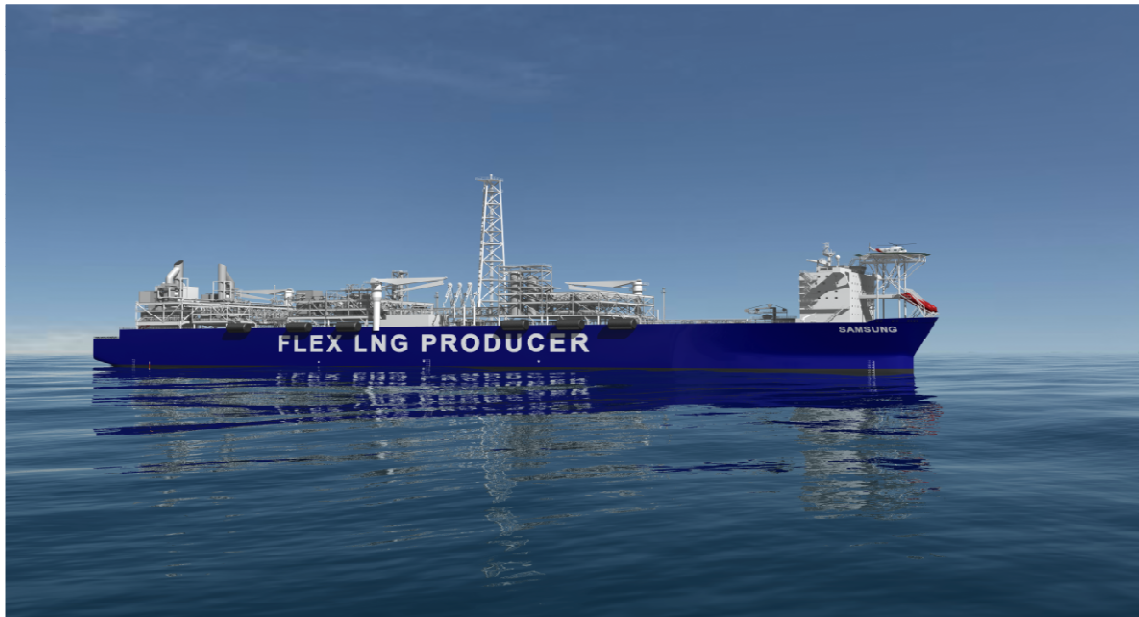


FLEX LNG GROUP



Q4 2009 & Year 2009

BOARD REPORT

Financials, fourth quarter and financial year 2009

(Figures in brackets refer to the corresponding period of 2008)

During the quarter 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 \$2.5m (\$156.2m) were capitalised on the four units. The costs capitalized in the year were \$22.4m (\$300.6m).

The cash balances at 31 December were \$25.7m (\$49.5m) with \$4.6m (\$150.4m, net outflow) net inflow in the quarter. In the twelve months in 2009 the operating cash flow was (\$14.8m) (principally the operating loss and working capital movements); investing activities (\$23.9m) (mainly capitalised asset costs and business acquisitions); and financing activities \$15.2m (proceeds from deferred payments to Samsung and the IPO share proceeds).

The loss before tax was \$2.9m (\$4.1m) in the quarter with a year to date retained loss of \$10.5m (\$12.0m). Additional costs were incurred in Q4 2008 on advisory costs, the option and warrant charge and the PEAK provision.

On 1 January 2009 FLEX LNG Ltd ("the Company") completed the acquisition of FLEX LNG Management Limited. The acquisition has strengthened the control over the provision of management services to the Group. No goodwill has arisen on this transaction. The Minza purchase, on 22 June, has been accounted for as a purchase of an asset.

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.

