



**NOTICE OF
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON
JUNE 28, 2018**

AND

MANAGEMENT PROXY CIRCULAR

May 29, 2018



2036/2038 - 32 South Unionville Ave.,
Markham, Ontario
L3R 9S6

**Notice of Annual Meeting of Shareholders
June 28, 2018**

Notice is hereby given that the annual meeting of the holders of common shares of Changfeng Energy Inc. (the “**Corporation**”) will be held at the offices of Computershare in Toronto at 100 University Avenue, 11th Floor, North Tower, Toronto, Ontario M5J 2Y1 on Thursday, June 28, 2018 at 10:00 AM (Toronto time) for the following purposes:

- (a) to receive and consider the audited consolidated financial statements as at and for the financial year ended December 31, 2017 and the auditor’s report thereon, a copy of which is enclosed herewith;
- (b) to elect directors;
- (c) to re-appoint the Corporation’s auditor;
- (d) to transact such other business as may properly come before the meeting or any adjournment thereof.

The specific details of the foregoing matters to be put before the meeting are set forth in the Management Proxy Circular accompanying this Notice of Meeting.

Shareholders of the Corporation are invited to attend the meeting.

Registered shareholders who are unable to attend the meeting in person are requested to complete, date and sign the enclosed form of proxy and send it in the enclosed envelope or otherwise to the Corporate Secretary of the Corporation c/o Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or to the Corporate Secretary of the Corporation at the Corporation’s office, which is located at 2036/2038 - 32 South Unionville Ave., Markham, Ontario, L3R 9S6, fax number 416-362-2393.

Non-registered shareholders who receive these materials through their broker or other intermediary should complete and send the form of proxy in accordance with the instructions provided by their broker or intermediary.

To be effective, a proxy must be received by Computershare Investor Services Inc. or the Corporate Secretary of the Corporation not later than June 26, 2018 at 10:00 AM (Toronto time), or in the case of any adjournment of the meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment.

DATED the 29th day of May, 2018.

By Order of the Board of Directors

(Signed) Ann Siyin Lin

Ann Siyin Lin
Vice President, Corporate Development and Corporate Secretary



2036/2038 - 32 South Unionville Ave.,
Markham, Ontario
L3R 9S6

**Management Proxy Circular for the Annual Meeting of Shareholders
June 28, 2018**

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Management Proxy Circular (the “Circular”) is furnished in connection with the solicitation, by or on behalf of the management of Changfeng Energy Inc. (the “Corporation”), of proxies to be used at the Corporation’s annual meeting of the holders (“Shareholders”) of common shares (“Common Shares”) to be held on Thursday, June 28, 2018 (the “Meeting”) or at any adjournment thereof. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally, by advertisement or by telephone, by directors, officers or employees of the Corporation without special compensation, or by the Corporation’s transfer agent, Computershare Investor Services Inc. at nominal cost. The cost of soliciting proxies will be borne by the Corporation.

Appointment of Proxyholder

The persons designated by management of the Corporation in the enclosed form of proxy are directors or officers of the Corporation. **Each Shareholder has the right to appoint as proxyholder a person or company (who need not be a Shareholder of the Corporation) other than the persons designated by management of the Corporation in the enclosed form of proxy to attend and act on the Shareholder’s behalf at the Meeting or at any adjournment thereof.** Such right may be exercised by inserting the name of the person or company in the blank space provided in the enclosed form of proxy or by completing another form of proxy.

The Corporation is not sending proxy-related materials in connection with the Meeting to registered shareholders or non-registered shareholders using the notice-and-access provisions set out in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”).

In the case of registered shareholders, the completed, dated and signed form of proxy should be sent in the enclosed envelope or otherwise to the Corporate Secretary of the Corporation c/o Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or to the Corporate Secretary of the Corporation at the Corporation’s office, which is located at 2036/2038 - 32 South Unionville Ave., Markham, Ontario, L3R 9S6, fax number 647-313-0088.

The Corporation has distributed copies of this Circular and accompanying Notice of Meeting to intermediaries for distribution to *non-registered shareholders*. Unless the non-registered shareholder has waived his or her rights to receive these materials, an intermediary is required to deliver them to the non-registered shareholder and to seek instructions on how to vote the Common Shares beneficially owned by the non-registered shareholder. In many cases, intermediaries will have used a service company (such as Broadridge Financial Solutions Inc. in Canada (“**Broadridge**”)) to forward these Meeting materials to non-

registered shareholders. The Corporation, through its transfer agent Computershare Investor Services Inc., is sending a copy of the materials related to the Meeting directly to each “non-objecting beneficial owner” (as such term is defined in NI 54-101). The Corporation is paying Broadridge to deliver, on behalf of the intermediaries, a copy of the materials related to the Meeting to each “objecting beneficial owner” (as such term is defined in NI 54-101).

To be effective, a proxy must be received by Computershare Investor Services Inc. or the Corporate Secretary of the Corporation not later than June 26, 2018 at 10:00 AM (Toronto time), or in the case of any adjournment of the Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment.

Revocation of Proxy

A Shareholder who has given a proxy may revoke it by depositing an instrument in writing signed by the Shareholder or by the Shareholder’s attorney, who is authorized in writing, at the office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or in the case of any adjournment of the Meeting, the last business day preceding the day of the adjournment, or with the Chair of the Meeting on the day of, and prior to the start of, the Meeting or any adjournment thereof. A Shareholder may also revoke a proxy in any other manner permitted by law.

Voting of Proxies

On any ballot that may be called for, the Common Shares represented by a properly executed proxy given in favour of the persons designated by management of the Corporation in the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions given on the form of proxy and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. **If a specification is not made with respect to any matter, the Common Shares will be voted on such matter as stated in the form of proxy.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment thereof. As of the date of this Circular, management of the Corporation is not aware of any such amendment, variation or other matter to come before the Meeting. However, if any amendments variations to matters identified in the accompanying Notice of Meeting or any other matters which are not now known to management should properly come before the Meeting or any adjournment thereof, the Common Shares represented by properly executed proxies given in favour of the persons designated by management of the Corporation in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.

