

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

CHANGFENG ENERGY INC.

Three-month and six-month periods ended
June 30, 2015 and 2014
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor. The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

CHANGFENG ENERGY INC.

Condensed Consolidated Interim Balance Sheets
(Expressed in Canadian dollars)
(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash	\$ 15,495,698	\$ 12,119,980
Trade and other receivables	7,318,019	6,060,800
Prepaid expenses and deposits	1,651,119	948,812
Inventories	1,245,713	1,008,946
Total current assets	25,710,549	20,138,538
Non-current assets:		
Long-term deposits and advances	880,607	1,023,609
Investment in associate	939,041	872,930
Property and equipment	72,159,861	65,526,160
Intangible assets	891,303	1,424,933
Total non-current assets	74,870,812	68,847,632
Total assets	\$ 100,581,361	\$ 88,986,170
Liabilities and Equity		
Current liabilities:		
Bank indebtedness (note 4(b))	\$ 5,857,260	\$ 3,609,150
Trade and other payables	10,076,019	10,105,342
Deferred revenue	14,370,095	13,403,104
Current portion of long-term debt (note 4(a))	3,722,200	3,364,200
Due to related parties (note 7)	1,448,271	1,369,270
Total current liabilities	35,473,845	31,851,066
Non-current liabilities:		
Long-term debt (note 4(a))	21,880,762	22,073,658
Due to related parties (note 7)	8,048,000	7,476,000
Government grants	1,097,979	1,021,417
Deferred income tax liability	1,557,804	1,250,114
Total non-current liabilities	32,584,545	31,821,189
Total liabilities	68,058,390	63,672,255
Equity:		
Share capital	11,032,007	11,032,007
Contributed surplus	2,774,034	2,696,380
Statutory surplus reserves	4,262,492	3,554,010
Retained earnings	7,153,942	3,256,801
Accumulated other comprehensive income	6,288,368	3,971,706
Total shareholders' equity	31,510,843	24,510,904
Non-controlling interest	1,012,128	803,011
Total equity	32,522,971	25,313,915
Total liabilities and equity	\$ 100,581,361	\$ 88,986,170

See accompanying notes to condensed consolidated interim financial statements.

On behalf of the Board:

"Winfield Ding" _____ Director

"Wencheng Zhang" _____ Director

CHANGFENG ENERGY INC.

Condensed Consolidated Interim Statements of Comprehensive Income
(Expressed in Canadian dollars)
(Unaudited)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2015	2014	2015	2014
		(Recasted–note11)		(Recasted–note11)
Revenue	\$ 13,717,248	\$ 10,774,858	\$ 30,418,018	\$ 24,155,416
Cost of sales	6,712,757	6,036,720	13,838,535	11,627,379
Gross margin	7,004,491	4,738,138	16,579,483	12,528,037
Expenses:				
General and administrative	2,314,606	2,410,484	5,425,701	5,148,702
Travel and business development	911,234	809,618	1,811,608	1,886,502
Stock-based compensation	48,534	87,360	77,654	174,721
	3,274,374	3,307,462	7,314,963	7,209,925
Income from operations	3,730,117	1,430,676	9,264,520	5,318,112
Interest expense on long-term debt	486,858	449,129	1,002,450	939,119
Interest income	(29,889)	(10,841)	(63,288)	(19,804)
Share of loss of investment in associate	320	172	670	7,755
Income before income taxes	3,272,828	992,216	8,324,688	4,391,042
Income taxes	1,367,561	385,003	3,509,948	1,854,251
Net income	1,905,267	607,213	4,814,740	2,536,791
Other comprehensive income:				
Exchange differences on translation of foreign operations	(417,474)	(795,342)	2,316,662	(576,415)
Total comprehensive (loss) income	\$ 1,487,793	\$ (188,129)	\$ 7,131,402	\$ 1,960,376
Net income (loss) attributable to:				
Shareholders of the Company	\$ 1,778,410	\$ 543,190	\$ 4,605,623	\$ 2,427,894
Non-controlling interest	126,857	64,023	209,117	108,897
	\$ 1,905,267	\$ 607,213	\$ 4,814,740	\$ 2,536,791
Total comprehensive (loss) income attributable to:				
Shareholders of the Company	\$ 1,360,936	\$ (252,152)	\$ 6,922,285	\$ 1,851,479
Non-controlling interest	126,857	64,023	209,117	108,897
	\$ 1,487,793	\$ (188,129)	\$ 7,131,402	\$ 1,960,376
Earnings per share attributable to common shareholders (note 6):				
Basic	\$ 0.03	\$ 0.01	\$ 0.07	\$ 0.04
Diluted	0.03	0.01	0.07	0.04

