

FLEX LNG GROUP



Q4 2011 & Year 2011

BOARD REPORT

Financials, Fourth Quarter and Financial Year 2011

(Figures in brackets refer to the corresponding period of 2010)

During the fourth quarter of 2011 the FLEX LNG group of companies ("the Group") continued to progress opportunities for development of one of the world's first floating LNG producers ("LNG Producer"). In the quarter, work continued on a potential LNG Producer unit as the front-end engineering and design ("FEED") work on the Gulf LNG project in Papua New Guinea ("PNG") was substantially completed.

The cash balances at 31 December were \$14.8m (\$9.9m) with \$2.1m net outflow (\$3.3m net outflow) in the quarter and \$4.9m net inflow (\$15.8m net outflow) year to date. In the twelve months in 2011 the operating cash inflow was \$0.5m (principally the operating loss, working capital movements and a short term loan of \$10.0m, repayable in Q1 2012); investing activities outflow \$23.5m (FEED costs); and financing activities inflow \$27.9m (proceeds from a share purchase by InterOil Corporation (IOC) and Pacific LNG Operations (PACLNG), and deferred payments on the FEED costs).

The loss before tax was \$4.6m (\$100.2m) in the quarter and \$23.6m (\$108.7m) year to date, with a year to date retained net loss of \$23.7m (\$108.9m). In the year and quarter there have also been additional Gulf LNG Project related costs and the quarter includes a write off of the value of the Minza investment, equal to \$2.4m (\$0.9m). 2011 has also been impacted by the reduction in the strike price and the amended vesting dates for the staff option awards from 2008, following the amendment approved at the 2011 annual shareholders meeting (ASM). The additional option and warrant costs were \$1.9m in 2011 when compared to 2010. Additionally Q2 2011 includes a financing charge of \$7.8m from the valuation of the share purchase option provided to IOC and PACLNG. Under the option the two parties were able to subscribe for 11,315,080 shares at an average price of NOK 4.59, against a share price of NOK 8.22 at the time of grant.

On 25 August 2011 the shareholders elected three new Directors, Mr. D McManus, Mr. C Pittinger and Mr. E Wakiwaka and re-elected the directors Mr. P Fjeld, Mr. I Beveridge, Mr. S Pearl and Mr. A Hiromichi. Subsequently Mr. McManus was elected as Chairman by the Board.

Outlook

The Group is currently focused on deploying the capital on deposit with Samsung Heavy Industries ("Samsung"), into development of the LNG Producers or redeploying this amount to other purposes, as described further below.

In April 2011 the Group announced that it had signed agreements with IOC, PACLNG and Samsung for a floating liquefaction ("FLNG") project in PNG (the "Gulf LNG Project") with targeted start of operations in 2014. The Gulf LNG Project was expected to have liquefied and exported gas from the Elk and Antelope gas fields in the Gulf Province of PNG. Samsung undertook the FEED work for the hull portion of the FLNG unit; whilst a Worley Parsons led JV was responsible for the FEED work for the topside under contract with Samsung.

Outlook (continued)

The objective had been for the Gulf LNG Project to have reached a Final Investment Decision ("FID") in December 2011. In December 2011 the multiparty agreements among IOC, PACLNG and Samsung and the framework agreement between FLEX and the sponsors of the Gulf LNG Project lapsed due to lack of progress with the Gulf LNG Project. FLEX LNG is currently unable to forecast the expected timing of a potential FID for the Gulf LNG Project.

With the FEED work that has been executed, the Company has taken the technical preparations necessary to support FID, if and when the project sponsors, the PNG Government and other stakeholders are able to finalise project terms. FLEX LNG continues to work closely in providing ongoing technical assistance to IOC and PACLNG.

In light of the uncertainty surrounding the timing of FID for the Gulf LNG Project, the 2011 Preliminary Agreement between FLEX LNG and Samsung has lapsed and the parties have now expanded the scope of their discussions to include negotiations for the alternative deployment of the capital invested by FLEX LNG ("Alternative Deployment"). The parties have included in such discussions the possibility of converting LNG Producer contracts (the "New Building contracts") into contracts for the construction of LNG carrier and/or regassification vessels. The Company hopes to conclude these negotiations over the coming months.

Given that the Company's agreements with the sponsors of the Gulf LNG Project have lapsed and that the Company is unable to provide any estimate of the intended FID date for the Gulf LNG Project, under IAS 36 the Company could likely be required to recognise an impairment loss, subject to the Company's best estimate of the recoverable amount, in relation to 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 in relation to the Gulf LNG Project and the LNG Producer offshore design work.

