Dated May 14, 2010

Introduction

This management's discussion and analysis ("MD&A") provides an analysis of the financial condition and results of operations of Changfeng Energy Inc. ("Changfeng" or the "Company") and compares the financial results for the quarter ended March 31, 2010 with those of the same period of the previous year. This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes for the quarter ended March 31, 2010 and the audited consolidated financial statements and related notes and the MD&A for the year ended December 31, 2009, which have been prepared in accordance with generally accepted accounting principles in Canada. Additional information about the Company is available at www.sedar.com.

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 reported amounts of sales and expenses during the reporting period. Changfeng bases its estimates on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Unless otherwise indicated, all references to "$" or "dollars" in this report refer to the Canadian dollar.

Caution Regarding Forward-Looking Information

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 subsidiaries, 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.

Corporate Overview

Changfeng is a Canadian public company currently trading on the TSX-V under the stock symbol "CFY". Changfeng was formed via a reverse takeover of McBroom Resources Inc. that was completed on January 29, 2008. The Company is a provider of pipeline natural gas for industrial, commercial and residential use in the greater Sanya region, Hainan Province, People's Republic of China ("PRC"), through its wholly owned subsidiary Hainan Energy Limited, which, in turn, wholly owns Sanya Changfeng Offshore Natural Gas Supply Co. Ltd.

China is one of the largest consumers of energy in the world, and the natural gas market in China is developing rapidly, but is still at an early stage. Currently, approximately 70% of China's energy consumption is satisfied via coal, whereas natural gas accounts for approximately 3%, which is much lower than the world average of approximately 24%. With the progress of a west-east gas pipeline, natural gas is becoming the fastest-growing energy source in the country. China has also been actively seeking new and cleaner sources of energy. It is expected that natural gas consumption in China will rise to over 10% of total energy consumption by 2020.

Natural gas is often described as the cleanest fossil fuel, producing less carbon dioxide per joule delivered than either coal or oil, and far fewer pollutants than other fossil fuels. Natural gas is expected to be used for electric power, residential and industrial purposes as an alternative to coal, and compressed natural gas (CNG) is expected to be used for vehicular fuel in China.

Currently, the Company owns and operates 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, together with one primary gas station, 2 gate gas processing stations and 3 gas pressure regulating stations in Sanya City, Hainan province, China, The Company is rapidly expanding its gas distribution network to various other communities throughout the greater Sanya City to satisfy strong customer demand.

Since 2008, the Company has been actively pursuing gas distribution opportunities in other provinces in mainland China. During the first quarter of 2010, significant progress has been made towards penetrating the market in south middle China. During this quarter, Changfeng has entered into certain preliminary acquisition or joint venture agreements. One is in Changsha City, the capital of Hunan Province, China, one of the largest cities in the country, and the rest in Pingxiang City, Jiangxi Province, China, a world famous ceramics manufacturing center. It is expected that final agreements will be signed in 2010.

Changfeng will continue to grow its business through focusing its resources and surplus cash flow on underserviced regions, and ultimately become a leading regional natural gas distributor in China.

Corporate History and Subsidiaries

On January 1995, the Company formed Sanya a wholly-owned subsidiary Changfeng Offshore Natural Gas Distribution Co., Ltd. ("Sanya Changfeng").

On April 8, 2003, the Company formed a 98%-owned subsidiary Sanya Changfeng Offshore Natural Gas Design Co., Ltd. ("Design company").

On July 16, 2003, the Company formed a 99.4%-owned subsidiary Sanya Changfeng Offshore Natural Gas Engineering Co., Ltd. ("Engineering company")

On November 26, 2008, the Company formed San Ya Changfeng New Energy Investment Co., Ltd. ("Changfeng NEI").

On December 18, 2008, the Company acquired 55% equity interest in Hunan Changfeng CNPC Energy Co. Ltd. ("Hunan CNPC"), with a subsidiary of China National Petroleum Corporation ("CNPC") to pursue compressed natural gas ("CNG") distribution opportunities in Changsha City, the capital of Hunan Province, China. Hunan CNPC NEI holds a 20-year natural gas long term supply agreement with Hunan CNPC Pipeline Gas Co. Ltd., which allows the company to purchase up to 11 million M3 annually until September 12, 2027.

On January 13, 2009, the Company acquired a 60% equity interest in HuNan CNPC New Energy Investment Co., Ltd ("Hunan CNPC-NEI"). Prior to the acquisition, Hunan CNPC-NEI has obtained the rights to a CNG purchase contract.

