

Changfeng Announces the Commencement of Construction of Pipelines and Related Facilities, and Approval of Gas Quota in Xiangdong Project, and Potential Gas Utilization Project in Development in Hunan Province

November 23, 2011

Toronto, Ontario, November 23, 2011 – Changfeng Energy Inc., (TSXV: CFY) (“Changfeng” or the “Company”), is pleased to announce today that the Company has begun construction of pipelines and related facilities in Xiangdong district, Pingxiang City, Jiangxi province, China (“Xiangdong Project”) after receipt of the approval of construction by the Xiangdong Government. The Xiangdong project was originally announced on May 26, 2010, pending the final approval of the project by the provincial energy regulator. The Company, through its majority-owned subsidiary, is responsible for the design, construction, and operation of pipeline networks in Xiangdong district, including its Pingxiang Industrial Ceramic Park (the “Park”).

The construction consists of approximately 10 kilometers of mid-pressure pipeline in the Xiangdong downtown area, a 10 kilometers mid-pressure pipeline in the Park, and a gate station with CNG storage and gasification facilities to link the Xiangtan sub-line of the second West-East Pipeline. It is expected that the Xiangdong project will be completed in two phases to coincide with both the project financing and the commencement of construction of a 25 kilometer high-pressure pipeline. This high-pressure pipeline connecting the Company’s gate station in Xiangdong District with Xiangtan sub-line of the second West-East Pipeline, will be built and operated by Jiangxi Provincial Natural Gas Investment Co., Ltd. a state-owned company.

The total capital investment for the Xiangdong project is expected to be approximately RMB34 million (\$5.4 million), of which approximately RMB6 million (\$1 million) for the first phase of construction and will be funded from its existing cash on hand, and the remaining capital requirement will be funded through project loan financing through local banks. Upon the completion of the first phase of construction planned for the middle of 2012, the Company will be able to gradually supply gas for this region through CNG facilities before pipeline gas arrives. The Company has been in discussion with several potential gas customers in the Park, many of which have provided serious expressions of interest in purchasing gas when available.

In addition, the Jiangxi Provincial Bureau of Energy has approved the Company’s application for a natural gas quota for the Xiangdong project. Pursuant to the approval, from 2012 to 2015, the quota volume of natural gas to the Company will be 15 million m³ in 2012, 35 million m³ in 2013 and up to 50 million m³ in 2014 and 2015. This natural gas quota is allocated from the Province’s Twelfth Five-Year Plan’s gas quota that was assigned from, and will be supplied from the second West-East Pipeline by PetroChina, the owner and operator of the second West-East Pipeline. At the same time, the Company is negotiating with PetroChina’s subsidiary in Jiangxi province to purchase CNG from its transmission substation in Pingxiang City as an alternative gas source before pipeline gas is available for this region and as a supplementary gas source in the future.

“We’ve made really good progress since we first announced this project eighteen months ago,” Huajun Lin, President and CEO of the Company stated, “After more than one year of diligent research and preparation by a number of our staff, we’re thrilled to commence construction and obtain gas quota approval. We are fully confident that our implementation team will be able to implement the construction plan as scheduled, and commence supplying gas for this region by the middle of 2012”.



The Construction Site on Xiangdong Ceramic Industry Park

A Potential Gas Utilization Project in Development in Xiangtan City, Hunan Province, China

The Company, together with a company owned by the local municipality, Xiangtan Economic Construction and Development Investment Co. Ltd. and a private investment company, Zhuhai Hailian Investment Co., Ltd., established a joint venture company, Xiangtan Shin-Ko Energy Co., Ltd. (the "Joint Venture" or "Shin-Ko Energy"). Changfeng holds a 50% ownership, Xiangtan government holds a 10% ownership, and Hailian holds 40% in the Joint Venture.

The Joint Venture has a registered capital of RMB10 million (approximately \$1.6million), of which RMB5 million (approximately \$0.8 million) will be proportionately contributed by Changfeng. The objective of the Joint Venture is to develop and invest in urban natural gas utilization, including building and operating a Liquefied Natural Gas ("LNG") storage facility in Xiangtan city. The Joint Venture awaits regulatory approval for the operational launch of the project. It is also working to secure a natural gas supply from Petro China's Hunan subsidiary. Petro China, the developer and owner of the second west-east pipeline, is the largest oil and gas producer and distributor in China.

"I am very excited about the establishment of this Joint Venture for an LNG project", Huajun Lin, President and CEO of the Company stated, "This Joint Venture, together with our Xiangdong Project, and Xiangtan project in development as announced on August 18, 2011, demonstrate our ongoing efforts to execute our growth strategy to explore strategic business development opportunities along the second West-East Pipeline on Mainland China. While these projects are still in progress and not yet completed, we believe that all these projects will provide a strong base from which further growth initiatives can draw, and ultimately create long-term value for our shareholders".

In addition, Changfeng had received a preliminary approval from the Industrial and Commercial Bank of China, Sanya Branch ("ICBC, Sanya") for its application of a loan of RMB50 million (\$0.8 million) with a term of ten years.

About the Second West-East Pipeline

The second west-east pipeline is part of the ongoing natural gas pipeline infrastructure in China. It transfers natural gas from the shores of Turkmenistan's Amu Darya River directly to the Pearl River Delta after passing through China's 15 province-level regions.



As a major national project of China's 11th Five-Year Plan, the second West-East gas transmission project is more than 8,700 kilometers in length and is the world's longest natural gas pipeline, with a total investment of RMB142 billion.

Composed of eight sub-lines and one major line, the second West-East Pipeline project starts from Khorgos, Xinjiang in the west and reaches Shanghai in the east and Guangzhou and Hong Kong in the south. It runs across China's eastern and western ends and passes through 15 provinces, autonomous regions and municipalities. It has the capacity to annually transmit 30 billion cubic meters of natural gas with a minimum service life of more than 30 years.

The construction of the second West-East Pipeline started on 22 February 2008, and the major line of the second west-east pipeline was officially put into operation on June 30, 2011.

After the full completion of its sub-lines in 2012, the operation of the second west-east pipeline project will provide China's energy sector with another major artery and will help ease the shortage of natural gas, enhance the efficiency of the national gas pipeline network, and further optimize China's energy consumption structure.

About Xiangtan City

Xiangtan City has a population of approximately 2.7 million and is the hometown of Chairman Mao ZeDong, the founder, architect and ruler of the People's Republic of China from 1949-1977. Xiangtan is about 120 kilometers from Changsha City, the capital of Hunan Province.

Xiangtan City is connected to the second west-east pipeline's major line via the Xiangtan sub-line that starts from Zhangshu city in Jiangxi province and runs to Xiangtan city in Hunan province, covering a distance of 262 km.

The Xiangtan sub-line commenced operation in August 2011, and is expected to transmit 3 billion cubic meters per annum. In 2011, the sub-line will supply 25 million cubic meters of natural gas to Xiangtan city, and the amount will grow each year.

About Changfeng Energy Inc.

Changfeng Energy Inc., is a natural gas service provider with operations located throughout the People's Republic of China. The Company services industrial, commercial and residential customers, providing them with natural gas for heating purposes and fuel for transportation. The Company has developed a significant natural gas pipeline network as well as urban gas delivery networks, stations, substations and gas pressure regulating stations in Sanya City & Haitang Bay. Through its network of pipelines, the Company provides safe and reliable delivery of natural gas to both homes and businesses. The Company is headquartered in Toronto, Ontario and its shares trade on the Toronto Venture Exchange under the trading symbol "CFY". For more information, please visit the Company website at www.changfengenergy.com

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