No impairment provision has been made in the Q4 accounts as the company is currently in discussions with Samsung to establish the instalment capital available for the Gulf LNG Project and/or Alternative Deployment options and inputs that will impact projected cash flows, and therefore an impairment value is dependent upon such discussions which are still actively ongoing. Refer to note 4 for more details.

Financing and Risks

Agreement with Samsung on 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, exchange rates and restructuring costs).

In the event of a positive FID on the Gulf LNG Project, given the lapse of the 2011 Preliminary Agreement the Company would need to agree a revised instalment profile with Samsung for the FLNG unit. The Company would then potentially need to raise financing for both working capital and instalment payments. Prior to the delivery of the FLNG unit the Company would also need to arrange financing for the final instalment due to Samsung.

Financing and Risks (continued)

In the event that Samsung and FLEX LNG agree to pursue an Alternative Deployment of the capital invested, the Company expects there to be a number of financing alternatives for raising working capital and instalment requirements, if required.

There can be no assurance that agreement will be reached with Samsung or that it will be reached in a manner that is favourable for the Company. In the event no agreement is reached with Samsung on restructuring of the LNG Producer contracts and/or the Alternative Deployment of its invested capital, the Company will need to consider the alternative options open to the Company as well as the timing for raising additional working capital. Given the lapse of the 2011 Preliminary Agreement with Samsung, the terms of 2009 Principle Agreement are automatically reinstated with the instalment terms as before. No claim has been received by FLEX LNG or any of its subsidiaries in relation to any agreement with Samsung.

The Company expects that additional working capital could be required in the latter half of 2012.

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.

In May 2011 the Company issued 11,315,080 shares to IOC and PACLNG at an average price of NOK 4.59 and thereby raised \$9.3m of additional capital. In addition a short term loan of \$10.0m was raised from Samsung and is due for repayment at the end of Q1 2012. Subject to the successful completion of the negotiations with Samsung, the Company expects that this loan and other Samsung costs will be included as part of the payment profile or deducted from instalments already paid to Samsung under the New Building contracts. In such a case, the Company expects to have sufficient additional working capital to conclude negotiations with Samsung.

The Board believes the going concern position and risks remain as described in the 2010 statutory accounts and as updated by this Q4 2011 financial report, including note 2.

Unaudited Interim Financial Report

Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

| For the quarter ended 31 December 2011 | Unaudited | | | | |
|---|-----------|----------------|------------------|-----------------|------------------|
| | Note | Q4 11 | Q4 10 | 2011 | 2010 |
| Operating revenues | | 0 | 0 | 0 | 0 |
| Total revenue | | 0 | 0 | 0 | 0 |
| Administrative expenses | | 2,213 | 1,496 | 13,287 | 10,003 |
| Impairment write down | 4 | 0 | 97,751 | 0 | 97,751 |
| Operating loss before depreciation | | (2,213) | (99,247) | (13,287) | (107,754) |
| Depreciation | | 30 | 43 | 146 | 211 |
| Operating loss | | (2,243) | (99,290) | (13,433) | (107,965) |
| Finance cost | 3 & 5 | (2,407) | (938) | (10,224) | (938) |
| Finance income | | 30 | 20 | 77 | 222 |
| Loss before tax | | (4,620) | (100,208) | (23,580) | (108,681) |
| Income tax expense | | 22 | 71 | 88 | 173 |
| Net loss | | (4,642) | (100,279) | (23,668) | (108,854) |
| Attributable to: | | | | | |
| Equity holders of the parent | | (4,642) | (100,279) | (23,668) | (108,659) |
| Non-controlling interests | | 0 | 0 | 0 | (195) |
| Earnings per share: | | | | | |
| Basic | 12 | (0.04) | (0.89) | (0.20) | (0.96) |
| Diluted | 12 | (0.04) | (0.89) | (0.20) | (0.96) |

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

| For the quarter ended 31 December 2011 | Unaudited | | | | |
|--|-----------|----------------|------------------|-----------------|------------------|
| | | Q4 11 | Q4 10 | 2011 | 2010 |
| Loss for the period | | (4,642) | (100,279) | (23,668) | (108,854) |
| Exchange differences on translation | | (13) | (1) | (14) | (9) |
| Other comprehensive (loss) | | (13) | (1) | (14) | (9) |
| Total comprehensive income for the period | | (4,655) | (100,280) | (23,682) | (108,863) |
| Attributable to: | | | | | |
| Equity holders of the parent | | (4,655) | (100,280) | (23,682) | (108,668) |
| Non-controlling interests | | 0 | 0 | 0 | (195) |

Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

| For the period ended 31 December 2011 | Note | Unaudited | |
|--|------|----------------|----------------|
| | | 2011 | 2010 |
| New building contracts | 4 | 454,703 | 431,232 |
| Plant and equipment | | 178 | 267 |
| Investment – unquoted shares | 5 | 0 | 875 |
| Total non-current assets | | 454,881 | 432,374 |
| Other current assets | | 1,049 | 836 |
| Loan | 5 | 0 | 1,532 |
| Cash and cash equivalents | 6 | 14,754 | 9,889 |
| Total current assets | | 15,803 | 12,257 |
| TOTAL ASSETS | | 470,684 | 444,631 |
| Share capital | | 1,248 | 1,130 |
| Share premium | | 561,946 | 552,490 |
| Other equity | | (134,497) | (123,125) |
| Equity attributable to equity holders of the parent | | 428,697 | 430,495 |
| Total equity | | 428,697 | 430,495 |
| Other financial liabilities | 7 | 29,238 | 10,937 |
| Total non-current liabilities | | 29,238 | 10,937 |
| Current liabilities | 7 | 12,749 | 3,199 |
| Total current liabilities | | 12,749 | 3,199 |
| Total liabilities | | 41,987 | 14,136 |
| TOTAL EQUITY AND LIABILITIES | | 470,684 | 444,631 |



Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

| For the period ended 31 December 2011 | Share capital | Share premium reserve | P&L reserve | Exchange translation reserve | Option, warrant and shares | To equity holders | Non controlling interests | Total equity |
|--|---------------|-----------------------|------------------|------------------------------|----------------------------|-------------------|---------------------------|----------------|
| At 01.01.11 | 1,130 | 552,490 | (132,916) | (300) | 10,091 | 430,495 | 0 | 430,495 |
| Loss for the period | | | (23,668) | | | (23,668) | | (23,668) |
| Other comprehensive income | | | | (14) | | (14) | | (14) |
| Total comprehensive income | | | (23,668) | (14) | | (23,682) | | (23,682) |
| Expenses related to share issue | | (43) | | | | (43) | | (43) |
| Cost of share-based payment (options / warrants) | | | | | 4,265 | 4,265 | | 4,265 |
| Shares issued | 118 | 9,499 | | | 7,545 | 17,162 | | 17,162 |
| Cost of share-based payment (shares) | | | | | 500 | 500 | | 500 |
| At 31.12.11 | 1,248 | 561,946 | (156,584) | (314) | 22,401 | 428,697 | 0 | 428,697 |

| For the period ended 31 December 2010 | Share capital | Share premium reserve | P&L reserve | Exchange translation reserve | Option, warrant and shares | To equity holders | Non controlling interests | Total equity |
|--|---------------|-----------------------|-------------|------------------------------|----------------------------|-------------------|---------------------------|--------------|
| At 01.01.10 | 1,127 | 552,243 | (24,257) | (291) | 7,819 | 536,641 | 33,147 | 569,788 |
| Loss for the period | | | (108,659) | | | (108,659) | (195) | (108,854) |
| Other comprehensive income | | | | (9) | | (9) | | (9) |
| Total comprehensive income | | | (108,659) | (9) | | (108,668) | (195) | (108,863) |
| Shares issued | 3 | 282 | | | (285) | 0 | | 0 |
| Expenses related to share issue | | (35) | | | | (35) | | (35) |
| Exchange adjustments | | | | | | 0 | (140) | (140) |
| Disposal of non-controlling interest | | | | | | | (32,812) | (32,812) |
| Cost of share-based payment (options / warrants) | | | | | 2,367 | 2,367 | | 2,367 |
| Cost of share-based payment (shares) | | | | | 190 | 190 | | 190 |
| At 31.12.10 | 1,130 | 552,490 | (132,916) | (300) | 10,091 | 430,495 | 0 | 430,495 |

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)

| For the period ended 31 December 2011 | Unaudited | |
|--|---------------|-----------------|
| | 2011 | 2010 |
| Net cash flow from operating activities ¹ | 531 | (7,556) |
| Net cash flow used in investing activities | (23,527) | (12,714) |
| Net cash flow from financing activities | 27,875 | 4,489 |
| Net cash flow | 4,879 | (15,781) |
| Net translation effect | (14) | (9) |
| Cash balance at beginning of period | 9,889 | 25,679 |
| Cash balance at end of period | 14,754 | 9,889 |

Note¹ – includes a \$10.0m short term loan, repayable in Q1 2012.