Description of Operations

Changfeng conducts its business through three primary operating segments: Distribution Network Design and Construction, Natural Gas Supply and Distribution and CNG Filling Stations, each of which is described in further detail below.

Distribution Network Design and Construction and Natural Gas Supply and Distribution

On December 31, 2007, Changfeng was granted an exclusive natural gas distribution franchise in Sanya City by the Sanya municipal government through the signing of a long term concession agreement. This concession agreement grants that Changfeng has the exclusive right to operate piped gas distribution for 30 years until December 31, 2037, not only in the existing Sanya City area, but also in any future geographical boundary increase in Sanya City, Hainan Province.

Changfeng has built and owns Sanya City's main pipeline network and branch pipeline networks, to which all of our pipelined natural gas consumers, including residential, industrial and commercials, are directly connected through specialized connection equipments and natural gas usage monitoring systems which are owned and maintained by Changfeng. Currently, the Company's existing network in greater Sanya City 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, together with one primary gas station, 2 gate gas processing stations and 3 gas pressure regulating stations. The primary gas station is mainly used for the connection with the state-owned natural gas processing plant, which is directly connected through high pressure sub sea pipeline to the CNOOC (Hainan) Limited ("CNOOC") Ya13-1 gas field that is located approximately 100-km offshore in the South China Sea. The Company is continuing to expand its customer bases in greater Sanya City to satisfy increasing demand for clean energy.

In addition, with the rapid regional expansion of Sanya City, the Company is also expanding its pipeline to a newly-developed business park as well as tourist and residential areas since late 2008. These areas include Green Scientific Park districts and Haitang Bay, which the Company expects could be one of most popular tourist resort areas in China in the near future.

Upon completion of the natural gas pipeline networks, the Company will retain ownership of the networks and will continue to maintain its operations to ensure that natural gas can be securely and constantly delivered to our residential and commercial end consumers. Normally, one-time initial installation fees are charged to consumers for their connection to the Company's pipeline networks.

CNG Filling Stations

Changfeng's first CNG station construction in Changsha City, the capital of Hunan Province, China, was completed in late 2009, and will be formally put into operation in the second quarter of 2010 after finishing trial operations during the first quarter of 2010. Construction of another two stations is expected to commence shortly, as the Company obtains land use rights from the local government.

Natural Gas suppliers

Currently, Changfeng purchases its natural gas primarily from three vendors:

In 2006, the Company signed a 10-year natural gas long term supply agreement with CNOOC (Hainan) Limited ("CNOOC"). Pursuant to the agreement, CNOOC is committed to supply up to 24 million m3 of natural gas annually until 2015 with a fixed contractual price. CNOOC is China's largest producer of offshore crude oil and natural gas and one of the largest independent oil and gas exploration and production companies in the world. In 2006, the Company further signed a principal natural gas supply agreement with CNOOC. Pursuant to the principal agreement, CNOOC is committed to continuously supply natural gas to Changfeng from its new LNG receiver terminal in Hainan Island, which is now under construction and is expected to be completed and put into operation in 2015.

In order to satisfy the increasing demand for natural gas in Sanya City, the Company recently entered into two 5-year natural gas long term supply agreements with two respective natural gas companies in Hainan province. One agreement was signed on March 8, 2010 with Hainan CNPC Shennan Oil Serving Co., Ltd. a wholly-owned subsidiary of China National Petroleum Corporation ("CNPC"), to supply liquefied natural gas ("LNG"). Pursuant to the agreement, LNG will be supplied 24 hours a day, and the daily volume of LNG delivered will depend on the Company's forecast demand for the next day.

The second agreement was signed on April 7, 2010 with Hainan Xinxing Oil Serving Co., Ltd. to purchase compressed natural gas ("CNG") up to 3.65 million m3 until 2015 with the annual volume of CNG to be based on Changfeng's annual forecast demand.

Changfeng does not expect any difficulty in securing its natural gas supply in the near future, and the Company believes that natural gas supply in Hainan province will be better secured with CNOOC's completion of its new LNG terminal in 2015.

Business Developments

As a result of the rapid growth of natural gas market in China, the Company has entered into the following preliminary acquisition or joint venture agreements during this quarter:

(a) During this quarter, the Company paid a good faith deposit to the existing shareholder of Hunan CNPC Guangda Gas Co., Ltd. ("Guangda Gas"). Pursuant to a preliminary intention to purchase agreement, the Company expects to acquire a majority equity interest in Guangda Gas, which owns a CNG primary filling station in Changsha City. The final purchase price is being negotiated.

