Consolidated and Company Annual Report and Financial Statement 2009

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General Information,
FLEX LNG Ltd

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James A. MacHardy (Interim Chairman)
Philip E. Fjeld
Scott Pearl
James D.A. van Hoften
Ian Beveridge
Anders Westin
Aoki Hiromichi

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FLEX LNG

James A. MacHardy
Chairman

FLEX LNG CHAIRMAN'S STATEMENT

History and Development

FLEX LNG Ltd ("FLEX LNG" or the "Company") and FLEX LNG Group ("Group") were founded with the purpose of producing liquefied natural gas ("LNG") offshore by commercialising floating LNG production units.

Today natural gas is primarily transported to end markets by natural gas pipelines or through transportation of LNG that is being regasified and piped to end users. Historically LNG plants have often been large, onshore projects dedicated to large (>10TCF) on - or offshore natural gas fields. In recent years the LNG industry has experienced delays in production capacity from escalating engineering, procurement and construction ("EPC") costs as well as political uncertainty in certain gas producing regions.

FLEX LNG was established with the purpose of attempting to address this shortage through constructing LNG Producers which could increase industry LNG supply by targeting fields at cost competitive with current facilities.

FLEX LNG aims to do this through the combination of its vessel design (using sloshing resistant SPB containment system) and application of existing liquefaction technology.

The Group has placed orders for four LNGP vessels ("FLEX LNG Producers") that intend to utilise the SPB LNG containment system from Samsung Heavy Industries Co., Ltd ("Samsung"). The Group has also entered into an EPCIC contract with Samsung for the topside liquefaction facility for the FLEX LNG Producer no. 1 with an option to enter into similar EPCIC contracts for topside liquefaction facilities for the FLEX LNG Producers 2-4.

FLEX LNG Value Proposal

The vision of FLEX LNG is to become an early mover in owning and operating floating LNG production units. This is intended to be achieved through utilising what the Company believes to be a unique yard relationship developed with Samsung and through its commercial approach. FLEX LNG is also potentially seeking exposure across the LNG value chain in order to optimise the value created by its FLEX LNG Producers.

The FLEX LNG Producer is intended to be a self-propelled offshore LNG production vessel. It is intended to be able to pre-treat, liquefy, store and offload LNG. The feed gas may be supplied either directly from a natural gas field, from a wellhead platform, as associated gas from a nearby oil FPSO, or from an onshore natural gas source or pipeline.

The overall design principle for the FLEX LNG Producer is intended to maximise the use of proven and robust technologies to achieve a safe and reliable concept. Focus has been on simplifying the design and removing unnecessary complexity for successful implementation of onshore technology in a marine environment.

By developing what the Company expects could be one of the world's first FLNG production unit, FLEX LNG is aiming to be an early mover in providing floating liquefaction capacity to the world market.

Market Update

According to the IEA, the world demand for natural gas will grow significantly over the next 20 years, with IEA projecting an expected growth of 41% in the period 2008 to 2030. The depletion of existing reserves could lead to increased regional

Market Update (continued)

imbalances and consequently the gas may have to transported to the markets across regions utilising LNG transportation. Cambridge Energy Research Associates predicted that the global LNG market will triple in size and play a more important role in world energy supplies over the next 20 years.

According to Wood Mackenzie, Asian markets have emerged as the key growth driver in the LNG industry with Japan and South Korea being the world's largest importers of LNG, and China and India growing rapidly on the back of expanded regas capacity. The European buyers should target LNG for diversity of supply (keen to reduce its dependence upon Russia) and with potential upside from new importers, the European market outlook remains healthy.

The Company is cognizant of and monitors the ongoing trends within the LNG market, including the growth of gas supplies from non-conventional sources, and remains positive as to FLEX LNG's ability to continue its development.

Through utilising the FLEX LNG Producers, FLEX LNG aims to increase industry LNG supply by commercialising gas fields or even offer development solutions for early production and staged development of larger gas reserves.

Floating LNG production has been a segment which has been much discussed within the industry but no actual units have yet been constructed. However, with increasing energy prices to make offshore liquefaction feasible the industry appears to be experiencing a rapid development over the past 2 years. While FLEX LNG intends to be an early mover there has been a steady flow of announcements from companies intending to provide floating LNG production concepts. These companies are primarily established FPSO players and players from other parts of the LNG value chain, but also the large international oil companies (IOC`s) have developed their own concepts. While service providers seem to be aiming at smaller scale liquefaction capacities the IOC have based their concepts on large scale liquefaction capacities.

FLEX LNG believes it has one of the industry's more advanced FLNG concepts as approximately 300,000 man hours has been invested in the development of the LNG Producer through all phases. FEED for the generic LNGP concept was concluded in 2009. Long lead items for the topside, for vessel #1, and the majority of the hull equipment, for vessels #1-4, have been procured by Samsung and subcontractors. Additionally extensive work has also been conducted for field specific adaptations of generic design. Feasibility studies have been performed for different projects ranging from rich gases with high CGR to lean gases with long tail of heavy hydrocarbons, high nitrogen content, CO_2 rich gases and harsh environmental conditions. The studies have indicated that the generic design has field specific adaptation flexibility.

I believe that FLEX LNG is well placed to benefit as the market matures and as we strive to move into the commercial phase of our development.

James MacHardy
Interim Chairman

BOARD OF DIRECTOR'S REPORT 2009

Business Update

FLEX LNG is an innovative company founded with the purpose of producing LNG offshore by commercialising what it expects could be amongst the world's first LNG Producers. The Company, via its subsidiaries, has four units on order from Samsung Heavy Industries in Korea; the first unit is currently expected to be ready for delivery in 2013. The major activities in 2009 were related to further technical development of the floating LNG production concept, raising capital as part of an IPO on Oslo Axess and working towards commercial arrangements for the LNG Producers.

FLEX LNG believes it has one of the industry's more advanced FLNG concepts, as approximately 300,000 man hours have been invested in the development of the LNG Producer through all phases. In March 2009 the Company completed the FEED engineering for a Generic FLEX LNG Producer vessel. Long lead items for the Topside, for vessel #1, and the majority of the hull equipment, for vessels #1-4, have been procured by Samsung and its subcontractors. Extensive work has been conducted for field specific adaptations of the generic design. Feasibility studies have been preformed for different projects ranging from rich gas with high CGR to lean gases with long tail of heavy hydrocarbons, high nitrogen content, CO_2 rich gases and harsh environment conditions. The studies have indicated that the generic design has field specific adaptation flexibility.

The global energy industry's interest in floating liquefaction solutions continued to grow through 2009 despite the global economic downturn. A number of FLNG projects have moved into pre-FEED and FEED with communicated targets to reach final investment decisions within the coming years.

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

Business Update (continued)

traditional charter arrangements. The Group is currently pursuing a number of opportunities. In 2010 the Group has announced that it is in advanced talks with an Asian National Oil Company (NOC) to join a floating liquefaction project that would monetise gas resources controlled by the NOC in Australia. The proposed project would be developed by a JV where FLEX LNG would join the FLNG project together with one or more technical and commercial partners.

On 11 June 2009 the Company entered into an agreement with Samsung (the "Principle Agreement") to provide increased flexibility in order to provide more time to mature ongoing commercial discussions. The Principle Agreement provides a period of reduced activity (where only certain critical engineering work will be performed) based on a delay of agreed delivery dates and a corresponding delay in the payment schedule. In addition a proportion of the payment installments made on FLEX LNG Producer no. 4 have been transferred to FLEX LNG Producer no. 1 to support its development. The Company may, at any time prior to 31 May 2010, serve Samsung with a resumption notice requiring Samsung to resume the work under the EPCIC contract and the shipbuilding contracts. The resumption shall then commence within one month from the notice.

On 22 June 2009 FLEX Petroleum Limited, a wholly owned subsidiary of FLEX LNG, announced that it had entered into an option agreement setting out the terms to acquire control of Jersey-based Minza Oil & Gas Ltd ("Minza") , additional details in note 2 and 16. This company holds 100% of the production sharing contract for JPDA 06-101(A). JPDA 06-101(A) is in the Joint Petroleum Development Area between Timor-Leste and Australia located in the Timor Sea. In 1998 the Chuditch-1 well was drilled on the acreage and resulted in a potentially sizeable gas discovery. Based on evaluations carried out by third parties FLEX LNG believes the acreage could hold sufficient gas to support a floating LNG project. In late August 2009 Minza commenced the "Anita" and "Wombat" 2-D seismic surveys offshore Timor-Leste. The survey involved the acquisition of approximately 940 km of full fold seismic in JPDA 06-101(A). The seismic data has been processed and interpreted in early 2010, and has provided greater clarity to the gas initially in place (GIIP) estimates. The Company continues negotiations with potential partners and financing sources to fund and to allow the Minza option to be exercised.

FLEX LNG successfully completed its Initial Public Offering in October 2009. On 28 October the Board resolved to issue 10,381,819 new shares at a price of NOK 5.50 per share. The Offering was oversubscribed and the gross proceeds from the offering amounted to $10m. Oslo Børs resolved to admit shares in FLEX LNG to listing on Oslo Axess and the first day of listing on Oslo Axess was 30 October 2009. After the issue FLEX LNG had a total of 112,746,190 shares outstanding. The Initial Public Offering was subscribed for by a wide range of international and Norwegian investors and FLEX LNG has more than 250 shareholders after the completion of the offering.

An important factor to the Company's future success is its ability to attract and retain excellent employees. The Company continues to recruit outstanding and talented technical, commercial and professional staff members, which have been added to the management company contracted to perform day-to-day management for the Company. At the end of 2009 the two management companies employed 41 skilled or experienced full time employees/ contractors, based in the UK and Norway, and the Company will look to retain current staff and attract additional employees to successfully execute on the Group's business plan.

Funding and Going Concern

The financial statements for 2009 have been prepared on a going concern basis. The Company acknowledges the current challenging fund raising environment it faces and the impact that this has on the ability of the Group to finance its funding 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. Samsung has informed FLEX LNG in writing that they will work with the Group with the aim of amending the Principle Agreement. In addition they have informed FLEX LNG that presently and dependent on commercial progress and cost impact they have no intention of exercising their right of termination stipulated under the Principle Agreement and acknowledge the need to defer

Funding and Going Concern (continued)

the resumption date. 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 finance), or (b) raise additional working capital and rearrange its obligations to allow the Company more time to achieve (a). These steps would allow the Group to finance its operations over the year. Additional information is included in notes 18 and 19. The Company believes that future financing would be linked to achieving project FID.

Risk

The Company was founded in 2006 and has since its inception focused on the engineering and construction of the LNG Producer units. The Group's activities expose it to a variety of financial risks, including market risks, credit risks and liquidity risks.

The Company has historically funded its operation from equity. Obtaining such financing may be subject to market risks and other risks that may influence the availability, structure and terms of such financing. When the financial markets do not function properly, this risk becomes particularly relevant for a capital intensive company like FLEX LNG, which is not in a position to support its new building program with cash flow from operations. The Company has sought advice and believes that additional project loan finance would be available if suitably structured commercial contracts are obtained. At present there are commitments of $2,503m to Samsung. In connection with the construction of the LNG Producers, the Company has endeavored to prepare proper specifications, including as to the supply and installation of equipment. Despite these efforts, there can be no assurances that delays and cost overruns will not occur and such events, if occurring, could have an adverse impact on the Company's financial position. Where possible the Company has sought fixed price lump sum contracts for the construction work in USD. Currently the commitments for the Hulls have been fixed in USD ($1,776m), while the Topside has not yet been fixed. Additional detail and risk analysis is provided in accounts notes 1.4, 8, 16, 18, 19, and 20 and Corporate Governance section 10.

Income Statement and Balance Sheet

During the year the FLEX LNG Group of companies (the "Group") has continued to develop what it believes could be amongst the world's first LNG Producers. The costs capitalised in the year on the four units were $22.4m (2008: $300.6m). The cash balances at 31 December were $25.7m (2008: $49.5m). In the twelve months in 2009 the operating cash flow was $(14.8)m (principally the operating loss and working capital movements); investing activities $(23.9)m (mainly capitalised asset costs and business acquisitions); and financing activities $15.2m (proceeds from deferred payments to Samsung and the IPO share proceeds). The retained loss for the year was $10.5m (2008: $12.0m), which has been transferred to reserves.