See accompanying notes to condensed consolidated interim financial statements.

CHANGFENG ENERGY INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian dollars)
(Unaudited)

Six-month period ended June 30, 2015	Share capital	Contributed surplus	Statutory surplus reserves	Retained earnings	Accumulated other comprehensive income	Non- controlling interest	Total
Balance, January 1, 2015	\$ 11,032,007	\$ 2,696,380	\$ 3,554,010	\$ 3,256,801	\$ 3,971,706	\$ 803,011	\$ 25,313,915
Net income	-	-	708,482	3,897,141	-	209,117	4,814,740
Currency translation adjustment	-	-	-	-	2,316,662	-	2,316,662
Stock-based compensation	-	77,654	-	-	-	-	77,654
Balance, June 30, 2015	\$ 11,032,007	\$ 2,774,034	\$ 4,262,492	\$ 7,153,942	\$ 6,288,368	\$ 1,012,128	\$ 32,522,971

Six-month period ended June 30, 2014 (Recasted-note 11)	Share capital	Contributed surplus	Statutory surplus reserves	Retained earnings	Accumulated other comprehensive income	Non- controlling interest	Total
Balance, January 1, 2014	\$ 11,630,789	\$ 2,424,592	\$ 1,526,693	\$ 1,500,222	\$ 2,358,789	\$ 1,098,853	\$ 20,539,938
Share repurchase	(598,782)	-	-	-	-	-	(598,782)
Net income (loss)	-	-	366,323	2,061,571	-	108,897	2,536,791
Currency translation adjustment	-	-	-	-	(576,415)	-	(576,415)
Stock-based compensation	-	174,721	-	-	-	-	174,721
Balance, June 30, 2014	\$ 11,032,007	\$ 2,599,313	\$ 1,893,016	\$ 3,561,793	\$ 1,782,374	\$ 1,207,750	\$ 22,076,253

See accompanying notes to condensed consolidated interim financial statements.

CHANGFENG ENERGY INC.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Six-month periods ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 4,814,740	\$ 2,536,791
Items not involving cash:		
Deferred income taxes	283,986	144,710
Amortization	2,262,148	1,911,304
Prepaid rent expense	52,131	46,698
Share of loss of investment in associate	670	7,755
Current income taxes	3,225,962	1,709,541
Interest expense on long-term debt	1,002,450	939,119
Stock-based compensation	77,654	174,721
Income taxes paid	(2,219,213)	(1,858,278)
Interest expense paid	(970,735)	(1,805,830)
Change in non-cash operating working capital	(3,353,264)	876,841
Net cash flows from operating activities	5,176,529	4,683,372
Cash flows from financing activities:		
Repurchase of shares	-	(598,782)
Net increase in bank indebtedness	5,926,280	1,785,000
Net decrease in bank indebtedness	(3,980,000)	-
Net decrease in long-term debt	(1,787,400)	(1,156,350)
Government grants	18,905	15,496
Net cash flows from financing activities	177,785	45,364
Cash flows from investing activities:		
Acquisition of property and equipment	(2,999,712)	(3,574,770)
Acquisition of intangible assets	-	(8,743)
Net cash flows used in investing activities	(2,999,712)	(3,583,513)
Increase (decrease) in cash	2,354,602	1,145,223
Effects of foreign exchange on cash balances	1,021,116	(296,149)
Cash, beginning of period	12,119,980	15,151,430
Cash, end of period	\$ 15,495,698	\$ 16,000,504

See accompanying notes to condensed consolidated interim financial statements.

CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

1. Corporate information:

Changfeng Energy Inc. (the "Company" or "Changfeng") was incorporated under the Canada Business Corporations Act on May 4, 2006. Through its subsidiaries, the Company's core business activity is the distribution of natural gas for industrial, commercial and residential users in the People's Republic of China ("China" or "PRC"). The registered office of the Company is located at 650 Highway 7 East, Suite 306, Richmond Hill, Ontario, L4B 2N7, and the principal operations of its business are in China.

The ability to build and operate gas pipeline infrastructure and distribute piped gas in China is established by concession rights obtained from the applicable municipal and provincial governments. Natural gas distribution operations in China are subject to certain government regulations regarding the purchase and sale of natural gas, including pricing.

2. Basis of presentation:

(a) Statement of compliance:

The unaudited interim period condensed consolidated financial statements are prepared in accordance with International Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2014 audited annual consolidated financial statements and accompanying notes.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 25, 2015.

CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

2. Basis of presentation (continued):

(b) Historical cost basis and presentation and functional currencies:

The condensed consolidated interim financial statements have been prepared on a historical cost basis for all its recognized assets and liabilities, except for certain financial instruments measured at fair value.

The condensed consolidated interim financial statements are presented in Canadian dollars. The functional currencies of the Company's subsidiaries include the Canadian dollar and the Chinese Renminbi ("RMB").

3. Significant accounting policies:

The policies used for preparation of these unaudited interim condensed consolidated financial statements were the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended December 31, 2014 and were consistently applied to all the periods presented unless otherwise noted below. They do not include all of the information and disclosures required for annual financial statements. For further information, see the Company's audited consolidated financial statements for the year ended December 31, 2014. In addition, the Company has adopted the following new accounting policies:

(a) Recent accounting pronouncements:

(i) International Accounting Standard ("IAS") 32, Financial Instruments - Presentation ("IAS 32"):

The Company adopted the amendments to IAS 32, on a retrospective basis. The amendments to IAS 32 clarify when an entity has a legally enforceable right to offset as well as clarify, when a settlement mechanism provides for net settlement, or gross settlement that is equivalent to net settlement. The adoption of the revised standard did not have a material impact on the Company's consolidated interim financial statements.

CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

3. Significant accounting policies (continued):

- (ii) International Financial Reporting Interpretations Committee ("IFRIC") 21, Levies ("IFRIC 21"):

The Company adopted IFRIC 21. This IFRIC is applicable to all levies other than outflows that are within the scope of other standards and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payments, as identified by the relevant legislation occurs. The adoption of the new standard did not have a material impact on the Company's consolidated interim financial statements.

- (iii) IAS 36, Impairment of Non-Financial Assets:

The Company adopted the amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets. The amendments clarify existing guidance that was intended to require disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. Further, the amendments require additional information about these fair value measurements, including the fair value hierarchy level, and for measurements categorized within Levels 2 and 3 of the fair value hierarchy, a description of the valuation techniques and key assumptions used by management in its determination of fair value less costs of disposal. The adoption of the new standard did not have a material impact on the Company's consolidated interim financial statements.

- (b) Accounting standards issued but not yet effective:

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these consolidated financial statements.

- (i) Revenue recognition:

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The new standard provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. The extent of the impact of adoption of IFRS 15 has not yet been determined.

CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

3. Significant accounting policies (continued):

(ii) Financial Instruments - Recognition and Measurement:

In July 2014, the IASB issued IFRS 9, Financial Instruments replacing IAS 39, Financial Instruments - Recognition and Measurement. The standard had three main phases: classification and measurement, impairment and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with the exception of the general hedging phase which is applied prospectively. Early adoption is permitted. The extent of the impact of adoption of IFRS 9 has not yet been determined.

