

CRS Electronics Inc.

Management Discussion and Analysis

**Third Quarter Report
Ended September 30, 2011**

November 28, 2011

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of CRS Electronics Inc. (the "Company" or "CRS") and the financial performance for the three and nine month period ended September 30, 2011. This quarterly report, prepared as of November 28, 2011, represents our third interim reporting under IFRS and should be read in conjunction with the unaudited condensed interim financial statements of CRS for the three and nine months ended September 30, 2011 and the unaudited condensed interim financial statements for the three months ended March 31, 2011 prepared in accordance with IAS 34, *Interim financial reporting*, and IFRS 1, *First-time adoption of IFRS*, as issued by the IASB as well as the audited financial statements for the year ended December 31, 2010 and the related management's discussion and analysis (the "Annual MD&A") contained in the 2010 Annual Report prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), which differ in certain respects from IFRS.

The comparative figures presented in the condensed interim financial statements as at December 31, 2010 and for the three and nine month period ended September 30, 2010 have been restated to comply with IFRS. Figures referenced in this MD&A from periods prior to and including December 31, 2009 are in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). For details on the most significant adjustments to the statements of equity, income, and comprehensive income, see note 18 – Impact of adopting IFRS, to the condensed interim financial statements for the periods ending September 30, 2011 and March 31, 2011, as well as CRS's filings with Canadian securities regulatory authorities that are available at www.sedar.com.

All amounts are in United States (U.S.) dollars unless otherwise noted (tabular amounts are in thousands of U.S. dollars) and prepared in accordance with IAS 34, *Interim financial reporting*, and IFRS 1, *First-time adoption of IFRS*, as issued by the IASB.

This MD&A is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure principally through its audit committee comprised of a majority of independent directors. The audit committee reviews and prior to its publication, approves, pursuant to the authority delegated to it by the Board of Directors, this disclosure.

Forward-Looking Information

The statements made in this MD&A, particularly those in the "Outlook" section that are not historical facts contain forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address CRS's expectations, should be considered forward-looking statements. Such statements are based on management's exercise of business judgment as well as assumptions made by management and with information currently available to management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of

similar import, are intended to identify any forward-looking statements. The forward-looking statements made in this MD&A describe our expectations as at November 28, 2011.

You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as contained in the Company's filings with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements. Management undertakes no obligation to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our forward-looking statements will materialize. Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

The material assumptions that were applied in making the forward looking statements in this MD&A include: execution of the Company's existing plans and development programs for its product line, either of which may change due to changes in the views of the Company or if new information arises which makes it prudent to change such plans or programs; and the accuracy of current interpretation of market study results.

For a description of material factors that could cause our actual results to differ materially from the forward-looking statements in this MD&A, please see the "Risk and Uncertainties" section.

Overview

For over 12 years, CRS has been a developer and manufacturer of light emitting diode ("LED") light products. As a manufacturer of LED light boards for its own school bus warning lights and under contract for other light applications, CRS realized that the improvement in LEDs created an opportunity for CRS to supply LED based indoor and outdoor lighting. Throughout 2007 to 2010 inclusive, CRS expended a significant amount of time and capital to develop an LED streetlight engine, the LED MR16 halogen bulb replacement and an LED PAR series of interior lights for the commercial market sector.

CRS is currently focused on the expansion of its LED MR16 and LED PAR lights to the North American interior light replacement market at a retail level. LED lighting products save energy, have attractive economic benefits and are eco-friendly. CRS' LED MR16 was tested by the Department of Energy in the United States ("DOE") under the Commercially Available LED Product Evaluation and Reporting ("CALiPER") Program and received the highest ranking in several of the features tested. Market penetration by LED lights in both the indoor and outdoor general lighting market is less than 1%. Over the next few years, management believes that LED lighting products will gain market share. CRS

continues to supply LED bus lights and LED light circuit boards for use in a variety of products such as LED road signs, accent lighting, tower warning lights, and vehicle warning lights to name a few.

In addition to measures based on International Financial Reporting Standards (“IFRS”) in this MD&A, we use the term earnings before interest, taxes, depreciation and amortization (“EBITDA”). EBITDA is not in accordance with IFRS. This non-GAAP measure is derived from the financial statements but does not have a standardized meaning prescribed by IFRS; therefore, others using this term may calculate it differently.