RECORD DATE AND VOTING SHARES

The board of directors (“**Directors**”) of the Company (the “**Board of Directors**”) has fixed May 22, 2018 (the “**Record Date**”) as the record date for the purpose of determining holders of Common Shares entitled to receive notice of and to vote at the Meeting. Any holder of Common Shares of record at the close of business on the Record Date is entitled to vote the Common Shares registered in such Shareholder’s name at that date on each matter to be acted upon at the Meeting.

The authorized capital of the Corporation consists of an unlimited number of Common Shares. As at the Record Date, the Corporation had 65,158,155 Common Shares outstanding, each carrying the right to one vote per share. Except as otherwise noted in this Circular, a simple majority of the votes cast at the Meeting, whether in person, by proxy or otherwise, will constitute approval of any matter submitted to a vote.

PRINCIPAL SHAREHOLDERS

To the knowledge of the Directors and executive officers of the Corporation, as at the Record Date, no person beneficially owned, directly or indirectly, or exercised control or direction over, 10% or more of the voting rights attached to the outstanding Common Shares of the Corporation except as stated below.

Name	Aggregate Number of Common Shares	Percentage of Outstanding Common Shares
Huajun Lin	34,675,000 ⁽¹⁾	53.22%

Note:

- (1) The approximate number of Common Shares owned, controlled or directed by Mr. Lin, not being within the knowledge of the Corporation, has been provided by Mr. Lin directly.

As of the Record Date, the Directors and senior officers of the Corporation, as a group, own beneficially, directly or indirectly, or exercise control or direction over, approximately 37,170,715 Common Shares, representing approximately 57.05% of the outstanding Common Shares.

MATTERS TO BE ACTED UPON AT MEETING

1. Election of Directors

The articles of amalgamation of the Corporation provide that the Board of Directors may consist of a minimum of three and a maximum of fifteen Directors. The number of Directors to be elected at the Meeting is six. Directors are elected annually. Each Director will hold office until the conclusion of the next annual meeting or until the successor of such Director is duly elected or appointed, unless such office is earlier vacated.

In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed form of proxy intend to vote FOR the election as Directors of the proposed nominees whose names are set forth below, each of whom has been a Director since the date indicated below opposite the proposed nominee's name. Management does not contemplate that any of the proposed nominees will be unable to serve as a Director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by properly executed proxies given in favour of such nominee(s) may be voted by the person(s) designated by management of the Corporation in the enclosed form of proxy, in their discretion, in favour of another nominee.

The following table sets forth information with respect to each person proposed to be nominated for election as a Director, including the number of Common Shares of the Corporation beneficially owned, directly or indirectly, or over which control or direction was exercised, by such person or the person's associates or affiliates as at the Record Date. The information as to shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Corporation, has been furnished by the respective proposed nominees individually.

Nominee Name and Place of Residence	Principal Occupation ⁽¹⁾	Date Became Director	Number of Common Shares Beneficially Owned or Controlled or Directed by Director ⁽²⁾	Number of Options Held
Hui Cai ⁽³⁾⁽⁵⁾ Guangzhou, China	Senior Advisor, branch of China National Offshore Oil Corporation (“CNOOC”) (August 2001 to 2015) Corporate Director (2008 to present)	January 29, 2008	–	400,000
Yongbiao Ding (“Winfield Ding”) ⁽³⁾⁽⁴⁾⁽⁵⁾ Toronto, ON, Canada	CFO of EA Education Group Inc. (2016 to present) President of Oriental Sources Inc. (2012 to present) CFO of Sparton Resources Inc. (2011 to present)	March 10, 2015	982,000	300,000
Huajun Lin Zhuhai, China	Chair and Chief Executive Officer of the Corporation (2008 to present) President of the Corporation (2008 to present)	January 29, 2008	34,675,000 ⁽⁶⁾	700,000
Dan Liu ⁽⁴⁾⁽⁵⁾ Beijing, China	Corporate Director (2008 to present)	January 29, 2008	300,000	100,000
Wencheng Zhang ⁽³⁾⁽⁴⁾ Beijing, China	CEO, Zhuhai Fucheng Investment Corporation (October 2013 to present)	January 29, 2008	300,000	100,000
Ann Siyin Lin Toronto ON, Canada	VP of Corporate Development and Corporate Secretary of the Corporation (2009 to present)	January 15, 2018	850,500	290,000

Notes:

- (1) To the Corporation's knowledge, all companies noted are still carrying on business as of the date of this Circular unless otherwise noted.
- (2) Does not include shares issuable upon exercise of options.
- (3) Member of the audit committee of the Corporation (the “**Audit Committee**”).
- (4) Member of the corporate governance and nomination committee of the Corporation (the “**Corporate Governance and Nomination Committee**”).
- (5) Member of the compensation and human resources committee of the Corporation (the “**Compensation and Human Resources Committee**”).
- (6) Of this total, an aggregate of 550,000 Common Shares are held directly by Mr. Lin, an aggregate of 1,350,000 Common Shares are held by Godfrey Partnership (of which Mr. Lin is a controlling partner) and an aggregate of 32,775,000 Common Shares are held by CF Energy (BVI) Limited (of which Mr. Lin is a controlling shareholder). The information as to the voting securities beneficially owned, controlled or directed, directly or indirectly, not being within the knowledge of the Corporation, has been furnished by Mr. Lin.

2. Appointment of Independent Auditor

The Corporation’s auditor is Deloitte Touche Tohmatsu (“**Deloitte**”). Deloitte was first appointed auditor of the Corporation (“**Auditor**”) on June 29, 2016.

At the Meeting, the holders of Common Shares will be requested to re-appoint Deloitte as Auditor to hold office until the next annual meeting of Shareholders or until a successor is appointed.

In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed form of proxy intend to vote FOR the appointment of Deloitte as Auditor to hold office until the next annual meeting of Shareholders or until a successor is appointed.

Intention of Executive Officers and Directors

All of the Directors and executive officers of the Corporation have indicated that they intend to vote their Common Shares in favour of each of the above resolutions.

EXECUTIVE COMPENSATION

All dollar amounts in this Circular are expressed in Canadian dollars unless otherwise indicated.

