

CN RESOURCES INC.

Quarterly Report
For the Second Quarter Ended November 30, 2017

CN RESOURCES INC.
QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED NOVEMBER 30, 2017

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FORWARD-LOOKING STATEMENTS

Certain statements made in this Quarterly Report are “forward-looking statements” regarding the plans and objectives of management for future operations and market trends and expectations. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving the continued strategies of our business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Forward-looking statements speak only as of the date of this report, and we undertake no obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur. We cannot guarantee future results, outcomes, levels of activity, performance, developments, or achievements, and there can be no assurance that our expectations, intentions, anticipations, beliefs, or projections will result or be achieved or accomplished.

We undertake no obligation, other than as required by applicable law, to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. Exact Name of the Issuer and the Address of its Principal Executive Offices.

Exact name of issuer: CN Resources Inc.

Principal Executive Office: 255 Duncan Mill Road
Suite 203
Toronto, Ontario, Canada M3B 3H9
Telephone: (416) 510-2991
Facsimile: (416)510-0851

Investor Relations Officer: Oliver Xing
255 Duncan Mill Road
Suite 203
Toronto, Ontario, Canada M3B 3H9
Telephone: (416) 510-2991
Facsimile: (416)510-0851

Item 2. Shares Outstanding

The following tables set forth the number of shares outstanding for each class of securities authorized as of the dates set forth below:

As of November 30, 2017

Class	Number of Shares Authorized	Number of Shares Outstanding	Freely tradable Shares (Public Float (1))	Total Number of Beneficial Shareholders (2)	Total Number of Shareholders of Record
Common Stock	100,000,000	56,100,000	7,600,000	86	52
Preferred Stocks	100,000,000	-	-	-	-

As of May 31, 2017

Class	Number of Shares Authorized	Number of Shares Outstanding	Freely tradable Shares (Public Float (1))	Total Number of Beneficial Shareholders (2)	Total Number of Shareholders of Record
Common Stock	100,000,000	56,100,000	7,600,000	80	52
Preferred Stocks	100,000,000	-	-	-	-

- (1) For purposes of this calculation only, shares of common stock held by each of the Company's directors and officers on the given date and by each person who the Company knows beneficially owned 5% or more of the outstanding common stock on that date have been excluded in that such persons may be deemed to be affiliates.
- (2) Estimate based on beneficial share range analysis, received from Pacific Stock Transfer. There are greater than 80 beneficial shareholders owning at least 100 shares of the Company's common stock.

Item 3. Interim Financial Statements

CN RESOURCES INC.
Consolidated Balance Sheets
Unaudited

	November 30, 2017	May 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 707,985	\$2,606,586
Accounts receivable - Oil and Gas	19,768	31,315
Other receivable	4,477	4,561
Investment in available-for-sale securities	4,449,485	2,285,160
Total current assets	<u>\$ 5,181,715</u>	<u>\$4,927,622</u>
Total assets	<u>\$ 5,181,715</u>	<u>\$4,927,622</u>
Liabilities and Stockholders' Equity		
Liabilities		
Current Liabilities		
Accounts payable	17,164	4,480
Due to director	54,329	112,109
Total current liabilities	<u>71,493</u>	<u>116,589</u>
Asset retirement obligation	<u>8,920</u>	<u>8,373</u>
Total liabilities	<u>80,413</u>	<u>124,962</u>
Stockholders' equity		
Common stock, 100,000,000 of shares authorized with \$0.00001 par value, 56,100,000 issued and outstanding	561	561
Preferred stock, 100,000,000 shares authorized with \$0.00001 par value, none issued	-	-
Additional paid-in capital	6,514,639	6,514,639
Accumulated Other Comprehensive loss	(724,744)	(956,164)
Accumulated deficits	(689,154)	(756,376)
Total stockholders' equity	<u>5,101,302</u>	<u>4,802,660</u>
Total liabilities and stockholders' equity	<u>\$ 5,181,715</u>	<u>\$4,927,622</u>

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

CN RESOURCES INC.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>November 30,</u>	<u>November 30,</u>	<u>November 30,</u>	<u>November 30,</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue				
Oil production (net of royalty)	\$ 16,362	\$ 11,077	\$ 36,080	\$ 22,786
Operating expenses				
Accretion expenses	273	273	546	546
Bank service charge	58	25	221	104
Production cost	10,809	5,434	19,227	18,120
General and administrative expenses	9,000	9,000	18,000	18,000
Management fee	6,000	6,000	12,000	12,000
Professional fees	12,750	18,574	19,750	18,574
Regulatory filing	1,500	1,633	11,600	11,733
Total operating expenses	<u>40,390</u>	<u>40,939</u>	<u>81,344</u>	<u>79,077</u>
Foreign currency gain	-	-	308	-
Interest income	57,050	10,532	112,178	19,441
	<u>57,050</u>	<u>10,532</u>	<u>112,486</u>	<u>19,441</u>
Net income (loss) for the period	<u>\$ 33,022</u>	<u>\$ (19,330)</u>	<u>\$ 67,222</u>	<u>\$ (36,850)</u>
Income (loss) per common share - basic and diluted	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
Weighted average common shares outstanding - basic and diluted				
	56,100,000	56,100,000	56,100,000	56,100,000
Comprehensive income (loss):				
Net income (loss)	\$ 33,022	\$ (19,330)	\$ 67,222	\$ (36,850)
Foreign currency translation adjustment	(157,349)	(130,797)	231,420	(148,052)
Total comprehensive income (loss)	<u>\$ (124,327)</u>	<u>\$ (150,127)</u>	<u>\$ 298,642</u>	<u>\$ (184,902)</u>

The accompanying notes are integral part of these unaudited interim consolidated financial statements.