4. Long-term debt and bank indebtedness:

(a) Long term debt:

	June 30, 2015	December 31, 2014
Term loan facility - Bank of China (i)	14,587,000	14,952,000
Term loan facility - Bank of China (ii)	8,048,000	7,476,000
Term loan facility - Bank of China (iii)	3,118,600	3,177,300
	25,753,600	25,605,300
Less unamortized transaction costs	150,638	167,442
	25,602,962	25,473,858
Less current portion	3,722,200	3,364,200
	\$ 21,880,762	\$ 22,073,658

- (i) On January 5, 2010, the Company entered into a term loan with the Bank of China, Sanya Branch ("BOC, Sanya") for \$20,120,000 (RMB 100,000,000) (December 31, 2014 - \$18,690,000 (RMB 100,000,000)), maturing in January 2019 and bearing interest at the prescribed lending rate of the People's Bank of China, which is reset every six months. During the six-month period ended June 30, 2015, the Company made repayments in the amount of \$1,509,000 (RMB 7,500,000) (2014 - \$860,500 (RMB 5,000,000)) in accordance with the semi-annual repayment provisions of the term loan agreement. At June 30, 2015, \$14,587,000 (RMB 72,500,000) of the term loan is outstanding.

CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

4. Long-term debt and bank indebtedness (continued):

At June 30, 2015, the Company had unamortized transaction costs of \$150,638 (RMB 748,698) (December 31, 2014 - \$167,442 (RMB 895,891)), which has been offset against term loan.

- (ii) On January 15, 2013, the Company entered into an agreement with the BOC, Sanya to secure a bank loan facility in the amount of \$10,060,000 (RMB 50,000,000) (the "Term Loan"). The bank loan facility provides that the proceeds of the Term Loan will be used to fund continued construction of pipeline and associated facilities of the Haitang Bay project in Sanya City. It has a 10-year term from the date of the first initial withdrawal, and bears interest of 110% of the prime rate set by the People's Bank of China (the central bank of China). As at June 30, 2015, the Company has withdrawn \$8,048,000 (RMB 40,000,000) (December 31, 2014 - \$7,476,000 (RMB 40,000,000)), which remains fully outstanding.
- (iii) On December 21, 2012, the Company entered into a term loan with the Bank of China, Pingxiang Branch ("BOC, Pingxiang") for \$4,024,000 (RMB 20,000,000), maturing six years from the date of the first withdrawal, and bearing both fixed and variable interest at 120% of the prime rate of the People's Bank of China. The variable component of interest will be calculated initially on the date of withdrawal and will be reset every three months. This term loan is secured by the property and equipment of Pingxiang CF and guaranteed by CF China. The proceeds from this term loan will be used to fund the construction of pipelines and related property and equipment in the Xiangdong district, Pingxiang City, Jiangxi province. As of June 30, 2015, the Company had withdrawn \$4,024,000 (RMB 20,000,000) (December 31, 2014 - \$3,738,000 (RMB 20,000,000)). During the six-month period ended June 30, 2015, the Company made payments in the amount of \$301,800 (RMB 1,500,000) (2014 - \$258,150 (RMB 1,500,000)). At June 30, 2015, \$3,118,600 (RMB 15,500,000) of the term loan is outstanding.

(b) Bank indebtedness:

Included in current liabilities is \$3,983,760 (RMB 19,800,000) (December 31, 2014 - \$1,869,000 (RMB 10,000,000)) relating to the Company's line of credit (the "Credit Line") with BOC, Sanya. This loan contains a financial covenant, which requires the Company's subsidiary, CF China's debt-to-total-assets ratio to be maintained below 75%.

CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

4. Long-term debt and bank indebtedness (continued):

Also included in current liabilities is \$1,873,500 (RMB 9,311,630) (December 31, 2014 - \$1,740,150 (RMB 9,310,594)) relating to a U.S. \$1,500,000 Term Loan from the Bank of China (Canada) pursuant to a Credit Facility Letter Agreement effective September 22, 2014. The Term Loan is secured by a Standby Letter of Credit provided by the Company and issued by the Bank of China Hainan Branch for the amount of RMB 10,000,000. The Term Loan has a one-year term from the date of the withdrawal and bears annual interest of six-month LIBOR rate plus 250bps.

