complete and will account for the change at that point.

Note 4: New Building Assets and Capitalised Costs

The carrying value of the capitalised costs for the instalment payments and related capitalised development costs are dependent on a number of interrelated matters, including, without limitation: (i) the conclusion of the negotiations with Samsung in relation to the amount of capital available for Alternative Deployment (including the Company's best estimate of the recoverable amount for the other possible resolutions for the Samsung negotiations), and the terms and conditions agreed with Samsung for redeployment and, potentially, financing of vessels using such capital; (ii) the terms and conditions agreed for the utilisation of any vessels delivered pursuant to an Alternative Deployment ; (iii) the terms of finance for the above-mentioned projects and if such finance can be secured at reasonable terms; (iv) the estimated value of these potential future commercial development strategies for the Company; and (v) the ability to reuse and commercialise certain generic LNGP designs for future projects. Additional details can be found in the 2011 statutory accounts.

The Company continues discussions with Samsung as noted above, including as to a number of aspects that are anticipated to have an impact on projected cash flows.

No impairment update has been made in the Q3 accounts as the Company is unable to reasonably make an impairment estimate at this time given the fact that the Company is currently in discussions with Samsung to establish the terms for the Alternative Deployment options; the Company is also reviewing alternative options open to it with different impacts on an impairment value. Once there is sufficient clarity, an update (including an impairment amount, if appropriate) will be provided.

Note 5: Investment and loan

At 30 September 2012 the Group holds 5% of the share capital of Minza Limited ("Minza"), which has a carrying value of $nil (2011: $875k). The Group has also loaned Minza $1,532k, carrying value of $nil (2011: $1,532k). The terms of the loan provided that if the loan was not repaid by Minza by 31 October 2011 the loan would convert into 13.75% of the shares in Minza. Currently Minza has not executed the conversion of the loan into additional share capital; the Company does not accept this position and is evaluating strategies to resolve the situation.

Note 6: Cash and cash equivalents

For the purpose of the consolidated cash flow statements, cash and cash equivalents comprise the following;

(Unaudited figures in USD,000)	**Unaudited**		
	YTD 12	**YTD 11**	**2011**
Cash at bank and in hand	7,699	16,909	14,754

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Note 7: Other financial liabilities and current liabilities

Under historical arrangements Samsung has covered certain costs for the Group, including the FEED related costs for the Gulf LNG Project. At 30 September 2012 it is estimated that up to $29,848k (2011: $20,370k) of such coverage, including certain third party costs, has been undertaken by Samsung for the Group and a provision has been made for this cost. Under the 2011 Preliminary Agreement it was envisaged that upon FID for the PNG Project, that these amounts and the timing of payments would be amended. While the Preliminary Agreement has lapsed, in the case of agreement for Alternative Deployment, the Company expects that such amounts as are mutually agreed would be offset against paid in instalments. As no agreement has been reached at this time, the amounts remain accounted for as liabilities, additional details in note 2 of the 2011 statutory accounts. In addition a $17k (2011: $86k) provision for the property lease liabilities is included, based on a fair value allocation on the lease acquired by FLEX LNG Management Limited.

In Q1 2012 current liabilities included a $10.0m short term loan repayable in Q1 2012. In April 2012 the Company notified Samsung to set off the amount against the shipbuilding instalments paid in by the Company. The company has in Q2 2012 offset the $10.0m loan against paid in instalments.

Note 8: Capital commitments

Under the 2011 Preliminary Agreement with Samsung, the parties had agreed that no payments were due in the FEED phase and that the intent was to amend once FID was taken in relation to the Gulf LNG Project. Following the lapse of the Preliminary Agreement, the Company continues to believe that no payments are currently due. In the case of agreement for Alternative Deployment, the Company expects that the payments due will depend on the terms and conditions agreed with Samsung for the redeployment. At this time no final conclusion has been reached on the Alternative Deployment.

Note 9: Going concern

The interim financial statements have been prepared based on the going concern assumption, which contemplates the realisation of assets and liabilities as part of the normal business course.

In the event that Samsung and FLEX LNG agree to pursue an Alternative Deployment the Company expects to consider a number of financing alternatives for raising working capital and instalment requirements; this will depend, among other things, on the number of vessels ordered, the debt equity ratio, level of instalments available for redeployment, economic terms of utilisation, final capital cost, and market conditions. In the meantime, based upon current levels of cash utilisation, the Company believes it will have sufficient working capital to last into 2013.

There can of course be no assurance that satisfactory agreement will be reached with Samsung on the Alternative Deployment. For that eventuality the Company has taken steps to be prepared to initiate alternative options to secure the net paid-in capital and therefore is also evaluating the need for and timing of any additional working capital requirements in that scenario.

In all cases where the Company may require additional funding, there can be no assurance that such funds may be raised on terms that are reasonable, if at all.

Note 9: Going concern (continued)
Considering the above the Board believes that the going concern assumption currently remains appropriate for the Group, and expects, based upon current levels of cash utilisation, to have sufficient working capital to last into 2013.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of the uncertainties detailed in the report.

Note 10: Post Balance Sheet Events

10.1 Option issuance
On 7 November 2012 the Board of Directors approved the issuance of 1,200,000 options to the Founders of the Company (Philip Fjeld, Jostein Ueland and Trym Tveitnes), at 400,000 per person. The issuance has performance criteria linked to the share price of the Company with; 25% vesting upon the Company's share price achieving a closing price at or above NOK 8.00; 25% on a NOK 10.0 share price; 25% on a NOK 12.0 share price; and 25% on a NOK 14.0 share price, all four vesting criteria include a requirement that the share price achieved is for a consecutive 30 days prior to the expiry date. In addition up to 800,000 options will be available for issuance to staff of the Company. At present individual staff allocations have not been approved. The scheme has an expiry date of 30 July 2017 and the exercise price is $0.01 per share.

Note 11: Key Figures

	YTD 12	**YTD 11**	**2011**
No. of shares outstanding	125,412,622	124,477,202	124,778,313
No. of shares fully diluted	134,659,977	135,058,157	135,359,268
Average no. of outstanding shares	125,091,142	118,786,746	120,240,027
Share price (NOK - 30.09.12)	3.50	3.70	2.45
Market capitalisation (NOK'm - 30.09.12)	439	461	306

Note 11: Key Figures (continued)

Shareholders

The 10 main shareholders at 30.09.12 are:

Share holder:	Number of shares:	Ownership interest:
KAWASAKI KISEN KAISHA LTD	17,085,836	13.6%
JP MORGAN CLEARING CORP. [1]	16,226,543	12.9%
STATE STREET BANK AND TRUST CO. [1]	13,486,167	10.7%
INTEROIL FINANCE INC.	8,938,913	7.1%
SIX SIS AG[1]	6,672,734	5.3%
B SCHULTE INVESTMENT HOLDING	6,094,756	4.9%
JP MORGAN CHASE BANK [1]	5,617,732	4.5%
JP MORGAN SECURITIES LIMITED	4,989,500	4.0%
INVESCO PERP EUR SMALL COMP FD	4,516,727	3.6%
GOLDMAN SACHS & CO – EQUITY [1]	3,400,763	2.7%
OTHER	38,382,951	30.7%
Per VPS register	125,412,622	100.0%

Note[1] - Nominee account.