

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

CHANGFENG ENERGY INC.

Three-month and nine-month periods ended
September 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)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash	\$ 16,614,817	\$ 12,119,980
Trade and other receivables	8,640,242	6,060,800
Prepaid expenses and deposits	2,135,477	948,812
Inventories	1,282,116	1,008,946
Total current assets	28,672,652	20,138,538
Non-current assets:		
Long-term deposits and advances	922,186	1,023,609
Investment in associates (note 4)	5,190,671	872,930
Property and equipment	75,358,804	65,526,160
Intangible assets	667,530	1,424,933
Total non-current assets	82,139,191	68,847,632
Total assets	\$ 110,811,843	\$ 88,986,170
Liabilities and Equity		
Current liabilities:		
Bank indebtedness (note 5(b))	\$ 6,180,960	\$ 3,609,150
Trade and other payables	10,752,274	10,105,342
Deferred revenue	20,061,335	13,403,104
Current portion of long-term debt (note 5(a))	3,950,625	3,364,200
Due to related parties (note 8)	1,026,137	1,369,270
Total current liabilities	41,971,331	31,851,066
Non-current liabilities:		
Long-term debt (note 5(a))	22,718,470	22,073,658
Due to related parties (note 8)	8,428,000	7,476,000
Government grants	1,148,990	1,021,417
Deferred income tax liability	1,639,503	1,250,114
Total non-current liabilities	33,934,963	31,821,189
Total liabilities	75,906,294	63,672,255
Equity:		
Share capital	10,951,667	11,032,007
Contributed surplus	2,869,169	2,696,380
Statutory surplus reserves	4,462,827	3,554,010
Retained earnings	7,826,830	3,256,801
Accumulated other comprehensive income	7,659,743	3,971,706
Total shareholders' equity	33,770,236	24,510,904
Non-controlling interest	1,135,313	803,011
Total equity	34,905,549	25,313,915
Total liabilities and equity	\$ 110,811,843	\$ 88,986,170

Subsequent events (note 13)

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 September 30,		Nine-month periods ended September 30,	
	2015	2014	2015	2014
		(Recasted–note12)		(Recasted–note12)
Revenue	\$ 13,157,887	\$ 12,094,158	\$ 43,575,905	\$ 36,249,574
Cost of sales	6,960,587	6,513,977	20,799,122	18,141,356
Gross margin	6,197,300	5,580,181	22,776,783	18,108,218
Expenses:				
General and administrative	3,000,192	2,871,838	8,425,893	8,020,540
Travel and business development	746,221	735,469	2,557,829	2,621,971
Stock-based compensation	95,135	87,361	172,789	262,082
	3,841,548	3,694,668	11,156,511	10,904,593
Income from operations	2,355,752	1,885,513	11,620,272	7,203,625
Interest expense on long-term debt	446,865	457,589	1,449,315	1,396,708
Interest income	(20,090)	(16,771)	(83,378)	(36,575)
Share of loss of investment in associate	6,391	276	7,061	8,031
Income before income taxes	1,922,586	1,444,419	10,247,274	5,835,461
Income taxes	926,178	748,161	4,436,126	2,602,412
Net income	996,408	696,258	5,811,148	3,233,049
Other comprehensive income:				
Exchange differences on translation of foreign operations	1,371,375	1,586,000	3,688,037	1,009,585
Total comprehensive income	\$ 2,367,783	\$ 2,282,258	\$ 9,499,185	\$ 4,242,634
Net income attributable to:				
Shareholders of the Company	\$ 873,223	\$ 599,980	\$ 5,478,846	\$ 3,027,874
Non-controlling interest	123,185	96,278	332,302	205,175
	\$ 996,408	\$ 696,258	\$ 5,811,148	\$ 3,233,049
Total comprehensive income attributable to:				
Shareholders of the Company	\$ 2,244,598	\$ 2,185,980	\$ 9,166,883	\$ 4,037,459
Non-controlling interest	123,185	96,278	332,302	205,175
	\$ 2,367,783	\$ 2,282,258	\$ 9,499,185	\$ 4,242,634
Earnings per share attributable to common shareholders (note 7):				
Basic	\$ 0.02	\$ 0.01	\$ 0.09	\$ 0.05
Diluted	0.02	0.01	0.09	0.05

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)