(b) During this quarter, the Company paid a good faith deposit to the existing shareholders Jiangxi Pingxiang Huaneng Energy Co. Ltd. ("Pingxiang Huaneng"). Pursuant to a preliminary intention to purchase agreement, the Company expects to acquire a majority equity interest in Pingxiang Huaneng, a natural gas distributor in Xiangdong district, Pingxiang City, Jiangxi Province. The final purchase price is being negotiated.

Approximately $650,000 (4,290,000 RMB) advance payments were made during this quarter that was included in Prepaid expenses and deposits.

Results of Operations

The table below sets out the selected consolidated financial data as at and for the three months periods ended March 31, 2010 and 2009.

Operating data	Q1 2010	% of sales	Q1 2009	% of sales
Revenue	5,089,456	100%	4,336,860	100%
Gross profit	3,171,841	62%	2,878,015	66%
Operating expenses	2,686,176	53%	2,225,448	51%
Net income	445,685	9%	622,684	14%
Basic and diluted EPS	0.007		0.009	

Revenue

The Company generated revenues of $5,089,456 for the quarter ended March 31, 2010 compared to $4,336,860 in the quarter ended March 31, 2009. This 17% increase is mainly attributable to the rapid growth in piped gas sales as more customers were connected, which is partially offset by a negative foreign exchange impact of 20%. The revenue in RMB increased by 40% to 33.4 million for the quarter ended March 31, 2010 from 23.8 million for the comparative quarter in 2009.

The table below illustrates the increase in customers connected during the periods and presents the volume of natural gas sold.

	Q1 2010	Q1 2009	% change
Residential customers			
Customers connected during the quarter	7,046	2,180	223%
Total customers at the end of the quarter	57,501	39,981	44%
Gas sold Volume. (m3) during the quarter	1,596,900	881,600	81%
Commercial customers			
Customers connected during the quarter	27	15	80%
Total customers at the end of the quarter	467	390	20%
Gas sold Volume. (m3) during the quarter	6,627,700	5,390,700	23%

Foreign Exchange Rates
The Company reports in Canadian dollars but earns all of its revenues and incurs most of its expenses in Chinese RMB. Accordingly, any fluctuation in the exchange rate between these two currencies will affect the Company's reported financial information. All of the Company's subsidiaries in China are considered to be self sustaining; therefore, any impact of the changes in foreign exchange rates has been recognized as other comprehensive income, and not in net income.

The exchange rate between Chinese RMB and the Canadian dollar is summarized below.

One Canadian dollar to Chinese RMB	Q1 2010	Q12009	% change	December 31, 2009	% change
Average rate for the reporting period	6.57	5.49	20%	5.98	10%
Spot rate at March 31and December 31	6.72	5.42	24%	6.52	3%

Gross Profit
Gross profit for the first quarter of 2010 was $3,171,841, an increase of $293,826, compared to $2,878,015 million for the comparative quarter in 2009. Gross profit as a percentage of sales during the period was 62% compared to 66% for the comparative quarter in 2009. The lower margin is due to the relatively higher procurement price for purchases in excess of quarterly contractual volume of natural gas, which is purchased at the current market-based price.

Operating Expenses
General and administrative expenses increased to $1,428,968 for the quarter ended March 31, 2010, compared to $1,329,268 for the comparable period in 2009 as a result of increases in overall operations.

Travel and business development expenses for the quarter ended March 31, 2009 were $852,601, an increase of $514,769 or 152% compared to $337,832 for the comparable period in 2009.This significant increase is primarily attributable to recent business development activities in mainland China.

Interest on long term debt for the period ended March 31, 2009 was $137,693 (2009 - $264,661).

Amortization for the quarter ended March 31, 2010 was $266,914 (2009 - $293,687).

Net Income
The net income for the quarter ended March 31, 2010 was $445,685 or $0.007 per share compared to a net income of $622,684 or $0.009 per share for the quarter ended March 31, 2009.

