CRS ELECTRONICS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

As at March 31, 2012

Unaudited, in U.S. dollars

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These unaudited condensed interim financial statements for the three months ended March 31, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, 'Interim financial reporting'. The unaudited condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed 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 condensed interim financial statements and (ii) the unaudited condensed 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 condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

CRS ELECTRONICS INC.
Condensed Interim Statements of Financial Position
Unaudited, in U.S. dollars

	March 31, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	**243,749**	935,201
Accounts receivable (Note 3)	**428,175**	507,416
Government incentives receivable (Note 12)	**52,883**	52,883
Inventory (Note 4)	**955,585**	1,693,175
Deposits and prepaid expenses	**386,050**	496,112
	2,066,442	3,684,787
Non-current assets		
Equipment, furniture and leaseholds (Note 5)	**943,884**	979,213
Patents and trademarks (Note 6)	**117,037**	119,885
Intangible assets (Note 7)	**380,061**	334,837
	3,507,424	5,118,722
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 8)	**364,486**	318,513
Trade and other payables	**1,504,631**	1,583,136
Notes payable (Note 9)	**13,685**	36,911
Current portion of debt obligations (Note 10)	**141,366**	145,692
Current portion of finance lease obligations (Note 11)	**19,705**	18,233
	2,043,873	2,102,485
Non-current liabilities		
Debt obligations (Note 10)	**532,180**	542,211
Finance lease obligations (Note 11)	**58,100**	65,465
Derivative Liability - Warrants (Note 13)	**370,735**	832,860
	3,004,888	3,543,021
Commitments and Contingencies (Note 15)		
Subsequent events (Note 18)		
EQUITY		
Share capital (Note 14)	**6,403,407**	6,403,407
Other paid-in capital	**784,216**	711,849
Deficit	**(6,685,087)**	(5,539,555)
	502,536	1,575,701
	3,507,424	5,118,722

Nature of operations and going concern (Note 1)

The accompanying notes form an integral part of these condensed interim financial statements.

APPROVED BY THE BOARD OF DIRECTORS:

Signed "Scott Riesebosch" Director   *Signed "Larry Taylor"* Director

CRS ELECTRONICS INC.
Condensed Interim Statements of Loss and Comprehensive Loss
Unaudited, in U.S. dollars

For the three months ended March 31, 2012 and 2011

	2012	2011
SALES	**1,311,951**	540,693
Cost of sales	**1,669,507**	520,920
GROSS PROFIT (LOSS)	**(357,556)**	19,773
EXPENSES		
Engineering, research and development	**112,838**	80,129
Selling and marketing	**571,597**	108,692
General and administrative	**512,014**	415,665
SRED refundable tax credits and grant funding	**-**	(28,336)
Finance costs - short-term debt obligations	**7,380**	5,763
Finance and accretion costs - long-term debt obligations	**15,840**	11,051
Loss (gain) on sale of equipment, furniture and fixtures	**343**	-
Change in warrant liability (note 13)	**(462,125)**	(62,772)
Foreign exchange loss (gain)	**30,089**	6,264
	787,976	536,456
LOSS BEFORE INCOME TAXES	**(1,145,532)**	(516,683)
Income Taxes	-	-
NET LOSS AND COMPREHENSIVE LOSS	**(1,145,532)**	(516,683)
Loss per share - basic and fully diluted	(0.03)	(0.02)
Weighted average number of common shares outstanding - basic and fully diluted	**40,723,434**	31,180,919

The accompanying notes form an integral part of these condensed interim financial statements.