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 and active 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 twelve months and quarter ended 31 December 2011 were authorised for issue by the board of directors on 27 February 2012.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the twelve months and quarter ended 31 December 2011 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 capitalized 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 2010.

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 those noted in the 2010 accounts and as updated by this quarterly report. These include the settlement of the contract restructure with Samsung on reasonable terms; agreeing the level of remaining capital with Samsung on reasonable terms; achieving FID on the Gulf LNG Project, or agreement to the Alternative Deployment and the economics of such Alternative Deployment; the contractual consequences if this does not occur; potential Samsung claims under its agreement with the Company; the political situation in PNG; any IOC/PACLNG contractual arrangements being on economically viable terms; obtaining finance and working capital at reasonable terms; and being able to secure employment contracts on reasonable terms for alternative vessels constructed by Samsung. The Group is operating in only one segment with respect to products and services. Segment reporting is thus not relevant.

Note 2: Accounting principles (continued)

Significant accounting policies - Apart from the decision not to put forth an estimate of impairment noted above given the uncertainty surrounding the Samsung negotiations, 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 2010, except for the adoption of new Standards and Interpretation as of 1 January 2011, as noted below.

IAS 24 Related Party Disclosures (Amendment); IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment); IFRIC 14 Prepayments of a minimum funding requirement (Amendment); IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments; IFRS 1 Adoption of IFRS; IFRS 3 Business Combinations; IFRS 7 Financial Instruments – Disclosures; IAS 1 Presentation of Financial Statements; IAS 27 Consolidated and Separate Financial Statements; IAS 34 Interim Financial Reporting; and IFRIC 13 Customer Loyalty Programmes. The adoption of these amendments has had no material impact on the financial position or performance of the Group.

As of the end of Q4 2011, some new standards, changes in existing standards and interpretations have been issued, but not yet become effective:

IFRS 9 Financial Instruments: Classification and Measurement; Amendments to IFRS 7 Financial Instruments – Disclosures; Amendments to IFRS 1 Adoption of IFRS; IFRS 10 Consolidated Financial Statements; IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities; IFRS 13 Fair Value Measurement; Amendments to IAS 12 Income Taxes; IAS 27 Revised: Separate Financial Statements; IAS 28 revised: Investment in Associates and Joint Ventures; IAS 1 Amendment: Presentation of Items of Other Comprehensive Income; IAS 19 Amendment: Employee Benefits; and Annual improvements project 2010.

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.

Note 3: Option, warrant and salary costs

In Q1, Q2, and Q4 2011 the Company issued no new options to staff, in Q3 200,000 staff options were granted. In 2011 150,000 options were granted and exercised by Mr. K Meyer for the provision of services under a consultancy agreement, prior to becoming a Director of the Company. At the 2011 ASM the options granted to certain employees in 2008 were modified with the exercise price being amended from NOK 37 to NOK 20, additionally the vesting dates were accelerated. The staff bonus scheme introduced in 2010 continues, which is linked to key commercial goals for the Group. In the year an element of the bonus linked to the achievement of commencing and finalising FEED was paid out. The P&L cost for all outstanding options and warrants for the quarter was \$0.7m (\$(0.3)m) and \$4.3m (\$2.4m) year to date. The exercise rights as to options and warrants are based on vesting criteria linked to LNGP commercial targets. If the Alternative Deployment route is followed with Samsung, it is possible that the options and warrants could undergo certain changes.

Included in Q2 2011 is a financing charge of \$7.8m from the valuation of the share purchase option provided to IOC and PACLNG. Under the option the two parties were able to subscribe for 11,315,080 shares at an average price of NOK 4.59, against a share price of NOK 8.22 at the time of grant.

Note 4: New Building contracts – impairment

Given that the Company's agreements concerning the Gulf LNG Project have lapsed and that the Company is unable to provide any estimate of the intended FID date for the Gulf LNG Project, under IAS 36 the Company could likely be required to recognise an impairment loss, subject to the Company's best estimate of the recoverable amount, in relation to 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 in relation to the Gulf LNG Project and the LNG Producer offshore design work. Any such adjustment could be material, and could reflect a material reduction in the carrying value of the New Building contracts.

