

# Central Natural Resources, Inc.

1044 Main Street, Suite 502  
Kansas City, MO 64105

Financial Statements  
for the period ended June 30, 2019  
(Unaudited)

Central Natural Resources, Inc.  
1044 Main Street, Suite 502  
Kansas City, MO 64105

July 31, 2019

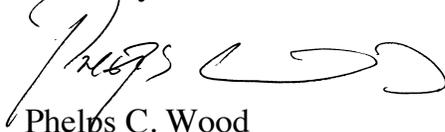
Dear Shareholder,

Please find enclosed unaudited consolidated financial statements for Central Natural Resources, Inc. and Subsidiaries representing the second quarter performance of your Company.

Your second quarter financials are presented using the cash basis method of accounting (unaudited) which the Company has used since the beginning of 2018. Differences between the cash basis method of accounting and U.S. generally accepted accounting principles (U.S. GAAP) are explained under the “Basis of Presentation” section of the “Notes to Unaudited Consolidated Financial Statements” of this report.

Management at Central is glad to answer any questions that you may have and contact information is provided below for this purpose. Current information and recent financials may be found at Central’s website at [www.centralholdings.com](http://www.centralholdings.com). All quarterly reports are posted to Central’s website although we will be happy to provide financials via email or through the mail for those that make such a request.

Sincerely,



Phelps C. Wood  
President & CEO

Central Natural Resources, Inc.  
Phelps C. Wood, CEO  
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**CENTRAL NATURAL RESOURCES, INC.**  
**Consolidated Statements of Operations**  
**(Cash Basis)**

**Three Months ended June 30, 2019 and 2018 and Six months ended June 30, 2019 and 2018**

	Three Months ended June 30,		Six Months ended June 30,	
	2019	2018	2019	2018
Operating revenue:				
Mineral royalties	\$ 88,536	\$ 108,918	\$ 206,537	\$ 242,374
Oil and gas production	80,327	54,580	177,719	184,410
Land lease and rental	128,182	14,010	141,182	26,010
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Total operating revenue	297,045	177,508	525,438	452,794
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Oil and gas operating expenses	70,074	52,055	144,169	156,257
Depletion and depreciation	70,000	75,000	140,000	150,000
Abandonment of wells	-	-	-	-
General and administrative expenses	214,108	193,439	374,050	354,949
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Total operating expenses	354,182	320,494	658,219	661,206
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Operating revenue (loss)	(57,137)	(142,986)	(132,781)	(208,412)
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Nonoperating income (expense):				
Interest expense	-	-	-	-
Interest income	4,023	2,640	7,922	4,709
Other	19	21	215	42
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Total non-operating income (expense)	4,042	2,661	8,137	4,751
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Earnings (loss) before income taxes	(53,095)	(140,325)	(124,644)	(203,661)
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Income tax benefit	-	-	-	-
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Net loss	(53,095)	(140,325)	(124,644)	(203,661)
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**CENTRAL NATURAL RESOURCES, INC.**  
**Consolidated Balance Sheets**  
**(Cash Basis)**  
**June 30, 2019 and December 31, 2018**

<b>Assets</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Current assets:		
Cash and equivalents	\$ 1,081,210	\$ 1,084,726
Total current assets	1,081,210	1,084,726
Property, plant and equipment:		
Oil and gas producing properties (successful efforts)	10,260,149	10,260,149
Mineral interest properties	1,668,137	1,668,137
	11,928,286	11,928,286
Less: accumulated depletion, depreciation, and amortization	(7,244,150)	(7,103,025)
Net property, plant, and equipment	4,684,136	4,825,261
Total assets	\$ 5,765,346	\$ 5,909,987
 <b>Liabilities and Stockholders' Equity</b>		
Stockholders' equity:		
Preferred stock of \$1 par value, 100,000 shares authorized, no shares issued	-	-
Common shares, voting, par value of \$1 per share, 2,500,000 authorized, 522,004 shares issued	522,004	522,004
Additional paid-in capital	2,471,001	2,471,001
Treasury stock, 48,010 and 45,510 common shares respectively, at cost	(864,967)	(844,967)
Retained earnings	3,637,308	3,761,949
Total stockholders' equity	\$ 5,765,346	\$ 5,909,987

**CENTRAL NATURAL RESOURCES, INC.**  
**Consolidated Statements of Cash Flows**  
**(Cash Basis)**  
**Six months ended June 30, 2019 and 2018**

	June 30,	
	2019	2018
Cash flows from operating activities:		
Net earnings (loss)	\$ (124,644)	\$ (203,661)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depletion, depreciation, and amortization	140,642	150,000
Abandonment of wells	-	-
Net cash provided by operating activities	16,484	(53,661)
Cash flows from investing activities:		
Oil and gas capital expenditures	-	-
Net cash used in investing activities	-	-
Cash flows from financing activities:		
Purchases of treasury stock	(20,000)	(2,010)
Net cash used in financing activities	(20,000)	(2,010)
Net (decrease) increase in cash equivalents	(3,516)	(55,671)
Cash and cash equivalents, beginning of year	1,084,726	1,088,067
Cash and cash equivalents, end of second quarter	\$ 1,081,210	\$ 1,032,396

## Notes to Unaudited Consolidated Financial Statements (Cash Basis)

July 31, 2019

### Basis of Presentation

In the opinion of Central Natural Resources, Inc. (the Company), the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 2019, and the results of operations and cash flows for the periods ended June 30, 2019 and 2018.

The accompanying consolidated financial statements for the Company have been prepared on a cash basis by the Company for federal income tax purposes. Primary differences between the cash basis of accounting and U.S. generally accepted accounting principles (U.S. GAAP) include:

- *Receivables* – Under the cash basis the Company does not book receivables.
- *Prepaid expenses* – The Company has elected to expense certain prepaid expenses when paid, which is allowed under the Internal Revenue Code (IRC). U.S. GAAP requires that prepaid expenses be reflected on the balance sheet when paid and amortized over the period when the benefits are received.
- *Fixed assets* – The Company utilizes accelerated depreciation methods, including the use of bonus depreciation and section 179 expenses, for all asset additions which are under the applicable IRC limit. Both of these methods are acceptable under the cash basis of accounting, and taken in accordance with Internal Revenue Service (IRS) guidelines. For asset additions above the IRC limit, the Company uses the depreciation and amortization methods as described in the depreciation and depletion policy. Under U.S. GAAP, fixed assets are depreciated over the estimated useful life of the asset, typically using the straight-line method.
- *Income taxes* – The Company recorded income tax expense based on the IRC. U.S. GAAP requires that the Company recognize deferred income tax assets or liabilities arising from the differences between U.S. GAAP and income tax returns. The Company also does not contemplate its uncertain tax positions, which would be required under U.S. GAAP.
- *Deferred income* – The Company records revenue for oil and gas lease bonuses when received. U.S. GAAP requires that the Company record oil and gas lease bonuses that relate to future periods as deferred income.
- *Stock-based compensation* – The Company has issued stock options and restricted stock units to certain employees and directors, which are not recorded until they are exercised under the IRC. U.S. GAAP would require the Company to record the fair value of all stock options through compensation expense based on the terms of the options.

**Notes to Unaudited Consolidated Financial Statements**  
**(Cash Basis)**

For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended December 31, 2017. Results of operations for interim periods are not necessarily indicative of results to be expected for a full year.

(1) Stock Based Compensation

The Company did not grant any stock based compensation in the first six months of 2018 or 2019.

As of June 30, 2018 and June 30, 2019 there were no outstanding options.