On 22 June the Company and its 100% owned subsidiary Flex Petroleum Limited signed an agreement with Minza Oil BV to acquire Minza Oil and Gas Ltd by way of a two-stage process: an initial payment was made to acquire a minority share of the company and further limited funding made to fund Minza Oil and Gas Ltd's operating costs and the acquisition and interpretation of a 2D seismic over a period defined as the Option Period, one year from 22 June 2009. Within this Option Period Flex Petroleum Limited has an option to purchase the remaining shares of Minza Oil and Gas Ltd for an agreed payment, plus additional amounts depending on reserve certification and project approval. The Company is looking for partners to assist in realising this opportunity including the possibility of utilising a LNG Producer. The seismic results, completed in Q1 2010, have given further clarity to the estimated gas initially in place (GIIP). The Company continues negotiations with partners and financing sources to fund the Minza option exercise.

Financing and Risks

The Company acknowledges the current challenging fund raising environment and the impact that this has on the ability of the Group to finance its Capex requirement. Following the raising of \$10m of additional capital as part of the listing on Oslo Axess on 30 October 2009, the Company expects to have sufficient financial resources to enable it to continue trading and to meet its payment obligations until the next hull payments are due to be made to Samsung Heavy Industries Co. Ltd ("Samsung") in November 2010. Under the Principle Agreement with Samsung the resumption notice needs to be given by 31 May 2010. Should the notice not be issued by this date Samsung has a contractual right to cancel all the four shipbuilding contracts as well as the EPCIC contract for M-FLEX 1 however it is possible that resumption may be issued after 31 May, subject to Samsung approval. The Group aims in 2010 to (a) conclude a final investment decision (FID) for at least one of the LNG Producers (which the Company believes should enable it to raise additional loan or equity finance), (b) raise additional working capital, or (c) otherwise rearrange its obligations to allow the Company more time to achieve (a) and/or (b).

The Board believes the going concern position remains as described in the 2008 statutory accounts and in note 11 of the quarterly accounts.

Unaudited Interim Financial Report

Condensed Income Statement

(Unaudited figures in USD,000)

For the quarter ended 31 December 2009	Unaudited			
	Q4 09	Q4 08	2009	2008
Operating revenues	0	0	0	0
Total revenue	0	0	0	0
Operating expenses	(2,926)	(4,787)	(10,414)	(14,767)
Operating loss before depreciation	(2,926)	(4,787)	(10,414)	(14,767)
Depreciation	60	0	250	0
Operating loss	(2,986)	(4,787)	(10,664)	(14,767)
Finance income	104	656	393	2,786
Loss before tax	(2,882)	(4,131)	(10,271)	(11,981)
Income tax expense	104	0	186	0
Net loss	(2,986)	(4,131)	(10,457)	(11,981)
Earnings per share:				
- Basic	(0.03)	(0.04)	(0.10)	(0.14)
- Diluted	(0.03)	(0.04)	(0.10)	(0.14)

Condensed Statement of Comprehensive Income

(Unaudited figures in USD,000)

For the quarter ended 31 December 2009	Unaudited			
	Q4 09	Q4 08	2009	2008
Loss for the period	(2,986)	(4,131)	(10,457)	(11,981)
Exchange differences on translation	(6)	0	(291)	0
Other comprehensive (loss)	(6)	0	(291)	0
Total comprehensive income for the period	(2,992)	(4,131)	(10,748)	(11,981)
Attributable to equity holders of the parent	(2,830)	(4,131)	(10,456)	(11,981)
Non-controlling interests	(162)	0	(292)	0

Condensed Statement of Financial Position

(Unaudited figures in USD,000)

For the year ended 31 December 2009		Unaudited	Unaudited
	Note	2009	2008
New build contracts	5	516,391	493,975
Plant and equipment		385	0
Intangible assets	6	36,251	0
Total non-current assets		553,027	493,975
Other current assets		925	1,325
Cash and cash equivalents	7	25,679	49,499
Total current assets		26,604	50,824
TOTAL ASSETS		579,631	544,799
Share capital		1,127	1,024
Share premium		552,243	543,417
Other equity		(16,729)	(8,152)
Total shareholder's equity		536,641	536,289
Non-controlling interest		33,147	0
Total equity		569,788	536,289
Other financial liabilities	8	6,415	0
Total non-current liabilities		6,415	0
Current liabilities		3,428	8,510
Total current liabilities		3,428	8,510
TOTAL EQUITY AND LIABILITIES		579,631	544,799