The proceeds of the Term Loan will be used for the general working capital purposes of the Company.

As at June 30, 2015, the Company was in compliance with all of its debt covenants.

5. Share capital:

On June 22, 2015, the Company received approval from the TSX-V to make a normal-course issuer bid (the "Bid") to periodically purchase, for cancellation, up to 3,000,000 common shares. The Bid commenced on June 24, 2015, to conclude on or about the earlier of June 23, 2016. During the first six months of 2015, the Company purchased nil of its common shares under the Bid. Subsequent to June 30, 2015, the Company purchased 176,000 shares pursuant for cash proceeds of \$69,480.

On May 27, 2015, 800,000 options expired. Subsequent to June 30, 2015, on July 23, 2015, 50,000 options were exercised. On July 31, 2015, the Company granted 490,000 options (the "Options") at an exercise price of \$0.36 per share which was the closing price of the Company's shares on the TSX Venture exchange on July 30, 2015. The Options granted vested immediately on the grant date of July 31, 2015. The term of the Options is five years from the date of grant.

6. Earnings per share ("EPS"):

Basic EPS amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of shares outstanding during the three-month and six-month periods ended June 30, 2015 and 2014. Diluted EPS amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of shares issued during the three-month and six-month periods ended June 30, 2015 and 2014, adjusted for the effect of potentially dilutive stock options.

CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

6. Earnings per share ("EPS") (continued):

The following tables set forth the calculation of basic and diluted EPS:

	Three-month period ended June 30, 2015			Three-month period ended June 30, 2014		
	Net income attributable to common shareholders	Weighted average number of shares	EPS	Net income attributable to common shareholders	Weighted average number of shares	EPS
						(Recasted-note 11)
Basic	\$ 1,778,410	63,099,200	\$ 0.03	\$ 543,190	63,353,841	\$ 0.01
Diluted	1,778,410	64,244,123	0.03	543,190	64,265,271	0.01

	Six-month period ended June 30, 2015			Six-month period ended June 30, 2014		
	Net income attributable to common shareholders	Weighted average number of shares	EPS	Net income attributable to common shareholders	Weighted average number of shares	EPS
						(Recasted-note 11)
Basic	\$ 4,605,623	63,099,200	\$ 0.07	\$ 2,427,894	63,647,108	\$ 0.04
Diluted	4,605,623	64,070,808	0.07	2,427,894	64,589,908	0.04

7. Related party disclosures:

- (a) Included in current due to related parties as at June 30, 2015, is a required capital contribution of \$603,600 (RMB 3,000,000) (December 31, 2014 - \$560,700 (RMB 3,000,000)) to be made to Shin-Ko Energy. Also included in current due to related parties, as at June 30, 2015, was \$251,309 (RMB 1,249,050) (December 31, 2014 - \$233,447 (RMB 1,249,050)) relating to a loan made to the Company by Shin-Ko Energy. The loan is interest-free and is not secured. It is payable on demand.

CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

7. Related party disclosures (continued):

(b) In 2007, a significant shareholder, who is also an officer and director of the Company, advanced loans in the aggregate amount of \$8,048,000 (RMB 40,000,000) (December 31, 2014, \$7,476,000 (RMB 40,000,000)) 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 subordinated to the claims of all other creditors, including unsecured creditors of the Company and were due on demand only after April 27, 2010. Pursuant to the Subordination and Forbearance Agreement, the lenders agreed to take no steps to demand or recover payment under the loans for a period of three years, and to enter into an agreement with the Company with the same terms and conditions as the Subordination and Forbearance Agreement every three years in perpetuity.

On April 27, 2010, these loans were renewed for another three years with the same terms and conditions. On April 27, 2013, these loans were renewed for another two years with the same terms and conditions. On April 27, 2015, these loans were renewed for one year with the same terms and conditions.

(c) As at June 30, 2015, the Company owed an officer of the Company \$539,753 (December 31, 2014 - \$449,483) for unpaid salary.

