

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

This section of this annual 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, 2017	November 30, 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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.

ITEM 4. 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.

OTHER INFORMATION

ITEM 1. 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 1A. RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

There is no change in securities in the three-month period ended November 30, 2017