Compensation and Human Resources Committee

The Compensation and Human Resources Committee is comprised of Hui Cai (Chair), Winfield Ding and Dan Liu. Messrs. Cai, Ding and Liu are “independent” Directors within the meaning of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”).

The general business background and senior management experience of each member of the Compensation and Human Resources Committee are relevant to their responsibilities as members of the Compensation and Human Resources Committee for executive compensation, and enable them to implement and oversee the Corporation’s compensation program, and to make decisions on the suitability of the Corporation’s compensation policies and practices. See “Matters to be Acted Upon at Meeting – Election of Directors” for the senior management experience of each member of the Compensation and Human Resources Committee. In particular, certain members of the Compensation and Human Resources Committee have direct experience in executive compensation. Mr. Liu has extensive experience with human resources and organizational development through his previous senior executive management roles. In his executive role as general manager at CEIEC Shanghai, he was actively involved in senior management recruitment and compensation. Mr. Cai, through his executive roles at CNOOC Natural Gas Exploitation Co. Ltd., has worked on designing, establishing and implementing executive compensation, retention and succession planning structures. Mr. Winfield Ding, a Chartered Professional Accountant in the province of Ontario, has been an executive officer in Canadian and Chinese businesses. He previously worked as an accountant conducting audits. Mr Ding. has extensive knowledge of executive compensation programs and has been involved with the design, implementation and review of some such programs.

The Compensation and Human Resources Committee’s responsibilities are, among other things:

- to compare on an annual basis the total remuneration (including benefit) and the main components thereof for the executive officers of the Corporation with the remuneration practices of peers in the same industry;
- having regard to competitive position and individual performance, annually review and recommend to the Board of Directors for approval the remuneration of the executive officers of the Corporation, namely, executives in the offices of Chief Executive Officer (“**CEO**”), President, Vice-Presidents, Chief Financial Officer (the “**CFO**”) and any executive officers of the Corporation having comparable positions as may be specified by the Board of Directors, with the remuneration of the executive officers other than the CEO reflecting review and consultation with the CEO;
- to review and recommend to the Board of Directors for its approval the remuneration of Directors and executive officers, and to develop and submit to the Board of Directors recommendations with regard to other employee benefits and bonus plans;

- subject to any required shareholder and regulatory approval, to determine those Directors, officers, employees and consultants of the Corporation who will participate in long term incentive plans of the Corporation, if any; to determine the number of Common Shares of the Corporation allocated to each participant under such plans, if any; to determine the time or times when ownership of such Common Shares will vest for each participant; and to administer all matters relating to any long term incentive plan and any employee bonus plan to which the Compensation and Human Resources Committee has been delegated authority pursuant to the terms of such plans or any resolutions passed by the Board of Directors; and
- to review and recommend to the Board of Directors for approval any special employment contracts including employment offers;
- to adopt such policies and procedures as it deems appropriate to operate effectively.

Compensation Discussion & Analysis

The Corporation's Board of Directors has established a compensation program for its executive officers, which is designed to achieve the following key objectives:

- attract the most qualified and experienced executives available to create shareholder value and drive the continued development of the Corporation; and
- retain and motivate qualified and experienced executives and provide appropriate short-term and long-term financial incentives with the goal of increasing the Corporation's performance.

The Board of Directors is solely responsible for the compensation program for the Corporation's executive officers. The deliberations of the Board of Directors are private and are intended to advance the two key objectives of the compensation program as described above.

Compensation for the Corporation's Named Executive Officers (as defined below) consists of the following three components: (i) base salary or consulting fees; (ii) options granted pursuant to the Corporation's stock option plan (the "**Stock Option Plan**"); and (iii) discretionary cash bonus payments for superior performance. The relative weightings of base salary, options and discretionary bonuses payable to Named Executive Officers are reviewed and determined annually by the Compensation and Human Resources Committee based on the Corporation's short and long-term corporate goals and the performance of the Corporation against those goals and the contribution of the executive officer to that performance. Each element of compensation is considered individually and in aggregate with each other element in determining the amount of each level of compensation that is considered appropriate having regard to the factors considered relevant to compensation of the Corporation's executive officers discussed above. The Corporation does not provide its executive officers with perquisites or other personal benefits. The Corporation also does not provide any additional compensation to its executive officers for serving as Directors.

The Compensation and Human Resources Committee considered risks that might result from the type and weighting of the different elements of executive compensation. In particular, in the case of compensation under the Stock Option Plan, the Compensation and Human Resources Committee considered the fact that option entitlements vest over 3 years, and that the consideration received by a holder of options is aligned with the interests of the Corporation and the Shareholders as it is determined by reference to any increase in the market price of the Corporation's Common Shares after the date of grant of the options.

In establishing salary levels and bonus entitlements of the Corporation's executive officers, the Corporation takes into consideration factors such as current competitive market conditions, the particular skills of the

executive officer, such as leadership ability and management effectiveness, internal equity, experience, responsibility and proven or expected performance of the particular executive officer. No bonus was granted to any of the Named Executive Officers in the three years ended December 31, 2017.

With respect to the base compensation of the CEO, during the year ended December 31, 2017, the Corporation paid the CEO \$210,000. This amount was agreed upon between the CEO and the Compensation and Human Resources Committee, on behalf of the Corporation, taking into account the following considerations:

- the total number of years of the CEO's relevant experience; and
- the CEO's track record of success in leading companies.

During the year ended December 31, 2017, the Corporation paid Ling Cao, who was appointed to the position of CFO effective October 24, 2017, the prorated amount of \$16,902 of a base annual salary of \$68,164. The amount paid to Ling Cao was agreed upon between Ling Cao and the Compensation and Human Resources Committee, on behalf of the Corporation, taking into account Ling Cao's specialized financial reporting experience gained through her various roles in the Corporation's accounting department and her role as the CFO of Sanya Changfeng Offshore Natural Gas Distribution Co. Ltd., a wholly-owned subsidiary of the Corporation. With respect to the base compensation of the former CFO, Yan Zhao, during the year ended December 31, 2017, the Corporation paid Mr. Yan Zhao, who stepped down from his role as CFO effective October 24, 2017, the prorated amount of \$107,500 of a base annual salary of \$130,000.