Selected Quarterly Results

The following sets out the Company's consolidated quarterly results for the most recently completed quarters:
In thousands of Canadian dollars, except per share amounts:

Quarterly data ($000's)	**2010**	**2009**				**2008**		
except per share amounts	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Foreign exchange rate RMB	6.57	6.46	6.22	5.85	5.49	5.64	6.57	6.89
Revenue	5,089	5,696	4,101	3,742	4,337	4,184	2,896	2,968
Gross profit	3,172	3,093	2,420	2,322	2,878	2,710	1,708	1,606
Interest	(138)	230	(197)	(215)	(265)	27	(257)	(212)
Net income	446	606	93	(199)	623	590	83	2
Net income per share	0.007	0.009	0.002	-0.003	0.009	0.009	0.001	0.000

Liquidity and Capital Resources

Cash and cash equivalents as at March 31, 2010 totaled $6.67 million compared to $3.78 million as at December 31, 2009, being an increase of $2.89 million, primarily as a result of proceeds from the long term bank loan, and accordingly, working capital deficit decreased from $4.34 million at December 31, 2009 to $446 thousand as at March 31, 2010.

Key Financial Data and Comparative Figures	March 31, 2010	December 31, 2009
($000's)		
Cash and cash equivalents	6,665	3,782
Working capital (deficit)	(446)	(4,383)
Plant and equipment	30,682	29,214
Total assets	40,891	36,069
Long term liabilities	21,663	15,742
Shareholders' equity	9,802	9,595

Cash from financing activities for the quarter ended March 31, 2010 was $6.37 million, mainly from long term bank loan proceeds. On January 25, 2010, the Company received a RMB 100 million ($15.3 million) bank loan from the Bank of China. The loan was primarily used to repay the Sanya State Assets Management Corporation's and Bank of China existing term loan facilities and to fund the general capital expenditures of the Haitang Bay project.

Cash used in investing activities for the quarter consists of $2.6 million of capital expenditures related to the construction of gas pipelines in the Great Sanya region, and CNG / LNG degasification processing station in Haitang Bay, Sanya, which is scheduled to be completed and put into operation in September 2010, and $0.65 million advance payment for potential business acquisitions or joint venture.

Changfeng requires capital to fund its rapid business expansion in both Greater Sanya region and other cities in mainland China, and for general working capital requirements. The Company's primary capital sources include existing cash, cash generated from operations, debt and equity. Management believes that the above sources are sufficient to fund its existing expansion plans and the construction of the planned CNG filling stations and gas pipelines.

Commitments

Pipeline Construction and Equipment

The Company also has signed seven contracts with several equipment suppliers and construction supervisors for a total amount of RMB 5,940,639 ($883,967) (December 31, 2009 – RMB 5,940,639 ($910,700)), of which RMB 5,866,755 ($872,973) was incurred as at March 31, 2010.

Natural gas purchase commitments

In connection with acquisition of 60% equity interest in Huan CNPC NEI in 2009, the Company is required to pay a one time charge of RMB 3,000,000 ($446,400) for its long term CNG purchase contract. This CNG purchase contract gives the Company the right to acquire up to 11 million M3 per year for a period of 19 years ending September 12, 2027. As of March 31, 2010, RMB 1,000,000 ($148,800) has been paid and recorded in long term prepaid with the balance payable at the time the gas is first supplied. As at March 31, 2010, the Company has not purchased any CNG pursuant to this agreement.

In addition, the Company has acquired the rights to a gas purchase contract from a third party to purchase 10,000 M3 of CNG per day (3,650,000 M3 per year) until September 12, 2027. As consideration for the rights to this contract, the Company made a cash payment of RMB 500,000 ($74,400) that was recorded in long term prepaid and will be required to pay a further one-time payment of RMB 500,000 ($74,400) at the time the gas is first supplied. As at March 31, 2010, the Company has not purchased any CNG pursuant to this agreement.

On March 8, 2010, the Company entered into an agreement to purchase liquid natural gas from an arm's length party for a period of five years. Pursuant to this agreement, the Company's liquid natural gas demand will be fully satisfied and the Company is not permitted to acquire liquid natural gas from outside suppliers without the consent of the other party to this agreement. RMB 500,000 ($74,400) has been paid as a deposit of the contract and will be refunded at the end of the agreement term.

Lease Commitment

On September 8, 2008, the Company signed a lease agreement for 3,000 m2 of land for construction of a CNG gas station in Hunan Province. The lease term is for 20 years until October 2028. A deposit of RMB 100,000 ($14,880) and four years' rent (RMB 1,880,000 or $279,744) are required to be made in advance. As at March 31, 2010, the Company has paid RMB 1,300,000 ($193,440). If the Company decides to terminate this agreement, a termination payment of RMB 1,000,000 ($148,800) will be payable. The minimum lease payments in successive years are as follows:

	RMB	$
2010 year end	580,000	86,300
2013 year end	205,625	30,600
2014 year end	493,500	73,430
Thereafter	7,809,025	1,161,980
Total	9,088,150	1,352,310

Environmental Contingencies

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist in connection with the pipelines and distribution networks in which the Company holds interests which are unknown to the Company at present.

