

CRS ELECTRONICS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2015

Unaudited, in U.S. dollars

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 consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated 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 consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

CRS ELECTRONICS INC.

Condensed Interim Consolidated
Statements of Financial Position
Unaudited, in U.S. dollars

	June 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 138,908	\$ 654,184
Restricted cash (Note 4)	400,300	-
Accounts receivable (Note 5)	326,592	313,255
Inventory (Note 6)	665,416	690,559
Deposits and prepaid expenses	166,633	49,056
	1,697,849	1,707,054
Non-current assets		
Equipment, furniture and leaseholds (Note 7)	317,363	378,001
Patents and trademarks (Note 8)	20,869	30,484
Intangible assets (Note 9)	74,398	84,617
	\$ 2,110,479	\$ 2,200,156
LIABILITIES		
Current liabilities		
Operating loan (Note 10)	800,600	-
Trade and other payables	729,885	497,608
Note payable (Note 11)	-	14,713
Current portion of debt obligations (Note 12)	99,971	105,620
Current portion of finance lease obligations (Note 13)	9,973	17,873
Derivative warrants and liabilities (Note 14)	128,929	386,009
	1,769,358	1,021,823
Non-current liabilities		
Debt obligations (Note 12)	8,820	65,435
Finance lease obligations (Note 13)	12,664	18,172
	1,790,842	1,105,430
EQUITY		
Share capital (Note 15)	17,731,433	17,731,433
Other paid-in capital	2,356,740	2,221,724
Deficit	(19,768,536)	(18,858,431)
	319,637	1,094,726
	\$ 2,110,479	\$ 2,200,156

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 16)

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

APPROVED BY THE BOARD OF DIRECTORS:

Signed "Travis Jones" Director

Signed "Rob Neill" Director

CRS ELECTRONICS INC.

Condensed Interim Consolidated Statements of Loss
and Other Comprehensive Loss
Unaudited, in U.S. dollars

	Three Month Period Ended June 30		Six Month Period Ended June 30	
	2015	2014	2015	2014
SALES	\$ 448,628	\$ 714,079	\$ 943,965	\$ 1,304,165
Cost of sales	436,870	770,211	1,028,932	1,501,852
GROSS PROFIT (LOSS)	11,758	(56,132)	(84,967)	(197,687)
EXPENSES				
Engineering, research and development	74,036	216,033	168,918	424,965
Selling and marketing	41,998	349,119	89,181	644,802
General and administrative	441,394	402,392	785,819	856,293
Loss on disposal of equipment, furniture and leaseholds	-	-	-	11,588
	557,428	967,544	1,043,918	1,937,648
LOSS BEFORE FINANCE REVENUE AND COSTS, FOREIGN EXCHANGE GAIN (LOSS) AND INCOME TAXES	(545,670)	(1,023,676)	(1,128,885)	(2,135,335)
Change in derivative warrants and liabilities (Note 14)	(13,352)	1,825	257,080	22,827
Finance revenue – interest earned	362	3,869	1,654	9,602
Finance costs - debt obligations	(13,858)	(6,104)	(22,748)	(18,083)
Finance accretion costs - debt obligations	(2,487)	(4,936)	(5,434)	(10,482)
Foreign exchange gain (loss)	4,112	2,532	(11,772)	(90,885)
LOSS BEFORE INCOME TAXES	(570,893)	(1,026,490)	(910,105)	(2,222,356)
Income Taxes	-	-	-	-
NET LOSS AND COMPREHENSIVE LOSS	\$(570,893)	\$(1,026,490)	\$(910,105)	\$(2,222,356)
Loss per share	(0.006)	(0.01)	(0.009)	(0.03)
Weighted average number of common shares outstanding - basic and diluted	97,599,844	86,399,844	97,599,844	86,399,844

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

CRS ELECTRONICS INC.