The compensation of the independent Directors, which includes a director's fee of \$17,000 per annum, an extra \$4,000 per annum for the chairperson of the Audit Committee and an extra \$2,000 per annum for the chairpersons of the Compensation and Human Resources Committee and the Corporate Governance Committee, respectively, a \$500 attendance fee per meeting (board and committee) and the granting of options under the Stock Option Plan, is determined by the Board of Directors. The payment of the Directors' fees recognizes their contributions to the Corporation as non-executive Directors and, where applicable, members of board committees.

A Director or NEO (as defined below) of the Corporation is not permitted to purchase financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by such NEO or Director.

Option Grants

The granting of options to the executive officers under the Stock Option Plan provides an appropriate long-term incentive to management to create shareholder value. Options are granted to executive officers in amounts which recognize their specific contribution to the Corporation in their capacities as executive officers of the Corporation. Previous grants of options to executive officers are taken into consideration by the Board of Directors when considering new option grants. Any amendments to the Stock Option Plan are subject to review by the Compensation and Human Resources Committee and approval of the Board of Directors.

The Compensation and Human Resources Committee considers the grant of options to the non-executive Directors under the Stock Option Plan to provide an appropriate long-term incentive to these Directors to provide proper oversight to the Corporation with a view to maximizing shareholder value. Options are granted to independent Directors in amounts that recognize their specific contributions to the Corporation in their capacities as independent Directors and, where applicable, members of committees of the Board of Directors.

Summary Compensation Table

The following table sets forth information concerning compensation of the CEO and the CFO (the “**Named Executive Officers**” or “**NEOs**”) earned from the Corporation and any of the Corporation’s subsidiaries, during the financial years of the Corporation ended December 31, 2017, 2016 and 2015.

SUMMARY COMPENSATION TABLE									
Name and Principal Position of Named Executive Officer	Year Ended Dec. 31	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans ⁽¹⁾ (\$)	Long-Term Incentive Plans (\$)			
Huajun Lin ⁽²⁾ <i>Chair, Chief Executive Officer and President</i>	2017	210,000	Nil	Nil	Nil	Nil	Nil	Nil	210,000
	2016	210,000	Nil	Nil	Nil	Nil	Nil	Nil	210,000
	2015	210,000	Nil	Nil	Nil	Nil	Nil	Nil	210,000
Ling Cao <i>Chief Financial Officer</i> ⁽³⁾	2017	16,902	Nil	71,000	Nil	Nil	Nil	Nil	87,902
Yan Zhao <i>Former Chief Financial Officer</i> ⁽³⁾	2017	107,500	Nil	Nil	Nil	Nil	Nil	Nil	107,500
	2016	130,000	Nil	Nil	Nil	Nil	Nil	14,133	144,133
	2015	110,000	Nil	Nil	Nil	Nil	Nil	Nil	110,000

Notes:

- (1) The Corporation does not have an annual performance bonus plan. However, the Compensation and Human Resources Committee and/or the Board of Directors may award annual discretionary bonuses based on an individual or the Corporation achieving certain designated objectives and for superior or exceptional performance in relation to such objectives. No bonus was granted to any of the Named Executive Officers in the three years ended December 31, 2017.
- (2) Mr. Huajun Lin did not receive any compensation for acting as a Director. See “Director Compensation” below.
- (3) Mr. Yan Zhao stepped down from his role as CFO effective October 24, 2017. Ms. Ling Cao was appointed to the position of CFO effective October 24, 2017.

Termination and Change of Control Benefits

There is no contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Corporation or a change in a Named Executive Officer's responsibilities.

Incentive Plan Awards

Outstanding Option-Based and Share-Based Awards

The following table sets out, for each Named Executive Officer, information concerning all option-based and share-based awards outstanding as of December 31, 2017. This includes awards granted before the most recently completed financial year.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Huajun Lin <i>Chair, Chief Executive Officer and President</i>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Ling Cao <i>Chief Financial Officer⁽²⁾</i>	300,000	0.40	April 10, 2022	\$60,000	Nil	Nil	Nil
Ling Cao <i>Chief Financial Officer⁽²⁾</i>	100,000	0.63	August 10, 2025	Nil	Nil	Nil	Nil
Yan Zhao <i>Former Chief Financial Officer⁽²⁾</i>	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note:

- (1) The value of “unexercised in-the-money” options was calculated using the last traded price of the Common Shares on the TSX Venture Exchange (the “TSXV”) on December 29, 2017 for the year ended December 31, 2017 of \$0.60 less the exercise price of the options. “In-the-money” options are options that can be exercised at a profit (i.e., the market value of the Common Shares is higher than the price at which they can be purchased from the Corporation).
- (2) Mr. Yan Zhao stepped down from his role as CFO effective October 24, 2017 and his unexercised options were cancelled effective as of October 24, 2017.

Value Vested or Earned During the Year

The following table sets out, for each Named Executive Officer, information concerning the value of incentive plan awards – option-based and share-based awards as well as non-equity incentive plan compensation – vested or earned during the financial year ended December 31, 2017.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Huajun Lin <i>Chair, Chief Executive Officer and President</i>	Nil	Nil	Nil
Ling Cao <i>Chief Financial Officer</i>	71,000	Nil	Nil
Yan Zhao <i>Former Chief Financial Officer⁽¹⁾</i>	Nil	Nil	Nil

Note:

- (1) Mr. Yan Zhao stepped down from his role as CFO effective October 24, 2017 and his unexercised options were cancelled effective as of October 24, 2017.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets out information concerning the number and price of securities to be issued under equity compensation plans to employees and others.

