

CN RESOURCES INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX
MONTHS ENDED NOVEMBER 30, 2017 AND 2016

(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of CN Resources Inc. (the "Company") are the responsibility of management and the Board of Directors. The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with Generally Accepted Accounting Standards (US GAAP) appropriate in the circumstances. Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited interim consolidated financial statements and (ii) the unaudited consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements. The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

NOTICE TO READER

The accompanying interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The financial statements have not been reviewed by Auditors.

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><u>\$ 5,181,715</u></u>	<u><u>\$4,927,622</u></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><u>80,413</u></u>	<u><u>124,962</u></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><u>\$ 5,181,715</u></u>	<u><u>\$4,927,622</u></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)

	For the Three Months Ended		For the Six Months Ended	
	November 30, 2017	November 30, 2016	November 30, 2017	November 30, 2016
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	40,390	40,939	81,344	79,077
Foreign currency gain	-	-	308	-
Interest income	57,050	10,532	112,178	19,441
	57,050	10,532	112,486	19,441
Net income (loss) for the period	\$ 33,022	\$ (19,330)	\$ 67,222	\$ (36,850)
Income (loss) per common share - basic and diluted	\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.00)
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)	\$ (124,327)	\$ (150,127)	\$ 298,642	\$ (184,902)

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	(2,029,860)	(1,986,810)
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	2,606,586	4,980,735
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.