November 14, 2008

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 period ended September 30, 2008 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 September 30, 2008 and the audited financial statements and related notes and the MD&A for the year ended December 31, 2007 which have been prepared in accordance with generally accepted accounting principles in Canada. In addition it is recommended that the reader also refer to the audited consolidated financial statements for Hainan Energy Limited ("HEL") for the year ended December 31, 2007 and the accompanying MD&A. 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 well 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 a preliminary 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.

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 Q3 2007	7.23
September 30, 2007	7.54
Average Q3 2008	6.63
September 30, 2008	6.46

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)	September 30, 2008	December 31, 2007
Balance Sheet		
Cash	5,415	2,598
Working capital (deficit)	(7,253)	(9,053)
Capital assets	26,690	21,548
Total assets	34,758	25,925
Shareholders' equity	8,462	1,668
Weighted average number of shares outstanding - basic (000's)	66,025	24,405

Quarterly data	2008			2007			
($000's)	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	2,896	2,968	2,966	2,950	2,235	1,779	2,277
Gross profit	1,708	1,606	1,765	1,758	1,255	1,061	1,401
Interest expense	(257)	(212)	(289)	(2)	(366)	(253)	(352)
Net income (loss)	83	2	243	1,602	(235)	(414)	(35)
Net income(loss) per share	0.001	0.00002	0.005	0.049	(0.007)	(0.016)	(0.001)

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 $2,896,031 for the quarter ended September 30, 2008 compared to $2,235,020 in the third quarter of 2007. This 29.6% increase can be attributed to the growth in piped gas sales as more customers are connected and an increase in gas connection revenue. The gross margin for the period was 59.0% as compared to 56.2% in 2007. The higher margin is due to the increase of higher margin piped gas sales in the revenue mix.

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

	Q3 2008	Q3 2007	% change
Residential			
Customers connected during the quarter	2,610	1,790	45.8%
Total customers at the end of the quarter	33,906	22,858	48.3%

Gas sold volume (m3) during quarter	410,000	280,000	46.4%
Commercial			
Customers connected during the quarter	29	12	141.7%
Total customers at the end of the quarter	347	252	37.7%
Gas sold volume (m3) during quarter	3,960,000	3,130,000	26.5%

General and administrative costs for the quarter ended September 30, 2008 were $844,702 compared to $527,613 for the comparable period in 2007. This increase can be attributed to increases due to revenue growth, business development activities in mainland China and the costs related to the operation of a public company.

Travel and promotion costs for the quarter ended September 30, 2008 were $300,357 compared to $295,778 for the comparable period in 2007.

Interest on long term debt for the period ended September 30, 2008 was $256,819 (2007 - $366,224).

Amortization for the quarter ended September 30, 2008 was $225,492 (2007 - $300,364). During the year ended December 31, 2007 we reviewed the amortization methods and estimates of the life and useful life of our plant and equipment and determined that the estimated useful lives of its pipeline assets should be increased from 20 years to 30 - 35 years.

The net income for the quarter ended September 30, 2008 was $83,234 or $0.001 per share compared to a net loss of $234,689 or $0.007 per share for the quarter ended September 30, 2007. The higher income for the quarter is attributed to both the increase in revenue and gross profit.

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 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 September 30, 2008, CF China had appropriated RMB Nil in the above statutory reserve funds as CF China has not yet reported retained earnings.

Related Parties

(a) During the nine months ended September 30, 2008, the Company incurred consulting fees charged by corporations controlled by the President and CFO totaling $117,500 (2007 - $Nil), of which $12,500 (2007 - $Nil) was incurred prior to the RTO transactions described in Note 2 of the September 30, 2008 unaudited consolidated financial statements. The above transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(b) Due to related parties
A significant shareholder, who is also an officer and director of the Company advanced loans in the aggregate amount of RMB 40,000,000 ($6,192,000) (December 31, 2007 – RMB 40,000,000 $5,412,000) 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.

