FLEX LNG GROUP

First Half 2011 & Q2 2011

Registered Address: Craigmuir Chambers, PO Box 71, Road Town, Tortola, BVI

FLEX LNG

BOARD REPORT

Financials, First Half and Second Quarter 2011

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

During the second quarter and first half of 2011 the FLEX LNG group of companies ("the Group") has continued to develop what it expects could be amongst the world's first LNG Producers. In the quarter costs of $0.9m ($2.1m, four units) were capitalised onto the IOC unit and year to date $1.9m ($8.8m, four units).

The cash balances at 30 June were $14.7m ($16.9m) with $8.2m net inflow ($3.4m net outflow) in the quarter and $4.8m net inflow ($8.8m net outflow) year to date. In the six months in 2011 the operating cash outflow was $5.8m (principally the operating loss and working capital movements); investing activities outflow $1.8m (capitalised asset costs); and financing activities inflow $12.4m (proceeds from a share purchase by InterOil Corporation (IOC) and Pacific LNG Operations (PACLNG), deferred payments and a short term loan ($2m, repayable in 2012)).

The loss before tax was $11.6m ($2.1m) in the quarter and $15.4m ($4.7m) year to date, with a year to date retained net loss of $15.4m ($4.8m). Q2 2011 has been impacted by the financing charge ($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. In the year there have also been additional IOC project related costs and FX revaluation losses on non USD denominated liabilities.

Outlook

The Group continues to focus on securing employment for the LNG Producers and is discussing alternative commercial arrangements for the employment, such as integrated projects consisting of gas supply contracts with oil and gas companies, product handling agreements for the services of the LNG Producers, and LNG sales and purchase contracts with LNG off-takers as well as more traditional charter arrangements. The Group is currently pursuing a number of opportunities.

In April 2011 the Group was pleased to announce that it had signed Preliminary Agreements with IOC, PACLNG and Samsung for a floating liquefaction (FLNG) Project in PNG with targeted start of operations in 2014. The FLNG project will liquefy gas from the Elk and Antelope gas fields in the Gulf Province in PNG. Project specific Front-End Engineering and Design (FEED) started in May 2011 and the parties will work towards reaching a Final Investment Decision (FID) before the end of 2011.

In April 2011 Samsung agreed to restructure the commercial relationship between the two parties whereby, upon achieving FID, the intention is to transfer a substantial share of all previous instalments paid to Samsung under the existing four shipbuilding contracts to the single FLNG unit that is destined for the PNG project. FLEX LNG would remain able to order additional FLNG units at Samsung.

In May 2011 the Group announced that field specific FEED for the FLNG project with IOC, PACLNG, Liquid Niugini Gas Ltd and Samsung had started. Samsung is carrying out the FEED work for the hull portion of the FLNG vessel, whilst a Worley Parsons lead JV is carrying out the FEED work for the topside. The FEED is scheduled to be completed in

BOARD REPORT (continued)

Outlook (continued)

time for the project to reach a FID before the end of 2011. In August 2011 IOC and PACLNG signed a heads of agreement with Nobel Clean Fuels Ltd for the supply of one mtpa of LNG from its PNG project.

Financing and Risks

In April 2011 the Group signed agreements with Samsung, which has agreed to restructure the commercial relationship between the two parties whereby, upon achieving FID, the intention is for a substantial share of all previous instalments paid to Samsung under the existing four shipbuilding contracts to be transferred to the single FLNG unit that is destined for the PNG project. Accordingly under this agreement the equity already paid in by FLEX LNG to Samsung would satisfy the Company's instalment payment obligations to Samsung until delivery of the FLNG unit, when one final instalment would be due. The Company does not anticipate requiring any additional working capital from its shareholders in 2011 and no further payments will be due to Samsung in 2011 prior to reaching FID as to the PNG project. Upon a positive FID it will be necessary to raise additional funds to cover general working capital and project management costs up until delivery of the first FLNG unit.

In case the FID is negative, the Company will need to agree an alternative arrangement with Samsung and raise additional capital. The terms of the 2011 Preliminary Agreement will lapse and the 2009 Principle Agreement will be reinstated with the instalment terms as before.

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 the envisaged IOC/PACLNG agreements there are a number of commercial terms that will need to be agreed over the FEED period to allow a positive FID to be taken and there can be no assurance that these agreements will be reached or that they will be reached in a manner that is favourable for the Company. In relation to the Preliminary Agreement with Samsung the Company has yet to fix the level of instalments that will be available for transfer to the unit assigned to the IOC/PACLNG contract; this is to be agreed prior to FID. The agreement on the level of equity to transfer will depend on a number of factors that are not directly under the control of the Group. The replacement of the 2009 Principle Agreement with Samsung is dependent on achieving FID by 15 December 2011. Following FID there will be additional operational risks associated with the IOC/PACLNG project in PNG. Subsequent to IOC and PACLNG electing to exercise their share option and being issued with shares these companies are shareholders in addition to commercial counterparties. The Company will look to introduce further procedures to manage this as needed.