During the year the FLEX LNG Ltd (the "Company") has continued to hold the investments in its subsidiaries, raised working capital and managed the strategic direction of the Group. The investments and loans to subsidiaries in the year were $28.0m (2008: $311.3m). The cash balances at 31 December were $24.6m (2008: $49.5m). In the twelve months in 2009 the operating cash flow was $(5.8)m (principally the operating loss and working capital movements); investing activities $(28.0)m (additional loans and acquisitions); and financing activities $8.9m (proceeds from the IPO share issue). The retained loss for the year was $1.5m (2008: $1.4m), which has been transferred to reserves. The Directors do not recommend the payment of a dividend.

On 1 January 2009 FLEX LNG Ltd completed the acquisition of FLEX LNG Management Limited. No goodwill has arisen on this transaction. The Minza purchase, in June 2009, has been accounted for as a purchase of an asset.

The Board

There has been no change in the composition of the Board during the financial year.

Environmental Reporting

The company has an objective that all activities that are performed are to be carried out while minimising damage to people or surroundings. Given the pre-commercial nature of the operations there is currently little corporate impact on the environment. In 2010 the Group has committed to follow the requirements of ISO 9001:2008 and ISO 14001:2004, the objectives of which are client satisfaction, reduced environmental impact and realisation of company objectives.

FLEX LNG

Working Environment and Personnel

At the end of 2009, FLEX LNG and its subsidiaries had in total 41 employees, 33 men and 8 women. All personnel are employed by FLEX LNG Management Limited and FLEX LNG Management (Norway) AS. As far as the Board of Directors are aware, there have not been any serious damages or accidents in 2009. Total absence due to sickness has been 0.5% during the accounting year. FLEX LNG's Board of Directors consists of 7 men and 0 women. The Company's policy prohibits unlawful discrimination against employees, on account of ethnic or national origin, age, sex or religion. Respect for the individual is the cornerstone of this policy and the Group also aims to treat its employees with dignity and respect.

Post Balance Sheet Events

There have been no significant post balance sheet events, other than those listed in note 17.

Board of Directors of FLEX LNG Ltd - 27 April 2010

James MacHardy
Interim Chairman

Aoki Hiromichi

Scott Pearl

Ian Beveridge

Philip Fjeld

Anders Westin

James van Hoften

Responsibility statement

We confirm, to the best of our knowledge that the financial statements for the period 1 January to 31 December 2009 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole.

We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Board of Directors of FLEX LNG Ltd - 27 April 2010

James MacHardy
Interim Chairman

Aoki Hiromichi
Director

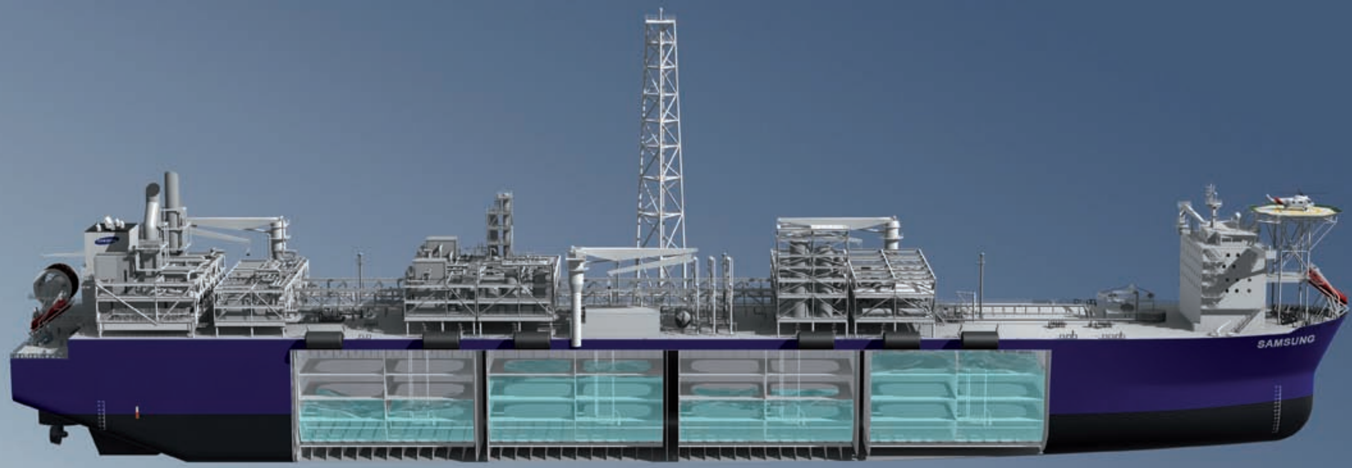
Scott Pearl
Director

Philip Fjeld
Director

Ian Beveridge
Director

Anders Westin
Director

James van Hoften
Director



Corporate
Governance Report

1) Implementation and reporting on corporate governance

As a company incorporated in the British Virgin Island ("BVI"), the Company is subject to BVI laws and regulations. Additionally, as a consequence of being listed on Oslo Axess, the Company must comply with certain aspects of Norwegian securities law and is also obligated to adhere to the Norwegian Code of Practice for Corporate Governance (the "Code of Practice") on a "comply or explain" basis. Further, the Company has in place a Memorandum and Articles of Association, which set forth certain governance provisions.

The Group is committed to ensuring that high standards of corporate governance are maintained and is committed to high ethical standards in dealings with all stakeholders, including shareholders, debtors, customers, vendors and employees. Strong corporate governance principles help to ensure that the Groups' standards are applied to all its operations, and the Board has furthermore implemented a Code of Business Conduct and Ethics. Further information in this respect is available on www.flexlng.com.

The Board of Directors has based its corporate governance practices on the principles set out in the Code of Practice. However, since the Company is governed by BVI laws and regulations, and given the pre commercial nature of the Group's activities, certain practices are applied which deviate from some of the recommendations of the Code of Practice.

In the following, the Company's corporate governance policies and procedures will be explained, with reference to the principles of corporate governance as set out in the sections identified in the Code of Practice. This summary does not purport to be complete and is qualified in its entirety by the Company's Memorandum and Articles of Association, BVI and Norwegian law.

2) Business

The objective of FLEX LNG is to establish itself as a leading owner and operator of Floating LNG production units. The objectives are within the framework of its Memorandum and Articles of Associations, which may be reviewed at www.flexlng.com.

2) Business (continued)

The Group operates principally through its subsidiaries. The vision of FLEX LNG is to become an early mover in owning and operating floating LNG production units. This is intended to be achieved through utilising what the Company believes to be a unique yard relationship developed with Samsung and through its commercial approach. The Company is also potentially seeking exposure across the LNG value chain in order to optimise the value created by its FLEX LNG Producers. The business principles are as follows;

- The customers are a top priority. By working with clients to jointly explore business opportunities FLEX LNG intends to develop long lasting relationships based on trust and a goal of creating economic value
- FLEX LNG will strive to provide superior shareholder returns
- FLEX LNG will aim to attract and retain highly qualified individuals through compensation packages that align employees and shareholders' interest
- Creativity and innovation spearheads the commercial and technical work conducted by FLEX LNG. In an effort to stay ahead of competition FLEX LNG will relentlessly drive for continuous improvements that permeate the FLEX LNG culture
- FLEX LNG emphasises integrity and honesty in the way it does business

3) Equity and dividends

Equity

The appropriate level of equity for the Group is evaluated by the Board on an ongoing basis, via reviews at the Board meetings. Total share capital at 31 December 2009 was USD 1,127,461.90, divided into 112,746,190 shares of USD 0.01 each. The directors believe this is currently satisfactory given the Group's business and objectives.

Dividend policy

As the Group has yet to produce stable cash flow, or to secure a commercial contract, dividends will not be considered in the near term.

Equity mandates

As a BVI company it has 200m maximum of authorised number of shares per its Memorandum and Articles of Association. To issue new shares or increase the authorised number of shares requires an ordinary shareholder resolution. The authorised and issued share capital for the Group is detailed in the annual and quarterly reports which may be reviewed at www.flexlng.com.

In connection with issuance of shares in the Company, the shareholders have (except to the extent they are waived) pre-emptive rights to the new share on a pro-rata basis. Currently, the Board has not resolved and does not intend to acquire its own shares.

4) Equal treatment of shareholders and transactions with close associates

The Company has only one share class, with identical voting rights. All shareholders are treated equally and the Articles of Association do not contain any restrictions on voting rights.

All transactions between the Group and its close associates as defined by the Group's Code of Conduct, will be at arm's length and market prices. Where appropriate the Group ensures third party independent evaluation, where defined by the Code of Conduct. Any transactions between the Group and close associates will be detailed as related party transactions in note 15 to the financial statements.

5) Freely negotiable shares

With limited exception, all shares in the Company are freely negotiable, and the Articles of Association contain no form of restriction on the negotiability of the shares.

However, as a BVI company, and to protect existing Norwegian shareholders from adverse tax consequences in Norwegian Controlled Foreign Corporations Regulations, the Group may, in accordance with the Articles of Association, deny the transfer of shares which would lead to Norwegian ownership being deemed a Controlled Foreign Company. This type of restriction is normal for British Virgin Island and other low-tax jurisdiction companies listed on the Oslo Axess.

The founders of FLEX LNG have personally and through their wholly owned company Hansa LNG Ltd. entered into a lock-up agreement with the Company in respect of shares in the Company or financial interest therein, and have agreed not to directly or indirectly pledge, sell, or otherwise dispose of shares (or financial interest therein) held directly or indirectly by the founders personally or through Hansa LNG Ltd. until the later of (i) the delivery of the second vessel under the shipbuilding contracts with Samsung and (ii) 30 June 2011 (the "Lock-up Period"). The Shares held by the founders personally or through Hansa LNG Ltd. or financial interest therein cannot be pledged, sold or otherwise disposed of during the Lock-up Period without the written consent of the shareholders representing two-thirds of the total number of issued shares of FLEX LNG.

Furthermore, the shareholders of the Company have on the Annual General Meeting in 2008 and 2009 resolved that half of the remuneration for the directors for the two years shall be paid by the

5) Freely negotiable shares (continued)

issue of new shares in the Company, that are to be subject to a lock-up. The shares issued as remuneration for the first half year of 2008 and 2009 year, respectively, shall become unlocked or have become unlocked on the first anniversary after its grant, and the remaining shares issued (for the second half of 2009) shall be unlocked one year thereafter.

6) General meetings

The Annual General Meeting ("AGM") is the forum for the Company's shareholders to participate in major decisions, and is held each year. The Company's Articles of Associations require 14 days notice for both Annual and Special General Meetings. The notice for Annual and Special General Meetings shall include relevant material to enable the shareholders to make an informed decision. All shareholders are entitled to speak and vote at the General Meetings. The Board of Directors shall take steps to ensure that as many shareholders as possible can exercise their rights by participating in General Meetings, for instance by setting deadlines for shareholders to give notice of their intention to attend the meeting (if any) close to the date of the meeting as possible and by giving shareholders who are not able to attend the option to vote by proxy. The Board of Company shall make arrangements for shareholders voting by proxy to give voting instructions on each matter to be considered at the meeting.

The AGM shall be organised in such a way as to facilitate dialogue between shareholders and the officers of the Company. Thus, the Board of Directors will ensure that a member of the Board is present and the auditor will be available to answer questions. Also, the Board of Directors will endeavour to make arrangements for an independent Chairman for each General Meeting, for instance by arranging for the person who opens the General Meeting to put forward a specific proposal for a Chairman. The notice of the General Meeting as well as supporting documents will be made available at the website www.flexlng.com as well as www.newsweb.no where minutes from the general meetings will also be made available.