CRS ELECTRONICS INC.
Condensed Interim Statements of Cash Flows
Unaudited, in U.S. dollars

For the three months ended March 31, 2012 and 2011	**2012**	2011
OPERATING ACTIVITIES		
Net (loss) for the period	**(1,145,532)**	(516,683)
Items not affecting cash		
Stock based compensation	**72,367**	-
Change in warrant liability	**(462,125)**	(62,772)
Amortization of intangible assets	**28,000**	31,095
Depreciation of equipment, furniture and fixtures	**76,081**	42,824
Amortization of patents and trademarks	**7,677**	-
Accretion expense	**11,122**	6,407
Loss (gain) on disposal of equipment, furniture and fixtures	**343**	-
Net change in non-cash working capital items relating to operating activities	**(1,412,067)**	(499,129)
Accounts receivable	**79,241**	316,502
Government incentives receivable	**-**	44,255
Inventory	**737,590**	(39,802)
Deposits and prepaid expenses	**110,062**	15,300
Trade and other payables	**(78,505)**	65,482
Cash (used in) operating activities	**(563,679)**	(97,392)
INVESTING ACTIVITIES		
Purchase of equipment, furniture, and leaseholds	**(41,095)**	(12,579)
Proceeds on sale of equipment, furniture and fixtures	**-**	-
Additions to intangible assets – intangibles	**(73,224)**	(43,483)
– patent and trademark costs	**(4,829)**	(96,121)
Cash (used in) investing activities	**(119,148)**	(152,183)
FINANCING ACTIVITIES		
Repayment of notes payable	**(23,226)**	(22,918)
Proceeds from (repayment of) line of credit	**45,973**	(122,862)
Proceeds from (repayment of) finance lease obligations	**(5,893)**	(928)
Proceeds from debt obligations	**(25,479)**	259,647
Issue of common shares	**-**	8,675
Cash provided by financing activities	**(8,625)**	121,614
Net increase (decrease) in cash and cash equivalents	**(691,452)**	(127,961)
Cash and cash equivalents, beginning of year	**935,201**	340,015
Cash and cash equivalents, end of year	**243,749**	212,054
The following cash flows are included in operating activities:		
Income taxes (paid) refunded	**-**	-
Interest (paid)	**(24,984)**	(6,164)

The accompanying notes form an integral part of these condensed interim financial statements.

CRS ELECTRONICS INC.
Condensed Interim Statements of Changes in Equity
Unaudited, in U.S. dollars

	Share capital	Other Paid-in Capital	Deficit	Total
Balance, December 31, 2011	6,403,407	711,849	(5,539,555)	1,575,701
Net (loss) for the year	-	-	(1,145,532)	(1,145,532)
Issue of common shares	-	-	-	-
Stock based compensation	-	72,367	-	72,367
Balance, March 31, 2012	6,403,407	784,216	(6,685,087)	502,536

	Share capital	Other Paid-in Capital	Deficit	Total
Balance, December 31, 2010	3,599,045	275,706	(2,252,448)	1,622,303
Net (loss) for the quarter	-	-	(516,683)	(516,683)
Issue of common shares	8,675	-	-	8,675
Stock based compensation	-	-	-	-
Transfer from other paid-in capital on exercise of stock options	2,840	(2,840)	-	-
Balance, March 31, 2011	3,610,560	272,866	(2,769,131)	1,114,295

The accompanying notes form an integral part of these condensed interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

CRS Electronics Inc. (the “Company” or “CRS”) was incorporated under the Canada Business Corporations Act on October 25, 1998 and continues pursuant to a Certificate of Amalgamation dated September 1, 2009, with its head office located at 129 Hagar Street, Unit 5, in Welland, Ontario, Canada L3B 5V9. Its principal activities are the development, manufacture and sale, primarily in North America, of child safety systems for school buses; exterior lighting on school buses based on incandescent and light emitting diode technology (“LED”); contract manufacturing of LED light boards; and LED based space lighting products.

These condensed interim financial statements are prepared on the assumption that the Company is a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. Due to the losses incurred by the Company in the current quarter ended, March 31, 2012 and negative cash flows relating thereto, there exists some uncertainty with respect to the Company’s ability to continue as a going concern. Low sales volumes and production challenges encountered have contributed to negative gross profits. During this period, the Company was and continues to be in the process of launching its retail LED lighting campaign. As a result, research, marketing and administrative expenses increased at a higher rate than revenues.

On April 26, 2012, the Company completed a short term bridge financing in the form of a debenture with a second charge on the Company’s assets in the amount of CAD $300,000 to fund operations. The short term bridge is to be repaid on June 11, 2012 from the proceeds of the private placement, as described below. The Company has also agreed, subject to regulatory approval, to issue to the debenture holder bonus interest in the form of shares of the Company.

