FLEX LNG GROUP

Q3 2009

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

FLEX LNG

BOARD REPORT

Financials, third quarter 2009

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

During the quarter the FLEX LNG Group ("the Group") has continued to develop what it expects could be amongst the world's first LNG Producers. In the quarter costs of $4.5m ($140.3m) were capitalised on the units.

The cash balances at 30 September were $21.1m ($199.9m) with $2.5m ($(192.1)m) spent in the quarter. In the nine months the operating cash flow was $(13.4)m (principally the operating loss and working capital movements); investing activities $(20.9)m (mainly capitalised asset costs and business acquisitions); and financing activities $5.9m (proceeds from deferred payments to Samsung).

The loss before tax was $2.1m ($3.1m) in the quarter with a year to date retained loss of $7.5m ($7.9m). Additional costs were incurred in Q3 2008 on the EPCIC contract negotiations with Samsung and Q3 2009 benefited from a historical Vat refund ($622k).

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. On draft estimates no goodwill has arisen. 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 with large industry players. The Group is currently pursuing a number of encouraging opportunities.

On 22 June the Company and its 100% owned subsidiary Flex Petroleum Limited signed an agreement to acquire Minza Oil and Gas by way of a two-stage process: an initial payment to acquire a minority share of the company; further limited funding to fund Minza operating costs and the acquisition and interpretation of a 2D seismic over a period defined as the Option Period. Within the Option Period Flex Petroleum Ltd has the option to purchase the remaining shares of Minza Oil and Gas for an agreed payment, plus additional amounts depending on reserve certification and project approval. The Company is looking for upstream partners to assist in realising this opportunity including utilisation of one or more LNG Producer.

Financing and Risks

The current challenging fund raising environment has impacted the ability of the Group to finance its Capex requirements. The Group remains in close discussion with Samsung on the payment profile. This includes the Principle Agreement, which introduced a slow down phase with reduced payments and a programme of cost containment. Following the

Financing and Risks (continued)

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 over the following twelve months and during that period expects either that it can (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), or (b) raise additional working capital.

The Board believes the going concern position remains as described in the year-end statutory accounts and in note 11 of the accounts.

Unaudited Interim Financial Report

Condensed Income Statement

(Unaudited figures in USD,000)

For the quarter ended 30 September 2009	Unaudited				
	Q3 09	**Q3 08**	**YTD 09**	**YTD 08**	**2008**
Operating revenues	0	0	0	0	0
Total revenue	**0**	**0**	**0**	**0**	**0**
Operating expenses	(2,212)	(5,002)	(7,488)	(9,980)	(14,767)
Operating loss before depreciation	**(2,212)**	**(5,002)**	**(7,488)**	**(9,980)**	**(14,767)**
Depreciation	(50)	0	(190)	0	0
Operating loss	**(2,262)**	**(5,002)**	**(7,678)**	**(9,980)**	**(14,767)**
Finance income	115	1,950	289	2,130	2,786
Loss before tax	**(2,147)**	**(3,052)**	**(7,389)**	**(7,850)**	**(11,981)**
Income tax expense	(42)	0	(82)	0	0
Net loss	**(2,189)**	**(3,052)**	**(7,471)**	**(7,850)**	**(11,981)**
Earnings per share:					
- Basic	(0.02)	(0.03)	(0.07)	(0.09)	(0.14)
- Diluted	(0.02)	(0.03)	(0.07)	(0.09)	(0.14)

Condensed Statement of Comprehensive Income

(Unaudited figures in USD,000)

For the quarter ended 30 September 2009	Unaudited				
	Q3 09	**Q3 08**	**YTD 09**	**YTD 08**	**2008**
Loss for the period	(2,189)	(3,052)	(7,471)	(7,850)	(11,981)
Exchange differences on translation	(221)	0	(285)	0	0
Other comprehensive (loss)	(221)	0	(285)	0	0
Total comprehensive income for the period	(2,410)	(3,052)	(7,756)	(7,850)	(11,981)
Attributable to equity holders of the parent	(2,280)	(3,052)	(7,626)	(7,850)	(11,981)
Minority interest	(130)	0	(130)	0	0