Condensed Interim Consolidated Statements of Cash Flows
 Unaudited, in U.S. dollars

For the six months ended June 30

	2015	2014
OPERATING ACTIVITIES		
Net loss for the period	\$ (910,105)	\$ (2,222,356)
Items not affecting cash		
Stock-based compensation	135,016	219,418
Change in derivative warrants and liabilities	(257,080)	(22,827)
Depreciation of equipment, furniture and leaseholds	63,533	89,213
Amortization of patents and trademarks	9,899	9,766
Amortization of intangible assets	10,219	50,415
Accretion expense	5,434	10,482
Loss on disposal of equipment, furniture and leaseholds	-	11,588
	(943,084)	(1,854,301)
Net change in non-cash working capital items relating to operating activities		
Accounts receivable	(13,337)	(350,598)
Government incentives receivable	-	57,638
Inventory	25,143	58,141
Deposits and prepaid expenses	(117,577)	24,747
Trade and other payables	232,277	103,810
Cash used in operating activities	(816,578)	(1,960,563)
INVESTING ACTIVITIES		
Purchase of equipment, furniture, and leaseholds	(2,895)	(159,427)
Additions to patent and trademark costs	(284)	(4,439)
Additions to intangible assets	-	(226)
Cash used in investing activities	(3,179)	(164,092)
FINANCING ACTIVITIES		
Operating Loan	800,600	-
Repayment of note payable	(14,713)	-
Repayment of line of credit	-	(262,314)
Repayment of finance lease obligations	(13,408)	(12,725)
Repayment of debt obligations	(67,698)	(63,164)
Restricted cash (Note 4)	(400,300)	-
Cash provided by (used in) financing activities	304,481	(338,203)
Net decrease in cash and cash equivalents	(515,276)	(2,462,858)
Cash and cash equivalents, beginning of period	654,184	3,081,012
Cash and cash equivalents, end of period	\$ 138,908	\$ 618,154
The following cash flows are included in operating activities:		
Interest paid	\$ 22,748	\$ 18,083
Non-cash transactions:		
Acquisition of equipment and intangibles under finance lease	\$ -	\$ 19,665

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

CRS ELECTRONICS INC.

Condensed Interim Consolidated
Statements of Changes in Equity
Unaudited, in U.S. dollars

	Share capital	Other Paid-in Capital	Deficit	Total
Balance, December 31, 2014	\$ 17,731,433	\$ 2,221,724	\$ (18,858,431)	\$ 1,094,726
Net loss for the period	-	-	(910,105)	(910,105)
Stock-based compensation	-	135,016	-	135,016
Balance, June 30, 2015	\$ 17,731,433	\$ 2,356,740	\$ (19,768,536)	\$ 319,637

	Share capital	Other Paid-in Capital	Deficit	Total
Balance, December 31, 2013	\$ 17,153,996	\$ 1,750,076	\$ (15,399,438)	\$ 3,504,634
Net loss for the period	-	-	(2,222,356)	(2,222,356)
Stock-based compensation	-	219,418	-	219,418
Balance, June 30, 2014	\$ 17,153,996	\$ 1,969,494	\$ (17,621,794)	\$ 1,501,696

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

CRS ELECTRONICS INC.

Notes to Condensed Interim Consolidated Financial Statements

As at June 30, 2015

Unaudited, in U.S. Dollars

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 continued pursuant to a Certificate of Amalgamation dated September 1, 2009. Its head office is located at 9225 Leslie Street, Suite 201, Richmond Hill, Ontario, Canada L4B 3H6 and its manufacturing warehouse is located at 129 Hagar Street, Unit 5, 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. The Company incorporated a wholly-owned subsidiary, CRS Lighting (USA) Inc., on November 9, 2012. CRS Lighting (USA) Inc. was incorporated to facilitate the Company’s overall strategy to increase market share in the North American lighting market. On November 28, 2013 the Company incorporated a wholly-owned subsidiary Chongqing Yong Zhao Trading Ltd. to manage the Chinese supply chain but operations in this company had ceased by the end of 2014.

These condensed consolidated 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, there may be significant doubt with respect to the Company’s ability to continue as a going concern.