The Board believes the going concern position and risks remain as described in the 2010 statutory accounts and as updated by the Q2 2011 financial report, note 2.

FLEX LNG

Statement on Financial Compliance

We confirm, to the best of our knowledge that the condensed financial statements for the period 1 January to 30 June 2011 have been prepared in accordance with current applicable accounting standards and IAS 34 Interim Financial Reporting, and gives a true and fair view of the assets, liabilities, financial position and results of the group. We also confirm to the best of our knowledge that the condensed financial statements include a true and fair review of the development and performance of the business during the period, and together with the 2010 Annual Report a description of the principal risks and uncertainties facing the group.

Board of Directors of FLEX LNG Ltd
25 August 2011

Keith Meyer (Chairman)

Aoki Hiromichi Director	Scott Pearl Director	Ian Beveridge Director	Philip Fjeld Director & CEO FLML
Anders Westin Director	James van Hoften Director	James MacHardy Director	

FLEX LNG

Unaudited Interim Financial Report

Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

For the quarter ended 30 June 2011	Unaudited				
	Q2 11	**Q2 10**	**H1 11**	**H1 10**	**2010**
Operating revenues	0	0	0	0	0
Total revenue	**0**	**0**	**0**	**0**	**0**
Administrative expenses	11,600	2,056	15,302	4,776	10,003
Impairment write down	0	0	0	0	98,689
Operating loss before depreciation	**(11,600)**	**(2,056)**	**(15,302)**	**(4,776)**	**(108,692)**
Depreciation	39	54	76	113	211
Operating loss	**(11,639)**	**(2,110)**	**(15,378)**	**(4,889)**	**(108,903)**
Finance income	8	53	16	150	222
Loss before tax	**(11,631)**	**(2,057)**	**(15,362)**	**(4,739)**	**(108,681)**
Income tax expense	20	19	41	72	173
Net loss	**(11,651)**	**(2,076)**	**(15,403)**	**(4,811)**	**(108,854)**
Attributable to:					
Equity holders of the parent	(11,651)	(2,006)	(15,403)	(4,616)	(108,659)
Non-controlling interests	0	(70)	0	(195)	(195)
Earnings per share:					
Basic	(0.10)	(0.02)	(0.13)	(0.04)	(0.96)
Diluted	(0.10)	(0.02)	(0.13)	(0.04)	(0.96)

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

For the quarter ended 30 June 2011	Unaudited				
	Q2 11	**Q2 10**	**H1 11**	**H1 10**	**2010**
Loss for the period	**(11,651)**	**(2,076)**	**(15,403)**	**(4,811)**	**(108,854)**
Exchange differences on translation	17	(30)	48	(44)	(9)
Other comprehensive profit / (loss)	17	(30)	48	(44)	(9)
Total comprehensive income for the period	**(11,634)**	**(2,106)**	**(15,355)**	**(4,855)**	**(108,863)**
Attributable to:					
Equity holders of the parent	(11,634)	(2,036)	(15,355)	(4,660)	(108,668)
Non-controlling interests	0	(70)	0	(195)	(195)

FLEX LNG

Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

For the period ended 30 June 2011		Unaudited		
	Note	**H1 2011**	**H1 2010**	**2010**
New building contracts	4	433,117	525,216	431,232
Plant and equipment		209	350	267
Investment – unquoted shares	5	875	0	875
Intangible assets		0	35,391	0
Total non-current assets		**434,201**	**560,957**	**432,374**
Other current assets		902	840	836
Loan	5	1,532	0	1,532
Cash and cash equivalents	6	14,710	16,881	9,889
Total current assets		**17,144**	**17,721**	**12,257**
TOTAL ASSETS		**451,345**	**578,678**	**444,631**
Share capital		1,245	1,129	1,130
Share premium		561,771	552,396	552,490
Other equity		(128,894)	(19,739)	(123,125)
Equity attributable to equity holders of the parent		434,122	533,786	430,495
Non-controlling interests		0	32,012	0
Total equity		**434,122**	**565,798**	**430,495**
Other financial liabilities	7	11,996	9,762	10,937
Total non-current liabilities		**11,996**	**9,762**	**10,937**
Current liabilities		5,227	3,118	3,199
Total current liabilities		**5,227**	**3,118**	**3,199**
Total liabilities		**17,223**	**12,880**	**14,136**
TOTAL EQUITY AND LIABILITIES		**451,345**	**578,678**	**444,631**

