

FLEX LNG GROUP



First Half 2012 & Q2 2012

BOARD REPORT

Financials, First Half and Quarter Two 2012

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

In the first quarter the front-end engineering and design ("FEED") work for a potential project in Papua New Guinea ("PNG") was finalised, although subsequently no further progress has been made on this project. The Company has in the current quarter made efforts to progress discussions with Samsung Heavy Industries ("Samsung") in relation to the funds previously paid by the Company to Samsung including how they might be applied for alternative purposes. In principle, the Company has determined to pursue a plan whereby an amount of paid-in instalments, net of deductions, each to be determined, will be applied for the construction of LNG carriers and/or regassification vessels (the "Alternative Deployment"), but has not yet reached agreement on precise terms of such Alternative Deployment including the level of paid-in instalments that is to be carried over to the Alternative Deployment.

The cash balances at 30 June were \$9.5m (\$14.7m) with \$2.1m net outflow (\$8.2m net inflow) in the quarter and \$5.2m net outflow (\$4.8m – net inflow) year to date. In the six months in 2012 the operating cash outflow was \$5.2m (principally the operating loss, non cash items and working capital movements).

The loss before tax was \$2.2m (\$11.6m) in the quarter and \$3.9m (\$15.4m) year to date, with a year to date retained net loss of \$3.9m (\$15.4m). In the current quarter there have been reduced staff costs. In the year there have also been a credit of \$1.2m on forfeited share options (2011: \$1.6m share option charge) and 2011 included a \$7.8m financing charge related to the share option provided to IOC and PACLNG.

In the 2011 statutory accounts, the Group recognised an impairment write-down on the new build assets. The Company currently expects to have greater clarity as to the carrying value as negotiations evolve with Samsung. The amount of capital transferred for Alternative Deployment will depend on a number of factors that are not directly under the control of the Group (including the commercial terms for the Alternative Deployment options).

Outlook, Financing and Risks

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

In relation to Samsung there can be no assurance that agreement will be reached on the Alternative Deployment 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 the Alternative Deployment, the Company has initiated steps to prepare for alternative options and therefore is also evaluating the need for and timing of any additional working capital requirements.

Outlook, Financing and Risks (continued)

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

The Board believes the going concern position and risks remain both as described in the 2011 statutory accounts and as summarised by this Q2 2012 financial report, including note 2.

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 2012 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 2011 Annual Report a description of the principal risks and uncertainties facing the group.

Board of Directors of FLEX LNG Ltd
23 August 2012

David McManus (Chairman)

Aoki Hiromichi

Scott Pearl

Ian Beveridge

Eiji Wakiwaka

Christopher Pittinger

Philip Fjeld

Unaudited Interim Financial Report

Condensed Consolidated Income Statement

(Unaudited figures in USD,000)

For the quarter ended 30 June 2012	Unaudited				
	Q2 12	Q2 11	H1 12	H1 11	2011
Operating revenues	0	0	0	0	0
Total revenue	0	0	0	0	0
Administrative expenses	2,075	3,783	3,591	7,485	13,287
Impairment write down	0	0	0	0	112,291
Operating loss before depreciation	(2,075)	(3,783)	(3,591)	(7,485)	(125,578)
Depreciation	39	39	71	76	146
Operating loss	(2,114)	(3,822)	(3,662)	(7,561)	(125,724)
Finance income	22	8	47	16	77
Finance cost	(127)	(7,817)	(254)	(7,817)	(10,224)
Loss before tax	(2,219)	(11,631)	(3,869)	(15,362)	(135,871)
Income tax expense	3	20	22	41	88
Net loss	(2,222)	(11,651)	(3,891)	(15,403)	(135,959)
Attributable to:					
Equity holders of the parent	(2,222)	(11,651)	(3,891)	(15,403)	(135,959)
Earnings per share:					
Basic	(0.02)	(0.10)	(0.03)	(0.13)	(1.13)
Diluted	(0.02)	(0.10)	(0.03)	(0.13)	(1.13)

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD,000)

For the quarter ended 30 June 2012	Unaudited				
	Q2 12	Q2 11	H1 12	H1 11	2011
Loss for the period	(2,222)	(11,651)	(3,891)	(15,403)	(135,959)
Exchange differences on translation	(24)	17	5	48	(14)
Total other comprehensive (loss) / profit	(24)	17	5	48	(14)
Total comprehensive income for the period	(2,246)	(11,634)	(3,886)	(15,355)	(135,973)
Attributable to:					
Equity holders of the parent	(2,246)	(11,634)	(3,886)	(15,355)	(135,973)

Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD,000)