Condensed Statement of Financial Position

(Unaudited figures in USD,000)

For the period ended 30 September 2009		Unaudited		
	Note	**YTD 2009**	**YTD 2008**	**2008**
New build contracts	5	513,888	337,767	493,975
Plant and equipment		452	0	0
Intangible assets	6	36,399	0	0
Total non-current assets		**550,739**	**337,767**	**493,975**
Other current assets		823	2,366	1,325
Cash and cash equivalents	7	21,120	199,859	49,499
Total current assets		**21,943**	**202,225**	**50,824**
TOTAL ASSETS		**572,682**	**539,992**	**544,799**
Share capital		1,024	1,024	1,024
Share premium		543,408	543,417	543,417
Other equity		(14,905)	(5,531)	(8,152)
Total shareholder's equity		529,527	538,910	536,289
Minority interest		33,771	0	0
Total equity		**563,298**	**538,910**	**536,289**
Other financial liabilities	8	6,337	0	0
Total non-current liabilities		**6,337**	**0**	**0**
Current liabilities		3,047	1,082	8,510
Total current liabilities		**3,047**	**1,082**	**8,510**
TOTAL EQUITY AND LIABILITIES		**572,682**	**539,992**	**544,799**

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Condensed Statement of Changes in Equity

(Unaudited figures in USD,000)

For the period ended 30 September 2009	Share capital	Share premium reserve	Other equity	Other reserves	Total equity
Equity as at 31.12.08	**1,024**	**543,417**	**(14,092)**	**5,940**	**536,289**
Loss for the period			(7,341)		(7,341)
Other comprehensive income			(285)		(285)
Total comprehensive income			**(7,626)**		**(7,626)**
Expenses related to share issue		(9)			(9)
Cost of share-based payment (options / warrants)				778	778
Cost of share-based payment (shares)				95	95
Total	**1,024**	**543,408**	**(21,718)**	**6,813**	**529,527**
Minority interest	0	0	0	33,901	33,901
Minority P&L share				(130)	(130)
Equity as at 30.09.09	**1,024**	**543,408**	**(21,718)**	**40,584**	**563,298**

For the period ended 30 September 2008	Share capital	Share premium reserve	Other equity	Other reserves	Total equity
Equity as at 31.12.07	**726**	**207,339**	**(2,111)**	**1,678**	**207,632**
Loss for the period			(7,850)		(7,850)
Other comprehensive income			0		0
Total comprehensive income			**(7,850)**		**(7,850)**
Issue of share capital	298	349,780			350,078
Expenses related to share issue		(13,702)			(13,702)
Cost of share-based payment				2,752	2,752
Equity as at 30.09.08	**1,024**	**543,417**	**(9,961)**	**4,430**	**538,910**

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Condensed consolidated statement of cash flows

(Unaudited figures in USD,000)

For the period ended 30 September 2009	Unaudited YTD 2009	YTD 2008	2008
Net cash flow from operating activities	(13,400)	(8,474)	(3,282)
Net cash flow used in investing activities	(20,917)	(142,308)	(297,860)
Net cash flow from financing activities	5,938	336,300	336,300
Net cash flow	(28,379)	185,518	35,158
Cash balance at beginning of period	49,499	14,341	14,341
Cash balance at end of period	21,120	199,859	49,499

Notes to the interim consolidated accounts

Note 1: General information

FLEX LNG Ltd is a limited company, incorporated in the British Virgin Islands. The FLEX LNG Ltd group of companies includes seven 100% owned subsidiaries and the Company's interest in Minza Oil and Gas. 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 nine months ended 30 September 2009 were authorised for issue by the board of directors on 4 November 2009.

Note 2: Accounting principles

Basis of preparation

The interim condensed consolidated financial statements for the three and nine months ended 30 September 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.