FLEX LNG

Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

For the period ended 30 June 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			(15,403)			**(15,403)**		**(15,403)**
Other comprehensive income				48		**48**		**48**
Total comprehensive income			(15,403)	48		**(15,355)**		**(15,355)**
Expenses related to share issue		(43)				**(43)**		**(43)**
Cost of share-based payment (options / warrants)					1,588	**1,588**		**1,588**
Shares issued	115	9,324			7,817	**17,256**		**17,256**
Cost of share-based payment (shares)					181	**181**		**181**
At 30.06.11	**1,245**	**561,771**	**(148,319)**	**(252)**	**19,677**	**434,122**	**0**	**434,122**

For the period ended 30 June 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			(4,616)			(4,616)	(195)	(4,811)
Other comprehensive income				(44)		(44)		(44)
Total comprehensive income			(4,616)	(44)		(4,660)	(195)	(4,855)
Shares issued	2	188			(190)	0		0
Expenses related to share issue		(35)				(35)		(35)
Exchange adjustments						0	(940)	(940)
Cost of share-based payment (options / warrants)					1,745	1,745		1,745
Cost of share-based payment (shares)					95	95		95
At 30.06.10	1,129	552,396	(28,873)	(335)	9,469	533,786	32,012	565,798

Registered Address: Craigmuir Chambers, PO Box 71, Road Town, Tortola, BVI

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)

For the period ended 30 June 2011	Unaudited H1 11	H1 10	2010
Net cash flow from operating activities	(5,759)	(3,080)	(7,556)
Net cash flow used in investing activities	(1,827)	(8,989)	(12,714)
Net cash flow from financing activities	12,359	3,315	4,489
Net cash flow	**4,773**	**(8,754)**	**(15,781)**
Net translation effect	48	(44)	(9)
Cash balance at beginning of period	9,889	25,679	25,679
Cash balance at end of period	**14,710**	**16,881**	**9,889**

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 active subsidiaries. The Group's activities are focused on developing production and storage of liquefied natural gas.

The interim condensed consolidated financial statements of the Group for the six months and quarter ended 30 June 2011 were authorised for issue by the board of directors on 25 August 2011.

Note 2: Accounting principles

Basis of preparation

The interim condensed consolidated financial statements for the six months and quarter ended 30 June 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting. 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 the quarterly report.

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 2010, except for the adoption of new Standards and Interpretation as of 1 January 2011, as noted below;

Note 2: Accounting principles (continued)

Significant accounting policies (continued)

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 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.

At the end of Q2 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 IAS 12 Income Taxes; and Annual improvements project 2010.

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

Note 3: Option, warrant and salary costs

In Q1 and Q2 2011 the Company issued no new options to staff. In addition the staff bonus scheme introduced in 2010 continues, which is linked to key commercial goals for the Group. In the quarter an element of the bonus linked to the achievement of commencing FEED was paid out. The P&L cost for all outstanding options and warrants for the quarter was $0.8m ($0.8m) and $1.6m ($1.7m) year to date.

Note 4: New building contracts

In the six months ended 30 June 2011 the Group has capitalised costs of $0.6m ($6.4m) from Samsung, split $0.4m and $0.2m between Q1 and Q2. In addition $1.3m ($2.4m) of costs incurred directly by the Group have been capitalised in 2011, split $0.6m and $0.7m between Q1 and Q2. The carrying value of the contractual payments and the capitalised costs are dependent on the IOC/PACLNG contractual arrangements remaining at economically viable terms, finance being secured at reasonable terms, and the restructuring of the contracts with Samsung at the IOC/PACLNG project FID. Capitalised finance costs of $0.4m ($0.6m) are included for the six months within capitalised costs.

Note 5: Investment and loan

At 30 June 2011 the Group remains with a holding of 5% in the share capital of Minza Limited (Minza), which has a carrying value of $875k. The Group has also loaned Minza $1,532k. If the loan is not repaid by Minza by 31 October 2011 the loan converts into 13.75% of the shares in Minza. The loan bears interest at LIBOR plus 1%.