Management recognizes that the Company must generate additional revenues and improve gross margins in order to reach profitable levels of operation. To that end, the Company has developed higher margin LED fixtures and launched them under their KVIC Lighting brand. In addition, the Company has established strategic partnerships for access to LED lamps to increase sales revenue in its Lumenova brand. A plan to significantly reduce production costs has been established and is being executed. CRS has signed a new loan agreement with a lender for credit facilities of up to CAD \$1,500,000 (Note 10). However, further financing will be required in order to settle liabilities in the short term.

These condensed consolidated 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

Statement of compliance

These condensed consolidated financial statements for the six months ended June 30, 2015 have been prepared in accordance with IAS 34 “Interim Financial Reporting” International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The condensed consolidated financial statements do not include all information and disclosures required for the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2014, 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 disclosed in the annual financial statements for the year ended December 31, 2014.

CRS ELECTRONICS INC.

Notes to Condensed Interim Consolidated Financial Statements

As at June 30, 2015

Unaudited, in U.S. Dollars

2. BASIS OF PREPARATION (Continued)

Accounting standards issued but not yet effective

The following new standards which have not been early-adopted in these condensed consolidated financial statement, may have an effect on the Company's future results and financial position:

IFRS 9, Financial Instruments ("IFRS 9"):

IFRS 9 was initially issued by the IASB in November 2009 and re-issued in its completed version in July 2014. It replaces IAS 39, Financial Instruments: Recognition and Measurement, and establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's financial statements commencing January 1, 2018. The Company intends to adopt the standard on its effective date and is assessing the impact on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which replaces IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition. IFRS 15 sets out the requirements for recognizing revenue that applies to all contracts with customers (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments). It establishes a single, comprehensive framework for revenue recognition. This new standard is effective for the Company's financial statements commencing January 1, 2017. The Company intends to adopt the standard on its effective date and is assessing the impact on its consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

	June 30 2015	December 31 2014
Cash	138,908	\$ 215,407
Ninety days term deposit 1.35% per annum	-	438,777
	<u>\$ 139,908</u>	<u>\$ 654,184</u>

4. RESTRICTED CASH

As at June 30, 2015, the Company has a cash collateral of CAD \$500,000 with the lender mentioned in Note 10. Subsequent to June 30, 2015, the cash collateral has been transferred to a bank current account in the name of the Company but subject to a blocked account agreement granting a first ranking security interest in favor of the lender. The blocked account shall be subject to instructions only from the lender.

CRS ELECTRONICS INC.

Notes to Condensed Interim Consolidated Financial Statements

As at June 30, 2015

Unaudited, in U.S. Dollars

5. ACCOUNTS RECEIVABLE

	June 30 2015	December 31 2014
Trade accounts receivable	\$ 326,858	\$ 313,608
Other receivables	6,118	6,031
Allowance for doubtful accounts	(6,385)	(6,385)
	\$ 326,592	\$ 313,255

6. INVENTORY

	June 30 2015	December 31 2014
Finished goods	\$ 252,434	\$ 444,994
Raw materials	371,118	183,956
Inventory in transit	41,865	61,609
	\$ 665,416	\$ 690,559

7. EQUIPMENT, FURNITURE AND LEASEHOLDS

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

At June 30, 2015:

	Office Furniture and Equipment	Tools, moulds and dies	Computer equipment	Production Equipment	Leasehold improvements	Assets under finance lease	Total
Cost							
At January 1, 2015	88,005	55,129	121,293	703,520	134,647	78,730	1,181,324
Additions	-	2,895	-	-	-	-	2,895
Disposals	-	-	-	-	-	-	-
	88,005	58,024	121,293	703,520	134,647	78,730	1,184,219
Accumulated depreciation							
At January 1, 2015	60,693	11,913	76,463	495,777	119,550	38,927	803,323
Depreciation for the period	2,422	9,154	5,984	19,022	11,182	15,769	63,533
Eliminated on disposals	-	-	-	-	-	-	-
	63,115	21,067	82,447	514,799	130,732	54,696	866,856
Net carrying amount at June 30, 2015	\$24,890	\$36,957	\$38,846	\$188,721	\$3,915	\$24,034	\$317,363

At December 31, 2014:

	Office Furniture and Equipment	Tools, moulds and dies	Computer equipment	Production Equipment	Leasehold improvements	Assets under finance lease	Total
Cost							
At January 1, 2014	\$88,005	\$145,862	\$121,293	\$703,520	\$134,647	\$87,741	\$1,281,068
Additions	-	157,041	-	-	-	19,665	176,706
Disposals	-	(247,774)	-	-	-	(28,676)	(276,450)
	88,005	55,129	121,293	703,520	134,647	78,730	1,181,324
Accumulated depreciation							
At January 1, 2014	53,921	24,967	57,343	443,102	94,539	44,082	717,954
Depreciation for the year	6,772	59,393	19,120	52,675	25,011	11,933	174,904
Eliminated on disposals	-	(72,447)	-	-	-	(17,088)	(89,535)
	60,693	11,913	76,463	495,777	119,550	38,927	803,323
Net carrying amount at December 31, 2014	\$27,312	\$43,216	\$44,830	\$207,743	\$15,097	\$39,803	\$378,001

CRS ELECTRONICS INC.

Notes to Condensed Interim Consolidated Financial Statements

As at June 30, 2015

Unaudited, in U.S. Dollars

8. PATENTS AND TRADEMARKS

Patents and trademarks at June 30, 2015 and December 31, 2014 consist of the following:

Cost		Cost	
At January 1, 2015	\$ 98,987	At January 1, 2014	\$ 94,067
Additions	284	Additions	4,920
Impairments	-	Impairments	-
	<u>99,271</u>		<u>98,987</u>
Accumulated Amortization		Accumulated Amortization	
At January 1, 2015	68,503	At January 1, 2014	48,859
Amortization for the period	9,899	Amortization for the year	19,644
Decrease due to impairment	-	Decrease due to impairment	-
	<u>78,402</u>		<u>68,503</u>
Net carrying amount at June 30, 2015	\$ 20,869	Net carrying amount at December 31, 2014	\$ 30,484

The amortization expense was charged to general and administration expense for 2015 and 2014.

CRS ELECTRONICS INC.

Notes to Condensed Interim Consolidated Financial Statements

As at June 30, 2015

Unaudited, in U.S. Dollars

9. INTANGIBLE ASSETS

	Computer Software
Cost	
At January 1, 2015	\$ 230,005
Additions	-
Disposals	-
	<u>230,005</u>
Accumulated Amortization	
At January 1, 2015	145,388
Amortization for the period	10,219
Impairment losses	-
	<u>155,607</u>
Net carrying amount at June 30, 2015	<u><u>\$ 74,398</u></u>

	Deferred Development Costs	Computer Software	Total
Cost			
At January 1, 2014	\$ 331,102	\$ 229,779	\$ 560,881
Additions	-	226	226
Disposals	-	-	-
	<u>331,102</u>	<u>230,005</u>	<u>561,107</u>
Accumulated Amortization			
At January 1, 2014	217,499	112,715	330,214
Amortization for the year	66,222	32,673	98,895
Impairment losses	47,381	-	47,381
	<u>331,102</u>	<u>145,388</u>	<u>476,490</u>
Net carrying amount at December 31, 2014	<u>-</u>	<u>\$ 84,617</u>	<u>\$ 84,617</u>

10. OPERATING LOAN

The company has a loan agreement with a lender whereby it has access to operating loan advances of up to CAD \$1,000,000 and an uncommitted facility of an additional CAD \$500,000, subject to a maximum based on a percentage of eligible accounts receivable, eligible inventory, cash collateral and cash balances. The credit facilities bear interest of 15% per annum, payable monthly, and are secured by a general security agreement on the Company's assets, cash collateral of CAD \$500,000 and assignment of insurance. At June 30, 2015, the Company had obtained loan advances of \$800,600 (CAD \$1,000,000) which are repayable on demand by the lender or the earlier of May 20, 2016 and the occurrence of an event of default. Subsequent to June 30, 2015, the lender has notified the Company of an event of default but has not taken any further steps.