Plan Category	Number of Securities to be Issued upon Exercise of Options, Warrants and Rights (as at December 31, 2017) (a)	Weighted – Average Exercise Price of Outstanding Options, Warrants and Right (as at December 31, 2017) (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in (a)) (as at December 31, 2017) (c)
Equity Compensation Plans Approved by Security Holders	5,190,150	\$0.50	1,409,850
Equity Compensation Plans Not Approved by Security Holders	N/A	N/A	N/A
Total	5,190,150	\$0.50	1,409,850

Summary of Stock Option Plan

The Shareholders of the Corporation approved the Stock Option Plan on June 4, 2008. Subject to adjustment, up to 6,600,000 Common Shares are currently reserved for issue upon the exercise of options granted pursuant to the Stock Option Plan. Unexpired options to purchase 5,190,150 Common Shares have been granted under the Stock Option Plan as of December 31, 2017, and an aggregate of 1,409,850 stock options remain available for future grant under the Stock Option Plan. The purpose of the Stock Option Plan is to attract, retain and motivate Directors, officers, employees and other service providers of the Corporation by providing them with the opportunity, through share options, to acquire a proprietary interest in the Corporation and benefit from its growth. The options granted under the Stock Option Plan are non-assignable and may be granted for a term not exceeding ten years.

Options may be granted under the Stock Option Plan only to Directors, officers, employees and other service providers subject to the rules and regulations of applicable regulatory authorities and any Canadian stock exchange upon which the Common Shares may be listed or may trade from time to time. The number of Common Shares reserved for issue to any one person pursuant to the Stock Option Plan within any one year period may not exceed 5% of the outstanding issue. The maximum number of Common Shares which may be reserved for issuance to insiders under the Stock Option Plan, any other employee stock option plans or options for services, shall be 10% of the Common Shares issued and outstanding at the time of the grant (on a non-diluted basis). The maximum number of Common Shares which may be issued to insiders under the Stock Option Plan, together with any other previously established or proposed share compensation arrangements, within any one year period shall be 10% of the outstanding issue. The maximum number of Common Shares which may be issued to any one insider and his or her associates under the Stock Option Plan, together with any other previously established or proposed share compensation arrangements, within a one year period shall be 5% of the Common Shares outstanding at the time of the grant (on a non-diluted basis). The maximum number of stock options which may be granted to any one consultant under the Stock Option Plan, any other employer stock options plans or options for services, within any 12 month period, must not exceed 2% of the Common Shares issued and outstanding at the time of the grant (on a non-diluted basis). The maximum number of stock options which may be granted to investor relations persons under the Stock Option Plan, any other employer stock options plans or options for services, within any 12 month period must not exceed, in the aggregate, 2% of the Common Shares issued and outstanding at the time of the grant (on a non-diluted basis).

The exercise price of options issued under the Stock Option Plan may not be less than the market price of the Common Shares at the time the option is granted, subject to any discounts permitted by applicable regulatory requirements, subject to a minimum price of \$0.10.

DIRECTOR COMPENSATION

Directors who are not officers or employees of the Corporation are entitled to be paid an annual fee of \$17,000 and an attendance fee of \$500 per meeting (board and committee). The Director who serves as the chairperson of the Audit Committee was also entitled to be paid an extra amount of \$4,000 per annum, and the respective Directors who serve as the chairpersons of the Compensation and Human Resources Committee and the Corporate Governance Committee were each entitled to be paid an extra amount of \$2,000. Directors who are also officers or employees of the Corporation were not paid any amount as a result of their serving as Directors. Directors are reimbursed for travel and other out of pocket expenses incurred in attending Directors', committee and Shareholders' meetings. Directors are also entitled to receive compensation to the extent that they provide services to the Corporation at rates that would be charged by such Directors for such services to arm's length parties. During the financial year of the Corporation ended December 31, 2017, no such compensation was paid to any Director of the Corporation or any of its subsidiaries. Directors are also entitled to participate in the Stock Option Plan. See "Summary of Stock Option Plan" above.

Director Compensation Table

Set out below is a summary of all compensation provided to the non-executive Directors during the financial year ended December 31, 2017. Each of Mr. Huajun Lin and Ms. Ann Siyin Lin, as executive officers of the Corporation, did not receive any compensation for acting as a Director of the Corporation.

Name	Fees earned ⁽¹⁾ (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Wencheng Zhang	\$33,500	Nil	Nil	Nil	N/A	Nil	\$33,500
Dan Liu	\$23,000	Nil	Nil	Nil	N/A	Nil	\$23,000
Hui Cai	\$26,000	Nil	Nil	Nil	N/A	Nil	\$26,000
Winfield Ding	\$36,000	Nil	Nil	Nil	N/A	Nil	\$36,000

Outstanding Option-Based and Share-Based Awards

The following table sets out, for each non-executive Director, information concerning all option-based and share-based awards outstanding as of December 31, 2017.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Wencheng Zhang	Nil	Nil	N/A	Nil	N/A	N/A	N/A
Dan Liu	300,000	0.35	August 26, 2018	\$75,000	N/A	N/A	N/A
Hui Cai	300,000	0.35	August 26, 2018	\$75,000	N/A	N/A	N/A
Winfield Ding	200,000	0.36	July 31, 2020	\$48,000	N/A	N/A	N/A

Note:

- (1) The value of “unexercised in-the-money” options was calculated using the last traded price of the Common Shares on the TSXV on December 29, 2017 for the year ended December 31, 2017 of \$0.60 less the exercise price of the options. “In-the-money” options are options that can be exercised at a profit (i.e., the market value of the Common Shares is higher than the price at which they can be purchased from the Corporation).

Value Vested or Earned During the Year

The following table sets out, for each non-executive Director, information concerning the value of incentive plan awards – option-based and share-based awards as well as non-equity incentive plan compensation – vested or earned during the financial year ended December 31, 2017.

Name	Option-based awards – Value vested during the Year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Wencheng Zhang	Nil	N/A	N/A
Dan Liu	Nil	N/A	N/A
Hui Cai	Nil	N/A	N/A
Winfield Ding	Nil	N/A	N/A

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporation’s corporate governance disclosure obligations are set out in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (the “**National Instrument**”), National Policy 58-201 – *Corporate Governance Guidelines* and NI 52-110. These instruments set out a series of guidelines and requirements for effective corporate governance (collectively, the “**Guidelines**”). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. The National Instrument requires the disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines.

Set out below is a description of the Corporation’s approach to corporate governance in relation to the Guidelines.