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**		
	H1 11	**H1 10**	**2010**
Cash at bank and in hand	14,710	16,881	9,889

$3.0m 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

In 2009 the Group entered into an agreement (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. The amount deferred will be repayable with the first milestone billing after the slow down phase and bears interest at 7% per annum. At 30 June 2011 $4.5m ($3.6m) 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 30 June 2011 it is estimated that $7.4m ($6.0m) in obligations have been incurred by Samsung on behalf of the Group and a provision has been made for this cost. Per the Preliminary Agreement with SHI, the intent is that on FID these amounts and the timing of payment would be restructured. In addition a $0.1m ($0.2m) provision for the property lease liabilities is included, based on a fair value allocation on the FLEX LNG Management Limited acquisition.

Note 8: Capital commitments

At 30 June 2011, the Group had capital payment commitments of $2,500m (Hulls - $1,776m vessels 1-4, Topside - $724m vessel 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 have agreed that no payments, including those payable in 2010 and 2011 are due in the FEED phase and that the intent is to restructure the contracts once FID is taken in relation to the IOC/PACLNG project and the Principle Agreement will then become null and void. At 15 December 2011, if FID has not occurred, the terms of the Principle Agreement will be reinstated (additional details in the 2009 accounts).

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 April 2011 the Group signed agreements with Samsung, which has agreed to restructure the commercial relationship between the two parties whereby, upon achieving FID, the intention is for a substantial share of all previous instalments paid to Samsung under the existing four shipbuilding contracts to be transferred to the single FLNG unit that is destined for the PNG project. Accordingly under this agreement the equity already paid in by FLEX LNG to Samsung would satisfy all the Company's instalment payment obligations to Samsung until delivery of the FLNG unit, when one final instalment would be due. The Company does not anticipate requiring any additional working capital from its shareholders in 2011 and no further payments will be due to Samsung in 2011 prior to reaching FID as to the PNG project. Upon a positive FID it will be necessary to raise

FLEX LNG

Note 9: Going concern (continued)

additional funds to cover working capital and project management costs up until delivery of the first FLNG unit. In case the FID is negative, the Company will need to agree an alternative arrangement with Samsung and raise additional capital. The terms of the 2011 Preliminary Agreement will lapse and the 2009 Principle Agreement will be reinstated with the instalment terms as before.

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.

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 linked to future funding requirements.

Note 10: Events after the balance sheet date

Floating Liquefaction Project

On 3 August 2011 the Group announced that IOC and PACLNG had signed a heads of agreement with Nobel Clean Fuels Ltd for the supply of one mtpa of LNG from the PNG project.

Note 11: Additional Option and Share Issuance

In case of a positive FID, IOC and PACLNG have agreed to provide a conditional financing package to ensure payment of the final Samsung instalment once construction of the FLNG unit has been completed and certain additional credit enhancement facilities to facilitate obtaining project finance ("the financial support package"). In return FLEX LNG has agreed to grant further equity to IOC and PACLNG at par value. Upon the project achieving a positive FID, IOC and PACLNG will receive shares equivalent to 5% of FLEX LNG. An additional amount of shares equalling up to 15% ownership in FLEX LNG may be issued to IOC and PACLNG in three 5% tranches during the period from FID until 9 months after FID. The additional 15% share compensation is dependent on FLEX LNG utilising the IOC/PACLNG financial support package and reduces as provided in the agreements, if alternatives are obtained.

Note 12: Key Figures

	H1 11	**H1 10**	**2010**
No. of shares outstanding	124,477,202	112,910,912	113,043,243
No. of shares fully diluted	134,941,157	123,542,367	123,759,698
Average no. of outstanding shares	115,894,359	112,885,113	112,947,425
Share price (NOK)	6.50	4.50	4.25
Market capitalisation (NOK'm)	809	508	480

FLEX LNG

Note 12: Key Figures (continued)

Shareholders

The 10 main shareholders at 30.06.11 are:

Share holder:	Number of shares:	Ownership interest:
KAWASAKI KISEN KAISHA LTD	16,973,058	13.6%
STATE STREET BANK AND TRUST CO.[1]	13,486,167	10.8%
JP MORGAN CLEARING CORP.[1]	13,237,915	10.6%
INTEROIL FINANCE INC.	8,938,913	7.2%
SIX SIS AG 25PCT[1]	6,867,874	5.5%
B SCHULTE INVESTMENT HOLDING	5,681,661	4.6%
JP MORGAN CHASE BANK[1]	5,617,732	4.5%
INVESCO PERP EUR SMALL COMP FD	4,516,727	3.6%
GOLDMAN SACHS & CO - EQUITY[1]	3,899,806	3.1%
JP MORGAN CLEARING CORP.[1]	3,015,033	2.4%
OTHER	42,242,316	34.1%
Per VPS register	124,477,202	100.0%

Note[1] - Nominee account.

Registered Address: Craigmuir Chambers, PO Box 71, Road Town, Tortola, BVI