For the period ended 30 June 2012	Note	Unaudited		
		H1 2012	H1 2011	2011
New building assets and capitalised costs	4	332,412	433,117	342,412
Plant and equipment		117	209	178
Investment – unquoted shares	5	0	875	0
Total non-current assets		332,529	434,201	342,590
Other current assets		824	902	1,049
Loan	5	0	1,532	0
Cash and cash equivalents	6	9,545	14,710	14,754
Total current assets		10,369	17,144	15,803
TOTAL ASSETS		342,898	451,345	358,393
Share capital		1,251	1,245	1,248
Share premium		562,087	561,771	561,946
Other equity		(251,819)	(128,894)	(246,788)
Equity attributable to equity holders of the parent		311,519	434,122	316,406
Total equity		311,519	434,122	316,406
Other financial liabilities	7	29,527	11,996	29,238
Total non-current liabilities		29,527	11,996	29,238
Current liabilities	7	1,852	5,227	12,749
Total current liabilities		1,852	5,227	12,749
Total liabilities		31,379	17,223	41,987
TOTAL EQUITY AND LIABILITIES		342,898	451,345	358,393



Condensed Consolidated Statement of Changes in Equity

(Unaudited figures in USD,000)

For the period ended 30 June 2012	Share capital	Share premium reserve	P&L reserve	Exchange translation reserve	Option, warrant and shares	To equity holders
At 01.01.12	1,248	561,946	(268,875)	(314)	22,401	316,406
Loss for the period			(3,891)			(3,891)
Other comprehensive income				5		5
Total comprehensive income			(3,891)	5		(3,886)
Shares issued	3	141			(144)	0
Share-based payment (options / warrants)					(1,206)	(1,206)
Share-based payment (shares)					205	205
At 30.06.12	1,251	562,087	(272,766)	(309)	21,256	311,519

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
At 01.01.11	1,130	552,490	(132,916)	(300)	10,091	430,495
Loss for the period			(15,403)			(15,403)
Other comprehensive income				48		48
Total comprehensive income			(15,403)	48		(15,355)
Shares issued	115	9,324			7,817	17,256
Expenses related to share issue		(43)				(43)
Share-based payment (options / warrants)					1,588	1,588
Share-based payment (shares)					181	181
At 30.06.11	1,245	561,771	(148,319)	(252)	19,677	434,122

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD,000)

For the period ended 30 June 2012	Unaudited		
	H1 12	H1 11	2011
Loss before tax	(3,869)	(15,362)	(135,871)
Non cash items	(688)	10,535	127,141
Working capital adjustments	(632)	2,050	9,397
Income tax paid	(68)	(146)	(140)
Interest received	53	16	69
Net cash flow from operating activities	(5,204)	(2,907)	596
Purchase of plant and equipment	(10)	(18)	(56)
Payment on new building assets & capitalised expenditure	0	(1,602)	(4,961)
Net cash flow used in investing activities	(10)	(1,620)	(5,017)
Net proceeds of share issue	0	9,300	9,300
Net cash flow from financing activities	0	9,300	9,300
Net cash flow	(5,214)	4,773	4,879
Net exchange translation effect	5	48	(14)
Cash balance at beginning of period	14,754	9,889	9,889
Cash balance at end of period	9,545	14,710	14,754

Notes to the Interim Consolidated Accounts

Note 1: General information

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

The interim condensed consolidated financial statements of the Group for the six months and quarter ended 30 June 2012 were authorised for issue by the board of directors on 23 August 2012.

Note 2: Accounting principles

Basis of preparation - The interim condensed consolidated financial statements for the quarter ended 30 June 2012 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 2011.

The preparation of interim accounts involves the use of appraisals, estimates and assumptions influencing the application of accounting principles and recognised amounts for assets, obligations and costs. Actual results may differ from these estimates. The uncertainties and risks include both those noted in the 2011 accounts and as summarised below. These include the calculation of the recoverable amount for the paid in instalments with Samsung; the settlement of the negotiations with Samsung being on reasonable terms; agreeing the level of paid-in instalments available for redeployment with Samsung on reasonable terms; agreement to the Alternative Deployment and the

Note 2: Accounting principles (continued)

economics of such Alternative Deployment (including being able to secure employment contracts on reasonable terms for any alternative vessel constructed by Samsung), or achieving FID on a FLNG project; the consequences if this does not occur; potential Samsung claims on the Company; future FLNG project contractual arrangements being on economically viable terms; obtaining finance and working capital at reasonable terms. The Group is operating in only one segment with respect to products and services. Segment reporting is thus not relevant.