(d) As at June 30, 2015, the Company owed certain directors nil (December 31, 2014 - \$71,009) for unpaid director's fees.

(e) As at June 30, 2015, the Company owed a minority shareholder of the Company nil (December 31, 2014 - \$54,631) for unpaid dividend.

CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

8. Financial instruments and risk management:

The Company is exposed to foreign exchange risk, interest rate risk, credit risk, liquidity risk and regulatory risk and uncertainty. The Company has policies for managing these risks that are aligned with its overall objectives to maintain a simple and cost-effective capital structure that supports a long-term growth strategy and maximizes operating flexibility. There have been no material changes to the Company's risk and risk management activities since December 31, 2014.

As at June 30, 2015, the Company had a working capital deficiency of \$9,763,296 (December 31, 2014 - \$11,712,528). The Company believes that this deficiency can be funded through projected operating cash flows from operations and through securing additional financing from third-party financial institutions. There are certain assumptions made by management in determining projected operating cash flow, such as temporary natural gas contracts from the government of China and continued growth in its operations.

While management believes that the assumptions included in its operating forecast are reasonable, there is no guarantee that they will materialize as planned. The Company may not be successful in obtaining additional financing on acceptable terms, on a timely basis, or at all, and projected operating cash flows may not materialize as planned.

As at June 30, 2015, the carrying amounts for trade and other receivables, trade and other payables and interest payable on the condensed consolidated interim balance sheets approximate fair values because of the limited term to maturity of these financial instruments.

The Company's financial instruments that are carried at fair value consisting of cash, have been classified as Level 1 within the fair value hierarchy.

9. Seasonality of operations:

Seasonality can impact the Company's natural gas distribution sales. The Company's current operations are primarily located in Sanya City, an international tourist destination in the PRC's only tropical province. Sanya City attracts more tourists in the winter than the rest of the year. The Company's natural gas sales are higher during this high tourism season, as a large portion of the Company's natural gas sales are made to hotels and restaurants. Seasonality can also impact the Company's CNG retail station sales due to vehicles being in need of more gas during the warmer seasons for air-conditioning.

CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

10. Segmented reporting:

The Company has two reportable segments: gas distribution utilities (the "utility") and CNG refuelling station. The utility provides gas pipeline connection services and delivers natural gas to commercial, industrial and residential customers through its pipeline networks and associated facilities. The Company's other segment is a CNG refuelling retail station, which is used primarily to supply gas for taxicabs and public transportation vehicles. The performance of each segment is measured by income from operations.

There were no significant intercompany transactions between segments. Summarized financial information concerning the reportable segments is shown in the following tables:

Three-month period ended June 30, 2015	Gas distribution utility	CNG refuelling station	Consolidated
Revenue	\$ 11,519,169	\$ 2,198,079	\$ 13,717,248
Cost of sales	5,104,891	1,607,866	6,712,757
	6,414,278	590,213	7,004,491
Expenses:			
General and administrative	2,074,921	239,685	2,314,606
Travel and business development	882,029	29,205	911,234
Stock-based compensation	41,517	7,017	48,534
	2,998,467	275,907	3,274,374
Income from operations	\$ 3,415,811	\$ 314,306	\$ 3,730,117

Three-month period ended June 30, 2014	Gas distribution utility	CNG refuelling station	Consolidated
Revenue	\$ 8,668,095	\$ 2,106,763	\$ 10,774,858
Cost of sales	4,387,100	1,649,620	6,036,720
	4,280,995	457,143	4,738,138
Expenses:			
General and administrative	2,200,843	209,641	2,410,484
Travel and business development	796,874	12,744	809,618
Stock-based compensation	70,694	16,666	87,360
	3,068,411	239,051	3,307,462
Income from operations	\$ 1,212,584	\$ 218,092	\$ 1,430,676

CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

10. Segmented reporting (continued):

Six-month period ended June 30, 2015	Gas distribution utility	CNG refuelling station	Consolidated
Revenue	\$ 26,019,983	\$ 4,398,035	\$ 30,418,018
Cost of sales	10,502,723	3,335,812	13,838,535
	15,517,260	1,062,223	16,579,483
Expenses:			
General and administrative	4,891,603	534,098	5,425,701
Travel and business development	1,761,853	49,755	1,811,608
Stock-based compensation	66,425	11,229	77,654
	6,719,881	595,082	7,314,963
Income from operations	\$ 8,797,379	\$ 467,141	\$ 9,264,520
Total assets, June 30, 2015	\$ 96,458,022	\$ 4,123,339	\$ 100,581,361
Total assets, December 31, 2014	\$ 84,284,662	\$ 4,701,508	\$ 88,986,170
Six-month period ended June 30, 2014	Gas distribution utility	CNG refuelling station	Consolidated
Revenue	\$ 20,021,723	\$ 4,133,693	\$ 24,155,416
Cost of sales	8,321,974	3,305,405	11,627,379
	11,699,749	828,288	12,528,037
Expenses:			
General and administrative	4,716,886	431,816	5,148,702
Travel and business development	1,857,197	29,305	1,886,502
Stock-based compensation	144,821	29,900	174,721
	6,718,904	491,021	7,209,925
Income from operations	\$ 4,980,845	\$ 337,267	\$ 5,318,112
Total assets, June 30, 2014	\$ 81,142,222	\$ 3,705,386	\$ 84,847,608
Total assets, December 31, 2013	\$ 79,942,756	\$ 3,694,466	\$ 83,637,222

CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

Geographic information:

The Company's revenue is wholly generated from China and the majority of its assets are located in China. For the six-month periods ended June 30, 2015 and 2014, there is no significant individual customer from which sales amounted to more than 10% of the Company's revenue.

11. Recast of comparative financial information:

The comparative financial information has been recasted only to correct an error identified by management relating to the attribution of net income to non-controlling interest in the December 31, 2014 consolidated financial statements. Accordingly, the comparative financial information presented in these condensed consolidated interim financial statements are recasted as follows:

Three-month period ended June 30, 2014	As previously reported	Adjustments	As recasted
Net income attributable to:			
Owners of the Company	\$ 644,420	\$ (101,230)	\$ 543,190
Non-controlling interest	(37,207)	101,230	64,023
	\$ 607,213	\$ -	\$ 607,213
Total comprehensive income (loss) attributable to:			
Owners of the Company	\$ (150,922)	\$ (101,230)	\$ (252,152)
Non-controlling interest	(37,207)	101,230	64,023
	\$ (188,129)	\$ -	\$ (188,129)

CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

11. Recast of comparative financial information (continued):

Six-month period ended June 30, 2014	As previously reported	Adjustments	As recasted
Net income attributable to:			
Owners of the Company	\$ 2,596,458	\$ (168,564)	\$ 2,427,894
Non-controlling interest	(59,667)	168,564	108,897
	\$ 2,536,791	\$ -	\$ 2,536,791
Total comprehensive income (loss) attributable to:			
Owners of the Company	\$ 2,020,043	\$ (168,564)	\$ 1,851,479
Non-controlling interest	(59,667)	168,564	108,897
	\$ 1,960,376	\$ -	\$ 1,960,376

Based on the current period presentation of showing earnings per share to the nearest cent, there is no impact to the earnings per share presented.

12. Subsequent event:

On July 21, 2015, the Company entered into a Joint Venture agreement with Tangshan Caofeidian Development Investment Group Co., Ltd. ("CFD Group") to jointly pursue liquefied natural gas ("LNG") trading, natural gas distribution, transportation, and related infrastructure construction. The Joint Venture is named Caofeidian Evergrowth Energy Co., Ltd. ("Evergrowth" or the "Joint Venture") and is based in Tangshan City, Hebei province. Changfeng and CFD Group respectively own 50% each of the Joint Venture. Under the joint venture agreement, both parties of the Joint Venture agree to work with a third party to establish an entity to operate and manage an energy resource exchange in Northern China.