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 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 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 and $792k in Q2 and Q3 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 £2. This company and its subsidiary FLEX LNG Management Norway AS had previously being 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 preliminary estimates 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 nine months from acquisition.

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

(Unaudited figures in USD,000)	**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 nine months. On draft figures an adjustment has been made for the property lease liabilities, $347k. At present the purchase price allocation is preliminary.

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Note 5: New building contracts

In the nine months ended 30 September 2009 the Group has capitalised costs of $15.4m from Samsung Heavy Industries Co. Ltd, with $2.7m in Q3. In addition $4.5m of costs incurred directly by the Group have been capitalised in 2009, with $1.7m in Q3. 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 Limited

On 22 June the Company and its 100% owned subsidiary FLEX Petroleum Limited entered into an agreement with Minza Oil and Gas Limited and its shareholders 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 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 an Upstream partner it can work with to develop the reserve.

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 Limited on 22 June were;

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

Note 7: 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**		
	30/09/09	**30/09/08**	**2008**
Cash at bank and in hand	21,120	199,859	49,499

Note 8: Other financial liabilities

On 11 June 2009 the Company 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, FLEX LNG 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 30 September 2009 $3.6m 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 30 September it is estimated that $2.4m 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 $0.3m provision for the property lease liabilities is included, based on a preliminary fair value allocation on the FLEX LNG Management Ltd acquisition.

Note 9: Capital commitments

At 30 September 2009, the Group had capital payment commitments of $2,503m (Hulls - $1,776m vessels 1-4, Topside - $727m vessel 1) with Samsung Heavy Industries Co. Ltd. The profile over the following years is; remaining 2009 $1m; 2010 $146m; 2011 $411m; 2012 $837m; 2013 $404m; and 2014 $704m. These amounts will 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 Ltd from Hansa LNG Ltd, controlled by the founders of FLEX LNG, for £2. Warrants and options to Hansa LNG had a P&L cost of $356k and $242k respectively in 2009.

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. The Group has sufficient financial resources to enable it to continue trading over the following twelve months, following the $10m capital raising. The Company believes this gives it sufficient time a) to conclude a final investment decision for at least one of the LNG Producers, which should allow additional loan or equity finance to be raised, or b) to raise additional working capital.

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 Heavy Industries Co. Ltd 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: Events after the balance sheet date

On 30 October 2009 the Company completed a listing on the Oslo Axess exchange and raised an additional $10m of working capital, before costs.

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Note 14: Key Figures

	30/09/09	30/09/08	2008
No. of shares outstanding	102,364,371	102,364,371	102,364,371
No. of shares fully diluted	112,350,826	110,395,826	112,875,826
Average no. of outstanding shares	102,364,371	82,796,919	87,715,513
Share price (NOK)	5.0	47.0	18.5
Market capitalisation (NOK'm)	512	4,811	1,894

Shareholders

The 10 main shareholders at 23.10.09 are:

Share holder:	Number of shares:	Ownership interest:
KAWASAKI KISEN KAISHA LTD	15,357,744	15.0
JP MORGAN CLEARING CORP.[1]	14,049,010	13.7
CREDIT SUISSE SECURITIES (USA) LLC [1]	11,615,300	11.3
B SCHULTE INVESTMENT HOLDING	5,108,797	5.0
UBS AG, LONDON BRANCH [1]	4,529,446	4.4
UBS SECURITIES LLC [1]	4,494,608	4.4
BANK OF NEW YORK MELLON SA/NV	3,834,683	3.7
GOLDMAN SACHS & CO - EQUITY [1]	3,475,137	3.4
CAPITA TRUSTEE LIMITED RE 2302	3,028,200	3.0
BANK OF NEW YORK MELLON SA/NV [1]	2,931,086	2.9
OTHER	33,937,867	33.2
Per VPS register	102,361,878	100.0 %

Note[1] - Nominee account.