May 26, 2009

Introduction

This management discussion and analysis ("MD&A") provides an analysis of the financial condition and results of operations of Changfeng Energy Inc. (the "Company") and compares the financial results for the quarter ended March 31, 2009 with those of the same period the previous year. The MD&A should be read in conjunction with the Company's unaudited consolidated financial statements and related notes for the quarter ended March 31, 2009 and the audited consolidated financial statements and related notes and the MD&A for the year ended December 31, 2008 which have been prepared in accordance with generally accepted accounting principles in Canada. Additional information about the Company is available at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this MD&A may constitute "forward looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this report, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", the negative thereof or other variations thereon or comparable terminology are intended to identify forward looking statements. Such forward looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward looking statements, such as significant changes in market conditions, the inability of the Company to close sales and the inability of the Company to attract sufficient financing and including the risk factors summarized below under the heading "Risk Factors". New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward looking statements as a prediction of actual results. Although the forward looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. The forward looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Description of Business

Changfeng Energy Inc. is a Canadian public company currently trading on the TSX Venture Exchange, as a Tier 1 company, under the stock symbol "CFY". The Company was formed via a reverse takeover of McBroom Resources and the merger was completed on January 29, 2008. The Company through its wholly owned subsidiary HEL and its wholly owned subsidiary Sanya Changfeng Offshore Natural Gas Supply Co. Ltd ("CF China") is engaged in the design and construction of natural gas distribution networks and the distribution of natural gas to residential and commercial customers in the greater Sanya region, Hainan Province, People's Republic of China ("PRC").

The primary business objective is to become one of the predominant natural gas distributors in the southern PRC. CF China has acquired a Hainan Natural Gas Operating Permit which provides it with the rights to distribute natural gas throughout the greater Sanya region. CF China has developed a natural gas pipeline network in Sanya City and is in the process of expanding the distribution network in various other communities throughout the greater Sanya region. CF China has been formally recognized as Sanya City's exclusive natural gas distributor through the signing of a concession agreement.

Description of Operations

CF China conducts its business through two primary operating segments: Distribution Network Design and Construction and Natural Gas Supply and Distribution, each of which is described in further detail below.

Distribution Network Design and Construction

CF China has built and owns Sanya City's main pipeline network and branch pipeline networks to effect gas connections to residential, industrial and commercial users. Each of CF China's pipeline customers is physically connected to its pipeline network through connection equipment and natural gas usage monitoring systems which are installed and maintained by CF China.

CF China's network includes 38 km of high pressure gas pipelines, over 100 km of medium to low pressure gas pipelines and over 120 km of branch/customer pipelines. The network includes one primary station, 2 gate processing stations and 3 gas pressure regulating stations. The primary station is connected to the state owned natural gas processing plant located nearby. This processing plant is directly connected via high pressure sub sea pipeline to the CNOOC Ya13-1 gas field located approximately 100 km offshore in the South China Sea.

CF China is continuing to expand its customer base in Sanya City and is also in the process of expanding its operations to newly developed business, tourist and residential areas, including the districts of Yalong Bay, Haitang Bay and Green Scientific Park. CF China has been granted the right to construct facilities and distribute natural gas to Haitang Bay, a tourist destination located in Hainan Province currently under development. CF China is not dependent upon any single customer or group of customers for a material portion of its natural gas sales or revenues. CF China has been formally recognized as the City of Sanya's exclusive natural gas distributor through the signing of a concession agreement. This concession agreement gives CF China the exclusive right to piped gas distribution in the City of Sanya for 30 years commencing December 31, 2007 and includes any future geographical boundary increases of the City of Sanya.

CF China has completed the construction of the 20 km pipeline extension to connect the Yalong Bay regional users to the company's existing networks in the city and expects to start flowing gas later on in the year to the large hotels in the region once the customer connections are complete. The Company's estimated natural gas usage among these hotels is approximately 10 million M3 per annum.

Following the completion of its natural gas distribution networks, CF China retains ownership in such networks and manages its operation to transport natural gas to residential and commercial end users. CF China charges its customers a one time connection fee to the network.