CN RESOURCES INC.
Consolidated Statements of Cash Flows
(Unaudited)

	For the Six Months ended November 30, 2017	For the Six Months ended November 30, 2016
Cash Flows From Operating Activities		
Net loss for the period	\$ 67,222	\$ (36,850)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation, depletion and accretion	546	546
Changes in operating assets and liabilities		
Accounts receivable	11,547	5,315
Other current assets	84	(2,967)
Accounts payable	12,684	5,033
Due to Director	(57,780)	30,835
Net cash used in operating activities	<u>34,303</u>	<u>1,912</u>
Cash Flows from Investing Activities		
Investment in available-for-sale securities	<u>(2,029,860)</u>	<u>(1,986,810)</u>
Net cash provided by investing activities	<u>(2,029,860)</u>	<u>(1,986,810)</u>
Effective of foreign currency rates	96,956	(148,052)
Net increase (decrease) in cash and cash equivalents	(1,898,601)	(2,132,950)
Cash and cash equivalents, beginning of the period	<u>2,606,586</u>	<u>4,980,735</u>
Cash and cash equivalents, end of the period	<u>\$ 707,985</u>	<u>\$ 2,847,785</u>
Supplemental cash disclosure		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

CN RESOURCES INC.

Notes to the Consolidated Financial Statements
(Unaudited)
November 30, 2017

1. ORGANIZATION AND BUSINESS OPERATIONS

CN RESOURCES INC. (“we”, “our”, the “Company”) was incorporated in Nevada of the United States of America on May 18, 2010. The Company has a 50% ownership of a joint venture oil well located in Alberta, Canada and generates oil revenue entirely from this well. The Company is evaluating other business opportunities at present to build shareholder value.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s most recent Annual Financial Statements filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim period presented have been reflected herein. The results of operations for the interim period are not necessarily indicative of the results to be expected for the full year.

Notes to the financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal period, as reported in the Form 10-K, have been omitted.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASC updated No. 2014-09, *Revenue from Contracts with Customers (Topic 606 (ASU 2014-09))*. Under the amendments in this update, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in this update are effective for fiscal years and interim periods within those years beginning after December 15, 2017. The new standard is required to be applied either retrospectively to each prior reporting period presented, or retrospectively with the cumulative effect of applying the update recognized at the date of initial application. The Company has determined that implementation of this amendment will not result in any change to its financial statements.

Basis of Presentation

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiary (also named CN Resources Inc.). All inter-company amounts and transactions are eliminated.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States necessarily requires management to make estimates and assumption that affect the amounts reported in the financial statements. We regularly evaluate estimates and judgments based on historical experiences and other relevant facts and circumstance. Actual results could differ from those estimates.

Basic and Diluted Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents. In periods when losses are reported, the weighted-average number of common shares outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive. For the three and six months ended November 30, 2017, basic and diluted income per common share is the same because there were no common stock equivalents outstanding.

3. DUE TO DIRECTOR

The Company's sole director loans the Company money from time to time on an interest-free due-on-demand basis. The Company also pays a monthly fee of \$2,000 to the director to cover general expenses and management fees. As of November 30, 2017 and May 31, 2017, the balance owed to the director amounted to \$54,329 and \$112,109, respectively.

The Company is currently using the office space from its President and CEO on a rent free basis. The President also provides telephone and administrative services for the Company for free, however, there is no agreement or guarantee that the President will provide the free services for any specific period of time.

4. INVESTMENT SECURITIES

The Company made investments into Cornerstone Mortgage Investment Fund (the "Investment Fund") in which the President is also a Director and Officer of the Investment Fund. The Investment Fund is eligible for registered plan investments, such as pension plan, registered retirement savings plan; registered education savings plan and tax free saving accounts, as regulated by the Government of Canada. As of November 30, 2017 and May 31, 2017, the Company made a total investment in the amount of CAD \$5,750,000 (USD \$4,449,485) and CAD \$3,100,000 ((USD \$2,285,160), respectively. The investment is in the form of redeemable preferred shares which the Company can redeem at any time with three-month's written notice. The investment earned interest income of CAD \$72,000 (USD \$57,050) for the quarter ended November 30, 2017, earned interest income of CAD \$137,500 (USD \$112,178) for the six months ended November 30, 2017, representing an annualized rate of return of 6% per annum.

5. SUBSEQUENT EVENT

Subsequent to the November 30, 2017, December 15, 2017, the Company made further investment in Cornerstone Mortgage Investment Fund in CAD \$600,000 (USD \$468,000) on the same terms and conditions as described in above paragraph.