The Company has reviewed its financial and strategic initiatives and developed a plan to counteract the challenges it faces. These plans are reliant upon the successful raise of additional capital. The Company has pursued an initiative to raise capital from both strategic and financial investors. In this regard, CJL Holding Inc., a corporation related to Mr. Chiang Jiang Wu, agreed to purchase 30,400,548 common shares of the Company at a price of CAD $0.2921 per common share for total aggregate proceeds to the Company of CAD $8,880,000. On May 24, 2012 the Company announced that it has closed in escrow pending final approval by the TSX Venture exchange. Net proceeds from the private placement will be used to fund operations, sales and marketing expenditures and for general corporate purposes.

These condensed interim financial statements do not include adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

These condensed interim financial statements for the three months ended March 31, 2012 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of condensed interim financial statements, including IAS 34, ‘Interim financial reporting’. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual financial statements for the year ended December 31, 2011.

3. ACCOUNTS RECEIVABLE

	March 31 2012	December 31 2011
Trade accounts receivable	**393,878**	427,799
HST recoverable	**8,836**	56,115
Other receivables	**29,787**	27,828
Allowance for doubtful accounts	**(4,326)**	(4,326)
	428,175	507,416

A bus manufacturer based in the United States represents 44.4% of the trade accounts receivable on March 31, 2012 (29.2% on December 31, 2011).

The movement in the allowance for doubtful accounts is as follows:

	March 31 2012	December 31 2011
Opening balance	**4,326**	11,419
Provision for impairment of accounts receivable	**-**	-
Bad debt recoveries	**-**	(7,093)
Closing balance	**4,326**	4,326

4. INVENTORY

	March 31 2012	December 31 2011
Finished goods	**264,948**	813,167
Raw materials	**607,511**	822,454
Inventory in transit	**83,126**	57,554
	955,585	1,693,175

During the quarter ended March 31, 2012, the Company recorded inventory write-downs of $31,789 ($80,814 for December 31, 2011) and made no reversals of previous inventory write-downs.

5. EQUIPMENT, FURNITURE AND LEASEHOLDS

Cost and accumulated depreciation and movements during the period, are as follows:

At March 31, 2012:

	Office Furniture and Equipment	**Tools, moulds and dies**	**Computer equipment**	**Vehicles**	**Production Equipment**	**Leasehold improvements**	**Assets under finance lease**	**Total**
Cost								
At January 1, 2012	83,795	426,868	62,630	-	762,363	255,995	40,245	1,631,896
Additions	15,145	6,276	3,035	-	16,638	-	-	41,095
Disposals	-	-	(343)	-	-	-	-	(343)
	98,940	433,144	65,323	-	779,001	255,995	40,245	1,672,648
Accumulated depreciation								
At January 1, 2012	41,660	143,753	29,018	-	344,606	82,198	11,448	652,683
Depreciation for the period	2,676	33,207	3,042	-	23,491	11,511	2,154	76,081
Eliminated on disposals	-	-	-	-	-	-	-	-
	44,336	176,960	32,060	-	368,097	93,709	13,602	728,764
Net Carrying value at March 31, 2012	**54,604**	**256,184**	**33,262**	**-**	**410,904**	**162,286**	**26,643**	**943,884**

Equipment, furniture and leaseholds continued

At December 31, 2011:

	Office Furniture and Equipment	Tools, moulds and dies	Computer equipment	Vehicles	Production Equipment	Leasehold improvements	Assets under finance lease	Total
Cost								
At January 1, 2011	70,976	150,616	46,984	14,405	590,580	141,915	11,570	1,027,046
Additions	12,819	297,621	16,372	-	171,783	114,080	28,675	614,350
Disposals	-	(21,369)	(726)	(14,405)	-	-	-	(36,500)
	83,795	426,868	62,630	-	762,363	255,995	111,319	1,631,896
Accumulated depreciation								
At January 1, 2011	32,148	69,536	14,994	14,287	267,115	46,817	5,704	450,601
Depreciation for the period	9,512	82,817	14,078	74	77,491	35,381	5.744	225,097
Eliminated on disposals	-	(8,423)	(54)	(14,361)	-	-	-	(22,838)
	41,660	143,753	29,018	-	344,606	82,198	11,448	652,683
Net Carrying value at December 31, 2011	**42,135**	**283,115**	**33,611**	**-**	**417,757**	**173,797**	**28,797**	**979,213**

For the quarter ended March 31, 2012 $64,136 of depreciation was included in cost of sales, $4,171 was included in research and development, and $7,774 within general and administrative (2011: $176,765, $24,762 and $23,570, respectively).