The Board of Directors

The National Instrument defines an “independent director” as a director who has no direct or indirect material relationship with the Corporation. A “material relationship” is in turn defined as a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with such member’s independent judgment. In determining whether a particular Director is an “independent director” or a “non-independent director”, the Board of Directors considers the factual circumstances of each Director in the context of the Guidelines.

The Board of Directors is currently comprised of six members, a majority of whom are “independent directors” within the meaning of the National Instrument. The four independent Directors are Messrs. Zhang, Liu, Cai, and Ding. Mr. Huajun Lin and Ms. Ann Siyin Lin each have material relationships with the Corporation and are therefore not independent. Mr. Lin is not considered to be independent within the meaning of the National Instrument as a result of his role as CEO and President of the Corporation and Ms. Lin is not considered to be independent because of her role as VP of Corporate Development and Corporate Secretary of the Corporation.

The Chair of the Board of Directors is also the CEO and President of the Corporation. The Board of Directors considers that this appointment is appropriate and beneficial to the Board of Directors, due to Mr. Lin's extensive knowledge of the Corporation's business and affairs. The Board of Directors believes that it functions independently of management. To enhance its ability to act independently of management, the Board of Directors may meet in the absence of members of management and the non-independent Directors or may excuse such persons from all or a portion of any meeting where a potential conflict of interest arises or where otherwise appropriate.

In connection with all meetings of Shareholders at which Directors are to be elected, the Corporation provides forms of proxy that provide Shareholders with the option of voting in favour of, or withholding from voting for, each individual nominee of the Corporation to the Board of Directors.

The Corporation has not adopted a majority voting policy for director elections which would provide that any nominee for Director who does not receive a greater number of votes "for" his or her election than votes "withheld" from such election would be obliged to tender his or her resignation to the Chair of the Board of Directors following the conclusion of the Corporation's annual meeting of Shareholders. As the Corporation understands that Mr. Lin beneficially owns in excess of 50% of the outstanding Common Shares, his vote would ensure that a majority voting policy would not require delivery of a resignation by any elected Director if he voted in favour of their election. As a result, under the rules of the TSXV, the Corporation is not required to adopt a majority voting policy.

Directorships

None of the Directors currently serve on the Board of Directors of any other public company.

Orientation and Continuing Education

While the Corporation currently has no formal orientation and education program for new members of the Board of Directors, sufficient information (such as recent annual reports, prospectus, proxy solicitation materials, technical reports and various other operating, property and budget reports) is provided to any new member of the Board of Directors to ensure that new Directors are familiarized with the Corporation's business and the procedures of the Board of Directors. In addition, new Directors are encouraged to visit and meet with management on a regular basis. The Corporation also encourages continuing education of its Directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Corporation.

Ethical Business Conduct

The Board of Directors meets to ensure that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and the TSXV. The Board of Directors has found that the fiduciary duties placed on individual Directors by the Corporation governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual Director's participation in decisions of the Board of Directors in which the Director has an interest, have been sufficient to ensure that the Board of Directors operates independently of management and in the best interests of the Corporation.

Nomination of Directors

While there are no specific criteria for membership on the Board of Directors, the Corporation attempts to attract and retain Directors with business knowledge and particular knowledge in other areas (such as finance, accounting, and corporate governance) which provide knowledge which would assist in guiding the officers of the Corporation. The Board of Directors has established the Corporate Governance and Nomination Committee to identify and propose to the Corporation and the Board of Directors from time to

time new Director nominees with the assistance of management. As such, nominations tend to be joint efforts by management of the Corporation and the Corporate Governance and Nomination Committee and discussions among the Directors prior to the consideration of the Board of Directors as a whole.

Compensation

The Board of Directors meets on an annual basis for the purpose of reviewing the adequacy and form of compensation of Directors and the CEO to ensure that such compensation reflects the responsibilities, time commitment and risks involved in being an effective Director and/or officer. The Board of Directors has established the Compensation and Human Resources Committee comprised of Hui Cai (Chair), Dan Liu and Winfield Ding which makes recommendations to the Board of Directors with respect to the compensation of Directors and officers of the Corporation. See “Executive Compensation – Compensation and Human Resources Committee” above.

Committees of the Board of Directors

In addition to the Audit Committee and the Compensation and Human Resources Committee, the Board of Directors has established the Corporate Governance and Nomination Committee to assist with its responsibilities, including to approve and monitor any transactions involving the Corporation and “related parties” as that term is defined in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* as it exists on the date thereof, and to identify and propose to the Corporation and the Board of Directors from time to time new director nominees.

Assessments

The Corporate Governance and Nomination Committee assesses, on an annual basis, the contribution of the Board of Directors as a whole and of each of the individual Directors, in order to determine whether each is functioning effectively.

AUDIT COMMITTEE

NI 52-110 requires the Corporation to disclose annually in its management information circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth below.

Audit Committee Charter

The Audit Committee is governed by an audit committee charter, the text of which is attached as Schedule “A” to this Circular.

Composition of the Audit Committee

The Audit Committee during the 2017 fiscal year was comprised of Messrs. Wencheng Zhang, Hui Cai and Winfield Ding, with Mr. Winfield Ding as the chair. Messrs. Zhang, Cai and Ding are considered to be “independent” within the meaning of NI 52-110. Each member of the audit committee is considered to be “financially literate” which includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues of the Corporation.

Relevant Education and Experience

Following is a brief summary of the experience of each member and former member of the Audit Committee.

Wencheng Zhang: Mr. Wencheng Zhang has extensive experience in financial matters as a result of his service as CFO of China Jing An Corp. from 1999 to 2002, as Executive Director of Zhuhai Zhang Nan Hui Chemical Corporation from May 2002 to October 2013, and in his current position as CEO of Zhuhai Fucheng Investment Corporation, a position he has held since October 2013.

Hui Cai: Mr. Hui Cai has extensive experience in management and advising companies as a result of his service as a member of the executive management of CNOOC Natural Gas Exploration Co. Ltd. from 1993 to 1999, and as a senior advisor of a branch of China National Offshore Oil Corporation from 2001 to 2015.