FLEX LNG strives to maintain an open and fair dialogue with its shareholders through publishing of information, presentations and responding to questions from shareholders. The Company has not, however, taken specific measures for obtaining shareholders' proposals for matters to be proposed to the shareholders' meeting. In the view of the Company, the current shareholder structure, the shareholder representation, and the policy to communicate with shareholders is sufficient to ensure that shareholders may communicate their points of view to the executive management and the Board. In addition, given the Company's current development, it does not believe that it is necessary for all Directors to be present at the General Meetings.

7) Nomination Committee

The Company operates a Nominating Committee, which is responsible for identifying and recommending board candidates to the AGM. The Committee's obligations and responsibilities are established in the Company's Articles of Association. Currently George Linardakis, Rolf Emblem and Jennifer Pomerantz comprise the members of the Nomination Committee, and all members are independent of the Board and the executive management. All members are elected for a period until the 2010 AGM.

8) Corporate assembly and Board of Directors: composition and independence

As a BVI registered company with currently 41 employees and contractors, the Company does not have a corporate assembly.

The Company's Board of Directors currently comprises seven directors, of whom six are considered independent of executive management. Mr P. Fjeld, the CEO of FLEX LNG Management Limited, is also serving as a director of the Company. Mr P. Fjeld's position on the Board is considered to be important for ensuring that the Board is fully informed about the commercial activities of the management companies and also to cover an area of expertise, being knowledge of the new and developing LNG production market. To ensure that Mr P. Fjeld's position on the Board does not cause any conflicts of interest, the Board has established sub-committees, in which Mr P. Fjeld is not a member. Of the seven members, three directors also represent shareholders with holdings exceeding 10%; Mr A. Hiromichi, Mr S. Pearl and Mr A. Westin. The composition of the Board of Directors, including the controls to avoid conflicts of interest, is in accordance with BVI company law, the Memorandum and Articles of Association and good corporate governance practice.

The Company endeavours to ensure that it is constituted by directors with a varied background and the necessary expertise, diversity and capacity to ensure that it can function effectively. The directors are elected by the General Meeting, for service periods of two years or such shorter period as stated in the relevant resolution. Directors may be re-elected and there is no limit on the number of terms that any one director may serve. Re-election of the current directors

8) Corporate assembly and Board of Directors: composition and independence (continued)

is due at the AGM in 2010. They may be removed by a majority vote at any time. Currently the Board has an Interim Chairman and it is expected that the 2010 AGM will decide who will be the Chairman going forward.

The directors are encouraged to hold shares in the Company, which the Board believes promotes a common financial interest between the members of the Board and the shareholders of the Company. In accordance with the General Meeting's resolution of 19 August 2009, the directors also received 50% of their remuneration in shares for 2009.

The current Board members are listed below:

Capt. James A. MacHardy, Interim Chairman

Capt. MacHardy has served on the Board since 19 March 2007. Capt. MacHardy was until recently CEO of the Society of International Gas Tanker and Terminal Operators (SIGTTO). This organisation promotes high safety and operational standards in the industry sector involved in marine transportation and handling of liquefied gases. SIGTTO has 158 members and represents over 95% of the world's LNG tonnage and 60% of the LPG tonnage. Capt. MacHardy has acted as Marine Advisor to large LNG projects such as Guangdong LNG and BP Trinidad and Tobago. Capt. MacHardy has held various positions within the industry.

Dr. James D. A. (Ox) van Hoften, Board member

Dr. van Hoften has served on the Board since 19 March 2007. Dr. van Hoften recently retired as a Senior Vice President and Partner of the Bechtel Corporation. He was the Managing Director of Bechtel's Aviation business located in London. Following a successful astronaut career at NASA, Dr. van Hoften joined the Bechtel Corporation in 1986 where he led a number of major international projects, and managed businesses throughout the world, focusing on complex infrastructure programs in the civil, military and aerospace arenas. In 1992, Dr. van Hoften led Bechtel's team as Project Director for the New Hong Kong Airport project, at $23 billion arguably the largest infrastructure project ever attempted. The award-winning project was delivered on time and $1.5 billion under budget. Dr. van Hoften received a BSc Hons. in Civil Engineering from the University of California (Berkeley) in 1966 and an MSc in Hydraulic Engineering from Colorado State University at Fort Collins in 1968. He returned to CSU in 1974 to complete his PhD in Hydraulic Engineering following his tours in Southeast Asia.

Mr. Scott Pearl, Board member

Mr. Pearl has served on the Board since 19 March 2007. Mr. Pearl is a Director of Investment Research at Seneca. In addition to FLEX LNG, Mr. Pearl serves on the Board of Directors of Altex Energy, Ltd., a developer of transportation solutions for oil bitumen in Alberta. Mr. Pearl's experience includes the management of investments in both public and private debt and equity securities of energy companies, as well as providing equity research coverage to institutional investors in the electric sector. Mr. Pearl also has served as an advisor to numerous energy companies with regard to strategy, capital raising and merger and acquisition transactions. Prior to joining Seneca, Mr. Pearl was a Vice President of Equity Research at Credit Suisse First Boston. Previously, Mr. Pearl was an Investment Banker for energy companies at Credit Suisse First Boston and Lehman Brothers. Mr. Pearl began his career as a project financier for Chase Securities, Inc. Mr. Pearl is a graduate of the Wharton School of Business at the University of Pennsylvania.

Mr. Ian Beveridge, Board member

Mr. Beveridge has served on the Board since 2 October 2007. Mr. Beveridge is the CEO of the Schulte Group and has been associated with the Schulte group for 16 years, until 2006 as Managing Director. Before that Mr. Beveridge worked 3.5 years with Coopers & Lybrand in Johannesburg, leaving as Senior Supervisor. Mr. Beveridge obtained a Bachelor of Commerce (Honours) in 1987 and qualified as a chartered accountant in South Africa. Mr. Beveridge is also member of the Gard Board of Directors and the German Committee of Det Norske Veritas.

Mr. Anders Westin, Board member

Mr. Westin has served on the Board since April 2008. Mr. Westin is currently working for HBK Europe Management LLP, a London based affiliate of HBK Investments L.P. Mr. Westin has been associated with HBK since 2002. His primary responsibilities are Nordic equity investments, as well as equity investment in the European oil & gas services and shipping industries. In Mr. Westin's role at HBK his experience includes the management of investments in both public and private debt and equity securities. From 2000 to 2002 Mr. Westin worked for Enskilda Securities in London and was responsible for Special Situations Equity Research. From 1998 to 2000 he was one of the founding partners at Nordic Partners, Inc, a New York based equity brokerage firm. From 1995 to 1998 Mr. Westin worked as an equity analyst at Öhman FK in Stockholm Sweden. Mr. Westin received an MSc in Business and Economics in 1994 from the Stockholm School of Economics.

8) Corporate assembly and Board of Directors: composition and independence (continued)

Mr. Aoki Hiromichi, Board member

Mr. Aoki has served on the Board since July 2008. Mr. Aoki is an Executive Officer of Kawasaki Kisen Kaisha, Ltd. ("K"Line) and is responsible for Energy Transport Sector including natural gas, FPSO, offshore support vessels, MODU and other floating units. During his 27-years career with "K"Line, he has been a Project Manager for LNG transport projects such as Qatargas, RasGas, Snøhvit, Tangguh and many others. He was also a board member of EnerSea Transport LLC until June 2008 having pursued the project development of CNG. Before joining LNG Group of "K"Line, he served "K"Line as Resident Representative in Rio de Janeiro and CarCarrier Group besides studying under the corporate scholarship in Business School of Syracuse University, NY and Law School of Tulane University, LA. He holds a Bachelor of Business Administration in 1981 from Shinshu University.

Mr. Philip Eystein Fjeld, Board Member & Executive Management CEO

Mr. Fjeld is the co-founder of FLEX LNG, which was established in August 2006 and is the CEO of FLEX LNG Management Limited. Prior to joining FLEX LNG he held the position of Commercial Manager at Höegh LNG in Oslo, where he had responsibility for the commercial budget for two LNG carriers on long-term charters to gas majors. Business development work at Höegh LNG encompassed pre-qualification and offers in connection with standard LNG shipping tenders, structuring and negotiating LNG time charter parties and ship management contracts, ship-sale negotiations and marketing of FSRU conversions and regasification vessel projects. Mr. Fjeld has a nautical degree and has served at sea as a deck officer in the Royal Norwegian Coast Guard and in the Merchant Navy. Mr. Fjeld earned his Master's Degree in Strategy and Management from the Norwegian School of Economics and Business Administration.

The current Executive Management are listed below (details for Mr Fjeld detailed above):

Mr. Trym Tveitnes, PhD, Chief Technical Officer

Mr. Tveitnes is the co-founder of FLEX LNG, which was established in August 2006 and is the CTO of FLEX LNG Management Limited. Mr. Tveitnes joined FLEX LNG from a consultancy in Bergen, Norway, specialising in onshore gas transportation and distribution. Prior to this he worked for the shipping company Höegh LNG in Oslo, focusing on concept development and technical specifications in connection with the Neptune SRV project as well as within Arctic LNG transportation. Mr. Tveitnes also has experience as Senior Engineer at Det Norske Veritas working on technological qualifications of containment systems for large LNG carriers and floating LNG import terminals. Mr. Tveitnes holds a MSc. in Naval Architecture and a PhD in Hydrodynamics from the University of Glasgow.

Jostein Ueland, Chief Financial Officer

Mr. Ueland is the co-founder of FLEX LNG, which was established in August 2006 and is the CFO of FLEX LNG Management Limited. Mr. Ueland has worked within the Investment Management Division of Goldman Sachs International in London and as an Equity Research Analyst in Enskilda Securities ASA in Oslo. He has first class experience in valuing companies and was responsible for the IPO research in relation to the listing of APL ASA, Sevan Marine ASA and Odfjell Invest LTD. Mr. Ueland earned his Master's Degree in Finance from the Norwegian School of Economics and Business Administration.

Capt. Gary Baron, Chief Operating Officer

Capt. Baron, joined FLEX LNG Management Limited in October 2008 and became COO in December 2008. He has 35 years of experience in the marine and offshore industry, including HSEQ management, FPSO and FSO operations and conversion projects, LPG/LNG operations, supply boat and ROV operations, and experience as pilot/loading master. Prior to joining FLEX LNG, he worked for Teekay Corporation in Canada for nine years in a variety of roles including LNG, CNG and offshore business development and HSEQ. Prior to joining Teekay, he worked for Woodside Energy and BHP Petroleum in Australia. Capt. Baron also holds an MBA in Maritime Management.

9) The work of the Board of Directors

The Board approves an annual plan for the business. In addition policies have been approved that cover the responsibilities of the Board and those of the CEO, of FLEX LNG Management Limited. Through the establishment of the Compensation, Technical, Audit and Nomination Committees, the Board has delegated some of its work to these committees, yet retained the responsibility for all decision making. The Board is scheduled to meet in person approximately four times a year, and additionally approximately eight times by telephone conferences, but the schedule is flexible to react to operational or strategic changes in the market and Group circumstances. In the last 12 months the Board has convened more often.

9) The work of the Board of Directors (continued)

The main responsibilities of the Board cover the following main areas; strategic planning and decision making for the executive management to implement; ensure Board instructions are complied with; remain well informed on the Company's and group financial position; production of an annual work plan; ensure the adequacy of executive management and their roles are clearly defined; annually to review the most important areas of risk exposure, including risks and controls related to financial reporting; ensuring an appropriate system of direction, risk management and internal control is established and maintained; adopt guidelines for the frequency and policy for external financial reporting; and agree on dividend policy.

The Chairman of the Board of Directors carries a particular responsibility for ensuring that the Board of Directors performs its duties in a satisfactory manner and that the Board is well organised. The Board has the overall responsibility for the management of the Group and has delegated the daily management and operations to the CEO, Mr P. Fjeld, who is appointed by and serves at the discretion of the Board, and also reports to the Board. Further, the CEO of the management company, is responsible for ensuring that the Company's accounts are in accordance with all applicable legislation, and that the assets of the Company are properly managed. His or her powers and responsibilities are defined in more detail by the Board of Directors.