11. NOTE PAYABLE

Note payable consists of the following:

	June 30 2015	December 31 2014
Extended payments on insurance – bearing interest at 4.73% per annum with 10 monthly payments of CAD \$3,454.27, commencing July 16, 2014 and maturing May 16, 2015.	\$ -	\$ 14,713
	<u>\$ -</u>	<u>\$ 14,713</u>

CRS ELECTRONICS INC.

Notes to Condensed Interim Consolidated Financial Statements

As at June 30, 2015

Unaudited, in U.S. Dollars

12. DEBT OBLIGATIONS

Debt obligations consist of the following:

	June 30 2015	December 31 2014
Advances received under the Southern Ontario Development Plan (SODP) as described in detail below	\$ 108,791	\$ 171,055
Less: principal due within one year	(99,971)	(105,620)
	<u>\$ 8,820</u>	<u>\$ 65,435</u>

Contribution Agreement (“CA”) with the Southern Ontario Development Program (“SODP”)

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 repayable in 60 monthly payments equal to \$11,118 from August 1, 2011 to July 1, 2016. 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 \$667,036 had 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 debt obligation payments, due in each of the next two years ending December 31, are presented in US Dollars as follows:

2015	\$ 53,405
2016	<u>62,280</u>
	115,685
Less: Future finance charge	<u>(6,894)</u>
Discounted principal amount	<u>\$ 108,791</u>

CRS ELECTRONICS INC.

Notes to Condensed Interim Consolidated Financial Statements

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Unaudited, in U.S. Dollars

13. FINANCE LEASE OBLIGATIONS

The Company has various finance lease obligations for office furniture, equipment and motor vehicles with interest rates varying from 2.9% to 12.6% per annum and expiring between February 2015 and August 2019.

The minimum lease payments are as follows:

	June 30 2015	December 31 2014
Not later than one year	\$ 11,861	\$ 20,368
Later than one year and not later than five years:	14,958	21,582
	26,819	41,950
Less: future finance charges	(4,182)	(5,905)
	22,637	36,045
Less: current portion	(9,973)	(17,873)
	\$ 12,664	\$ 18,172

The present values of minimum lease payments are as follows:

	June 30 2015	December 31 2014
Not later than one year	\$ 9,973	\$ 17,873
Later than one year and not later than five years:	12,664	18,172
	22,637	36,045

CRS ELECTRONICS INC.

Notes to Condensed Interim Consolidated Financial Statements

As at June 30, 2015

Unaudited, in U.S. Dollars

14. DERIVATIVE LIABILITIES

The Company has the following financial instruments classified at the following levels as at June 30, 2015 and December 31, 2014:

June 30, 2015:	Level 1	Level 2	Level 3
Derivative liabilities - warrants	-	-	128,929

December 31, 2014:	Level 1	Level 2	Level 3
Derivative liabilities - warrants	-	-	386,009

Warrants**2014 warrants**

On August 11, 2014, the Company issued 11,200,000 common shares units as part of a private placement of units. The units are comprised of one common share of the Company and one common share purchase warrant. 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 value included in net and comprehensive loss.

Each warrant entitles the holder thereof to purchase one common share of the Company at a price of CAD \$0.18 until August 11, 2016. If the closing price of the common shares of the Company on the TSX Venture Exchange is CAD \$0.30 or above for 20 consecutive trading days, the Company has the right to accelerate the expiry date of the warrants upon notice to the holders.

The value of the warrants at the date of issuance, net of an allocation of the closing costs, was determined to be CAD \$1,165,920 (USD \$1,089,060) using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 112.37%, risk-free interest rate of 1.077% and an expected life of 2 years.

CRS ELECTRONICS INC.

Notes to Condensed Interim Consolidated Financial Statements

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15. SHARE CAPITAL**Shares****Authorized**

Unlimited number of common shares

Issued and outstanding

	Number of shares	Amount
Balance December 31, 2014	97,599,844	\$17,731,433
Issuance of common shares	-	-
Balance June 30, 2015	97,599,844	\$17,731,433

[a] 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 options vest over a four year period from the date of grant of the options. All options granted under the stock option plan that have not been exercised within five years of the grant will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company, in which case the vested options expire after one year from the date of termination.