Winfield Ding: Mr. Ding is a chartered professional accountant of Ontario working mainly as Chief Financial Officer for public and private companies. He is currently part-time CFO of Sparton Resources Inc., a junior mining company operating in both China and Canada, and CFO of EA Education Group Inc., a public company listed on the Canadian Securities Exchange. In the last few years he has also served as the CFO for a number of other TSXV public companies.

Pre-Approval Policies and Procedures

The audit committee charter of the Corporation requires the Audit Committee to pre-approve all non-audit services to be provided by the external auditor. In the event that the Corporation wishes to retain the services of the Corporation's external auditor for tax compliance, tax advice or tax planning, the CFO of the Corporation shall consult with the Chair of the Audit Committee, who shall have the authority to approve or disapprove on behalf of the Audit Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Audit Committee as a whole.

Audit Fees

The following chart summarizes the aggregate fees billed by Deloitte for professional services rendered to the Corporation for audit and non-audit related services for the fiscal year of the Corporation ended December 31, 2017 and 2016.

<u>Type of Work</u>	<u>Year Ended December 31, 2017</u>	<u>Year Ended December 31, 2016</u>
Audit fees ⁽¹⁾	\$334,066	\$368,636
Audit-related fees ⁽²⁾	\$57,519	\$54,613
Tax fee ⁽³⁾	Nil	Nil
All other fees	Nil	Nil
Total	\$391,585	\$423,249

Notes:

- (1) Aggregate fees billed for the Corporation's annual financial statements and services normally provided by the auditor in connection with the Corporation's statutory and regulatory filings.
- (2) Aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported as "Audit fees", including: assistance with aspects of tax accounting, attest services not required by regulation, consultation regarding financial accounting and reporting standards and quarterly reviews.
- (3) Aggregate fees billed for tax compliance, advice, planning and assistance with tax for specific transactions.

Exemption

The Corporation is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Corporation, as a “venture issuer”, is not required to comply with Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of NI 52-110.

OTHER BUSINESS

Management of the Corporation knows of no amendment, variation or other matter to come before the Meeting other than those set forth in the Notice of Meeting. However, if any other matter properly comes before the Meeting, the Common Shares represented by the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com. Financial information is provided in the Corporation's comparative consolidated financial statements for the years ended December 31, 2017 and 2016 and related and management discussion and analysis. Copies of the following documents may be obtained, without charge, upon request to the Corporate Secretary of the Corporation at Changfeng Energy Inc., 2036/2038 - 32 South Unionville Ave., Markham, Ontario, L3R 9S6: (a) the comparative consolidated financial statements of the Corporation for the financial years ended December 31, 2017 and 2016 together with the accompanying report of the auditor thereon, any interim consolidated financial statements of the Corporation for periods subsequent to December 31, 2017 and the related management's discussion and analysis therefor; and (b) this Circular.

SHAREHOLDER PROPOSALS

Persons entitled to vote at the next annual meeting of the Corporation who wish to submit a proposal for consideration at the meeting, must submit their proposal to the Corporation by the date that is at least 90 days before May 29, 2019.

CONTACTING THE BOARD

Shareholders, employees and other interested parties may communicate directly with the Board of Directors through the Chair of the Board of Directors by writing to:

Chair of the Board of Directors
Changfeng Energy Inc.
2036/2038 - 32 South Unionville Ave.
Markham, Ontario
L3R 9S6

APPROVAL OF MATTERS

Unless otherwise noted, approval of matters to be placed before the Meeting is by an ordinary resolution, which is a resolution passed by a simple majority of the votes cast by the Shareholders entitled to vote and present in person or represented by proxy.

DIRECTORS' APPROVAL

The contents and the sending of this Management Proxy Circular have been approved by the Board of Directors.

Dated as of May 29th, 2018.

(Signed) Ann Siyin Lin

Ann Siyin Lin
Vice President, Corporate Development and Corporate Secretary

SCHEDULE “A”

CHANGFENG ENERGY INC.

Charter of the Audit Committee of the Board of Directors

I PURPOSE

The Audit Committee (the “**Committee**”) is appointed by the Board of Directors (the “**Board**”) of Changfeng Energy Inc. (the “**Corporation**”) to assist the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for the Corporation. The Committee’s primary duties and responsibilities are to:

- conduct such reviews and discussions with management and the external auditors relating to the audit and financial reporting as are deemed appropriate by the Committee;
- assess the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures;
- ensure that there is an appropriate standard of corporate conduct for senior financial personnel including, if necessary, adopting a corporate code of ethics;
- review the quarterly and annual financial statements and management’s discussion and analysis of the Corporation’s financial position and operating results and report thereon to the Board for approval of same;
- select and monitor the independence and performance of the Corporation’s external auditors, including attending at private meetings with the external auditors and reviewing and approving all renewals or dismissals of the external auditors and their remuneration;
- provide oversight to related party transactions entered into by the Corporation; and
- provide oversight of all disclosure relating to financing statements, management’s discussion and analysis and information derived therefrom.

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the external auditors as well as any officer of the Corporation, or outside counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee’s duties.

The Committee shall review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board for approval.

In fulfilling its responsibilities, the Committee will carry out the specific duties set out in Part IV of this Charter.

II AUTHORITY OF THE AUDIT COMMITTEE

The Committee shall have the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for advisors employed by the Committee; and
- (c) communicate directly with the internal and external auditors.

III COMPOSITION AND MEETINGS

1. The Committee and its membership shall meet all applicable legal, regulatory and listing requirements, including, without limitation, those of the OSC, the TSX Venture Exchange or any other stock exchange upon which the securities of the Corporation are listed or posted from time to time, the Canada Business Corporations Act and all applicable securities regulatory authorities.
2. The Committee shall be composed of three or more directors as shall be designated by the Board from time to time. The members of the Committee shall appoint from among themselves a member who shall serve as Chair.
3. A majority of the members of the Committee shall be “independent” and “financially literate”. An “independent” director is a director who has no direct or indirect material relationship with the Corporation. A “material relationship” is a relationship which could, in the view of the Board of Directors of the Corporation, be reasonably expected to interfere with the exercise of the director’s independent judgement or a relationship deemed to be a material relationship pursuant to Sections 1.4 and 1.5 of MI 52-110, as set out in Schedule “A” hereto. A “financially literate” director is a director who has the ability to read and understand a set of financial instruments that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial.
4. Each member of the Committee shall sit at the pleasure of the Board of Directors, and in any event, only so long as he or she shall be independent. The Committee shall report to the Board of Directors.
5. The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements, including at least once annually on site in Sanya City prior to the date upon which the annual financial statements of the Corporation are due for filing with applicable regulatory authorities. A minimum of two and at least 50% of the members of the Committee present either in person or by telephone shall constitute a quorum.
6. If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the next business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present.

