

Central Natural Resources, Inc.

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

Financial Statements
for the period ended March 31, 2010

Central Natural Resources, Inc.

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Kansas City, MO 64105

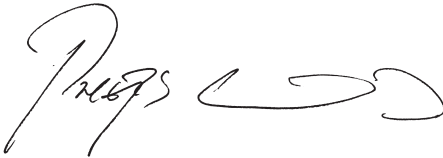
May 27, 2010

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

Contact Information:
Central Natural Resources, Inc.

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CENTRAL NATURAL RESOURCES, INC.

Consolidated Statements of Operations Three months ended March 31, 2010 and 2009 (Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
Operating revenue:		
Mineral royalties	\$ 572,304	523,038
Oil and gas production	520,230	409,215
Total operating revenue	1,092,534	932,253
Oil and gas operating expenses	146,715	172,577
Depreciation, depletion, and amortization	257,500	246,874
General and administrative expenses	297,073	406,265
Total expenses	701,288	825,716
Other income:		
Realized oil and gas price risk management	—	285,000
Unrealized oil and gas price risk management	—	150,428
Total other income	—	435,428
Operating income	391,246	541,965
Nonoperating income :		
Investment income	(422)	1,248
Other	1,085	85
Total nonoperating income	663	1,333
Earnings before income taxes	391,909	543,298
Income taxes	130,664	187,863
Net earnings	\$ 261,245	355,435
Retained earnings at beginning of period	8,060,986	9,004,133
Deduct cash dividend paid of \$0.20 per share in 2010 and 2009	(106,437)	(106,277)
Dividend equivalents on restricted stock units	(6,290)	(6,210)
Retained earnings at end of period	8,209,504	9,247,081
Earnings per share:		
Basic	0.46	0.63
Diluted	0.46	0.63
Weighted average number of shares of common stock outstanding:		
Basic	563,534	562,379
Diluted	567,934	566,749

See accompanying notes to consolidated financial statements.

CENTRAL NATURAL RESOURCES, INC.
Consolidated Balance Sheets
March 31, 2010 and December 31, 2009

Assets	<u>2010</u> (Unaudited)	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 3,368,050	2,566,284
Accounts receivable	476,414	627,185
Income tax receivable	252,671	380,724
Advance to operator	4,608	94,485
Deferred income tax	329,066	272,109
Other	24,838	11,729
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Total current assets	4,455,647	3,952,516
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Note receivable from employee	8,000	8,000
Deferred finance charges	32,735	36,512
Equity securities at fair value	572,443	544,767
Property, plant, and equipment:		
Oil and gas producing properties (successful efforts)	12,051,608	11,871,872
Mineral interest properties	1,668,137	1,668,137
	<hr/>	<hr/>
	13,719,745	13,540,009
Less accumulated depletion, depreciation, and amortization	3,018,315	2,760,815
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Net property, plant, and equipment	10,701,430	10,779,194
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Total assets	\$ 15,770,255	15,320,989
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See accompanying notes to consolidated financial statements.

CENTRAL NATURAL RESOURCES, INC.
Consolidated Balance Sheets
March 31, 2010 and December 31, 2009

Liabilities and Stockholders' Equity	<u>2010</u> (Unaudited)	<u>2009</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 119,855	193,988
Deferred income—advance oil lease bonus	887,712	734,060
Total current liabilities	<u>1,007,567</u>	<u>928,048</u>
Deferred compensation	106,111	97,826
Deferred income—advance oil lease bonus	1,130,562	824,120
Deferred income taxes	631,904	572,139
Senior credit facility	3,300,000	3,500,000
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 565,024 shares issued in 2010 and 564,824 in 2009	565,024	564,824
Additional paid-in capital	1,545,942	1,504,685
Treasury stock—32,836 shares in 2010 and 2009	(751,780)	(751,780)
Retained earnings	8,209,504	8,060,986
Accumulated other comprehensive income, net of deferred taxes of \$13,691 in 2010 and in 2009	25,421	20,141
Total stockholders' equity	<u>9,594,111</u>	<u>9,398,856</u>
Total liabilities and stockholders' equity	<u>\$ 15,770,255</u>	<u>15,320,989</u>

See accompanying notes to consolidated financial statements.

CENTRAL NATURAL RESOURCES, INC.

Consolidated Statements of Cash Flows Three months ended March 31, 2010 and 2009 (Unaudited)

	2010	2009
Cash flows from operating activities:		
Net earnings	\$ 261,245	355,435
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depletion, depreciation, and amortization	257,500	246,874
Unrealized oil and gas risk management	—	(150,428)
Loss (gain) on sales of equity securities	3,155	6,181
Share-based payments	39,113	114,167
Deferred compensation	8,285	(39,002)
Deferred income taxes	(35)	266,267
Changes in assets and liabilities:		
Accounts receivable and other assets	137,662	(15,431)
Income tax receivable	128,053	(109,605)
Advance to operators	89,877	102,315
Deferred income—advance oil lease bonus	460,094	(223,906)
Accounts payable and accrued expenses	(74,133)	(60,520)
Net cash provided by operating activities	1,310,816	492,347
Cash flows from investing activities:		
Purchases of equity securities	(188,187)	(71,672)
Proceeds from sales of equity securities	165,478	50,748
Oil and gas capital expenditures	(179,736)	(671,630)
Net cash used in investing activities:	(202,445)	(692,554)
Cash flows from financing activities:		
Deferred finance charges	3,777	5,764
Exercise of stock options/sale of restricted stock	200	200
Payment of dividends	(106,437)	(106,277)
Excess tax benefit of share-based compensation	2,145	3,619
Dividend equivalent on restricted stock units, net	(6,290)	(6,210)
Bank loan	(200,000)	(1,000,000)
Net cash used in financing activities	(306,605)	(1,102,904)
Net increase (decrease) in cash and cash equivalents	801,766	(1,303,111)
Cash and cash equivalents, beginning of period	2,566,284	4,139,786
Cash and cash equivalents, end of period	\$ 3,368,050	2,836,675

See accompanying notes to consolidated financial statements.