Nine-month period ended September 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
Share repurchase	(91,840)	-	-	-	-	-	(91,840)
Options exercised	11,500	-	-	-	-	-	11,500
Net income	-	-	908,817	4,570,029	-	332,302	5,811,148
Currency translation adjustment	-	-	-	-	3,688,037	-	3,688,037
Stock-based compensation (note 6)	-	172,789	-	-	-	-	172,789
Balance, September 30, 2015	\$ 10,951,667	\$ 2,869,169	\$ 4,462,827	\$ 7,826,830	\$ 7,659,743	\$ 1,135,313	\$ 34,905,549

Nine-month period ended September 30, 2014 (Recasted-note 12)	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	-	-	646,954	2,380,920	-	205,175	3,233,049
Currency translation adjustment	-	-	-	-	1,009,585	-	1,009,585
Stock-based compensation	-	262,082	-	-	-	-	262,082
Balance, September 30, 2014	\$ 11,032,007	\$ 2,686,674	\$ 2,173,647	\$ 3,881,142	\$ 3,368,374	\$ 1,304,028	\$ 24,445,872

See accompanying notes to condensed consolidated interim financial statements.

CHANGFENG ENERGY INC.

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

	Nine-month periods ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 5,811,148	\$ 3,233,049
Items not involving cash:		
Deferred income taxes	322,261	156,651
Amortization	3,354,539	2,815,144
Prepaid rent expense	79,378	69,889
Share of loss of investment in associate	7,061	8,031
Current income taxes	4,113,865	2,445,762
Interest expense on long-term debt	1,449,315	1,396,708
Stock-based compensation	172,789	262,082
Income taxes paid	(3,391,571)	(2,340,295)
Interest expense paid	(1,399,587)	(2,244,538)
Change in non-cash operating working capital	356,968	163,464
Net cash flows from operating activities	10,876,166	5,965,947
Cash flows from financing activities:		
Repurchase of shares	(91,840)	(598,782)
Net increase in exercised options	11,500	-
Net increase in bank indebtedness	6,007,680	1,785,000
Net decrease in bank indebtedness	(4,032,000)	(1,785,000)
Net decrease in long-term debt	(1,965,600)	(1,286,875)
Government grants	19,152	15,496
Net cash flows used in financing activities	(51,108)	(1,870,161)
Cash flows from investing activities:		
Acquisition of property and equipment	(3,645,384)	(5,035,148)
Acquisition of intangible assets	-	(8,743)
Investment in associate	(4,032,000)	-
Net cash flows used in investing activities	(7,677,384)	(5,043,891)
Increase (decrease) in cash	3,147,674	(948,105)
Effects of foreign exchange on cash balances	1,347,163	633,652
Cash, beginning of period	12,119,980	15,151,430
Cash, end of period	\$ 16,614,817	\$ 14,836,977

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 nine-month periods ended September 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 November 25, 2015.

CHANGFENG ENERGY INC.

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

Three-month and nine-month periods ended September 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 nine-month periods ended September 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 nine-month periods ended September 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. Investment in associates:

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. The registered capital of the Joint Venture is RMB 200 million (approximately CAD \$41 million). Changfeng and CFD Group respectively own 50% each of the Joint Venture. RMB 40 million of funding for the registered capital is required within 30 days of incorporation; the remaining RMB 160 million is required within 10 years of incorporation. 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.

CHANGFENG ENERGY INC.

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

Three-month and nine-month periods ended September 30, 2015 and 2014
(Unaudited)

5. Long-term debt and bank indebtedness:

(a) Long term debt:

	September 30, 2015	December 31, 2014
Term loan facility - Bank of China (i)	15,275,750	14,952,000
Term loan facility - Bank of China (ii)	8,428,000	7,476,000
Term loan facility - Bank of China (iii)	3,107,825	3,177,300
	26,811,575	25,605,300
Less unamortized transaction costs	142,480	167,442
	26,669,095	25,473,858
Less current portion	3,950,625	3,364,200
	\$ 22,718,470	\$ 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 \$21,070,000 (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 nine-month period ended September 30, 2015, the Company made repayments in the amount of \$1,580,250 (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 September 30, 2015, \$15,275,750 (RMB 72,500,000) of the term loan is outstanding.

At September 30, 2015, the Company had unamortized transaction costs of \$142,480 (RMB 676,222) (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 \$10,535,000 (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 September 30, 2015, the Company has withdrawn \$8,428,000 (RMB 40,000,000) (December 31, 2014 - \$7,476,000 (RMB 40,000,000)), which remains fully outstanding.

CHANGFENG ENERGY INC.