The carrying value of the capitalised costs for the four New Building contracts and related capitalised development costs are dependent on a number of interrelated matters, including: (i) the conclusion of the negotiations with Samsung in relation to (a) restructuring of the LNG Producer contracts for the purpose of supporting FID for the Gulf LNG Project and deployment of the LNG Producer to that project, and/or (b) the amount of capital available for Alternative Redeployment, and the terms and conditions agreed with Samsung for development and, potentially, financing of vessels using such capital, (ii) the terms and conditions agreed with the sponsors of the Gulf LNG Project for deployment of the LNG Producer and/or the terms and conditions agreed with charterers for any LNG carriers, (iii) the terms of finance for the above-mentioned projects and if such finance can be secured at reasonable terms, and (iv) the estimated value of future commercial development strategies for the Company.

No impairment provision has been made in the Q4 accounts as the company is currently in discussions with Samsung to establish the instalment capital available for the Gulf LNG Project and/or Alternative Deployment options and inputs that will impact projected cash flows, and therefore an impairment value is dependent upon such discussions which are still actively ongoing

Once there is sufficient clarity, an update (including an impairment amount as appropriate) will be provided to the market.

Note 5: Investment and loan

At 31 December 2011 the Group holds 5% of the share capital of Minza Limited ("Minza"), which has a carrying value of \$nil (2010: \$875k) after a write down of \$875k. The Group has also loaned Minza \$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. The loan bore interest at LIBOR plus 1%. Currently Minza has not accepted the conversion of the loan into additional share capital; the Company does not accept this position and is working to resolve the situation. In the meantime a write down of \$1,532k has been made against the loan. The total write down recognised in the quarter in relation to Minza was \$2,407k (2010: \$938k).

Note 6: Cash and cash equivalents

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

| <i>(Unaudited figures in USD,000)</i> | Unaudited | |
|---------------------------------------|------------------|-------------|
| | 2011 | 2010 |
| Cash at bank and in hand | 14,754 | 9,889 |

\$1.0m is held in deposits of greater than 3 months and is shown as cash and cash equivalents, this amount can be immediately called upon subject to interest penalties.

Note 7: Other financial liabilities and current liabilities

In 2009 the Group entered into an agreement (the "Principle Agreement") with Samsung covering the revised payment profile during the slow down phase. Under the agreement, in addition to the agreed instalments, the Group had the opportunity to defer up to \$4m of expenditure in 2009. Under the Principle Agreement, the amount deferred would be repayable with the first milestone billing after the slow down phase, bearing interest at 7% per annum. At 31 December 2011 \$4.1m (\$3.9m) had been deferred, including interest. In addition certain vendor costs and obligations to Samsung under the EPCIC contract are covered by Samsung. These amounts become payable by the Group not earlier than seven months after the resumption date under the Principle Agreement. At 31 December 2011 it is estimated that \$7.0m (\$6.9m) in obligations have been incurred by Samsung on behalf of the Group and a provision has been made for this cost. Subsequently it was agreed in the 2011 Preliminary Agreement that upon FID of the Gulf LNG Project, these amounts and the timing of payments would be restructured. The 2011 Preliminary Agreement also covered FEED related costs for the Gulf LNG Project; and costs of \$18.0m have been estimated as being incurred by Samsung and funded per the Preliminary Agreement by applying funds previously received as instalments from the Group. In addition a \$0.1m (\$0.2m) provision for the property lease liabilities is included, based on a fair value allocation on the lease acquired by FLEX LNG Management Limited.

Current liabilities include a \$10.0m short term loan repayable in Q1 2012. The Company expects to include this liability and the costs undertaken by Samsung under both the 2009 Principle Agreement and 2011 Preliminary Agreement as part of the current restructure negotiations with Samsung.

Note 8: Capital commitments

At 31 December 2011, the Group had capital payment commitments of \$2,500m (Hulls - \$1,776m units 1-4, Topside - \$724m unit 1) with Samsung. The payment profile, based on a 30 June 2010 resumption date, the Samsung 2009 Principle Agreement and expected design and commissioning would have been: 2010 \$143m; 2011 \$411m; 2012 \$837m; 2013 \$404m; and 2014 \$705m.