Significant accounting policies - The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of new Standards and Interpretation as of 1 January 2012, as noted below:

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

As of the end of Q2 2012, some new standards, changes in existing standards and interpretations have been issued, but not yet become effective:

IFRS 1 - Amendment: Severe hyperinflation and removal of fixed dates for first time adopters; IFRS 1 - Amendment: Government Loans; IFRS 7 - Amendment: New disclosure requirements - Offsetting of Financial Assets and Financial Liabilities; IFRS 9 - Financial Instruments; IFRS 10 - Consolidated; IFRS 11 - Joint Arrangements; IFRS 12 - Disclosure of Interests in Other Entities; IFRS 13 - Fair Value Measurement; IAS 1 - Amendment Presentation of Items of Other Comprehensive Income; IAS 12 - Amendment: Deferred tax- Recovery of underlying assets; IAS 19 - Amendment Employee Benefits; IAS 27 Revised Separate Financial Statements; IAS 28 Revised Investments in Associates and Joint Ventures; IAS 32 - Amendment: Offsetting Financial Assets and Financial Liabilities; IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine; and Improvements to IFRSs (2009-2011) - Amendment to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

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 Q2 2012 the Company issued no new options to staff. The staff bonus scheme introduced in 2010 continues, which is linked to commercial goals for the Group. The P&L cost for all outstanding options and warrants for the quarter was \$0.2m (2011: \$0.8m) and a \$1.2m credit year to date (2011: \$1.6m cost). The exercise rights as to certain options and warrants are based on vesting criteria linked to LNGP commercial targets, and the 2012 costs are based on assumptions that these commercial targets are achievable. Were these targets not to be achievable, it would have an impact on the income statement in respect of the options and warrants. It is possible that the option and warrant schemes could undergo certain changes.

Note 4: New Building Assets and Capitalised Costs

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

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

Note 5: Investment and loan

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

Note 6: Cash and cash equivalents

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

<i>(Unaudited figures in USD,000)</i>	Unaudited		
	H1 12	H1 11	2011
Cash at bank and in hand	9,545	14,710	14,754

Note 7: Other financial liabilities and current liabilities

Under historical arrangements Samsung has covered certain costs for the Group, including the FEED related costs for the Gulf LNG Project. At 30 June 2012 it is estimated that up to \$29,493k (2011: \$11,892k) of such coverage, including certain third party costs, has been undertaken by Samsung for the Group and a provision has been made for this cost. Under the 2011 Preliminary Agreement it was envisaged that upon FID for the PNG Project, that these amounts and the timing of payments would be amended. While the Preliminary Agreement has lapsed, in the case of agreement for Alternative Deployment, the Company expects that such amounts as are mutually agreed would be offset against paid in instalments. As no agreement has been reached at this time, the amounts remain accounted for as liabilities, additional details in note 2 of the 2011 statutory accounts. In addition a \$34k (2011: \$104k) provision for the property lease liabilities is included, based on a fair value allocation on the lease acquired by FLEX LNG Management Limited.

Note 7: Other financial liabilities and current liabilities (continued)

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

Note 8: Capital commitments

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

Note 9: Going concern

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

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

In relation to Samsung there can be no assurance that agreement will be reached on the Alternative Deployment 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 the Alternative Deployment, the Company has initiated steps to prepare for alternative options and therefore is also evaluating the need for and timing of any additional working capital requirements.

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.

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

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

Note 10: Post Balance Sheet Events

On 6 August 2012 the Board approved the issuance of 353,548 shares to cover the share element of the Board remuneration for H1 2012.

Note 11: Key Figures

	H1 12	H1 11	2011
No. of shares outstanding	125,059,074	124,477,202	124,778,313
No. of shares fully diluted	134,414,429	134,941,157	135,359,268
Average no. of outstanding shares	124,992,740	115,894,359	120,240,027
Share price (NOK - 30.06.12)	3.45	6.50	2.45
Market capitalisation (NOK'm - 30.06.12)	431	809	306

Shareholders

The 10 main shareholders at 30.06.12 are:

Share holder:	Number of shares:	Ownership interest:
KAWASAKI KISEN KAISHA LTD	17,037,861	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	6,672,734	5.3%
B SCHULTE INVESTMENT HOLDING	6,046,595	4.8%
JP MORGAN CHASE BANK ¹	5,617,732	4.5%
JP MORGAN SECURITIES LIMITED	4,989,500	4.0%
INVESCO PERP EUR SMALL COMP FD	4,516,727	3.6%
DEUTSCHE BANK AG LONDON ¹	3,334,374	2.7%
OTHER	38,065,683	30.5%
Per VPS register ²	124,932,829	100.0%

Note¹ - Nominee account.

Note² - 126,245 issued shares have yet to be registered in the VPS.