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

Three-month and nine-month periods ended September 30, 2015 and 2014
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5. Long-term debt and bank indebtedness (continued):

(iii) On December 21, 2012, the Company entered into a term loan with the Bank of China, Pingxiang Branch ("BOC, Pingxiang") for \$4,214,000 (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. During the nine-month period ended September 30, 2015, the Company made payments in the amount of \$474,075 (RMB 2,250,000) (2014 - \$258,150 (RMB 1,500,000)). At September 30, 2015, \$3,107,825 (RMB 14,750,000) of the term loan is outstanding.

(b) Bank indebtedness:

Included in current liabilities is \$4,171,860 (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%.

Also included in current liabilities is \$2,009,100 (December 31, 2014 - \$1,740,150 relating to a U.S. \$1,500,000 Term Loan from the Bank of China (Canada) pursuant to a Credit Facility Letter Agreement effective October 6, 2015. 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 September 30, 2015, the Company was in compliance with all of its debt covenants.

CHANGFENG ENERGY INC.

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

Three-month and nine-month periods ended September 30, 2015 and 2014
(Unaudited)

6. 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 nine months of 2015, the Company purchased 242,500 of its common shares under the Bid for cash proceeds of \$91,840, inclusive of transaction costs. Subsequent to September 30, 2015, the Company purchased 35,000 shares pursuant for cash proceeds of \$12,075.

On May 27, 2015, 800,000 options expired. 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 fair value of these options at the grant date was \$0.19. Assumptions used to determine the value of the options using the Black-Scholes model were: dividend yield 0%; risk-free interest rate 1.45%; expected volatility 64%; and expected life of five years. 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.

CHANGFENG ENERGY INC.

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

Three-month and nine-month periods ended September 30, 2015 and 2014
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7. 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 nine-month periods ended September 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 nine-months periods ended September 30, 2015 and 2014, adjusted for the effect of potentially dilutive stock options.

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

	Three-month period ended September 30, 2015			Three-month period ended September 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 12)					
Basic	\$ 873,223	62,919,292	\$ 0.02	\$ 599,980	63,099,200	\$ 0.01
Diluted	873,223	63,766,464	0.02	599,980	63,953,733	0.01

	Nine-month period ended September 30, 2015			Nine-month period ended September 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 12)					
Basic	\$ 5,478,846	62,937,368	\$ 0.09	\$ 3,027,874	63,617,760	\$ 0.05
Diluted	5,478,846	63,491,920	0.09	3,027,874	64,603,307	0.05

CHANGFENG ENERGY INC.

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

Three-month and nine-month periods ended September 30, 2015 and 2014
(Unaudited)

8. Related party disclosures:

(a) Included in current due to related parties as at September 30, 2015, is a required capital contribution of \$632,100 (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 September 30, 2015, was \$263,175 (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.

(b) In 2007, a significant shareholder, who is also an officer and director of the Company, advanced loans in the aggregate amount of \$8,428,000 (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 September 30, 2015, the Company owed an officer of the Company \$130,862 (December 31, 2014 - \$449,483) for unpaid salary.

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

(e) As at September 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 nine-month periods ended September 30, 2015 and 2014
(Unaudited)

9. 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 September 30, 2015, the Company had a working capital deficiency of \$13,298,679 (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 September 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.

10. 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)

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(Unaudited)

11. 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 September 30, 2015	Gas distribution utility	CNG refuelling station	Consolidated
Revenue	\$ 10,865,340	\$ 2,292,547	\$ 13,157,887
Cost of sales	5,320,911	1,639,676	6,960,587
	5,544,429	652,871	6,197,300
Expenses:			
General and administrative	2,690,323	309,869	3,000,192
Travel and business development	714,031	32,190	746,221
Stock-based compensation	79,833	15,302	95,135
	3,484,187	357,361	3,841,548
Income from operations	\$ 2,060,242	\$ 295,510	\$ 2,355,752

Three-month period ended September 30, 2014	Gas distribution utility	CNG refuelling station	Consolidated
Revenue	\$ 9,784,386	\$ 2,309,772	\$ 12,094,158
Cost of sales	4,717,907	1,796,070	6,513,977
	5,066,479	513,702	5,580,181
Expenses:			
General and administrative	2,598,900	272,938	2,871,838
Travel and business development	718,633	16,836	735,469
Stock-based compensation	70,675	16,686	87,361
	3,388,208	306,460	3,694,668
Income from operations	\$ 1,678,271	\$ 207,242	\$ 1,885,513

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(Expressed in Canadian dollars, unless otherwise indicated)

Three-month and nine-month periods ended September 30, 2015 and 2014
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11. Segmented reporting (continued):