6. PATENTS AND TRADEMARKS

Patents and trademarks at March 31, 2012 and December 31, 2011 consist of the following:

Cost	
At January 1, 2012	150,028
Additions	4,829
Impairments	-
	154,857
Accumulated Amortization	
At January 1, 2012	30,143
Amortization for the year	7,677
Decrease due to impairment	-
	37,820
Net Carrying value at March 31, 2012	117,037

Cost	
At January 1, 2011	197,562
Additions	210,703
Impairments	(258,237)
	150,028
Accumulated Amortization	
At January 1, 2011	-
Amortization for the year	30,143
Decrease due to impairment	-
	30,143
Net Carrying value at December 31, 2011	119,885

The amortization expense was charged to general and administration expense for 2012 and 2011

7. INTANGIBLE ASSETS

	Deferred Development Costs	Computer Software	Total
Cost			
At January 1, 2012	331,110	131,050	462,160
Additions	-	73,224	73,224
Disposals	-	-	-
	331,110	204,274	535,384
Accumulated Amortization			
At January 1, 2012	85,059	42,264	127,323
Depreciation for the year	16,555	11,445	28,000
Eliminated on disposals	-	-	-
	101,614	53,709	155,323
Net Carrying value at March 31, 2012	**229,496**	**150,565**	**380,061**

	Deferred Development Costs	Computer Software	Total
Cost			
At January 1, 2011	693,983	56,590	750,573
Additions	202,917	74,460	277,377
Impairment	(565,790)	-	(565,790)
	331,110	131,050	462,160
Accumulated Amortization			
At January 1, 2011	81,068	33,040	114,108
Depreciation for the year	113,812	9,224	123,036
Eliminated on impairment	(109,821)	-	(109,821)
	85,059	42,264	127,323
Net Carrying value at December 31, 2011	**246,051**	**88,786**	**334,837**

For the quarter ended March 31, 2012 $11,445 of amortization was included in general and administrative, and $16,555 within cost of sales (2011: $9,224 and $113,812 respectively).

8. BANK INDEBTEDNESS

Bank indebtedness consists of the following:

	March 31 2012	December 31 2011
Operating line of credit	**364,486**	318,513

The Company has an operating line of credit in the amount of $320,000 CAD extended by the Credit Union Syndicate. The operating line of credit (and certain debt obligations, see note 10) is collateralized by a general security agreement, representing a first and fixed floating charge over the assets and undertakings of the Company, assignment of adequate public liability and fire insurance acknowledging the Credit Union Syndicate as first loss payees and a personal guarantee by two of the shareholders in the amount of CAD $200,000. Interest is charged on a monthly basis at a rate of prime plus 1.5% per annum (3% at March 31, 2012, and December 31, 2011 respectively).

9. NOTES PAYABLE

Notes payable consists of the following:

	March 31 2012	December 31 2011
Extended payments on insurance – bearing interest at 4.988% Per annum with 10 monthly payments of CAD $1,385, commencing June 20, 2011 and maturing April 20, 2012	**1,293**	5,392
Extended payments on insurance – bearing interest at 4.988% Per annum with 10 monthly payments of CAD $6,491, commencing July 16, 2011 and maturing May 16, 2012	**12,392**	31,519
	13,685	36,911

All outstanding notes payable at March 31, 2012 and December 31, 2011 are related to insurance costs.