Value of stock options granted:

Stock-based compensation expense recognized for the period ended June 30, 2015 was \$135,016 (June 30, 2014 – \$219,418), of which \$14,556 is included in cost of sales, \$106,163 is included in general and administrative expense, \$2,225 is included in selling and marketing expenses and \$12,072 is included in research and development expenses (June 30, 2014 - \$7,331 is included in cost of sales, \$140,764 is included in general and administrative expense, \$33,902 is included in selling expenses, and \$37,421 in research and development expenses).

The Company's stock option activity during the period is as follow:

	Quarter ended June 30, 2015		Year ended December 31, 2014	
	No. of shares	Weighted average exercise price (CAD\$)	No. of shares	Weighted average exercise price (CAD\$)
Outstanding, beginning of period	7,967,500	0.23	5,030,834	0.27
Granted	-	-	4,105,000	0.20
Expired	-	-	(393,334)	0.55
Forfeited	(1,740,000)	0.21	(775,000)	0.24
Outstanding, end of period	6,227,500	0.23	7,967,500	0.23

CRS ELECTRONICS INC.

Notes to Condensed Interim Consolidated Financial Statements

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Unaudited, in U.S. Dollars

14. SHARE CAPITAL (Continued)**[a] Stock options (continued)**

The following table summarizes information about options outstanding as at June 30, 2015:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life (months)	Weighted-average exercise price
CAD\$0.17 - \$0.225	1,680,000	51	CAD\$0.17
CAD\$0.24 - \$0.31	4,430,000	34	CAD\$0.24
CAD\$0.48 - \$0.59	117,500	13	CAD\$0.48
Total	6,227,500	38	\$0.23

2,547,500 options are exercisable as at June 30, 2015. The weighted average exercise price of these options is CAD \$0.26.

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.

[b] Warrants

On June 8, 2012 the Company issued 2,389,167 common share purchase compensation warrants. Each warrant entitles the holder to acquire one common share upon payment of CAD \$0.2921 per common share no later than June 8, 2017. As at June 30, 2015, 2,389,167 warrants, entitling the warrant holders to purchase 2,389,167 common shares, are outstanding.

The value of the warrants at the date of issuance, net of an allocation of the closing costs, was determined to be CAD \$531,523 (USD \$517,544) using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 105%, risk-free interest rate of 1.29% and an expected life of 5 years.

On August 11, 2014, the Company issued 672,000 compensation warrants as part of the non-brokered private placement mentioned in Note 16(a). Each compensation warrant entitles the holder to purchase one common share of the Company at a price of CAD \$0.18 until August 11, 2016. As at June 30, 2015, 672,000 warrants, entitling the warrant holders to purchase 672,000 common shares, are outstanding.

The value of the compensation warrants at the date of issuance was determined to be CAD \$70,798 (USD \$64,745) using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 114%, risk-free interest rate of 1.077% and an expected life of 2 years.

CRS ELECTRONICS INC.

Notes to Condensed Interim Consolidated Financial Statements

As at June 30, 2015

Unaudited, in U.S. Dollars

16. COMMITMENTS AND CONTINGENCIES

Commitments:

The Company has various commitments for information technology service agreements, operating leases for its premises and vehicles. The future minimum lease payments as of June 30, 2015 and December 31, 2014 are as follows:

	June 30 2015	December 31 2014
No later than one year	\$21,030	\$37,769
Later than one year but no later than five years	20,399	29,629
	41,429	67,398

Contingencies:

On March 20, 2015, the Company received a claim from an ex-employee claiming wrongful dismissal on February 11, 2015 and seeking various damages for a total of CAD \$295,100. This action has been settled for CAD \$126,150 and full provision made in the financial statements.

17. SUBSEQUENT EVENT

Subsequent to June 30, 2015, the Company entered into a one year lease agreement for premises for a total amount of \$12,960 (CAD \$16,188).

18. AUTHORIZATION

The Board of Directors is responsible for reviewing and approving the consolidated 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 consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

These unaudited condensed consolidated financial statements as at June 30, 2015 were approved by the Board of Directors on August 31, 2015.