CNG Filling Stations

On December 18, 2008, the Company established a new company, Hunan Changfeng - CNPC Energy Co. Ltd. ("Hunan CF CNPC"), with a subsidiary of China National Petroleum Corporation ("CNPC") and its associates to pursue compressed natural gas ("CNG") distribution opportunities in Changsha, a major city in China and capital of Hunan Province. The Company has 58% of the equity interests of Hunan CF CNPC through its newly incorporated, 99.92% owned subsidiary, Sanya Changfeng New Energy Investment Co. Ltd. ("Sanya CF NEI") and its 60% owned subsidiary Hunan CNPC New Energy Investment Ltd. (see below) As of March 31, 2009, the Company has made its capital contribution in Hunan CF CNPC and the other parties are required to make their capital contribution by December 2010.

In January 2009, the Company acquired 60% of the equity interest in Hunan CNPC New Energy Investment Ltd. ("Hunan CNPC NEI"), which has a contract with Hunan CNPC Pipeline Gas Co. Ltd., an arm's length corporation, to purchase 11 million M^3 of CNG a year until September 12, 2027. The CNG purchased pursuant to this contract will be used to supply the Company's CNG commercial vehicle filling stations in Changsha City, upon completion of construction.

The first three of a total of seven applications for the construction of CNG stations in Changsha are going through the final approval process. Changfeng's share of the capital expenditures will be funded from existing working capital.

Foreign Exchange Rates

The Company undertakes many transactions in Chinese RMB. Information covering exchange rates between this currency and the Canadian dollar is summarized below.

One Canadian dollar to	RMB
Average Q1 2008	7.13
March 31, 2008	6.82
Average Q1 2009	5.49
March 31, 2009	5.42

As the Company's subsidiaries in China are considered self sustaining, any impact on financial instruments due to foreign exchange fluctuations have been recognized as other comprehensive income, not as net income.

Key Financial Data and Comparative Figures	Unaudited	Audited
($ 000's)	March 31, 2009	December 31, 2008
Balance Sheet		
Cash	4,432	5,477
Working capital (deficit)	(10,908)	(9,401)
Capital assets	33,428	31,664
Total assets	41,314	40,091
Shareholders' equity	10,789	9,859
Weighted average number of shares outstanding - basic (000's)	66,025	63,479

Quarterly data	2009	2008				2007		
($000's)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	4,337	4,184	2,896	2,968	2,966	2,950	2,235	1,779
Gross profit	2,878	2,710	1,708	1,606	1,765	1,758	1,255	1,061
Interest	(265)	27	(259)	(212)	(289)	(2)	(366)	(253)
Net income (loss)	623	590	83	2	243	1,602	(235)	(414)

The above financial information has been prepared in accordance with Canadian generally accepted accounting principles and is stated in Canadian dollars. The comparative data used, prior to the amalgamation, is that of HEL the operating entity.

Results of Operations

The Company generated revenues of $4,336,860 for the quarter ended March 31, 2009 compared to $2,966,091 in the quarter ended March 31, 2008. This 46% increase can be attributed to the foreign exchange effect and the growth in piped gas sales as more customers are connected. The gross margin for the period was 66.4% as compared to 59.5% in 2008. The higher margin is due to the increase of higher margin piped gas sales in the revenue mix and higher connection revenue margins.

The table below illustrates the increase in customers connected over the period and volume of gas sold.

	Q1 2009	Q1 2008	% change
Residential			
Customers connected during the quarter	2,180	2,960	(26%)
Total customers at the end of the quarter	39,981	27,466	46%
Gas sold V. (m3) during the quarter	881,600	750,000	18%
Commercial			
Customers connected during the quarter	15	17	(12%)
Total customers at the end of the quarter	390	298	31%
Gas sold V. (m3) during the quarter	5,390,700	4,300,000	25%

General and administrative costs for the quarter ended March 31, 2009 were $1,329,268 compared to $737,401 for the comparable period in 2008. This increase can be attributed to increases due to the revenue growth of the Company, business development activities in mainland China, the costs of operating a public company and the stronger RMB impact on the financials.

