

Central Natural Resources, Inc.

**911 Main St. Suite 1710
Kansas City, MO 64105**

**Financial Statements
for the period ended March 31, 2008**

Central Natural Resources, Inc.

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Kansas City, MO 64105**

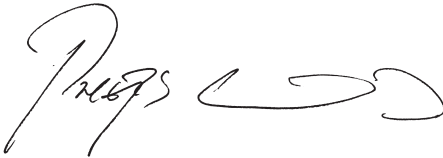
May 15, 2008

Dear Shareholder,

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

We at Central will be glad to answer any questions that you may have and contact information has been provided below for this purpose. Additionally, current trading and historical information for Central Natural Resources, Inc. may be found online at www.pinksheets.com. Current information and recent financials may be found at Central's website at www.centralholdings.com.

Sincerely,



Phelps C. Wood
President & CEO

Enclosure: First quarter 2007, unaudited financial statements

Contact Information:

Central Natural Resources, Inc.

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CENTRAL NATURAL RESOURCES, INC.

Consolidated Statements of Operations Three months ended March 31, 2008 and 2007 (Unaudited)

	Three months ended March 31, 2008	Three months ended March 31, 2007
Operating revenue:		
Mineral royalties	\$ 606,684	377,517
Oil and gas production	26,205	8,910
Total operating revenue	632,889	386,427
Oil and gas operating expenses	40,883	23,230
Depreciation, depletion, and amortization	15,078	859
Exploration expenses	—	24,738
General and administrative expenses	270,064	307,910
Total expenses	326,025	356,737
Other Income		
Gain on sale of oil and gas assets	—	2,018,310
Operating income	306,864	2,048,000
Nonoperating income :		
Investment income	57,634	94,348
Other	82	78
Total nonoperating income	57,716	94,426
Earnings before income taxes	364,580	2,142,426
Income taxes	106,132	774,812
Net earnings	\$ 258,448	1,367,614
Retained earnings at beginning of period	7,001,677	8,346,090
Deduct cash dividend paid of \$0.20 per share in 2008 and \$.15 in 2007	(107,366)	(77,376)
Dividend equivalents on restricted stock units	(1,700)	—
Retained earnings at end of period	7,151,059	9,636,328
Earnings per share:		
Basic	\$ 0.48	2.65
Diluted	0.48	2.51
Weighted average number of shares of common stock outstanding:		
Basic	536,467	515,832
Diluted	540,967	544,832

See accompanying notes to consolidated financial statements.

CENTRAL NATURAL RESOURCES, INC.
Consolidated Balance Sheets
March 31, 2008 and December 31, 2007

Assets	<u>2008</u> (Unaudited)	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 2,443,941	2,401,844
Accounts receivable	13,667	91,655
Securities maturing within one year, at amortized cost	2,497,285	2,487,844
Income tax receivable	434,376	398,851
Deferred income tax	94,260	100,771
Other	14,822	9,996
	<hr/>	<hr/>
Total current assets	5,498,351	5,490,961
	<hr/>	<hr/>
Notes receivable from employee	29,450	52,450
Equity securities, at fair value	573,028	565,130
Investment in oil and gas limited partnership	1,429,979	1,429,979
Property, plant, and equipment:		
Oil and gas producing properties (successful efforts)	1,096,746	778,684
Mineral interest properties	1,668,137	1,668,137
	<hr/>	<hr/>
	2,764,883	2,446,821
Less accumulated depletion, depreciation, and amortization	724,117	709,038
	<hr/>	<hr/>
Net property, plant, and equipment	2,040,766	1,737,783
	<hr/>	<hr/>
Total assets	\$ 9,571,574	9,276,303
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See accompanying notes to consolidated financial statements.

CENTRAL NATURAL RESOURCES, INC.
Consolidated Balance Sheets
March 31, 2008 and December 31, 2007