Business Objectives and Milestones

CRS’ overall business objective is to gain market share in the LED general illumination market to provide an economic return to its shareholders.

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Sales Objectives

1. Retail LED Sales

CRS’ first sales objective is to launch its retail strategy under the Energizer Licensing agreement. This objective incorporates a) the creation of 2-3 select partnerships with top brand retail stores for distribution of the lamps, b) the successful launch a North American marketing campaign in Q3 of 2011, followed by c) a product roll out into select top brand retail chain stores. The target sales volume during the 2011 roll out is \$2 million with significantly higher sales anticipated in 2012 (the first full year of product roll out).

During the third quarter CRS has continued discussions with key partners in North America and commenced supply negotiations. These negotiations will continue as retailers firm up their stocking requirements in the coming months. In May, CRS locked up an agreement with a major North American mass merchant to carry the full Energizer line of LED lamps in all of their stores commencing January 2012. The initial order for this retailer has been received and is currently in production. This launch will be supported with a full DRTV program and in-store merchandizing displays.

Commercial LED Sales

CRS's second sales objective is to achieve \$ 3 million in sales through its existing sales and distribution channels. The sales target includes a mix of the existing high output LED MR16, the new lower cost LED MR16, and the PAR series of lamps (20, 30 and 38).

Sales for the nine months ending September 30, 2011 are \$405,000 representing 13.5% of the annual target. The product mix during this quarter represents MR 16 lamps only. Major commercial customers have ordered samples of our new high output lamp for store pilots this quarter with deliveries this year.

2. Bus light business and contract LED light board manufacturing

CRS continues to commit itself to its partners in these sectors and to developing new LED applications. While these market sectors have been through difficult economic times and continue to be constrained by budget cut-backs, CRS is targeting sales of \$1.6 million in the current year.

Sales for the nine months ending September 30, 2011 are \$1,210,400 representing 75.6% of the annual target. Bus light business contributes \$843,800 or 52.7% of the annual target, and contract manufacturing provides revenues of \$366,600 or 22.9%.

Product Development Objectives and Milestones

1. Product cost reduction

CRS expects continued demand for a lower cost offering for customers who do not feel that they require the high colour accuracy and rendering index provided by CRS's premier MR16 model. The first major objective in the area of product development is to finalize development on the low cost LED MR16, GU10, PAR16, PAR20, PAR30, and PAR38 models while maintaining CRS's high standard of lighting quality. The target completion date is in the third quarter of 2011 for most of these models.

Development work on these and future models are running concurrently. Challenges encountered during the third quarter are being addressed and steps are being taken to mitigate potential impact to milestones. After further market research, it was determined that the PAR 16 had limited appeal but the A19 lamp and the candelabra lamp should be added to the product line. A combination of outsourcing review and internal product development review is being engaged.

2. Expand versatility of LED interior lamp

While researching its entry into the retail sector CRS's marketing group encountered strong consumer confidence with the Energy Star certification for selection of sound, energy efficient products. Additionally the market encompasses a much larger array of fixtures with product colour requirements outside of the standard black ICE brand LED product. The second major objective is to achieve Energy Star approval for the full CRS product line and to broaden the LED MR16, GU10, and PAR lamp series appeal. The objective is to be met by the fourth quarter of 2011.

Results from our investigation into colour requirements in the marketplace have been received and our team is evaluating manufacturing alternatives. Timelines for Energy Star approval have been set with milestones focused within the first quarter of 2012. Submissions for Energy Star approval were made during the third quarter.

Production Objectives and Milestones

1. Expand production capacity

CRS expects that the Energizer brand products will surpass the existing capacity of \$12,000,000 to \$15,000,000 as we enter 2012. Accordingly, a second assembly line and enhanced SMT equipment is planned to double this capacity by the 4th quarter of 2011.

Equipment needs have been itemized and the layout for the second assembly line has been completed. Equipment has been sourced, quoted, and lead times have been established. The execution of the second assembly line will be delayed until demands on capacity merit the investment.

2. Automate packaging process

The second major objective in the area of manufacturing is the automation of product packing to enable an in-line process that packs and skids finished goods at the point of assembly completion.

Product packaging alternatives have been investigated to ensure the best balance between efficient assembly and CRS's commitment to ecological friendly packaging. The packaging design was completed in July embracing environmentally friendly materials and the supplier was selected in August. Automation alternatives are currently being reviewed for high speed manufacturing and will be implemented when merited.