The CEO is supported by the other members of the executive management team that currently consists of Mr J. Ueland (Chief Financial Officer), Mr T. Tveitnes (Chief Technical Officer) and Mr G. Baron (Chief Operating Officer). The executive management team has the collective duty to implement the Company's strategic, technical, financial and other objectives, as well as to protect and secure the Group's organisation and reputation.

In the event that the Chairman of the Board cannot attend a meeting or is conflicted in leading the work of the board, a deputy chairman will be appointed for the meeting.

10) Risk management and internal control

The Board, in conjunction with the executive management, evaluates the risks inherent in the operations of FLEX LNG. Principal among these risks currently are those relating to construction, obtaining contractual counterparties, financing of LNG Producer vessels and the business, and financial risk. In addition the following risks inherent in the business plan are monitored: commodity prices, competition, the political and regulatory environment, counterparty performance, the planned growth of the business and the proposed application of new technology. The Board, through the Audit Committee, ensures that FLEX LNG has reliable internal control and systems for risk management.

The Board is presented an annual budget at the end of the preceding financial year. Thereafter, the Board is presented with a monthly liquidity summary and a quarterly report identifying material variations from the approved budget. Explanations are obtained for material variances. The Audit Committee has the responsibility to evaluate risk exposure and internal control and report to the full Board on an annual basis. The Board is also presented financial statements on a quarterly basis, which are reviewed with the executive management. FLEX LNG's annual accounts provide information on internal control and risk management systems as they relate to its financial reporting.

11) Remuneration of the Board of Directors

The remuneration of the members of the Board of Directors is determined annually by the General Meeting, on the basis of the Board's responsibility, expertise, time commitment and the complexity of the Group's operations, and is disclosed in note 3 to the financial statements. Through the Company's remuneration of directors, part of which has historically been in stock, the Company has encouraged directors to own shares in the Company. The remuneration is not linked to the Company's performance. No directors have been granted or will be granted share options and no directors are part of the incentive programs available for the executive management and/or other employees, other than Mr P. Fjeld in his capacity as an employee of FLEX LNG Management Limited, details in section 12 below.

As a general rule, no directors (or companies with which they are associated) shall take on specific assignments for the Company in addition to their appointment as director. If such assignments are made, it shall be disclosed to the full Board and the remuneration shall be approved by the Board. Further, all remuneration paid to each of the directors shall be described in the Annual Report. Such description shall include details of all elements of the remuneration and benefits of each member of the Board, any remuneration paid in addition to normal director's fees included.

12) Remuneration of the executive management

The executive management's remuneration shall be determined by a convened meeting of the Board of Directors. The Board is advised by the remuneration committee as to the appropriate

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12) Remuneration of the executive management (continued)

level of salary and benefits to pay. The committee shall when preparing the guidelines take into account the location of the management, the level of remuneration normal within the business of the Group, the phase of the Group's business and special characteristics of the different positions within the executive management. The guidelines shall include a summary of the characteristics of employee option schemes and bonus schemes applicable to the Group. The process aims to link the performance related element of the remuneration, (options, warrants and bonus) to value creation for shareholders. The current option program has been approved by shareholders with the allocation to staff determined by the remuneration committee prior to approval by the Board. The scheme was designed to align employees with shareholder value creation and to attract competent persons in the recruitment phase to a wide range of positions within the Group and to retain employees during the current phase of the business.

Further information on the remuneration of the executive management is contained in note 3, and options granted in note 13 to the financial statements.

13) Information and communications

FLEX LNG will ensure that the shareholders receive accurate, clear, relevant and timely information in accordance with legal requirements. Publication methods will be selected to ensure simultaneous and equal access for all equity shareholders to the information is mainly provided in English.

The Board of Directors has adopted guidelines for the Company's reporting of financial and other information based on openness, equal treatment of all shareholders and participants in the securities market, and restrictions imposed by law. The guidelines also include information requirements to the internal treatment of important information and insider trading instructions and for the Company group's contact with shareholders other than through General Meetings.

14) Take-overs

The Board of Directors has established guiding principles for how it will act in the event of a take-over bid. During the course of a take-over process, the Board has an independent responsibility to help ensure that shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. The board of the target company has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer. The Board of Directors and the executive management will not seek to hinder or obstruct take-over bids for the Company's shares or activities unless there are good reasons for this. In the event of any possible take-over or restructuring situation the Board of Directors will take particular care to protect shareholder value and the common interests of the shareholders. If an offer is made for the Company's shares, the Board of Directors shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it should explain the background for not making such a recommendation. The Board of Directors will not exercise mandates or pass any resolutions to obstruct the take-over bid unless approved by the General Meeting following announcement of the bid. Any transaction that is a disposal of the Company's activities should be decided by the General Meeting. According to the Company's Articles of Association, a mandatory offer for the remaining shares will be triggered if a shareholder becomes the owner of more than 30% of the shares in the Company.

15) Auditors

The auditor submits the main features of the plan for the audit of the Company to the audit committee on an annual basis. The auditor does not participate in meetings of the Board of Directors that deal with the annual accounts. Via the audit committee the auditor reviews any material changes in the Company's accounting principles, comments on any material estimated accounting figures and reports all material matters on which there has been disagreement between the auditor and the executive management of the Company. The company believes the auditor does not need to be physically present at the Company's AGM given the pre-commercial nature of the Group. Annually the auditor presents to the audit committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement. The Audit Committee, rather than the full Board, holds a meeting with the auditor at least once a year at which no member of the executive management is present. At present the Company believes this is sufficient given its size.

The Board of Directors have established guidelines in respect of the use of the auditor by the Company's executive management for services other than the audit. The Board of Directors shall report the remuneration paid to the auditor at the AGM, including details of the fee paid for audit work and any fees paid for other specific assignments.

Income Statement - FLEX LNG Group & Company

Year ended 31 December 2009
(USD, 000)

	Note	**Group 2009**	Group 2008	**Company 2009**	Company 2008
Operating revenues		**0**	0	**0**	0
Other income		**0**	0	**0**	0
Gross revenues		**0**	0	**0**	0
Administrative expenses	3,6	**(10,664)**	(14,767)	**(1,844)**	(4,153)
Operating loss		**(10,664)**	(14,767)	**(1,844)**	(4,153)
Finance income	4	**393**	2,786	**387**	2,786
Loss before tax		**(10,271)**	(11,981)	**(1,457)**	(1,367)
Income tax expense	7	**186**	0	**0**	0
Loss after tax		**(10,457)**	(11,981)	**(1,457)**	(1,367)
Loss for the year		**(10,457)**	(11,981)	**(1,457)**	(1,367)
Attributable to:					
Equity holders of the parent		**(10,165)**	(11,981)	**(1,457)**	(1,367)
Non-controlling interests		**(292)**	0	**0**	0
		(10,457)	(11,981)	**(1,457)**	(1,367)

Earnings per share (USD):		**Group 2009**	Group 2008	**Company 2009**	Company 2008
- Basic	5	**(0.10)**	(0.14)	**(0.01)**	(0.02)
- Diluted	5	**(0.10)**	(0.14)	**(0.01)**	(0.02)

Statement of Comprehensive Income - FLEX LNG Group & Company

Year ended 31 December 2009
(USD, 000)

	Group 2009	Group 2008	**Company 2009**	Company 2008
Loss for the year	**(10,457)**	(11,981)	**(1,457)**	(1,367)
Exchange differences on translation	**(291)**	0	**0**	0
Other comprehensive (loss)	**(291)**	0	**0**	0
Total comprehensive loss for the period	**(10,748)**	(11,981)	**(1,457)**	(1,367)
Attributable to equity holders of the parent	**(10,456)**	(11,981)	**(1,457)**	(1,367)
Non-controlling interests	**(292)**	0	**0**	0
	(10,748)	(11,981)	**(1,457)**	(1,367)

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Statement of Financial Position – FLEX LNG Group & Company

As at 31 December 2009
(USD, 000)

	Note	**Group 2009**	Group 2008	**Company 2009**	Company 2008
ASSETS					
Non-current assets					
New building contracts	8	**516,391**	493,975	**0**	0
Plant and equipment	9	**385**	0	**0**	0
Intangible assets	2	**36,251**	0	**0**	0
Loans and investments	2	**0**	0	**532,617**	504,589
Total non-current assets		**553,027**	493,975	**532,617**	504,589
Current assets					
Other current assets	10	**925**	1,325	**147**	1,325
Cash and cash equivalents	11	**25,679**	49,499	**24,645**	49,499
Total current assets		**26,604**	50,824	**24,792**	50,824
TOTAL ASSETS		**579,631**	544,799	**557,409**	555,413
EQUITY AND LIABILITIES					
Equity					
Issued capital	12	**1,127**	1,024	**1,127**	1,024
Share premium	12	**552,243**	543,417	**552,243**	543,417
Other equity		**(16,729)**	(8,152)	**2,884**	2,462
Equity attributable to equity holders of the parent		**536,641**	536,289	**556,254**	546,903
Non-controlling interests	2	**33,147**	0	**0**	0
Total equity		**569,788**	536,289	**556,254**	546,903
Non-current liabilities					
Other financial liabilities	14	**6,415**	0	**0**	0
Total non-current liabilities		**6,415**	0	**0**	0
CURRENT LIABILITIES					
Accounts payable		**443**	7,722	**54**	7,722
Accruals and other payables		**2,985**	788	**1,101**	788
Total current liabilities		**3,428**	8,510	**1,155**	8,510
Total liabilities		**9,843**	8,510	**1,155**	8,510
TOTAL EQUITY AND LIABILITIES		**579,631**	544,799	**557,409**	555,413

Board of Directors of FLEX LNG Ltd - 27 April 2010

James MacHardy
Interim Chairman

Aoki Hiromichi

Scott Pearl

Philip Fjeld

Ian Beveridge

Anders Westin

James van Hoften

Statement of Changes in Equity - FLEX LNG Group

Year ended 31 December 2009
(USD, 000)

Group	Share capital	Share premium reserve	Retained earnings	Other reserves	Total equity
Equity as at 01.01.08	726	207,339	(2,111)	1,678	207,632
Loss for the year			(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					
- warrants				3,085	3,085
- options				1,071	1,071
- shares				106	106
Attributable to equity holders 31.12.08	1,024	543,417	(14,092)	5,940	536,289
Equity as at 01.01.09	**1,024**	**543,417**	**(14,092)**	**5,940**	**536,289**
Loss for the year			(10,165)		**(10,165)**
Exchange on translation			(291)		**(291)**
Total comprehensive income			(10,456)		**(10,456)**
Issue of share capital	103	9,897			**10,000**
Expenses related to share issue		(1,071)			**(1,071)**
Cost of share-based payment					
- warrants				900	**900**
- options				789	**789**
- shares				190	**190**
Attributable to equity holders 31.12.09	**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)**
Total equity as at 31.12.09	**1,127**	**552,243**	**(24,548)**	**40,966**	**569,788**

Statement of Changes in Equity - FLEX LNG Ltd

Year ended 31 December 2009
(USD, 000)

Company	Share capital	Share premium reserve	Retained earnings	Other reserves	Total equity
Equity as at 01.01.08	726	207,339	(2,111)	1,678	207,632
Loss for the year			(1,367)		(1,367)
Issue of share capital	298	349,780			350,078
Expenses related to share issue		(13,702)			(13,702)
Cost of share-based payment					
- warrants				3,085	3,085
- options				1,071	1,071
- shares				106	106
Attributable to equity holders 31.12.08	1,024	543,417	(3,478)	5,940	546,903
Equity as at 01.01.09	**1,024**	**543,417**	**(3,478)**	**5,940**	**546,903**
Loss for the year			(1,457)		**(1,457)**
Total comprehensive income			(1,457)		**(1,457)**
Issue of share capital	103	9,897			**10,000**
Expenses related to share issue		(1,071)			**(1,071)**
Cost of share-based payment					
- warrants				900	**900**
- options				789	**789**
- shares				190	**190**
Attributable to equity holders 31.12.09	**1,127**	**552,243**	**(4,935)**	**7,819**	**556,254**