Liabilities and Stockholders' Equity	<u>2008</u> (Unaudited)	<u>2007</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 273,726	125,458
Deferred income—advance oil lease bonus	249,397	266,625
Total current liabilities	<u>523,123</u>	<u>392,083</u>
Deferred compensation	54,309	41,491
Deferred income advance oil lease bonus	274,879	320,000
Deferred income taxes	419,777	352,300
Stockholders' equity:		
Preferred stock of \$1 par value. Authorized 100,000 shares; no shares issued	—	—
Common stock of \$1 par value. Authorized 2,500,000 shares; issued 561,724 shares issued in 2008 and 561,524 in 2007	561,724	561,524
Additional paid-in capital	1,119,094	1,093,534
Treasury stock—25,892 shares in 2008 and 24,892 shares in 2007	(554,605)	(520,905)
Retained earnings	7,151,059	7,001,677
Accumulated other comprehensive income, net of deferred taxes of \$11,963 in 2008 and \$18,633 in 2007	22,214	34,599
Total stockholders' equity	<u>8,299,486</u>	<u>8,170,429</u>
Total liabilities and stockholders' equity	<u>\$ 9,571,574</u>	<u>9,276,303</u>

See accompanying notes to consolidated financial statements.

CENTRAL NATURAL RESOURCES, INC.

Consolidated Statements of Cash Flows Three months ended March 31, 2008 and 2007 (Unaudited)

	2008	2007
Cash flows from operating activities:		
Net earnings	\$ 258,448	1,367,614
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depletion, depreciation, and amortization	15,079	859
Amortization of premiums and discounts of securities, net	(20,843)	(31,636)
Gain on sale of oil & gas assets	—	(2,018,310)
Gain on sale of equity securities	(12,913)	(2,579)
Share-based payments	24,916	37,532
Deferred income taxes	80,658	(385,340)
Changes in assets and liabilities:		
Accounts receivable and other assets	73,162	173,864
Income tax receivable	(35,525)	142,747
Deferred income-advance oil lease bonus	(62,349)	(11,824)
Deferred compensation	12,818	—
Accounts payable and accrued expenses	148,268	(18,405)
Federal and state income taxes	—	982,747
Net cash provided by operating activities	481,719	237,269
Cash flows from investing activities:		
Proceeds from note receivable	23,000	—
Proceeds from matured/called investment debt securities	2,500,000	2,500,000
Purchases of investment debt securities	(2,488,598)	(2,479,620)
Proceeds of oil & gas assets	—	3,372,900
Purchase of equity securities	(126,209)	(65,021)
Proceeds from sales of equity securities	112,169	71,947
Purchase of investment in oil and gas limited partnership	—	(429,979)
Oil and Gas capital expenditures	(318,062)	—
Net cash provided by investing activities	(297,700)	2,970,227
Cash flows from financing activities:		
Purchase of Treasury stock	(33,700)	—
Sale of restricted stock	200	—
Payments of dividends	(107,366)	(77,376)
Dividend equivalent on restricted stock units, net	(1,056)	—
Net cash used in financing activities	(141,922)	(77,376)
Net increase in cash and cash equivalents	42,097	3,130,120
Cash and cash equivalents, beginning of year	2,401,844	3,089,894
Cash and cash equivalents, end of period	\$ 2,443,941	6,220,014

See accompanying notes to consolidated financial statements.

Central Natural Resources, Inc.

Notes to Unaudited Consolidated Financial Statements – March 31, 2008

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 March 31, 2008, and the results of operations and cash flows for the periods ended March 31, 2008 and 2007.

The consolidated financial statements do not include all the disclosures required by accounting principles generally accepted in the United States of America. 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, 2007.

The Company uses the Successful Efforts method of accounting for revenue and expenses from oil and gas production that has been detailed in the Company's previous reports. Revenue and expenses associated with oil and gas production is accrued in the period the revenue or expenses are generated. Exploration expenses, including geological and geophysical costs, rental and exploratory dry holes, are charged against income as incurred. There were no Exploration expenses recorded for the period ended March 31, 2008. Costs of successful wells and related production equipment and developmental dry holes are capitalized and amortized by field using the unit-of-production method as the oil and gas are produced.

Other - Property, plant and equipment is stated at cost less reserves for depreciation, depletion and amortization. Maintenance and repairs are expensed as incurred, except that costs of replacements or renewals that improve or extend the lives of existing properties are capitalized.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

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Proved gas properties are reviewed for impairment on a field-by-field basis when facts and circumstances indicate that their carrying amounts may not be recoverable. In performing this review, future cash flows are estimated by applying estimated future gas prices to estimated future production, less estimated future expenditures to develop and produce the reserves. If the sum of these estimated future cash flows (undiscounted and without interest charges) is less than the carrying amount of the property, an impairment loss is recognized for the excess of the carrying amount over the estimated fair value of the property based on estimated future cash flows.