Condensed Statement of Changes in Equity

(Unaudited figures in USD,000)

For the year ended 31 December 2009	Share capital	Share premium reserve	Other equity	Other reserves	Total equity
Equity as at 01.01.09	1,024	543,417	(14,092)	5,940	536,289
Loss for the period			(10,165)		(10,165)
Other comprehensive income			(291)		(291)
Total comprehensive income			(10,456)		(10,456)
Issue of new shares	103	9,897			10,000
Expenses related to share issue		(1,071)			(1,071)
Cost of share-based payment (options / warrants)				1,689	1,689
Cost of share-based payment (shares)				190	190
Total	1,127	552,243	(24,548)	7,819	536,641
Non-controlling interest				33,439	33,439
Non-controlling interests P&L share				(292)	(292)
Equity as at 31.12.09	1,127	552,243	(24,548)	40,966	569,788

For the year ended 31 December 2008	Share capital	Share premium reserve	Other equity	Other reserves	Total equity
Equity as at 01.01.08	726	207,339	(2,111)	1,678	207,632
Loss for the period			(11,981)		(11,981)
Other comprehensive income			0		0
Total comprehensive income			(11,981)		(11,981)
Issue of share capital	298	349,780			350,078
Expenses related to share issue		(13,702)			(13,702)
Cost of share-based payment				4,262	4,262
Equity as at 31.12.08	1,024	543,417	(14,092)	5,940	536,289

Condensed consolidated statement of cash flows

(Unaudited figures in USD,000)

For the year ended 31 December 2009	Unaudited 2009	Unaudited 2008
Net cash flow from operating activities	(14,820)	(496)
Net cash flow used in investing activities	(23,906)	(300,646)
Net cash flow from financing activities	15,197	336,300
Net cash flow	(23,529)	35,158
Net translation effect	(291)	0
Cash balance at beginning of period	49,499	14,341
Cash balance at end of period	25,679	49,499

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 seven 100% owned subsidiaries and the Company's interest in Minza Oil and Gas Ltd. 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 twelve months and quarter ended 31 December 2009 were authorised for issue by the board of directors on 25 February 2010.

Note 2: Accounting principles

Basis of preparation

The interim condensed consolidated financial statements for the three and twelve months ended 31 December 2009 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 2008.

The Group is operating 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 2008, except for the adoption of new Standards and Interpretation as of 1 January 2009, as noted below;

IAS 1 (revised), Presentation of Financial Statements – The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity included only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income; it presents all items of recognised income and expense, either in a single statement, or in two linked statements. The Group has elected to present two statements.

Note 2: Accounting principles (continued)

Significant accounting policies (continued)

IFRS 2 (Amendment), Share based payment – The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption has had no impact.

IFRS 8 Operating Segments – The Standard requires disclosure of information about the Group’s operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. As the Group has only one operating segment the change has had no impact.

IAS23 Borrowing Costs (Revised) – The Standard has been revised to require capitalisation of borrowing costs on qualifying assets. The Group has historically had no borrowing costs, but has capitalised costs in Q3 and Q4 2009.

The adoption of these amendments has had no material impact on the financial position or performance of the Group.

Note 3: Option and warrant costs

In Q1 2009 the Company reassessed the period over which the options and warrants will vest. This followed the agreement with Samsung of a delayed delivery profile for the vessels. This gave rise to a P&L credit of \$775k in Q1 2009 against a charge of \$761k, \$792k and \$911k in Q2, Q3 and Q4 2009. The charge for 2008 was \$4,156k.