Statement of Cash Flows - FLEX LNG Group

Year ended 31 December 2009
(USD, 000)

Group	Note	2009	2008
Cash flow from operating activities			
Loss before tax		**(10,271)**	(11,981)
Adjustment to reconcile loss before tax to net cash flow			
Non Cash:			
Finance income	4	**(393)**	(2,786)
Option and warrant costs	13	**1,689**	4,156
Share based payment expense	13	**190**	182
Depreciation	9	**250**	0
P&L on asset disposal		**(21)**	0
Working capital adjustments:			
Increase in prepayments		**(183)**	(65)
Decrease / increase in trade and other receivables		**1,221**	(1,082)
Decrease / increase in trade and other payables		**(7,657)**	8,294
		(15,175)	(3,282)
Income taxes paid		**(52)**	0
Interest received		**407**	2,786
Net cash flow from operating activities		**(14,820)**	(496)
Cash flows from investing activities			
Purchase of plant and equipment	9	**(110)**	0
Payments for intangible assets		**(957)**	0
Payment on new building contracts & capitalised expenditure	8	**(22,416)**	(300,646)
Acquisition of subsidiary, net of cash acquired	2	**(423)**	0
Net cash flow used in investing activities		**(23,906)**	(300,646)
Cash flows from financing activities			
Proceeds from issue of share capital	12	**10,000**	350,002
Costs of share issue		**(1,071)**	(13,702)
Proceeds from sale of fixed assets		**61**	0
Proceeds from deferred payments	14	**6,207**	0
Net cash flow from financing activities		**15,197**	336,300
Net currency translation effect		**(291)**	0
Net increase in cash and cash equivalents		**(23,529)**	35,158
Cash and cash equivalents at beginning of period		**49,499**	14,341
Cash and cash equivalents at end of period	11	**25,679**	49,499

Statement of Cash Flows - FLEX LNG Ltd

Year ended 31 December 2009
(USD, 000)

Company	Note	2009	2008
Cash flow from operating activities			
Loss before tax		**(1,457)**	(1,367)
Adjustment to reconcile loss before tax to net cash flow			
Non Cash:			
Finance income	4	**(387)**	(2,786)
Option and warrant costs	13	**1,689**	4,156
Share based payment expense	13	**190**	182
Working capital adjustments:			
Increase in prepayments		**65**	(65)
Decrease / increase in trade and other receivables		**1,099**	(1,082)
Decrease / increase in trade and other payables		**(7,355)**	8,294
		(6,156)	7,332
Interest received		**401**	2,786
Net cash flow from operating activities		**(5,755)**	10,118
Cash flows from investing activities			
Loans and investments in subsidiaries	2	**(28,028)**	(311,260)
Net cash flow used in investing activities		**(28,028)**	(311,260)
Cash flows from financing activities			
Proceeds from issue of share capital	12	**10,000**	350,002
Costs of share issue		**(1,071)**	(13,702)
Net cash flow from financing activities		**8,929**	336,300
Net increase in cash and cash equivalents		**(24,854)**	35,158
Cash and cash equivalents at beginning of period		**49,499**	14,341
Cash and cash equivalents at end of period	11	**24,645**	49,499

FLEX LNG

Note 1: General information and significant accounting policies

1.1 Basis for preparation

FLEX LNG Ltd is a limited liability company, incorporated in the British Virgin Islands. The FLEX LNG group of companies (the "Group") includes seven 100% owned subsidiaries, as shown under note 2 below and the Company's interest in Minza Oil & Gas Ltd. The Group's activities are focused on developing production and storage of liquefied natural gas. The accounts for FLEX LNG Ltd are unconsolidated and in the following notes it is specified when the detail relates to the consolidated group or the parent company only.

The financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by EU and valid as of 31.12.09. The financial statements have been prepared on an historical cost basis, except for the valuation of warrants and options, which are accounted for at fair value. The financial statements have also been prepared on a going concern basis, additional information is included in notes 18 and 19.

The following standards were implemented in 2009;

IAS 1 (revised), Presentation of financial statements

The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group and the Company will apply IAS 1 (Revised) from 1 January 2009. Both the income statement and statement of comprehensive income will be presented as performance statements.

IFRS 2 (Amendment), Share based payment

This clarifies vesting conditions and the treatment where an award is cancelled. This has had no impact on the financial position.

IFRS 8 Operating Segments

At present the Group has only one business segment and this will have no immediate impact on the reported results.

IAS23 Borrowing costs (Revised)

This requires capitalisation of borrowing costs that are directly attributable to construction of assets. In 2009 the Group has capitalised interest costs of $143k.

At the end of 2009, some new standards, changes in existing standards and interpretations have been issued, but not yet become effective:

IFRS 3 Business Combinations; IFRS 9 Financial Instruments; IAS 24 Related Party Disclosures; and IAS 27 Consolidated and Separate Financial Statements.

IFRS 3 (revised) is expected to impact the accounting for future acquisitions primarily regarding goodwill, contingent consideration and transaction costs. IFRS 9 will replace the recognition and measurement rules in the current IAS 39. Considering the current scope and use of financial instruments, the impact of the changes is not expected to have any material effects. The changes in IAS 24 are not expected to be material. Revised IAS 27 could affect the consolidated accounts in cases of derecognition of subsidiaries and allocations between controlling and non-controlling parties.

Additionally the following changes in existing standards and interpretations mentioned below has been issued, but not yet become effective. The amendments and interpretations are not expected to be relevant for the Group or Company.

IFRS 2 (amendment) Share based payment; IAS 32 (amendment) Financial Instruments; IAS 39 (amendment) Financial Instruments; IFRIC 12 Service Concession Arrangements; IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding; IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 16 Hedges of a Net Investment in a Foreign Operation; IFRIC 17 Distributions of Non-Cash Assets to Owners; IFRIC 18 Transfer of Assets from Customers; and IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

The IASB Annual Improvement Project has approved changes in several standards with effect from 2010. Changes that might

Note 1: General information and significant accounting policies (continued)

1.1 Basis for preparation (continued)
affect recognition, measurement and disclosure are listed below.

IAS 7 Statement of Cash Flows; IAS 36 Impairment of Assets; and IAS 39 Financial Instruments. The Company currently believes that these changes will not have a material impact on the Group or Company.

1.2 Functional currency and Presentation currency
The Group's presentation currency is USD. This is also the functional currency of all companies in the group, apart from FLEX LNG Management (Norway) AS which is NOK based. Subsidiaries with a different functional currency are translated using the period end rate for balance sheet items and an average rate for the income statement. Translation differences are charged against other comprehensive income. When a foreign subsidiary is partially or completely disposed of or sold, translation differences connected to the subsidiary are recognised in the income statement.

1.3 Basis of consolidation
The Group's consolidated financial statements comprise FLEX LNG and companies in which it has a controlling interest. A controlling interest is normally attained when FLEX LNG owns, either directly or indirectly, more than 50% of the shares in the company and is capable of exercising control over the company, including call options over the shares. Non-controlling interests are included in the Group's equity. Details on subsidiaries are provided in note 2. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, FLEX LNG, using consistent accounting principles. The acquisition of an asset, group of assets or entity that does not constitute a business is not a business combination. In such cases the acquirer will identify and recognise the individual identifiable assets acquired and liabilities it assumes. The cost of the acquisition should be allocated to the individual identifiable assets and liabilities on the basis of their relative fair value at the date of purchase.

Intragroup transactions and balances, including internal profits and unrealised gains and losses, have been eliminated in full. Unrealised gains from transactions with associated companies are eliminated in the FLEX LNG's share of the associated companies. Correspondingly, unrealised losses are eliminated, but only if there are no indications of any impairment in the value of the asset that is sold internally. The consolidated financial statements have been prepared under the assumption of uniform accounting principles for equal transactions and other events under equal circumstances.

1.4 Use of estimates and judgements when preparing the annual financial statements
The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). This means that management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on potential liabilities. Future events may lead to these estimates being changed. Changes to accounting estimates are included in the financial statements for the period in which the change occurs. If the changes also apply to future periods, the impact is spread over the current and future periods. The estimates and underlying assumptions are based on past experience and other factors perceived to be relevant and probable when the judgements were made. The judgements affect the carrying amounts of assets and liabilities when no other sources have been applied in the valuation. Estimates are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period, which the estimates are revised. The inputs to the fair value calculations are based on observable market data when available, but where this is not achievable; a degree of judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in these assumptions could impact the reported fair value.

Significant accounting judgements – new build contracts
Costs are capitalised as per note 1.8. In determining amounts that are capitalised, management makes assumptions regarding future cash generation from these assets. Costs are split between the different vessels based on management's view on benefits derived from the expenses incurred. The carrying value is calculated on a value in use basis and as a going concern.

Significant accounting judgements – Minza
Acquisition costs are calculated as per note 2. The final amount to pay will depend on the USD/GBP exchange rate, the confirmation of reserve certification and gas composition, and the achievement of FID.

1.5 Currency transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items are retranslated at the period end exchange rate, non-monetary items that are measured at historical cost are translated at the rate in effect on the original transaction date, and non-monetary items that are measured at fair value are translated at the exchange rate in effect at the time when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such cash transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Note 1: General information and significant accounting policies (continued)

1.6 Segments
The Group is operating only one segment with respect to products and services. Segment reporting is thus not relevant.

1.7 Income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted or substantively enacted by the balance sheet date.

The Group consists of two legal entities incorporated in the British Virgin Islands, five entities in the Isle of Man, one in Norway, and Minza Oil & Gas Ltd. which is incorporated in Jersey.

1.8 Non-current assets
Non-current assets are carried at cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the gross carrying amount and accumulated depreciation are derecognised, and any gain or loss on the sale or disposal is recognised in the income statement.

The depreciation period and method will be reviewed annually to ensure that the method and period used are in accordance with the financial realities of the fixed asset. This applies correspondingly to the scrap value.

The gross carrying amount of non-current assets is the purchase price, including duties/taxes and direct acquisition costs relating to making the non-current asset ready for use. Subsequent costs, such as repair and maintenance costs, are normally recognised in profit or loss as incurred. When increased future economic benefits as a result of repair/maintenance work can be proven, such costs will be recognised in the balance sheet as additions to non-current assets.

In accordance with IAS 16, the carrying value also includes capitalised expenses directly attributable to the asset in order to bring it to the location and condition for use in the intended manner. Such expenses include compensation for employees, travel costs, consultant fees, legal costs, engineering and design costs, plus other costs that are directly attributable to the assets. Capitalisation would cease once the asset is in the location and condition necessary for it to be able to operate in the manner consistent with its intended design.

Depreciation is calculated using the straight-line method over the following periods:

Vessels: 20 years
Periodic maintenance: 5 years

The payments on new building contracts are considered to be assets under construction and are accounted for in accordance with IAS 16. The credit terms for the payment are considered to be normal for the industry and therefore the payment is booked at nominal value.

The first vessel under construction is expected to be delivered as early as 2013. The total expenditure of the vessel will be decomposed to groups of components that have different expected useful lives. The different groups of components will be depreciated over their expected useful lives. Upon delivery of the vessel this decomposition would be made.

Intangible assets are measured on initial recognition at cost. Following recognition they are carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation period is reviewed on an annual basis, with any amortisation or impairment charge recognised in the income statement.

Depreciation on plant and equipment is calculated using the straight-line method to depreciate assets over their useful life. The following periods have been used:

IT Equipment: 2 years

Furniture and Fittings: 5 years

Shares in the subsidiaries and loans provided to the subsidiaries are evaluated at the lower of cost and fair value. When the value of estimated future cash flows is lower than the carrying value in the subsidiaries, the Company recognises impairment charges on investments in subsidiaries and intercompany receivables. If and when estimated recoverable amounts increase, impairments charges are reversed. There is currently no repayment plan on the loans and no interest charged.