Central Natural Resources, Inc.

Notes to Unaudited Consolidated Financial Statements – March 31, 2010

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, 2010, and the results of operations and cash flows for the periods ended March 31, 2010 and 2009.

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, 2009.

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, 2010. 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.

Central Natural Resources, Inc.

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 2010 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.

In the first quarter of 2009 the Company granted 20,000 and 2,250, respectively, restricted stock “units” (RSUs) to two employees of the Company, vesting in equal amounts over five 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 2009 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.

Options outstanding representing 4,400 shares at March 31, 2010 and March 31, 2009, are considered dilutive as the exercise price was less than the market price at the close of the period.

Central Natural Resources, Inc.

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, 2010 and December 31, 2009 are as follows:

March 31, 2010	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale: Equity securities	533,331	42,621	(3,509)	572,443

December 31, 2009	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale: Equity securities	513,777	40,027	(9,037)	544,767

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

	Three Months ended March 31,	
	2010	2009
Realized gains (losses) on sales of equity securities	(3,155)	6,181
Dividend Interest	2,411	2,185
Interest Income	322	5,244
Total	(422)	1,248

Central Natural Resources, Inc.

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, 2010 the Company recognized no impairment charge for marketable equity securities.

In the first quarter of 2009 the Company received a single cash distribution in the amount of \$22,097 from an equity interest in an oil and gas partnership that was accounted for at cost. In 2009 an impairment was recorded against this equity interest that reduced its carrying value to zero. This impairment is discussed in detail in the Company's Annual Report for the fiscal year ended December 31, 2009.

Oil and Gas Activity

In the first quarter of 2010 the Company committed \$179,736 for the drilling and completion of one new developmental well in South Texas with its operating partner. The Company expects that further funds will be committed for additional wells in this area in the future.

Note Payable to Bank

During the first quarter of 2010 the Company reduced the amount of its outstanding loan with one payment of \$200,000, resulting in an outstanding balance of \$3.3 million as of March 31, 2010. As of the last borrowing base redetermination by Union Bank of California (in December 2009), the Company's borrowing base was \$3.5 million. The Company believes that it has adequate liquidity in the form of cash and cash equivalents and that the recent borrowing base changes will not adversely affect the Company in the future.

Central Natural Resources, Inc.

During the first quarter of 2009 the Company reduced the amount of its outstanding loan with two payments (in January and March) totaling \$1 million, resulting in an outstanding balance of \$4.2 million as of March 31, 2009. Subsequent to Central's reduction to its loan balance, the Company's lender, Union Bank of California, lowered the Company's borrowing base by \$900,000 to \$4.3 million due to a change in the bank's pricing calculations for oil and gas reserve values.

As of March 31, 2010, CNR was in compliance with its covenants with regard to the UBOC Credit Facility and was current with all required interest payments. The loan's interest rate is a floating rate based on a spread over either the London Interbank Offered Rate (LIBOR) plus 250 basis points (2.50%) or the Prime Rate (or equivalent thereof) plus 50 basis points (0.5%). As of March 31, 2010, the loan bore interest based on a spread of 250 basis points over the one-month LIBOR rate, for an interest rate of 2.75125%, interest due April 13, 2010.

The Credit Facility is discussed in further detail under "Senior Credit Facility" in the Company's Annual Report for the fiscal year ended December 31, 2009.

Risk Management

In the period ended March 31, 2009, an unrealized gain of \$150,428 was recorded under Non-Operating Income as "Unrealized oil and gas price risk management". This non-cash item represents the change, in this case the increase, in the Risk Management asset from December 31, 2008 (the last reporting date) to March 31, 2009. This change over the three-month period is due to the drop in average oil and natural gas prices over this period creating an increased spread between the settlement price and the spot price. Risk management cash settlement costs are recorded on the income statement as "Realized oil and gas price risk management" and represent cash payments made to CNR to cover the differential between the hedged price and the settlement price. No gain or loss was recorded in the period ended March 31, 2010 because no hedge or forward contracts were in place at that time.

The Risk Management transactions are explained in further detail in the Company's Annual Report for the fiscal year ended December 31, 2009.

Central Natural Resources, Inc.

Subsequent Events

In April, 2010 the Company received a payment in the amount of \$155,771 as a bonus for a one-year seismic option on acreage in Texas.

In May, 2010 the Company received a payment in the amount \$141,855 from its lessee Wilkem. Under the modified lease arrangement, Wilkem is obligated to make payments over and above the minimum annual amount when it receives certain payments from its sublessee. Due to a successful bankruptcy resolution and sale of the sublessee, Wilkem received payments that had been in arrears and, in turn, was obligated to pay a portion of these “catch up” payments to Central.

Subsequent to the quarter ended March 31, 2009, the Company reduced the amount of its outstanding loan with a single principle payment of \$200,000, resulting in an outstanding loan balance of \$3.1 million as of May 12, 2010.