Item 4. Management's Discussion and Analysis of Financial Conditions and Results of Operations.

This section of this quarterly report includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like: believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements, which apply only as of the date of this report. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions.

The following discussion and analysis presents management's perspective of our business, financial condition, and overall performance. This information is intended to provide investors with an understanding of our past performance, current financial condition, and outlook for the future, and should be read in conjunction with our Audited Annual Financial Statements Form 10-K.

Overview of the Company

CN Resources Inc. is an independent energy company engaged in the exploration, development, production, and sale of crude oil. Our operations are conducted through a 100% wholly owned Ontario Corporation (also named CN Resources Inc.) which owns a producing joint venture oil well in the Redwater area in Alberta, Canada.

During the quarter ended November 30, 2017, crude oil price is still depressed at a historical low level with WTI of \$46 to \$52 per barrel, the Board of Directors has decided to take a cautious approach to further investments in this sector until a clear visibility can be obtained before venturing into any capital commitment.

The Company's immediate core strategy is to create and enhance shareholder value by acquiring sustainable business with stable cash flow. The Company will not acquire any business in early stage of development.

Results of Operations

The following is a discussion of our results of operations, financial condition and capital resources. You should read this discussion in conjunction with our Financial Statements and the Notes thereto contained elsewhere in this Form 10-Q. Comparative results of operations for the periods indicated are discussed below.

The following table sets forth certain of our oil operating information for the three-month ended November 30, 2017 and 2016

	Three-month ended	
	November 30, 2017	November 30, 2016
Production revenue (net of royalty)	\$ 16,362	\$ 11,077
Production cost	\$ 10,809	\$ 5,434

The increase in production revenue for the three-month period ended November 30, 2017 compared with November 30, 2016 is due to slight increase in crude prices. The increase in production cost is due to production costs allocation timing differences by the operator.

For the three-month periods ended November 30, 2017 and 2016, the following table indicates major variances compared with previous period. The other expense items on the Consolidated Statements of Operations have no material variances.

Three-month ended

	November 30,	November 30,
	2017	2016
Professional fee	\$ 12,750	\$ 18,574

The professional fee decrease in the three-month period ended November 30, 2017 as compared with the three-month period ended November 30, 2016 was due to timing difference for which the Company received invoices during the quarter and recognized as expense.

Cash Flow Analysis

For the six months ended November 30, 2017, we generated \$34,303 cash in operating activities (November 30, 2016 - \$(29,417)) and used cash of \$2,029,860 (November 30, 2016 - \$(2,057,400)) in investing activities.

Liquidity and Capital Resources

At November 30, 2017, we have cash and cash equivalents of \$707,985 (May 31, 2017 - \$2,606,586), oil revenue receivable of \$19,768 (May 31, 2017 - \$31,315) and investment in available-for-sale securities of \$4,449,485 (May 31, 2017 - \$2,285,160). We have accounts payable of \$17,164 (May 31, 2017 - \$4,480) and amounts due to a director of \$54,329 (May 31, 2017 - \$112,109).

Planned Capital Expenditures

The Company is evaluating its various options in its development strategies, have not committed to any specific capital expenditure at this time due to the unsettling global market conditions for crude oil.

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Qualitative and Quantitative Disclosures about Market Risks

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

Controls and Procedures

Under the supervision and with the participation of our management, including the Principal Executive Officer and Principal Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that these disclosure controls and procedures are not effective due to limited segregation of duties, lack of independent directors, and no written internal control procedure manual. The Company plans to address the weaknesses in controls as soon as the Company considers that the financial situation allows the Company to spend the limited resources to mitigate the weaknesses in controls.

There were no material changes in our internal control over financial reporting during the quarter ended November 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 5. Legal Proceedings

We are not aware of any pending or threatened litigation against us or our officers and director in their capacity as such.

Item 6. Defaults upon Senior Securities

Not applicable.

Item 7. Other Information

For the Second Quarter ended November 30, 2017, due to the fact that we are a small issuer and only traded on the OTC Markets, the Company has decided to change to Alternative Reporting Standards and follow the OTCQB Disclosure Guidelines.

Item 8. Exhibits

The following is a list of agreements which the Company is a party to, and which currently can reasonably be regarded as material to a security holder of the Corporation as of this Quarterly Report.

The Corporation invested in short-term securities with a related party company in which the Corporation's President is also a Director and Senior Officer. The investments are classified as available-for-sale securities on the Consolidated Balance Sheets as at November 30, 2017. The Investments generated interest income with an annualized yield of 6% approximately.

Copies of these agreements will be available for inspection at the office of the Corporation's Principal Executive Office during regular business hours.

Item 9. Certifications**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Oliver Xing, certify that:

1. I have reviewed this quarterly disclosure statement of CN Resources Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: January 16, 2018

BY: /s/ Oliver Xing
Oliver Xing
President and Chief Executive Officer

CERTIFICATION OF SENIOR DIRECTOR OF FINANCE

I, Oliver Xing, certify that:

1. I have reviewed this quarterly disclosure statement of CN Resources Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: January 16, 2018

BY: /s/ Oliver Xing
Oliver Xing
Senior Director of Finance