1.9 Impairment of assets

Other assets

An assessment of impairment losses on other assets is made when there is an indication of a fall in value. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognised in the income statement. The recoverable amount is determined separately for all assets but, if this is impossible, it is determined together with the entity to which the assets belong. An impairment loss occurs when the carrying amount exceeds the recoverable amount, which is the higher of value in use or the net sells price. The value in use is calculated using the present value of estimated future cash flows. The calculation is preformed at the vessel level for assets under construction.

Financial instruments

Financial instruments are reviewed at each balance sheet date in order to discover any decrease in value.

Financial assets which are valued at amortised cost are written down when it is probable that the Company will not recover all the amounts relating to contractual issues for loans, receivables or hold-to-maturity investments. The amount of the impairment loss is recognised in the income statement. Any reversal of previous impairment losses is recognised when a reduction in the need to write down the asset can be related to an event after the impairment loss has been recognised. Such a reversal is presented as income. However, an increase in the carrying amount is only recognised to the extent that it does not exceed what the amortised cost would have been if the impairment loss had not been recognised.

Trade receivables

Trade receivables are carried at amortised cost. The interest element is disregarded if it is insignificant. Should there be objective evidence of a fall in value, the difference between the carrying amount and the present value of future cash flows is recognised as a loss, discounted by the receivable amount's effective interest rate.

1.10 Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be converted into cash within three months and to a known amount, and which contain insignificant risk elements.

The cash and cash equivalent amount in the cash flow statement includes overdraft facilities. The cash flow statement has been prepared in accordance with the indirect method.

1.11 Provisions, contingent liabilities and assets

Provisions are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Provisions are recognised when, and only when, the company has an existing liability (legal or assumed) as a result of events that have taken place, it can be demonstrated as probable (more likely than not) that a financial settlement will be made as a result of the liability, and the amount can be measured reliably. Provisions are reviewed at each balance sheet date and the level reflects the best estimate of the obligation. When the time factor is insignificant, the size of the provisions will be equal to the size of the expense required for redemption from the obligation. When the time factor is significant the provisions will be equal to the net present value of future payments to cover the obligation. Increases in provisions due to the time factor will be presented as interest expenses.

Contingent liabilities are defined as;

i. Possible obligations resulting from past events whose existence depend on future events.
ii. Obligations that are not recognised because it is not probable that they will lead to an outflow of resources.
iii. Obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the annual financial statements apart from contingent liabilities which are acquired through the acquisition of an entity. Significant contingent liabilities are stated, with the exception of contingent liabilities where the probability of the liability occurring is remote.

A contingent asset is not recognised in the annual financial statements, but is stated if there is a certain level of probability that a benefit will accrue to the Group.

New information on the Group's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the company's position at the balance sheet date, but which will affect the Group's position in the future are stated if significant.

1.12 Warrants and share based payments – equity settled transactions

The fair value of the warrants is estimated at the grant date and recognised as an expense over the vesting period. The Quanto-Barrier Option pricing model has been used to calculate the fair value of the warrants.

Note 1: General information and significant accounting policies (continued)

1.12 Warrants and share based payments – equity settled transactions (continued)
Fair value of warrants granted for consulting services fees is measured at the fair value of the services received.

The fair value of the share options has been calculated using the Black-Scholes-Merton option pricing model.

The cost of the options and warrants is recognised over the period in which the performance is fulfilled, ending at the date on which the relevant employees become entitled to the award. This includes an assessment of the implicit future service requirement of the award. The expense at each reporting date is based on the Group's best estimate of the number of equity instruments that will vest. The income statement reflects the movement in the cumulative expense recognised as at the beginning and the end of the period.

Directors of the Company received part of their remuneration in the form of share-based payment transactions. The value of the services is recognised at the fair value of the shares received.

1.13 Option accounting
Where it is considered that a call option does not give access to all the benefits associated with the ownership interest, then the implementation guidance in IAS 27 (as amended in 2008) and IAS 27 (2007) states that in such situations the 'instruments containing the potential voting rights are accounted for in accordance with IAS 39'. This means that the call option over the shares in a subsidiary has initially been recognised as part of the intangible asset value at its fair value with any subsequent changes in its fair value being reflected in the income statement.

1.14 Borrowing costs
Where borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset they are capitalised as part of the qualifying asset.

Note 2: Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Country of registration	Main operations	Ownership share	Voting share
M-FLEX 1 Limited	Isle of Man	Shipping	100%	100%
M-FLEX 2 Limited	Isle of Man	Shipping	100%	100%
M-FLEX 3 Limited	Isle of Man	Shipping	100%	100%
M-FLEX 4 Limited	Isle of Man	Shipping	100%	100%
FLEX LNG Management Limited	Isle of Man	Management services	100%	100%
FLEX LNG Management (Norway) AS	Norway	Management services	100%	100%
FLEX Petroleum Limited	British Virgin Islands	Holding company	100%	100%
Minza Oil & Gas Limited	Jersey	Gas Development	5%	5%

FLEX LNG Ltd – Loans and investments in subsidiaries

Company (USD 000)	**2009**	2008
M-FLEX 1 Limited	**228,753**	123,541
M-FLEX 2 Limited	**100,445**	96,709
M-FLEX 3 Limited	**100,124**	96,389
M-FLEX 4 Limited	**99,995**	187,950
FLEX Petroleum Limited	**3,300**	0
	532,617	504,589

Loans to 100% subsidiaries are unsecured, interest free and repayable on 30 days notice. It is currently not the intention of FLEX LNG to call in these loans. The loans have been used to cover stage and other payments to Samsung, capitalised costs, running costs and an

Note 2: Subsidiaries (continued)

allocated share of the management recharge. The amounts advanced by FLEX Petroleum Limited to Minza Oil & Gas Ltd are interest free and repayable or convertible into additional share capital in the period from the expiry of the option and the following 12 months.

Should FLEX Petroleum Limited not elect to exercise its option to acquire the remaining shares of Minza Oil & Gas Ltd the loan will be repayable to FLEX Petroleum Limited.

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 a fair value review an adjustment has been made for the value of future property lease payments. The financial statements include the results of the management companies for the twelve months from acquisition. As the entity has no external sales any profit or loss is eliminated on consolidation, the cost recharge for the year was $12.4m.

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

(USD 000)	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 a nominal £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 12 months.

Purchase of Assets

In June 2009 the Company and its 100% owned subsidiary FLEX Petroleum Limited entered into an agreement with Minza Oil & Gas Ltd ("Minza") and its shareholder covering the following: the purchase of a minority share (5%); a call option payment allowing the Group to purchase the remaining shares in Minza at an agreed price within a 12 month option period, expiring in 2010; further limited funding for Minza to pay down debt and fund its operations over the option period; and further payments dependant on reserve certification and project approval. The Company continues negotiations with potential partners and financing sources to fund and to allow the Minza option to be exercised.

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 non-controlling interest.

The book value of the assets and liabilities of Minza Oil & Gas Ltd at purchase were;

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

The results have been included from June 2009 in the consolidated numbers. The loss for the period to 31 December 2009 was £307k with $292k being recognised as non-controlling interests.

Note 2: Subsidiaries (continued)

The breakdown of the intangible carrying amounts at 31 December was;

(USD 000) - Group	2009
On acquisition	752
Exploration costs incurred	957
Expected acquisition costs	34,542
Total	**36,251**

The expected acquisition cost includes the purchase option, cost £1, but included at estimated fair value of $855k.

Note 3: Administrative expenses

3.1 Included in administration expenses

(USD 000)	**Group 2009**	Group 2008	**Company 2009**	Company 2008
Depreciation	**250**	0	**0**	0
P&L on disposal of assets	**(21)**	0	**0**	0
Net foreign exchange differences	**420**	0	**(46)**	0
Calculated fair value of warrants	**900**	3,085	**900**	3,085
Calculated fair value of options	**789**	1,071	**789**	1,071

3.2 Auditors

Expensed fee to the auditors is divided into the following services (exclusive of VAT):

(USD 000)	**Group 2009**	Group 2008	**Company 2009**	Company 2008
Audit	**100**	74	**16**	59
Tax assistance	**250**	273	**31**	273
Consultancy services	**72**	28	**72**	28
Total Auditor's fees	**422**	375	**119**	360

The consultancy fee in 2009 related to the IPO and the cost has been reflected in equity.

3.3 Remuneration

FLEX LNG has seven Directors, but no employees. All staff are employed by the two management companies.

Staff costs (USD 000)	**Group 2009**	Group 2008	**Company 2009**	Company 2008
Wages and salaries	**4,736**	0	**0**	0
Social security costs	**574**	0	**0**	0
Pension costs	**207**	0	**0**	0
Total employee benefit expenses	**5,517**	0	**0**	0

Share based payments are covered in note 13. Employees are offered a fixed base salary. In 2009 a retention payment equal to 8% of salary was paid to key staff. In 2010 the employees have been offered a performance related salary element. This is linked to key commercial contract goals and varies depending on staff seniority. The company contributes to a defined contribution pension scheme for staff. UK staff are offered additional health insurance. The number of man-labour years in 2009 was 41 (2008 – nil).

Note 3: Administrative expenses (continued)

3.3 Remuneration (continued)

Directors fees FLEX LNG (USD 000)	**Company 2009**	Company 2008
James A. MacHardy	**80**	38
Philip E. Fjeld	**50**	50
Scott Pearl	**50**	50
James D.A. Van Hoften	**50**	50
Ian Beveridge	**50**	50
Anders Westin	**50**	37
Aoki Hiromichi	**50**	22
William Smith (resigned 2008)	**0**	80
Total Directors' fees (see note 13)	**380**	377

In 2009 the Directors of FLEX LNG waived the right to receive shares covering 50% of their 2008 H2 salary. The value of these shares was $106k and was part of the $377k salary cost in 2008. In 2009, where directors have taken on directorships of subsidiary companies, they have received an annual fee of $2k per company on a pro rata basis. $9.3k per person, was paid for services provided by Mr. Fjeld, Mr. Hoften, Mr. Beveridge and Mr. Hiromichi in the year. All earnings and shares for Mr. Beveridge are assigned to Bernhard Schulte Investment Holding and for Mr. Hiromichi to Kawasaki Kisen Kaisha Ltd.

Executive Management (USD 000)	Salary	Sundry benefits	Pension	Option costs	**Group Total**
Philip Fjeld	250	3	13	37	**303**
Jostein Ueland	250	2	12	38	**302**
Trym Tveitnes	250	3	13	37	**303**
Gary Baron	245	2	12	18	**277**
2009	**995**	**10**	**50**	**130**	**1,185**
2008	0	0	0	0	0

The Executive Management receive remuneration via the management company FLEX LNG Management Limited. Mr. Fjeld, Ueland and Tveitnes do not have contracts of employment and their termination rights are determined by statute. Mr Baron has a contract of employment that gives a three month notice period. Options and warrants have been granted as follows Mr Fjeld, Ueland and Tveitnes 46,800 options each held personally (issued 22/07/08) and warrant and options via Hansa LNG Limited as detailed note 13 and 15. Mr Baron holds 90,000 options, issued 27/10/08 and 01/01/09.

Note 4: Finance costs and revenue

Finance revenue (USD 000)	**Group 2009**	Group 2008	**Company 2009**	Company 2008
Interest income	**393**	2,786	**387**	2,786
Total financial revenue	**393**	2,786	**387**	2,786

Note 5: Earnings per share

Basic earnings per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss by the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential shares.

Note 5: Earnings per share (continued)

The following reflects the loss and share data used in the earnings per share calculation.