Travel and promotion costs for the quarter ended March 31, 2009 were $337,832 compared to $269,602 for the comparable period in 2008.

Interest on long term debt for the period ended March 31, 2009 was $264,661 (2008 - $289,197). This decrease represents both a reduction in interest rates payable and principal outstanding.

Amortization for the quarter ended March 31, 2009 was $293,687 (2008 - $239,966).

The net income for the quarter ended March 31, 2009 was $622,684 or $0.009 per share compared to a net income of $242,715 or $0.005 per share for the quarter ended March 31, 2008.

Commitments

Statutory Reserves

In accordance with PRC Company Law, CF China is required to provide for certain statutory reserves commencing from the year it reports retained earnings. Prior to June 6, 2007, as a domestic limited liability company, CF China was required to allocate at least 10% of its after tax profits to a statutory surplus reserve with the right to discontinue allocations to the statutory surplus reserve if such reserves reach 50% of its registered capital. CF China was also required to appropriate 5% of after tax profit to a statutory welfare reserve to be used only for the collective benefits of CF China's employees. All statutory reserves are required to be calculated based on amounts reported in CF China's PRC statutory financial statements under China GAAP. Effective from June 6, 2007, as CF China became a foreign invested enterprise ("FIE"), in accordance with PRC Company Law for FIEs, CF China is required to provide for a surplus reserve fund, enterprise development fund, and employee welfare fund, each at a percentage of after tax profits, which is a discretionary percentage and is decided by the CF China's board of directors each calendar year. These reserves can only be used for specific purposes and are not transferred to the Company in the form of loans, advances, or cash dividends. These reserves can be distributed to the shareholder of CF China at the time when CF China is wound up.

As of March 31, 2009, CF China had not appropriated RMB to the above statutory reserve funds as CF China has not yet reported retained earnings.

Haitang Bay Pipeline Construction

The Company has signed eight contracts with a sub-contractor and other relevant suppliers to construct pipelines to extend to the Haitang Bay area of Sanya City, for a total contract amount of RMB 20,893,429 ($3,852,748), of which RMB 15,666,868 ($2,888,970) was incurred as at March 31, 2009 and included in construction in progress. The contracts are expected to be completed by August 31, 2009.

Purchase Commitments

See Note 15 of the interim unaudited consolidated financial statements.

In connection with the CNG contract described in Note 7, the Company is required to pay a one time charge of RMB 3,000,000 ($553,200) in addition to the price of the gas. As of March 31, 2009, RMB 1,000,000 ($184,400) has been paid.

Related Parties

During the year ended December 31, 2007, a significant shareholder, who is also an officer and director of the Company advanced loans in the aggregate amount of RMB 40,000,000 (March 31, 2009 $7,376,000) (December 31, 2008 - 7,180,000) to the Company, through wholly owned corporations, in accordance with a Subordination and Forbearance Agreement dated April 27, 2007, Consignment Loan Agreements dated May 23, 2007 and June 26, 2007, and other ancillary documentation.

These loans are unsecured, non-interest bearing, are subordinate to the claims of all other creditors, including unsecured creditors, of the Company, and are due on demand; however, the lender cannot demand the repayment of the loans at any time until April 27, 2010. These corporations and the Company have entered into Loan Renewal Agreements whereby the parties
have agreed to enter into further loan renewal agreements upon the same terms and conditions as the Consignment Loan Agreements every three years, in perpetuity.

This individual owns 2.4% of the equity in CF Engineering through a corporation which the individual controls.

A corporation controlled by this same individual owed the Company a total of US$62,889 (Cdn$79,322) as at March 31, 2009 (December 31, 2008 – US$62,889(Cdn$76,599)) for various expenditures paid by the Company on behalf of this corporation. This amount is unsecured, noninterest bearing with no fixed terms of repayment. The amount was recorded against the loan described above under due to related parties.