10. DEBT OBLIGATIONS

Debt obligations consist of the following:

	March 31 2012	December 31 2011
PenFinancial Credit Union - 9% interest, payable in blended monthly installments of CAD $1,038, maturing May 29, 2012.	**1,613**	4,656
PenFinancial Credit Union - 8% interest, payable in blended monthly installments of CAD $1,440, maturing December 20, 2014.	**41,802**	45,216
PenFinancial Credit Union - 9% interest, payable in blended monthly installments of CAD $3,921, maturing June 14, 2015	**129,857**	138,554
PenFinancial Credit Union – Prime plus 2% payable in Blended monthly installments of CAD $3,844, due to October, 2010	**-**	-
Advances received under the Southern Ontario Development Plan (SODP) as described in detail below.	**500,274**	499,477
Less: principal due within one year	**(141,366)**	(145,692)
	532,180	542,211

The PenFinancial loans (and the operating line of credit, see note 8) are collateralized by a registered general security agreement, representing a first fixed and floating charge over the assets and undertakings of the Company. There is also a personal guarantee for CAD $200,000 executed by two shareholders and officers of the Company.

Contribution Agreement ("CA") with the Southern Ontario Development Program

In June 2011, the Company signed a revised Contribution Agreement with the SODP, a program administered by the Government of Canada for a maximum contribution amount of CAD $667,036. The contribution amount is based on 50% of eligible capital costs and 75% of eligible non-capital costs for projects to develop indoor and outdoor lighting and to increase the production capacity of the Company's facility in Welland, Ontario. The interest-free contribution amount is repayable over five years. No payments were required until August 1, 2011. The contribution amount is then repayable in 60 monthly payments equal to CAD $11,118 from August 1, 2011 to July 1, 2016. No interest is payable on the undrawn balance of the contribution amount. No assets of the Company currently owned or to be acquired under the CA will be pledged as security. As at December 31, 2011, the maximum contribution amount of CAD $667,036 has been received under the CA. The Company has discounted the SODP loan using an annual interest rate of 7.5% over the term of the loan.

The principal amounts of debt obligations, due in each of the next five years, are presented in US Dollar present value as follows:

2013	141,018
2014	159,240
2015	168,904
2016	132,248
2017	72,136
	673,546

11. OBLIGATIONS UNDER FINANCE LEASES

The following is a schedule of minimum lease payments under the finance leases expiring in 2016:

USD Value of undernoted leases(1):	88,415
Less: amount representing interest at 12%	(10,610)
	77,805
Less: current portion	(19,705)
	58,100

(1) Comprised of two leases: i) 66 month lease commenced July 2011 with quarterly pre-tax repayments of CAD $1,777.06, and ii) 39 month lease commenced December 2011 with monthly pre-tax repayments of CAD $1,877.68

12. GOVERNMENT INCENTIVES RECEIVABLE

The Scientific Research and Experimental Development Tax Credits ("SRED"), offered by the Government of Canada and the Ontario Innovation Tax Credit ("OITC") and Ontario Research and Development Tax Credit ("ORDTC") offered by the Ontario Provincial Government are awarded for expenditures on research and development. The tax credits relating to the deferred development costs are recorded in the statement of financial position as a reduction of deferred development expenses. The tax credits relating to research are recorded as a reduction of expenses on the statement of loss and comprehensive loss. When CRS was a privately held company all SRED, OITC and ORDTC were refundable tax credits and were normally paid to the Company in the year following the year the tax credits were claimed. As a result of becoming a publicly traded company in May 2009, the SRED tax credit rate decreased to 20% from 35% of expenditures and the SRED, and the ORDTC are no longer refundable tax credits payable in cash to the Company but can only be applied against income taxes payable in future periods. The Company continues to file for SRED, OITC and ORDTC. The Company provides a valuation allowance for the SRED and ORDTC tax credits receivable until it is virtually certain it will realize the benefit of these tax credits.

Government incentives receivable consist of the following:

	March 31 2012	December 31 2011
OITC and ORDTC	69,291	69,291
Scientific Research and Experimental Development Tax Credit	269,084	269,084
Valuation allowance – Federal, non-refundable tax credit	(269,084)	(269,084)
Valuation allowance – Provincial, non-refundable tax credit	(16,408)	(16,408)
	52,883	52,883

The SRED, OITC and ORDTC tax credits are based on the Company having incurred expenses which in management's opinion qualify as research and development costs under the Income Tax Act of Canada. These expenses are subject to review and approval by the Canada Revenue Agency and accordingly, the actual credits received may differ from the recorded amounts. Any such adjustments will be made in the year in which the refunds are received or applied against future income taxes due.