(c) Subscription receipts
Pursuant to the financing described in Note 8(b)(ii) of the September 30, 2008 unaudited consolidated financial statements, four directors and officers of the Company subscribed for an aggregate of 1,559,000 subscription receipts for gross proceeds of $935,400. The related party subscriptions were on the same terms and conditions as the arm's length subscribers.

Capital Stock and Share Issuances

On August 25, 2008 the Company granted options to a consultant of the Company to acquire 50,000 common shares of the Company at an exercise price of $0.60 per share on or before August 28, 2013. The options vested immediately.

Liquidity

The Company's cash balance at September 30, 2008 was $5,414,982, compared to $2,597,876 at December 31, 2007. The Company had a working capital deficit of $7,252,712 as at September 30, 2008, compared to a working capital deficit of $9,052,517 as at December 31, 2007. The Company has been successful in raising equity, however may not be successful in the future.

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, stock based compensation, accrued interest with respect to the term loan facility described in Note 7(b) of the Company's September 30, 2008 unaudited 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 are 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 for its Haitang Bay project which is expected to commence in the latter part of the year. Funding for this project is expected to come from a combination of debt and internally generated cash flow.

Disclosure Controls and Procedures

Management is responsible for the information disclosed in this management discussion and analysis and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. As of the financial year ended December 31, 2006, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and Chief Financial Officer, on the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of December 31, 2007 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company.

The Company has also adopted a formal Disclosure Policy relating to disclosure controls and procedures. This policy extends to the conduct of directors, officers, spokespersons and other employees and agents of the Company, and all methods that the Company uses to communicate to the public.

As there have been no subsequent changes to these controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of December 31, 2007 to provide reasonable assurance that material information relating to the Company would be made known to them by others within those entities.

Internal Control over Financial Reporting

MI 52-109 also requires a reporting issuer to submit an annual certificate relating to the design of internal control over financial reporting. Internal control over financial reporting is a process designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. As part of this process, management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the design of the internal control over financial reporting at December 31, 2007 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of December 31, 2007.

Changes in Internal Control over Financial Reporting

Under the provisions of MI 52-109, a reporting issuer is also required to disclose in their MD&A any change in internal control over financial reporting during the most recent fiscal quarter that has materially effected, or is reasonably likely to materially affect internal control over financial reporting.

Management has determined that there have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

Share Capital

As of the report date 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

On December 1, 2006, the CICA issued the following new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments - Disclosures (Handbook Section 3862), Financial Instruments - Presentation (Handbook Section 3863), and Inventories (Handbook Section 3031). These new standards became effective for the Company on January 1, 2008.

Capital Disclosures

CICA Handbook Section 1535 "Capital Disclosures", issued in December 2006, establishes standards for disclosures about capital that are effective for fiscal periods beginning on or after October 1, 2007. It requires an entity to disclose its objectives, policies and processes for managing capital and to disclose quantitative data about what it considers to be capital. It also requires an entity to disclose whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non compliance. The Company has included disclosures recommended by the new Handbook section in Note 15 to these interim consolidated financial statements.

Financial Instruments

In December 2006, the Canadian Accounting Standards Board (AcSB) issued two new Sections in relation to financial instruments: Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation. The Company adopted both sections, effective January 1, 2008. The Company has included disclosures recommended by the new Handbook section in Note 11 to the interim consolidated financial statements.

Inventories

In June 2007, the CICA issued section 3031, Inventories, which requires inventory to be measured at lower of cost and net realizable value. The standard also provides guidance on costs that can be capitalized. In addition, previous inventory write-downs must be reversed if the economic circumstances have changed to support an increase in the previously impaired inventory value. The adoption of this standard did not have a material impact on the interim consolidated financial statements.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("ACSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with IFRS by the end of 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

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 impact on the Company's consolidated financial statements.

Financial Instruments and Other Instruments Please refer to Note 11 of the Company's September 30, 2008 unaudited 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 interim and 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.

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.

As previously announced the Company has received preliminary approval for a pressure station in conjunction with its planned Haitang Bay extension, a 25km medium pressure pipeline.

The Company is also exploring other expansion opportunities both on Hainan Island and in mainland China.