Results of operations for interim periods are not necessarily indicative of results to be expected for a full year.

Stock Based Compensation

In the first quarter of 2008 the Company granted 4,000 and 450 shares, respectively, of restricted stock “units” (RSUs) to two employees of the Company, vesting in equal amounts over two years. In the first quarter of 2007, the Company granted 3,000 and 450 shares, respectively, of restricted stock “units” to two employees of the Company, vesting in equal amounts over three years. Although these units do receive dividend equivalents, they do not represent shares of stock until distributed, nor do they vote.

In the first quarter of 2008 the Company granted 200 shares, of restricted stock to one employee of the Company, vesting in equal amounts over two years. The employee purchased the restricted shares at \$1 per share and the difference between the purchase price and the then fair market value of the stock was recorded in shareholders equity as unearned restricted stock. The unearned restricted stock is amortized ratably to expense over the two year vesting period.

Effective January 1, 2006, the Company adopted FASB Statement No. 123(R), *Share-Based Payment* (Statement 123(R)). This statement replaces FASB Statement No. 123, *Accounting for Stock-Based Compensation* (Statement 123) and supersedes APB No. 25. Statement 123(R) requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. This statement was adopted using the modified prospective method of application, which requires the Company to recognize compensation cost on a prospective basis. Therefore, prior years’ financial statements have not been restated. Under this method, the Company recorded stock-based compensation expense for awards granted prior to, but not yet vested as of January 1, 2006, using the fair value amounts determined for pro forma disclosures under Statement 123. For stock-based awards granted after January 1, 2006, the Company recognizes compensation expense based on estimated grant date fair value using the Black-Scholes option-pricing model.

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Options outstanding representing 4,500 and 29,000 shares at March 31, 2008 and March 31, 2007, respectively, are considered dilutive as the exercise price was less than the market price at the close of the period.

Investment Securities

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value for held-to-maturity and available-for-sale securities by major security type at March 31, 2008 and December 31, 2007 are as follows:

March 31, 2008	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Held-to-maturity: U. S. government agency securities	2,497,285	15	- 0 -	2,497,300
Available-for-sale: Equity securities	538,851	40,096	(5,919)	573,028

December 31, 2007	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Held-to-maturity: U. S. government agency securities	2,484,844	156	- 0 -	2,488,000
Available-for-sale: Equity securities	511,897	54,650	(1,417)	565,130

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Investment income (loss) consists of the following for each of the periods ended March 31:

	Three Months ended March 31,	
	2008	2007
Realized gains on sales Of equity securities	12,913	2,579
Dividend Interest	4,335	1,787
Interest Income	40,386	89,982
Total	57,634	94,348

Investments in debt securities are classified as held-to-maturity securities, which are carried at amortized cost. Investments in marketable equity securities are classified as available-for-sale securities, which are carried at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed to be other than temporary, results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Other than temporary impairment is analyzed quarterly on an individual security basis based on the length of time and the extent to which market value has been less than cost; the financial condition and any specific events which effect the issuer; and the Company's intent and ability to hold the security. During the three months ended March 31, 2008, the Company recognized no impairment charge for marketable equity securities.

Investment in oil and gas partnership represents the purchase in 2007 and 2006 of an equity interest, by a subsidiary of the Company, in non-marketable securities for which the Company does not possess significant influence. No cash distributions have been made to date, nor does the Company have any influence over when and in what amount distributions will be made. This investment is a long-term, illiquid investment and as such, there is no guarantee that if the Company wished to sell its interest, that it would be able to do so. This investment is accounted for at cost. The carrying amount is periodically reviewed for other-than-temporary impairment.

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Subsequent Events

Subsequent to the quarter ended March 31, 2008, the Company invested \$220,000 representing a 2% working interest in an area of mutual interest (AMI) for an area in South Texas. At this time, no authorization for expenditures (AFE's) have been issued although the Company does expect that drilling will proceed in the 2nd or 3rd quarter of 2008 on property covered by this AMI.

Also subsequent to the quarter ended March 31, 2008, on April 3, 2008, the Company leased certain rights to 6,640 acres in Arkansas for a four-year term for a total of \$995,983.50. As part of the lease, the lessee has a six-month option to add up to 2,080 additional acres at the same lease bonus fee of \$150 per acre. The lease includes standard terms and conditions and may be extended by certain drilling activity of the lessee.