Nine-month period ended September 30, 2015	Gas distribution utility	CNG refuelling station	Consolidated
Revenue	\$ 36,885,323	\$ 6,690,582	\$ 43,575,905
Cost of sales	15,823,634	4,975,488	20,799,122
	21,061,689	1,715,094	22,776,783
Expenses:			
General and administrative	7,581,926	843,967	8,425,893
Travel and business development	2,475,884	81,945	2,557,829
Stock-based compensation	146,259	26,530	172,789
	10,204,069	952,442	11,156,511
Income from operations	\$ 10,857,620	\$ 762,652	\$ 11,620,272
Total assets, September 30, 2015	\$ 106,478,806	\$ 4,333,037	\$ 110,811,843
Total assets, December 31, 2014	\$ 84,284,662	\$ 4,701,508	\$ 88,986,170
Nine-month period ended September 30, 2014	Gas distribution utility	CNG refuelling station	Consolidated
Revenue	\$ 29,806,109	\$ 6,443,465	\$ 36,249,574
Cost of sales	13,039,881	5,101,475	18,141,356
	16,766,228	1,341,990	18,108,218
Expenses:			
General and administrative	7,315,786	704,754	8,020,540
Travel and business development	2,575,830	46,141	2,621,971
Stock-based compensation	215,496	46,586	262,082
	10,107,112	797,481	10,904,593
Income from operations	\$ 6,659,116	\$ 544,509	\$ 7,203,625
Total assets, September 30, 2014	\$ 84,681,025	\$ 4,352,824	\$ 89,033,849
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)
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Geographic information:

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

12. 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 September 30, 2014	As previously reported	Adjustments	As recasted
Net income attributable to:			
Owners of the Company	\$ 718,765	\$ (118,785)	\$ 599,980
Non-controlling interest	(22,507)	118,785	96,278
	\$ 696,258	\$ -	\$ 696,258
Total comprehensive income (loss) attributable to:			
Owners of the Company	\$ 2,304,765	\$ (118,785)	\$ 2,185,980
Non-controlling interest	(22,507)	118,785	96,278
	\$ 2,282,258	\$ -	\$ 2,282,258

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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12. Recast of comparative financial information (continued):

Nine-month period ended September 30, 2014	As previously reported	Adjustments	As recasted
Net income attributable to:			
Owners of the Company	\$ 3,315,223	\$ (287,349)	\$ 3,027,874
Non-controlling interest	(82,174)	287,349	205,175
	\$ 3,233,049	\$ -	\$ 3,233,049
Total comprehensive income (loss) attributable to:			
Owners of the Company	\$ 4,324,808	\$ (287,349)	\$ 4,037,459
Non-controlling interest	(82,174)	287,349	205,175
	\$ 4,242,634	\$ -	\$ 4,242,634

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.

13. Events subsequent to the reporting period:

In 2007, a significant shareholder, who is also an officer and director of the Company, advanced loans in the aggregate amount of \$8,428,000 (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.

On September 22, 2015, the Company entered a Loan Discharge Agreement (the "Agreement") with the Lenders. Subsequent to the period, on October 8, 2015, the Company amended the Agreement with the Lenders. The Agreement provides for an absolute discharge of the Loans, in exchange for the issuance by Changfeng to the Lenders of 15,000,000 preferred shares of Changfeng. These preferred shares will be non-dividend bearing, are not convertible, will have one vote per share, will not be redeemable or retractable by the holder, will be redeemable at the option of Changfeng at \$0.32 per share until April 27, 2025, and thereafter at \$0.40 per share, must be redeemed by the Company at a price of \$0.32 per share until April 27, 2025, and thereafter \$0.40 per share, in the event of a change of control of the Company or a sale of substantially all of its assets, and would have a liquidation preference before the holders of the common shares, and have a fixed liquidation value of \$0.32 cents until November 15, 2030 and \$0.533 per share thereafter. In order to create the preferred shares to

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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Three-month and nine-month periods ended September 30, 2015 and 2014
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13. Events subsequent to the reporting period (continued):

be issued pursuant to the Agreement, Changfeng will be required to amend its Articles of Incorporation to create the preferred shares. This will require a shareholder approval by Special Resolution, requiring the affirmative votes of not less than 66 $\frac{2}{3}$ % of shares voted on the Special Resolution. The transaction contemplated by Agreement had been accepted by the TSXV. Completion of the transactions contemplated by the Agreement remains subject to receipt of the above shareholder approval.