Note 4: Business acquisition

On 1 January 2009, the Company acquired 100% of the voting shares of FLEX LNG Management Limited for a nominal £2. This company and its subsidiary FLEX LNG Management (Norway) AS had previously been providing management services to the Group; they have no third party sales. The acquisition has been accounted for using the purchase method of accounting. Based on a review a fair value adjustment has been made for the value of future property lease payments. The interim financial statements include the results of the management companies for the twelve months from acquisition.

The fair value of the assets and liabilities of FLEX LNG Management Limited as at the date of acquisition were;

	Unaudited	
	Fair value	Book value
Property, plant and equipment	560	560
Receivables	637	637
Cash	1,265	1,265
	2,462	2,462
Payables	2,462	2,115
Net assets	0	347
Goodwill on acquisition	0	
Acquisition cost	0	

The acquisition cost of £2 comprised a cash payment and gives rise to a net cash inflow of \$1,265k. The management companies have no third party sales and have had no impact on the trading position for the last twelve months. An adjustment has been made for the property lease liabilities, \$347k.

Note 5: New building contracts

In the twelve months ended 31 December 2009 the Group has capitalised costs of \$16.4m (\$290.2m) from Samsung, with \$0.9m in Q4 (\$152.7m). In addition \$6.0m (\$10.4m) of costs incurred directly by the Group have been capitalised in 2009, with \$1.6m (\$3.5m) in Q4. The carrying value of the contractual payments and the capitalised costs are dependent on the continued contract position with Samsung, the ability of the Company to conclude a contract for the employment of the vessels, and securing finance for their construction. If these criteria are not achievable the carrying value will require material impairment.

Note 6: Investment in Minza Oil and Gas Ltd

On 22 June the Company and its 100% owned subsidiary FLEX Petroleum Limited entered into an agreement with Minza Oil and Gas Ltd and its sole shareholder Minza Oil BV covering the following: the purchase of a minority share; an option payment allowing the Group to purchase the remaining shares in the company at an agreed price within a twelve month period; further limited funding for Minza Oil and Gas Ltd to pay down debt and fund its operations over the twelve month period; and further payments dependant on reserve certification and project approval. The Company is currently looking for a partner it can work with to fund and develop the prospect.

The investment has been accounted for as an acquisition of assets. The individual assets and liabilities acquired have been separately recognised, with the cost of the acquisition allocated to the individual assets and liabilities, based on the fair value at the date of purchase. No goodwill has been recognised on the purchase and the majority share of the purchase has been recognised as a minority interest.

The book value of the assets and liabilities of Minza Oil and Gas Ltd on 22 June were;

<i>(Unaudited figures in USD,000)</i>	Unaudited Book value
Intangibles, plant and equipment	758
Cash	12
<hr/> Total assets	<hr/> 770
Payables and loans	2,543
<hr/> Net assets	<hr/> (1,773)

Note 7: 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 2009	Unaudited 2008
Cash at bank and in hand	25,679	49,499

Note 8: Other financial liabilities

On 11 June 2009 the Group entered into an 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 the period from 1 May 2009 to 31 August 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 31 December 2009 \$3.7m had been deferred, including interest. In addition

Note 8: Other financial liabilities (continued)

certain vendor obligations on the EPCIC contract are covered by Samsung. These amounts become payable by the Group not earlier than seven months after the resumption date. At 31 December 2009 it is estimated that \$2.5m in vendor obligations have been incurred by Samsung on behalf of the Group and a provision has been made for this cost. In addition a \$0.2m provision for the property lease liabilities is included, based on a fair value allocation on the FLEX LNG Management Limited acquisition.

Note 9: Capital commitments

At 31 December 2009, the Group had capital payment commitments of \$2,503m (Hulls - \$1,776m vessels 1-4, Topside - \$727m vessel 1) with Samsung. The profile over the following years is; 2010 \$146m; 2011 \$411m; 2012 \$837m; 2013 \$404m; and 2014 \$705m. These amounts would increase considerably with the conclusion of three additional EPCIC Topside contracts for vessels two to four.