7. If and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.
8. The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by the Committee. A meeting of the Committee may be called by letter, telephone, facsimile, email or other communication equipment, by giving at least 48 hours' notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.
9. Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.
10. The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.
11. The Committee may invite such officers, directors and employees of the Corporation and its subsidiaries as the Committee may see fit, from time to time, to attend at meetings of the Committee.
12. Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. All decisions or recommendations of the Committee shall require the approval of the Board prior to implementation.

The Committee members will be elected annually at the first meeting of the Board following the annual general meeting of shareholders.

IV RESPONSIBILITIES

A Financial Accounting and Reporting Process and Internal Controls

1. The Committee shall review the annual audited and interim financial statements and related management's discussion and analysis before the Corporation publicly discloses this information to satisfy itself that the financial statements are presented in accordance with applicable generally accepted accounting principles ("GAAP") and report thereon to the Board and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. With respect to the annual audited financial statements, the Committee shall discuss significant issues regarding accounting principles, practices, and judgments of management with management and the external auditors as and when the Committee deems it appropriate to do so. The Committee shall satisfy itself that the information contained in the annual audited financial statements is not significantly erroneous, misleading or incomplete and that the audit function has been effectively carried out.
2. The Committee shall review any internal control reports prepared by management and the evaluation of such report by the external auditors, together with management's response.

3. The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, management's discussion and analysis and annual and interim earnings press releases, and periodically assess the adequacy of these procedures..
4. The Committee shall review management's discussion and analysis relating to annual and interim financial statements and any other public disclosure documents, including any press releases containing disclosure regarding financial information, that are required to be reviewed by the Committee under any applicable laws or by one of the other Charters before the Corporation publicly discloses this information.
5. The Committee shall meet no less frequently than annually with the external auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief Financial Officer or, in the absence of a Chief Financial Officer, the officer of the Corporation in charge of financial matters, deem appropriate.
6. The Committee shall inquire of management and the external auditors about significant risks or exposures, both internal and external, to which the Corporation may be subject, and assess the steps management has taken to minimize such risks.
7. The Committee shall review the post-audit or management letter containing the recommendations of the external auditors and management's response and subsequent follow-up to any identified weaknesses.
8. The Committee shall ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting a corporate code of ethics for senior financial personnel.
9. The Committee shall establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
10. The Committee shall provide oversight to related party transactions entered into by the Corporation.
11. The Committee shall establish the budget process, which process shall include the setting of spending limits and authorizations and periodical reports from the Chief Financial Officer of actual spending as compared to the budget.
12. The Committee shall have the authority to adopt such policies and procedures as it deems appropriate to operate effectively.

B Independent Auditors

1. The Committee shall recommend to the Board the external auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, shall set the compensation for the external auditors, provide

oversight of the external auditors and shall ensure that the external auditors report directly to the Committee.

2. The Committee shall be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.
3. The pre-approval of the Committee shall be required prior to undertaking of any non-audit services not prohibited by law to be provided by the external auditors in accordance with this Charter.
4. The Committee shall monitor and assess the relationship between management and the external auditors and monitor, support and assure the independence and objectivity of the external auditors.
5. The Committee shall review the external auditors' audit plan, including the scope, procedures and timing of the audit.
6. The Committee shall review the results of the annual audit with the external auditors, including matters related to the conduct of the audit.
7. The Committee shall obtain timely reports from the external auditors describing critical accounting policies and practices, alternative treatments of information within GAAP that were discussed with management, their ramifications, and the external auditors' preferred treatment and material written communications between the Corporation and the external auditors.
8. The Committee shall review fees paid by the Corporation to the external auditors and other professionals in respect of audit and non-audit services on an annual basis.
9. The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
10. The Committee shall monitor and assess the relationship between management: and the external auditors and monitor and support the independence and objectivity of the external auditors.
11. The Committee shall have the authority to engage the external auditors to perform a review of the interim financial statements.

C Other Responsibilities

The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

CHANGFENG ENERGY INC.

Procedures for Approval of Non-Audit Services

1. The Corporation's external auditors shall be prohibited from performing for the Corporation the following categories of non-audit services:
 - (a) bookkeeping or other services related to the Corporation's accounting records or financial statements;
 - (b) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
 - (c) actuarial services;
 - (d) internal audit outsourcing services;
 - (e) management functions;
 - (f) human resources;
 - (g) broker or dealer, investment adviser or investment banking services;
 - (h) legal services; and
 - (i) any other service that the Canadian Public Accountability Board determines is impermissible.
2. In the event that the Corporation wishes to retain the services of the Corporation's external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Corporation shall consult with the Chair of the Committee, who shall have the authority to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.
3. The Chief Financial Officer of the Corporation shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.

SCHEDULE “A” TO AUDIT COMMITTEE CHARTER OF CHANGFENG ENERGY INC.

Sections 1.4 and 1.5 of Multilateral Instrument 52-110 *Audit Committees* (“MI 52-110”)

Meaning of Independence (section 1.4 of MI 52-110):

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a “material relationship” is a relationship which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgment.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer’s current executive officers serves or served at that same time on the entity’s compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because
 - (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or

- (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
- (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
- (a) has previously acted as an interim chief executive officer of the issuer, or
 - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

Additional Independence Requirements for Audit Committee Members (section 1.5 of MI 52-110):

- (1) Despite any determination made under section 1.4 of MI 52-110, an individual who
- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity of the issuer or any of its subsidiary entities,
- is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and

which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.