13. DERIVATIVE LIABILITY - WARRANTS

The Company has issued four series of warrants as part of three separate private placements of units. Each whole warrant entitles the holder thereof to purchase one common share of the Company at a specified price in Canadian dollars per share. These warrants are considered to be derivative liabilities due to the warrants being exercisable in a currency (Canadian dollars) other than the functional currency of the Company (U.S. dollars). The derivative is measured at fair value with changes in fair values included in net loss and comprehensive loss.

Series A warrants

On September 30, 2009, the Company issued 1,749,999 common share units. The units were comprised of one common share and one half-warrant. Each whole warrant entitled the holder to acquire one common share upon payment of CAD $0.50 per common share no later than September 30, 2010. The warrants were not registered for trading and all common shares issued through the exercise of warrants were restricted from trading until February 1, 2010. As at September 30, 2010, 806,666 half-warrants were exercised. The remaining warrants expired.

The value of the warrants at date of issuance, net of an allocation of the closing costs, was determined to be CAD $29,727 using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 75.0%, risk-free interest rate of 1.3% and an expected life of 1 year.

Series B warrants

On December 29, 2009, the Company issued 2,777,777 common share units. The units were comprised of one common share and one half-warrant. Each whole warrant entitled the holder to acquire one common share upon payment of CAD $0.65 per common share no later than December 22, 2010. The warrants were not registered for trading and all common shares issued through the exercise of warrants were restricted from trading until April 24, 2010. As at December 22, 2010, all warrants expired unexercised.

The value of the warrants at date of issuance, net of an allocation of the closing costs, was determined to be CAD $168,402 using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 73.1%, risk-free interest rate of 1.42% and an expected life of 1 year.

Series C warrants

On July 5, 2010 the Company issued 2,004,446 common share units. The units were comprised of one common share and one half-warrant. Each whole warrant entitles the holder to acquire one common share upon payment of CAD $0.70 per common share no later than July 5, 2012. The warrants are not registered for trading and all common shares issued through the exercise of warrants before November 6, 2010 were restricted from trading until that date. As at December 31, 2011, 2,004,446 half-warrants, entitling the warrant holders to purchase 1,002,223 common shares, are outstanding.

The value of the warrants at date of issuance, net of an allocation of the closing costs, were determined to be CAD $246,980 using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 119%, risk-free interest rate of 1.41% and an expected life of 2 years.

Derivative Liability – Warrants continued

Series D warrants

On April 28, 2011 the Company issued 9,379,156 common share units. The units were comprised of one common share and one half-warrant. Each whole warrant entitles the holder to acquire one common share upon payment of CAD $0.65 per common share on (a) the earlier of the accelerated expiry date specified by the Company (that is not less than 10 days after written notice is deemed to have been received by the Warrant holders for the Common Shares) where the Volume Weighted Average price of the Common Shares on the Exchange for a period of 20 consecutive trading days has been greater than $1.00 or (b) the expiry date of April 28, 2014. The warrants are not registered for trading and all common shares issued through the exercise of warrants before August 29, 2011 were restricted from trading until that date. As at December 31, 2011, 9,379,156 half-warrants, entitling the warrant holders to purchase 4,689,578 common shares, are outstanding.

The value of the warrants at date of issuance, net of an allocation of the closing costs, were determined to be CAD $1,854,136 using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 109%, risk-free interest rate of 1.57% and an expected life of 2.8 years.