Note 10: Related party disclosure

On 1 January 2009 the Company purchased FLEX LNG Management Limited from Hansa LNG Ltd, controlled by the founders of the Company, for £2. Warrants and options to Hansa LNG Ltd had a P&L cost of \$900k and \$333k respectively in 2009.

The Company in respect of the listing on Oslo Axess entered into a guarantee agreement to backstop the IPO equity offering of \$10m and paid commission to the following shareholders; Bernhard Schulte Investment Holding GmbH (\$51,237), HBK Investments L.L.P. (\$26,796), Kawasaki Kisen Kaisha Ltd. (\$68,788), Seneca Capital LP (\$17,826) and Seneca Capital International Master Fund LP (\$50,082).

Note 11: Going concern

The 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.

The Company acknowledges the current challenging fund raising environment and the impact that this has on the ability of the Group to finance its Capex requirement. Following the raising of \$10m of additional capital as part of the listing on Oslo Axess on 30 October 2009, the Company expects to have sufficient financial resources to enable it to continue trading and to meet its payment obligations until the next hull payments are due to be made to Samsung in November 2010. Under the Principle Agreement with Samsung the resumption notice needs to be given by 31 May 2010. Should the notice not be issued by this date Samsung has a contractual right to cancel all the four shipbuilding contracts as well as the EPCIC contract for M-FLEX 1 however it is possible that resumption may be issued after 31 May, subject to Samsung approval. The Group aims in 2010 to (a) conclude a final investment decision (FID) for at least one of the LNG Producers (which the Company believes should enable it to raise additional loan or equity finance), (b) raise additional working capital, or (c) otherwise rearrange its obligations to allow the Company more time to achieve (a) and/or (b).

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 12: Financing

Instalments payable to Samsung need to be financed by raising equity and project debt financing from the financial markets. Based on the four vessels currently contracted, the Group, in aggregate, is now (following the amendment in June 2009) obligated to pay SHI \$2,503m over future periods. This excludes the Topside contracts for vessels 2-4, which have yet to be signed.

Note 13: Capital raising

On 30 October 2009 the Company completed a listing on Oslo Axess and raised an additional \$10m of working capital, before costs. This satisfied Oslo stock exchange's requirement for twelve months of working capital.

Note 14: Events after the balance sheet date

There have been no significant post balance sheet events.

Note 15: Key Figures

	2009	2008
No. of shares outstanding	112,746,190	102,364,371
No. of shares fully diluted	122,712,645	112,875,826
Average no. of outstanding shares	104,213,188	87,715,513
Share price (NOK)	6.1	18.5
Market capitalisation (NOK'm)	688	1,894

Shareholders

The 10 main shareholders at 31.12.09 are:

Share holder:	Number of shares:	Ownership interest:
KAWASAKI KISEN KAISHA LTD	16,915,330	15.0
JP MORGAN CLEARING CORP. ¹	14,049,010	12.5
CREDIT SUISSE SECURITIES (USA) LLC ¹	12,996,167	11.5
B SCHULTE INVESTMENT HOLDING	5,626,933	5.0
BANK OF NEW YORK MELLON SA/NV	4,152,683	3.7
JPMORGAN CHASE BANK ¹	3,825,548	3.4
JPMORGAN CLEARING CORP. ¹	3,451,133	3.0
GOLDMAN SACHS & CO - EQUITY ¹	3,384,040	3.0
CAPITA TRUSTEE LIMITED RE 2302	3,028,200	2.7
UBS SECURITIES LLC ¹	2,989,608	2.7
OTHER	42,325,045	37.5
Per VPS register ²	112,743,697	100.0 %

Note¹ - Nominee account.

Note² - The difference between the number of shares per VPS register and the number of outstanding shares is due to 2,493 issued shares not yet being registered in the VPS.