Earnings per share:	2009	2008
Loss attributable to shareholders – Group $'000	**(10,165)**	(11,981)
Loss attributable to shareholders – Company $'000	**(1,457)**	(1,367)
Weighted number of ordinary shares	**104,213,188**	87,715,513
Effect of dilution:		
Share options [1]	**0**	0
Warrants [2]	**0**	0
Weighted average number of shares, adjusted for dilution	**104,213,188**	87,715,513

[1] the options are out of the money
[2] the impact of warrants is anti dilutive and excluded 2008, out of the money in 2009

Note 6: Management fees

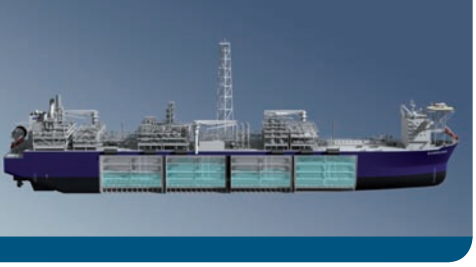
There are no employees in FLEX LNG Ltd. A contract for management services is entered with FLEX LNG Management Limited ("FLML") and its subsidiary. According to this agreement, FLML will render services to the Group relating to general administration and contract management. FLML is entitled to a compensation covering all its expenses plus a mark-up. A new management agreement covering the 2009 year was agreed on 5 March 2009. The total compensation for 2009 was $12,381k (2008: $9,965k).

Note 7: Income tax

The Group consists of two legal entities incorporated in the British Virgin Islands (BVI), and five entities in the Isle of Man, one entity in Norway and the Company's interest in Minza Oil & Gas Ltd. Income or capital gains are not subject to taxation in the BVI, or the Isle of Man. The profits in the Norwegian entity and the profit attributable to the UK are taxable.

(USD 000)	Group 2009	Group 2008
Current income tax charge	**197**	0
Adjustments in respect of current income tax of previous years	**(11)**	0
Income tax expense reported in the income statement	**186**	0

(USD 000)	Company 2009	Company 2008
Current income tax charge	**0**	0
Adjustments in respect of current income tax of previous years	**0**	0
Income tax expense reported in the income statement	**0**	0



Note 7: Income Tax (continued)

A reconciliation between the tax expense and the product of the accounting profit multiplied by the British Virgin Islands (BVI) domestic tax rate for the year ended 31 December 2009 and 2008 is as follows:

(USD 000)	Group 2009	Group 2008
Accounting loss before income tax	**(10,271)**	(11,981)
Income tax at 0% (2008:0%)	**0**	0
Effect of higher UK and Norway tax rates	**186**	0
Effective income tax rate of 2% (2008: 0%)	**186**	0

(USD 000)	Company 2009	Company 2008
Accounting loss before income tax	**(1,457)**	(1,367)
Income tax at 0% (2008:0%)	**0**	0
Effective income tax rate of 0% (2008: 0%)	**0**	0

Note 8: New Build Contracts

(USD 000) – Group, New build contracts	2009	2008
B/F – Payments on account, Hull	**458,730**	191,439
Additions	**0**	267,291
Carried forward	**458,730**	458,730
B/F – Topside	**22,968**	0
Additions	**16,371**	22,968
Carried forward	**39,339**	22,968
B/F – Capitalised cost	**12,277**	1,890
Additions	**6,045**	10,387
Carried forward	**18,322**	12,277
B/F - Total	**493,975**	193,329
Additions	**22,416**	300,646
Carried forward	**516,391**	493,975

The value reported in the balance sheet mainly refers to contractual payments made to the yard, Samsung Heavy Industries Co. Ltd. in Korea. The first vessel under construction would according to the contract be delivered starting from 2013. Total obligations for the Group with respect to payment for the vessels are detailed in note 16.3. Samsung carries the title to and the risk for the vessels hull until delivery, and has placed irrevocable refund guarantee for the prepayments made by the Group. The title for Topside equipment passes gradually during construction and on payment. The carrying value of the contractual payments and the capitalised costs are dependent on the continued contract position with Samsung; the ability to secure a contract at economically viable terms; and securing financing. Should these cease the carrying value would require material impairment. Capitalised interest of $143k is included in 2009 capitalised costs (2008 - $nil).

In assessing the carrying value of the asset the Group has reviewed the value in use. This has been calculated on a fully commissioned cost, over periods varying from 15-20 years (expected lives of the project or asset), expected production capacity / availability, and realistic LNG sales prices. The resultant internal rates of return are believed to be commercially viable. Given the asset value and project length changes in these assumptions can have a significant impact on the calculated carrying value.

Note 9: Equipment

(USD 000) - Group

Cost	Equipment
Cost 1 January 2009	0
Acquisition	703
Additions	108
Disposals	(56)
31 December 2009	**755**

Depreciation	Equipment
Cost 1 January 2009	0
Acquisition	138
Depreciation charge for the year	250
Exchange movement	(2)
Disposals	(16)
31 December 2009	**370**

Net book value	Equipment
At 31 December 2009	**385**
At 31 December 2008	0

Note 10: Other current assets

(USD 000)	Group 2009	Group 2008	Company 2009	Company 2008
Debtors	**408**	981	**147**	981
Prepayments	**248**	65	**0**	65
Other receivables	**269**	279	**0**	279
Total other current assets	**925**	1,325	**147**	1,325

Note 11: Cash and cash equivalents

(USD 000)	Group 2009	Group 2008	Company 2009	Company 2008
Cash at the bank and in hand	**25,679**	49,499	**24,645**	49,499
Cash and cash equivalents in the balance sheet	**25,679**	49,499	**24,645**	49,499
Overdraft facility	**0**	0	**0**	0
Cash and cash equivalents in the cash flow statement	**25,679**	49,499	**24,645**	49,499

Note 12: Share capital, shareholder information and dividend

Group & Company	2009	2008
Ordinary shares, nominal amount USD 0.01	**112,746,190**	102,364,371
Total number of shares	**112,746,190**	102,364,371

At 31 December 2009 2,493 issued shares had yet to be registered on the Norwegian VPS Register.

Group & Company	Shares ('000)	Share Capital (USD'000)	Share Premium (USD'000)
Ordinary shares			
Issued and fully paid:			
At 1 Jan 08	72,577	726	207,339
Warrants exercised	200	2	0
Issued June 2008	29,581	296	336,002
Issue in lieu of remuneration	6	0	76
31 Dec 08	102,364	1,024	543,417

Group & Company	Shares ('000)	Share Capital (USD'000)	Share Premium (USD'000)
Ordinary shares			
Issued and fully paid:			
At 1 Jan 09	**102,364**	**1,024**	**543,417**
Issued October 2009	**10,382**	**103**	**8,826**
31 Dec 09	**112,746**	**1,127**	**552,243**

Nominal value per share is USD 0.01. All issued shares have equal voting rights and are equally entitled to dividend. During the year $10m before costs was raised via the issue of new shares and in addition shares were allotted to directors of FLEX LNG to cover 50% of their remuneration for the first and second half of 2009. These Directors' shares had not been issued at 31/12/09 and are recorded in other reserves $190k. Computation of earnings per share and diluted earnings per share is shown in note 5.

Other reserves: FLEX LNG has recognised under other equity $1,879k (2008: $4,262k) in relation to the cost of warrants, options and shares issued.

FLEX LNG

Note 12: Share capital, shareholder information and dividend (continued)

Main group shareholders at 31.12.09 are: Shareholder:	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%
JP MORGAN CHASE BANK[1]	3,825,548	3.4%
JP MORGAN 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	2.6%
BANK OF NEW YORK MELLON SA/NV[1]	2,931,086	2.6%
BOASSON	2,322,846	2.1%
MORGAN STANLEY & CO INC. NEW YORK[1]	2,233,590	2.0%
DEUTSCHE BANK AG LONDON	2,000,000	1.8%
GOLDMAN SACHS INT. EQUITY[1]	1,994,763	1.8%
J.P. MORGAN BANK LUXEMBOURG S.A[1]	1,975,093	1.7%
WIECO AS	1,967,177	1.7%
VARMA MUTUAL PENSION INSURANCE	1,766,800	1.6%
MORGAN STANLEY & CO INTERNAT. PLC[1]	1,579,871	1.4%
BGL BNP PARIBAS[1]	1,579,323	1.4%
OTHER	21,974,496	19.5%
Total[2]	112,743,697	100.0%

Note[1] - Nominee account.
Note[2] - 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.

Note 13: Share based payments

Share-Based Payment - Group & Company
During the period ended 31 December 2009, FLEX LNG had share-based payment arrangements which are described below.

Plan	Warrant Plan	Option Plan
Type of arrangement	Equity Based	Equity Based
Date of Grants	27.03.2007 and 07.09.2007	22.07.2008, 27.10.2008, 11.12.2008 and 01.01.2009
Warrants and options granted (less lapses) as of 31.12.2009	6,631,455	3,335,000
Remaining contractual life	Average 5.5 years	Average 5 years
Vesting conditions	25% vest on at shore completion of the first vessel from Samsung, 25% vest on at shore completion of the second vessel from Samsung and 50% vest 31.12.2014	50% vest on the date of the first LNG vessel's first commercial cargo of LNG, 50% vest on the date of the second LNG vessel's first commercial cargo of LNG.
Expiry date	30/06/2015	31/12/2014

Note 13: Share based payments (continued)

As the exercise price of the warrants are quoted in USD, whereas the underlying is quoted in NOK, standardised models such as the Black-Scholes Model cannot be used. The fair value of granted warrants is calculated using a Quanto-Barrier Option Pricing Model. The fair value of the options is calculated using the Black-Scholes-Merton option pricing model.

The inputs to the model for options granted in 2009 are listed below:

Plan	Option
No of options	60,000
Expected life	5.08 years
Weighted average share price at grant date (NOK)	18.50
Weighted average exercise price (NOK)	21.50
Annual NOK risk-free rate	3.27%
Volatility of underlying share	60.41%
Expected dividends	-
Fair Value of warrants	NOK 9.39

The warrants contain market conditions in that the underlying has to trade above a barrier (hurdle) following vesting date in order to be exercised.

Expected volatility is based on historical volatilities of similar entities listed on the Oslo Stock Exchange. FLEX LNG is newly listed on Oslo Axess, and guidelines in IFRS 2, B26 are used to estimate expected volatility, as similar entities, Sevan Marine, Prosafe and Aker Floating Production have been used.

The correlation between the rate of return of the underlying and that of the FX-rate is based on Prosafe historical quotes.

The total expensed amount in 2009 relating from the share-based payment plan was $1,689k (2008 - $4,156k). The split of the 2009 expense between the warrants and options was $900k and $789k. The total expensed amount relating to remaining options and warrants at 31/12/2009 was $7,023k (2008 - $5,334k).

Further details of the plan are as follows:

	01.01.09 - 31.12.09		01.01.08 - 31.12.08	
	Options & Warrants	**Weighted Average Exercise Price**	Warrants	Weighted Average Exercise Price
Warrants / options outstanding at the beginning of year	**10,511,455**	**NOK 24.70**	6,631,455	NOK 17.50
Options granted	**60,000**	**NOK 21.50**	3,880,000	NOK 37.00
Exercised	**0**	**0**	0	0
Terminated	**(605,000)**	**NOK 37.00**	0	0
Forfeited	**0**	**0**	0	0
Expired	**0**	**0**	0	0
Options & warrants outstanding at the end of year	**9,966,455**	**NOK 21.90**	10,511,455	NOK 24.70
Vested Option / Warrants	**0**	**0**	0	0
Weighted average fair value of options granted during the year	**60,000**	**NOK 9.39**	3,880,000	NOK 19.89

Note 13: Share based payments (continued)

Outstanding and vested Warrants as of 31 December 2009 are given in the table below.

	Outstanding			Vested	
Exercise price (NOK)	Outstanding Options & Warrants per 31.12.2009	Weighted average remaining contractual Life	Weighted Average Exercise Price NOK	Vested Options & Warrants 31.12.2009	Weighted Average Exercise Price
0.00 – 15.00	6,631,455	5.50	14.44	0	0
15.00 – 20.00	0	0	0	0	0
20.00 – 30.00	60,000	5.00	21.50	0	0
30.00 – 40.00	3,275,000	5.00	37.00	0	0
40 and above	0	0	0	0	0
Total	**9,966,455**	**5.33**	**21.90**	**0**	**0**

Warrant holders are as follows;

Holder	Date	Warrants
Hansa LNG Limited	27th March 2007	2,000,000
Hansa LNG Limited	7th September 2007	4,631,455
Total		**6,631,455**

In 2008 FLEX LNG authorised the issue of up to 2,600,000 options to the employee's of the management companies. At 31/12/2009 1,335,000 of the 2,600,000 options remained in issue.