In addition, the Company owed this individual $145,665 for unpaid salary which amount is included in accounts payable. This amount is unsecured, non-interest bearing with no fixed terms of repayment. This transaction was in the normal course of operations and was measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Capital Stock and Share Issuances

No securities were issued during the quarter ended March 31, 2009.

Liquidity

The Company's cash and cash equivalents balance at March 31, 2009 was $4,432,370, compared to $5,477,208 at December 31, 2008. The Company had a working capital deficit of $10,908,176 as at March 31, 2009, compared to a working capital deficit of $9,401,191 as at December 31, 2008.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenue and expense during the report period. Such estimates and assumptions affect the carrying value and useful lives of assets and affect the valuation of investments, intangible assets, stock based compensation, accrued interest with respect to the term loan facility described in Note 7(b) of the Company's March 31, 2009 unaudited interim consolidated financial statements, and income tax accounts. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Financial Instruments - Recognition and Measurement

This standard prescribes when a financial asset, financial liability, or non financial derivative is to be recognized on the balance sheet and whether fair value or cost based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. All derivatives are recorded on the balance sheet at fair value. Mark to market adjustments on these instruments is included in net income, unless the instruments are designated as part of a cash flow hedge relationship.

All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance.

Capital Resources

The Company has sufficient capital resources generated through operations and the private placement completed in January, 2008 to satisfy its current capital expenditure requirements. The Company will require additional funds to complete its Haitang Bay project. Funding for this project is expected to come from a combination of debt and internally generated cash flow.

Risk Factors

For a detailed list of risk factors please see the Company's December 31, 2008 MD&A.

Share Capital

As of March 31, 2009, the Company has 66,025,000 common shares outstanding, 1,000,000 warrants outstanding at an average exercise price of $0.60 per share and 3,800,000 stock options at an average exercise price of $.60 per share.

New Accounting Policies

Rate Regulated Operations

Effective January 1, 2009, the temporary exemption from CICA Handbook Section 1100, "Generally Accepted Accounting Principles", which permits the recognition and measurement of assets and liabilities arising from rate regulation, will be withdrawn. The change is not expected to have an impact on the Company's consolidated financial statements.

Goodwill and Intangible Assets

In November 2007, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, which replaces the existing Handbook Section 3062, Goodwill and Other Intangible Assets and Handbook Section 3450, Research and Development Costs. This standard is effective for annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The Company is currently assessing the impact of this new accounting standard on its financial statements.

EIC 173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company is continually evaluating its counterparties and their credit risks.

Future Accounting Changes

Business Combinations

CICA Handbook Section 1582 "Business Combinations", replaces Section 1581 - "Business Combinations" and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company will adopt this standard on January 1, 2011.

Consolidations

CICA Handbook Sections 1601 "Consolidations" and Section 1602 "Non-Controlling Interests" replace Section 1600 "Consolidated Financial Statements". Section 1602 provides the Canadian equivalent to International Accounting Standard 27 - "Consolidated and Separate Financial Statements", for non-controlling interests. The Company will adopt this standard on January 1, 2011.

Preparing for IFRS conversion

The ACSB has confirmed January 1, 2011 as the date IFRS will replace current Canadian standards and interpretations as Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable companies. The transition to IFRS may materially affect the Companies reported financial position and results of operations. The Company has imitated the process to identify the differences in accounting standards that are relevant to the Companies business. The Company is currently assessing the future impact of these new standards on its consolidated financial statements.

Outlook

The Company continues to add both residential and commercial customers to its existing networks as well as expand its medium pressure pipelines. The Yalong Bay extension has been completed and is expected to start flowing gas shortly.

The Company has received preliminary approval for a pressure station in conjunction with its planned Haitang Bay extension, which would include a 25km medium pressure pipeline. Construction has commenced on local distribution pipelines.

The Company recently announced its cooperation with CNPC and other parties to construct CNG filling stations in Changsha. This partnership will establish a solid foundation for Company developing natural gas distribution markets in Mainland China cities and also support securing natural gas supply for future projects.

The Company continues to explore other expansion opportunities both on Hainan Island and in mainland China.