Under the 2011 Preliminary Agreement with Samsung, the parties had agreed that no payments, including those payable in 2010 and 2011 were due in the FEED phase and that the intent was to restructure the contracts once FID is taken in relation to the Gulf LNG Project, whereupon the 2009 Principle Agreement would then become null and void. At 15 December 2011 a positive FID was not achieved and the waiver was extended to 31 January 2012, at which point the 2011 Preliminary Agreement lapsed and terms of the 2009 Principle Agreement were reinstated (additional details as to which are set forth in the 2009 statutory accounts). No claim has been received by FLEX LNG or any of its subsidiaries in relation to any agreement with Samsung.

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 of FID on the Gulf LNG Project, given the lapse of the 2011 Preliminary Agreement, the Company would need to agree a revised instalment profile with Samsung for the FLNG unit. The Company would then potentially need to raise financing for both working capital and instalment payments. Prior to the delivery of the unit the Company would also need to arrange financing for the final instalment due to Samsung.

Note 9: Going concern (continued)

In the event that Samsung and FLEX LNG agree to pursue an Alternative Deployment of capital invested, the Company expects there to be a number of financing alternatives for raising working capital and instalment requirements.

There can be no assurance that agreement will be reached with Samsung or that they will be reached in a manner that is favourable for the Company. In the event no agreement is reached with Samsung on restructuring of the LNG Producer contracts and/or the Alternative Deployment of invested capital, the Company will need to consider alternative options open to the Company as well as the timing for raising additional working capital.

The Company expects that additional working capital would be required in the latter half of 2012.

In May 2011 the Company issued 11,315,080 shares to IOC and PACLNG at an average price of NOK 4.59 and thereby raised \$9.3m of additional capital. In addition a short term loan of \$10.0m was raised from Samsung and is due for repayment at the end of Q1 2012. Subject to the successful completion of the negotiations with Samsung, the Company expects that this loan and other Samsung costs will be included as part of the vessel instalment payment profile or deducted from instalments already paid to Samsung under the New Building contracts.

Considering the above the Board believes that the going concern assumption remains appropriate for the Group.

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: Events after the balance sheet date

Samsung

In 2012 the 2011 Preliminary Agreement lapsed and the terms of the 2009 Principle Agreement were automatically reinstated. As described in the Financing and Risks section of these accounts, since January 2012 FLEX LNG and Samsung have expanded the scope of discussions concerning restructuring of the existing four New Building contracts to include negotiations for the Alternative Deployment of capital invested, including converting LNG Producer contracts into contracts for the construction of LNG carrier and/or regassification vessels. These discussions are ongoing.

Note 11: Additional Option and Share Issuance

Currently, given the lapse of the Agreements with IOC and PACLNG, the Company no longer has a commitment to issue additional shares to IOC and PACLNG in return for a conditional financing package and additional credit enhancement facilities for the Gulf LNG Project.

Note 12: Key Figures

| | 2011 | 2010 |
|--|-------------|-------------|
| No. of shares outstanding | 124,778,313 | 113,043,243 |
| No. of shares fully diluted | 135,359,268 | 123,759,698 |
| Average no. of outstanding shares | 120,240,027 | 112,947,425 |
| Share price (NOK - 31.12.11) | 2.45 | 4.25 |
| Market capitalisation (NOK'm - 31.12.11) | 306 | 480 |

Shareholders

The 10 main shareholders at 31.12.11 are:

| Share holder: | Number of shares: | Ownership interest: |
|--|--------------------------|----------------------------|
| KAWASAKI KISEN KAISHA LTD | 17,000,837 | 13.6% |
| JP MORGAN CLEARING CORP. ¹ | 16,226,543 | 13.0% |
| STATE STREET BANK AND TRUST CO. ¹ | 13,486,167 | 10.8% |
| INTEROIL FINANCE INC. | 8,938,913 | 7.2% |
| SIX SIS AG ¹ | 6,815,874 | 5.5% |
| B SCHULTE INVESTMENT HOLDING | 6,009,440 | 4.8% |
| JP MORGAN CHASE BANK ¹ | 5,617,732 | 4.5% |
| JP MORGAN SECURITIES LIMITED | 5,000,000 | 4.0% |
| INVESCO PERP EUR SMALL COMP FD | 4,516,727 | 3.6% |
| GOLDMAN SACHS & CO - EQUITY ¹ | 3,989,247 | 3.2% |
| OTHER | 37,176,833 | 29.8% |
| Per VPS register | 124,778,313 | 100.0% |

Note ¹ - Nominee account.