Options were granted as follows;

Holder	Date	Options
Employees of the management companies	22nd July 2008	1,400,000
Employees of the management companies	27th October 2008	480,000
Hansa LNG Limited	11th December 2008	2,000,000
Total - 2008		3,880,000
Lapsed - 2009, employees		(605,000)
Employee of the management companies	1st January 2009	60,000
Total - 2009		**3,335,000**

The employee options, subject to certain customary exceptions, require staff to be employed by the company from the date of grant to the time of vesting. The objective of the options is to align the effort of employees with the future success of the Group.

The options and warrants held by Hansa LNG Limited do not have an employment requirement. The awards to Hansa LNG Limited were to compensation Hansa LNG Limited for, inter alia, its efforts in; establishing the Company; developing the Company's business concept and certain commercial opportunities; funding the Company until the first private placement; achieving successful completions of the two private placements in 2007; and for reducing Hansa LNG Limited's ownership share in the Company through the two private placements in 2007.

During the period ended 31 December 2009 FLEX LNG agreed to issue the directors with shares covering 50% of their remuneration. The value of the shares is based on the fair value of the services received of $190k (2008 - $182k). At 31 December 2009 164,722 shares with a value of $190k had not yet been issued to the directors.

Note 13: Share based payments (continued)

The split of shares issued to director, by way of remuneration, was as follows;

Director	2009	2008
J MacHardy	**34,678**	0
J van Hoften	**21,674**	997
I Beveridge	**21,674**	997
P Fjeld	**21,674**	997
S Pearl	**21,674**	997
A Westin	**21,674**	499
A Hiromichi	**21,674**	0
W Smith (resigned 2008)	**0**	1,595
Total	**164,722**	6,082

At 31/12/09 the 164,722 shares has not been issued.

Note 14: 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 EPCIC 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 $3,733k had been deferred, including interest. In addition 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 $2,474k 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 $208k provision for the property lease liabilities is included, based on a fair value allocation on the FLEX LNG Management Limited acquisition.

Note 15: Related parties

15.1 Purchase of FLEX LNG Management Limited
Pursuant to a share purchase agreement dated 1 January 2009 entered into between the Company and Hansa LNG Limited, a company controlled by the founders, 100% of the shares in FLEX LNG Management Limited were transferred to the Company against the nominal value of share capital of FLEX LNG Management Limited (£2).

15.2 Samsung principle agreement
As a result of the transfer of parts of the instalments paid under the shipbuilding contract for M-FLEX 4 to M-FLEX 1 the balances under the intercompany loan agreements between the Company and M-FLEX 1 Limited and M-FLEX 4 Limited, respectively, have been adjusted to reflect such transfers.

15.3 Oslo listing
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).

15.4 Options and warrants
Hansa LNG Limited, a company controlled by the founders, has been issued with options and warrants as detailed in note 13. The 2009 P&L cost was warrants $900k, (2008- $3,085k) and options $333k, (2008 - $32k).

Note 15: Related parties (continued)

15.5 Shares held by members of the Board – 31/12/09

Director	No. Shares
James A. MacHardy	0
Philip E. Fjeld	997
Scott Pearl	427,997
James D.A. van Hoften	997
Ian Beveridge	250,000
Anders Westin	499
Aoki Hiromichi	0
Total	**680,490**

The amounts above exclude the shares detailed in note 13, which had not been issued at 31/12/09.

Note 16: Commitments and contingencies

16.1 Guarantees

On 8 August 2008 FLEX LNG Management Limited entered into a ten year lease agreement on a property lease in London, which is denominated in GBP. The Company has guaranteed to cover the provisions of the lease should FLEX LNG Management Limited fail to comply with the obligations under the lease. The future rental payments under the lease are $2.1m (2008: $2.1m).

Under the EPCIC contract between M-FLEX 1 Limited and Samsung, the Company has provided a guarantee for the liquidated damages should M-FLEX 1 Limited cancel the EPCIC contract or Samsung terminate due to M-FLEX 1 Limited's default. This liability equals 8% of remaining and unpaid sums under the EPCIC contract, approximately $58m at 31 December 2009 (2008: $42m). Under the principle agreement with Samsung all liabilities with Samsung under the four ship building and EPCIC contracts are joint and several between the four companies and FLEX LNG, until funding is obtained for one vessel, or a contract with a third party for use, has been secured.

Note 17.1 provides additional details on the current discussions with Samsung Heavy Industries.

16.2 Operating lease commitments, lessee

Subsidiaries have entered into leases on commercial property. The leases have average remaining lives of 1.8, 2.8 and 8.6 years and are denominated in GBP and NOK. The leases are non-cancellable, although the intermediate lease has a break point in 2010, two years from expiry. The two shorter leases have no rent review prior to expiry, the longer lease has an upward only review due five years before expiry. The future rental payable under the leases as at 31 December 2009 is as follows;

(USD 000)	**Group 2009**	Group 2008
Within one year	**488**	0
After one year but not more than five years	**1,298**	0
More than five years	**899**	0
Total	**2,685**	0

16.3 Capital commitments - SHI

At 31 December 2009, the Group had commitments of $2,503m (Hulls - $1,776m vessels 1-4, Topside - $727m vessel 1) (2008: $2,238m) relating to four shipbuilding contracts with Samsung Heavy Industries Co. Ltd and one EPCIC contract. 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.

16.4 Capital commitments – Minza Oil & Gas Ltd.

Should FLEX Petroleum Limited ("FPL") decide to exercise the option to purchase Minza Oil & Gas Ltd ("Minza") the following additional payments are then due to be made: option payment to acquire the remaining shares; a success fee if gas reserves of 1.2 TCF are confirmed (this is adjusted up for additional reserves on a set formula and is adjusted down (or not payable)

Note 16: Commitments and contingencies (continued)

16.4 Capital commitments – Minza Oil & Gas Ltd. (continued)

depending on the level of inert gas); and a success fee if FID is reached (this is adjusted up or down depending on reserve levels and the level of inert gas). Additional details are provided in note 2. If FID is not achieved, by predefined dates, the Seller has the right to repurchase the shares in Minza at a sum equal to the amounts expended by FPL.

16.5 Contingencies - Peak Petroleum and Shell Nigeria

The memorandum of understanding and heads of agreement previously entered into between, inter alia, FLEX LNG and Peak Petroleum Industries Nigeria Ltd. regarding the potential joint development of OML 122 offshore Nigeria, have expired and FLEX LNG therefore currently does not have a contractual relationship with Peak Petroleum Industries Nigeria Ltd. regarding the development of OML 122.

Peak Petroleum Industries Nigeria Limited ("Peak Petroleum") has previously sued Shell Nigeria Upstream Ventures Ltd ("Shell Nigeria") in Nigeria in order for the Nigerian courts to confirm that Peak is the 100% interest holder to OML 122. Shell Nigeria has filed a counter-claim in order for the Nigerian courts to confirm that Shell Nigeria has a 40% interest in OML 122.

In a court filing on 11 June 2009 Shell Nigeria filed to join FLEX LNG as a co-defendant together with Peak Petroleum to Shell Nigeria's counter-claim against Peak Petroleum. Shell Nigeria's counter-claim seeks declaratory relief to the effect that Peak Petroleum and FLEX LNG's discussions concerning possible development of OML 122 are in breach of various agreements between Shell Nigeria and Peak Petroleum and injunctive relief restraining Peak Petroleum and FLEX LNG from continuing to develop OML 122. FLEX LNG intends to vigorously defend the claim and believes it has no merit against FLEX LNG. Currently the case is adjourned to April 2010 and has not been heard.

Note 17 Subsequent events / events after balance sheet data

17.1 Discussions with Samsung Heavy Industries

Samsung has informed FLEX LNG in writing that they will work with the Group with the aim of amending the Principle Agreement. In addition they have informed FLEX LNG that presently and dependent on commercial progress and cost impact they have no intention of exercising their right of termination stipulated under the Principle Agreement and acknowledge the need to defer the resumption date.

17.2 Floating Liquefaction Project

The Group has announced that it is in advanced talks with an Asian National Oil Company (NOC) to join a floating liquefaction project that would monetise gas resources controlled by the NOC in Australia. The proposed project would be developed by a JV where FLEX LNG would join together with one or more technical and commercial partners.

17.3 Options

In 2008 FLEX LNG authorised the issue of up to 2,600,000 options to the employee's of the management companies. At 31 December 2009 1,335,000 of the 2,600,000 options remained in issue. In 2010 the Company has issued 814,500 additional options to staff with exercise prices of 6.5NOK and 27NOK.

17.4 Shares

On 23 February 2010 the Company issued 164,722 additional shares to cover 50% of the Director's remuneration for 2009.

Note 18: Financing

Instalments payable to Samsung would likely 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 currently obligated to pay Samsung a total of $146m in 2010.

Note 19: 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 it faces and the impact that this has on the ability of the Group to finance its funding 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. Samsung has informed FLEX LNG in writing that they will work with the Group with the aim of amending the Principle Agreement. In addition they have informed

Note 19: Going Concern (continued)

FLEX LNG that presently and dependent on commercial progress and cost impact they have no intention of exercising their right of termination stipulated under the Principle Agreement and acknowledge the need to defer the resumption date. 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 finance), or (b) raise additional working capital and rearrange its obligations to allow the Company more time to achieve (a). These steps would allow the Group to finance its operations over the year.

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 20: Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme considers the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Currency risk

The value of monetary assets and liabilities denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. The Group has historically raised funding in USD, with the share price denominated in NOK, but the proceeds being fixed into USD. The main capital commitments of the Group are to Samsung. Under the ship building contracts ("SBC's") the lump-sum price has been fixed in USD. Currently the EPCIC contract is on a reimbursable basis and the Group is exposed to the underlying currencies billings of the vendors. These billings are presently relatively small. Once the resumption notice has been issued, the Group will work with Samsung to fix a lump sum price for the EPCIC contract in USD. Under both the four SBC's and one EPCIC contract the group will then only remain exposed to currency risk on change requests and variations, where the underlying cost is not in USD. Additionally the Group incurs overhead costs in GBP and NOK. These exposures are not currently hedged.

Interest rate risk

The Group currently only has interest bearing assets. Amounts are placed on deposit for periods to secure higher returns, while balancing the need to access funds as required.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring cash modelling forecast. This model considers the maturity of payment profiles and projected cash flows required to fund the operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the raising on finance from investors. The Group does not currently have any bank overdrafts and bank loans. Liquidity management services are provided to the Group under the management agreement.

Upon a company in the Group concluding a contract for the processing of LNG or contract of employment of one of the vessels it would look to raise project loan finance to cover the majority of the capital costs for the asset. Additional details provided in notes 18 and 19.

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The main exposure to credit risk is on cash and advance payments to Samsung. Funds are currently placed with the Bank of Ireland, where deposits are currently guaranteed by the Irish Government, additionally Samsung has provided irrevocable refund guarantee for the prepayments made by the Group.

ERNST & YOUNG

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Ernst & Young AS

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Medlemmer av Den norske Revisorforening

To the Annual Shareholders' Meeting of
FLEX LNG Ltd

Auditor's report for 2009

We have audited the accompanying annual financial statements of FLEX LNG Ltd, which comprise the financial statements of the parent company and the group. The financial statements of the parent company and the group comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flows and changes in equity as well as the explanatory notes.

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Norwegian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of FLEX LNG Ltd and FLEX LNG Group as of 31 December 2009, and the financial performance, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to Note19 to the financial statements that indicate that the Company needs additional financial resources to meet the financing needs during 2010 and that such financing is not yet in place. These conditions indicate that there is significant doubt about the Company's ability to continue as a going concern. The financial statements do not reflect impairment charges that might be required if the Company was liquidated or the assets sold in a distressed situation.

Bergen, 27 April 2010
ERNST & YOUNG AS

Jørund Haga Indrehus
State Authorised Public Accountant (Norway)