The Company recorded a gain related to the change in the fair value of the warrants as follows:

	March 31 2012	December 31 2011
Gain on warrant liability	**462,125**	1,431,844

The Company determined the fair value of these warrants to be:

	March 31 2012	December 31 2011
Series A	**N/A**	N/A
Series B	**N/A**	N/A
Series C	**382**	49,378
Series D	**370,353**	783,482
USD$	**370,735**	832,860

The Company determined the fair value of these warrants using the Black-Scholes option pricing model with assumptions as follows:

	March 31, 2012	December 31, 2011
Exercise price (CAD$)	$0.70 & $0.65	$0.70 & $0.65
Share price (CAD $)	$0.26	$0.38
Risk-free interest rate	1.19%	0.94%
Expected life	0.26 years & 2.08 years	0.5 years & 2.3 years
Expected volatility	78% & 97%	113% & 103%
Dividend rate	0%	0%

14. SHARE CAPITAL

Shares

Authorized
Unlimited number of common shares

Issued and outstanding
40,723,434 common shares

The common share transactions over the period are as follows:

	Number of shares	Amount
Balance January 1, 2011	31,160,078	3,599,045
Transfers from contributed surplus on exercise of options	176,200	33,385
Issuance of common shares for cash	9,387,156	2,770,977
Balance December 31, 2011	40,723,434	6,403,407
Transfers from contributed surplus on exercise of options	-	-
Issuance of common shares for cash	-	-
Balance March 31, 2012	**40,723,434**	**6,403,407**

[a] Common stock

Issuance of common shares for cash:

Private Placement April 28, 2011

The Company completed a private placement financing and issued 9,379,156 units at a price of CAD $0.55 per unit for gross proceeds of CAD $5,158,535 (USD $5,217,342). Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share upon payment of CAD $0.65 per common share no later than April 28, 2014. The warrants are not registered for trading and all common shares issued through the exercise of warrants before August 28, 2011 were restricted from trading until that date. The issue was a brokered private placement with Canaccord Genuity Corp. acting as lead agent for the Company for a commission equal to 6% of the gross proceeds raised. Additionally, as compensation for services related to the April 28, 2011 offering, the Company issued a total of 530,022 non-transferable compensation options to the lead agents valued at CAD $168,973 (USD $170,900). Additional agent costs were CAD $386,635 (USD $391,042). Other closing costs for legal expenses and filings fees were CAD $66,208 (USD $66,963).

Private Placement April 28, 2011 allocation of proceeds is as follows:

	Amount CAD	Amount USD
Common Shares (issued 9,379,156)	5,158,535	5,217,342
Less: Whole Warrants (issued 4,689,578)	(1,854,136)	(1,949,624)
Less: Agent Options (issued 530,022)	(168,973)	(170,900)
Less: Issuance Costs	(452,843)	(458,005)
Net Proceeds of Private Placement	2,682,583	2,638,813

[b] Stock options

Employee Stock Option Plan
In 2008, CRS established a stock option plan under which directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company.

Under the plan, the Company may grant stock options to directors, senior officers, employees' and advisors and is authorized to issue options to acquire up to 10% of the issued and outstanding shares of the Company. The Board of Directors administers the plan and determines the vesting and other terms of each award.

Value of stock options granted:
Stock based compensation expense recognized for the quarter ended March 31, 2012 was USD $72,367 (March 31, 2011 - Nil), of which USD $5,955 is included within cost of sales, nil is included within research and development expense, USD $26,985 is included within general and administrative expense and $39,427 is included within selling expense (March 31, 2011 – Nil)

The Company's stock option activity during the year is as follows:

	March 31, 2012		March 31, 2011	
	No. of shares	**Weighted average exercise price (CAD $)**	No. of shares	Weighted average exercise price (CAD $)
Outstanding, beginning of year	2,226,624	0.47	1,295,324	0.38
Granted	-	-	-	-
Expired	-	-	-	-
Exercised	-	-	(15,168)	0.30
Outstanding, end of year	2,226,624	0.47	1,280,156	0.38

Under the Plan the total number of stock options that may be outstanding at any time is equal to 10% of the common shares outstanding. The remaining number of options available to be granted under the plan is 1,845,719.

The following table summarizes, in Canadian currency, information about options outstanding as at March 31, 2012:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted-average exercise price (CAD$)
$0.30 - $0.50	991,624	27	0.34
$0.51 - $0.70	1,235,000	47	0.58
Total	2,226,624	38	0.47

2,226,624 options are exercisable as at March 31, 2012. The weighted average exercise price of these options is CAD $0.47.