The Company is subject to the PRC environmental protection laws and regulations which impose fines for violations of laws, regulations or decrees and provide for the shutdown by the central, provisional or municipal governments of any facility not in compliance with governmental orders requiring the cessation or cure of certain activities causing environmental damage. Since natural gas is an environmentally friendly form of fuel, the Company has not adopted any special environmental protection measures other than the measures taken in the ordinary course of business by companies in the industry.

Related Parties Transactions

A corporation controlled by a significant shareholder who is also an officer and director of the Company owed the Company a total of US $78,928 ($80,175) as at March 31, 2010 (December 31, 2009 – US $76,822 ($80,740) for various expenditures paid by the Company on behalf of this corporation. This amount, included in accounts and sundry receivables on the consolidated balance sheet, is unsecured, non-interest bearing with no fixed terms of repayment.

In addition, the Company owed this individual $227,953 (December 31, 2009 - $200,510) for unpaid salary which amount is included in accounts payable and accrued liabilities as at March 31, 2010. The Company also had unpaid directors' fees of $48,000 (December 31, 2009 - $33,000) included in accounts payable and accrued liabilities. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

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, 2010 - $5,952,000) (December 31, 2009 – RMB40,000,000; $6,132,000) 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.

A significant shareholder of the Company, who is also an officer and director of the Company, owns 0.6% of the equity in CF Engineering, a subsidiary of CF China, through a corporation which the individual controls.

Subsequent Events

a) On April 7, 2010, the Company entered into a 5-year long term compressed natural gas (CNG) supply agreement with Hainan Xinxing Oil Serving Co., Ltd. to purchase compressed natural gas ("CNG") up to 3.65 million m3 until 2015 with the annual volume of CNG to be varied with Changfeng's annual forecast demand.

b) On April 27, 2007, due to related party loan of RMB 40,000,000 (March 31, 2010 - $5,952,000) (December 31, 2009 – RMB40, 000,000; $6,132,000) as described in Note 10 was renewed for another three years with the same term and conditions.

Capital Stock and Share Issuances

As at the date of this report, the Company has 66,025,000 common shares outstanding and 3,450,000 stock options at a weighted average exercise price of $.60 per share.

No securities were issued during the quarter ended March 31, 2010.

Seasonality of Operations

Seasonality can impact the Company's piped line natural gas sales. The Company's current operations are located mainly in Sanya City, a tourist city in the PRC's only tropical province that attracts more tourists in winter and spring than the rest of the year. As a large portion of the Company's natural gas sales are made to hotels, the Company's sales are affected by the tourism season. The city is also a popular tourist destination for short stays so that during the days when the country has long public holidays gas sales are usually higher.

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 expects to adopt this standard on January 1, 2011. Early adoption is permitted.

Consolidations

CICA Handbook Section 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 expects to adopt this standard on January 1, 2011. Early adoption is permitted.

Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175 – "Multiple Deliverable Revenue Arrangements" replacing EIC 142 – "Revenue Arrangements with Multiple Deliverables". This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal periods beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal period, it must be applied retrospectively from the beginning of the Company's fiscal period of adoption. The Company expects to adopt EIC 175 effective January 1, 2011. The Company does not believe the standard will have a material impact on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

The CICA Accounting Standards Board has announced that Generally Accepted Accounting Principles ("GAAP") in Canada will cease to apply and will be replaced by International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board. Publicly accountable enterprises will be required to adopt IFRS on or by January 1, 2011. The Company will issue its initial consolidated financial statements under IFRS, including comparative information, for the quarter ended March 31, 2011.

The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. The Company is assessing the potential impacts of this changeover and has commenced the development of an IFRS implementation plan to prepare for this transition, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential exemptions to the initial adoption of IFRS as permitted by IFRS Statement 1.

The Company is in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment will include:

- Plant and equipment
- Intangible assets
- Stock-based compensation;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required	Completed December 31, 2009
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Throughout fiscal 2010
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Throughout fiscal 2010
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Q3 (September 30, 2010)
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q3 (September 30, 2010)
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout fiscal 2010

Risk Factors

For a detailed list of risk factors please see the Company's December 31, 2009 MD&A.