[b] Stock options, continued

Charitable options:
In March 27, 2008, charitable options to purchase 66,486 common shares were granted to an eligible charitable organization. These options are exercisable at CAD $0.30 per share with an expiry date as of March 27, 2018.

Agent options:
As compensation for services related to the April 28, 2011 offering, the Company issued a total of 530,022 non-transferable compensation options to the lead agents. Each option entitles the agent to subscribe for one common share unit at a price of CAD $0.55 until October 28, 2012.

15. COMMITMENTS AND CONTINGENCIES

Due to the nature of the business, the Company may have unspecified contingent liabilities that are not known to the Company at the end of the period. The Company will recognize contingent liabilities in a future period when they become known to the Company.

The Company has the following commitments outstanding:

1. The Company signed an exclusive license agreement with Eveready Battery Company, Inc. (the "Exclusive Agreement"), a subsidiary of Energizer Holdings, Inc., for the Company to manufacture a suite of LED lighting products under the brand name Energizer. The term of the Exclusive Agreement is from January 1, 2011 to December 31, 2015.

   In accordance with the Exclusive Agreement, the minimum guaranteed royalty to be paid by the Company over the term thereof is as follows:

Year	Minimum Guaranteed Royalty
2012	411,000
2013	592,500
2014	756,000
2015	836,000

2. The Company signed a service agreement with DBA Tenzing Managed IT Services, for the Company to establish offsite IT infrastructure and related management services. The services primarily relate to administration of the supplied infrastructure, network availability, data backup and archiving. The term of the agreement is from December 12, 2011 (deployment date) to December 11, 2014.

   In accordance with the Agreement, the service cost to be paid by the Company over the term thereof is as follows:

Year	CAD $ IT Hosting Fees
2012	37,820
2013	37,820
2014	35,965

3. The Company has participated in a distribution program that induces participation in a nationwide campaign providing the right to return unsold product after 90 days on the shelf. These rights are extinguished if subsequent reorders are placed. The Company does not possess enough information to reasonably estimate potential returns under this program at date of publication.

16. RELATED PARTY TRANSATIONS

The Company's related parties consist of the Company's officers, which includes the Chief Executive Officer and the Chief Operating Officer. The Company incurred the following expenditures during the three months ended March 31, 2012 and 2011 that represent the compensation paid or payable to the Company's officers for services is as follows:

	March 31 2012	**March 31 2011**
Wages and benefits	87,912	91,415
Stock based compensation	20,288	-
	108,200	91,415

17. AUTHORIZATION

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

These unaudited condensed interim financial statements as at March 31, 2012 were approved by the Board of Directors on May 28, 2012.

18. SUBSEQUENT EVENTS

a) On April 26, 2012, the Company completed a short term bridge financing in the form of a debenture with a second charge on the Company's assets in the amount of CAD $300,000 to fund operations. The short term bridge loan is to be repaid on June 11, 2012 from the proceeds of the private placement. The Company has also agreed, subject to regulatory approval, to issue to the debenture holder bonus interest in the form of shares of the Company.

b) On May 24, 2012, the Company announced that it has closed in escrow a share purchase agreement with CJL Holding Inc., a corporation related to Mr. Chiang Jiang Wu, of 30,400,548 common shares of the Company at a price of CAD $0.2921 per common share for total aggregate proceeds to the Company of CAD $8,880,000. The Company has received two nonrefundable deposits totaling CAD $1.5 million. The balance, CAD $7.38 million, is expected to be released from escrow upon receipt of final written approval from the TSX Venture in respect of the Investor and the directors and officers to be appointed by the Investor. Net proceeds from the private placement will be used to fund operations, sales and marketing expenditures and for general corporate purposes.

c) On May 24, 2012 the Company also issued 2,389,167 common share purchase warrants (the "Warrants") in trust to Parklea Capital Inc. ("Parklea") as compensation for Parklea acting as special advisor to the Chief Executive Officer and the Board of Directors of the Company. The Warrants will be held in escrow pending the closing of the Private Placement and the common shares issued upon the conversion of the Warrants will be subject to a four month hold period commencing from the date they are released from escrow. The Warrants are convertible into common shares of the Company at a price of CAD $0.2921 per common share for a period of 5 years from the date of issue.