Outlook

CRS continues to see significant opportunities for increased sales growth. The most dramatic change in year over year revenues is expected to occur with the introduction of the Company's new line of LED replacement lamps under both Energizer and ICE brands.

Incentive plans offered by governments and utilities in both Canada and the United States align LED pricing closer to traditional bulbs, overcoming a major resistance to purchase. CRS' ICE LED lights offer compelling energy savings, lower operating costs, and help commercial users meet reduced environmental impact targets.

CRS anticipates its retail suite of superior LED lighting products, marketed under the Energizer brand name, will drive sales as consumers embrace the long life and eco-friendly nature of LED lighting.

Performance of CRS

Key performance indicators

The key performance indicators for CRS are revenue growth, gross profit, EBITDA, net income, and increasing patent protection on intellectual property.

The success of the Company to expand will be measured by revenue growth. Revenue growth will be dependent on the Company being able to increase its sales staff and expand production capacity to meet the anticipated demand for its products.

The Company is aiming to achieve gross profit percentages (defined as revenues less cost of sales and plant expenses as a percentage of revenues) of approximately 25.0% on an annual basis. Maintaining a consistent contribution margin will be an indicator of how well the Company is managing its production costs and customer contract negotiations.

Management believes that EBITDA is a measure of how efficiently and effectively the business is running. The Company is entering a period of rapid expansion and growth. Therefore selling and general administration costs have increased over the last eighteen months. To maintain an acceptable EBITDA, management will need to balance the increase in selling and general administration costs and revenue growth. Net income is also viewed as an important measure for determining the value created for shareholders.

Measurement

Below in “Quarterly Results” and “Results of Operations” are two tables the Company uses to assess performance. “Quarterly Results” presents the Company’s results for the last eight quarters, followed by a comparison of the Company’s fiscal year to the prior year.

Quarterly Results

Unaudited

	Fiscal 2011			Fiscal 2010			Fiscal 2009	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	IFRS			Previous Canadian GAAP				
<i>In Thousands of dollars</i>	USD	USD	USD	CAD	CAD	CAD	CAD	CAD
Sales	\$461.0	\$614.9	\$540.7	\$905.9	\$704.4	\$881.3	\$653.8	\$572.1
Gross profit	(\$179.6)	(\$18)	\$19.5	\$118.7	\$190.5	\$228.3	\$134.2	\$101.4
<i>Gross profit %</i>	(39.0)%	(2.9)%	3.6%	13.1%	27.0%	25.9%	20.5%	17.7%
Select expenses								
Selling and marketing	286.4	264.7	108.7	93.9	97.8	208.5	114.0	136.7
General and administrative	430.1	479.7	407.9	443.1	306.1	419.4	252.6	275.2
Engineering and research	194.0	85.7	80.2	55.1	(13.6)	13.2	1.4	28.3
Foreign exchange (gain) loss	(4.8)	2.6	4.0	17.3	14.5	(2.7)	(1.1)	0.9
Total expenses	905.7	832.8	600.8	609.4	404.8	638.4	366.9	441.1
Income (loss) from operations	(1,085.3)	(850.8)	(581.3)	(490.7)	(214.3)	(410.1)	(232.7)	(339.7)
Add back: Depreciation and amortization	89.9	74.5	73.9	110.3	58.3	41.5	28.9	25.5
EBITDA	(995.4)	(776.3)	(507.4)	(380.4)	(156.0)	(368.6)	(203.8)	(314.2)
Finance costs	(13.6)	(10.8)	(16.6)	(10.2)	(16.9)	(7.7)	(7.8)	(11.5)
Refundable tax credit income (expense)	19.3	12.4	28.3	(7.2)	4.3	13.8	3.8	(6.5)
Depreciation of capital equipment	(61.2)	(54.6)	(52.7)	(61.9)	(55.2)	(40.3)	(27.9)	(16.9)
Amortization of product development costs	(28.7)	(28.7)	(28.9)	(65.7)	(11.0)	(8.8)	(6.5)	(16.5)
Gain (loss) on sale of capital assets	—	—	—	(5.0)	(3.0)	—	1.9	—
Change in warrant liability	1,078.7	277.1	62.8	—	—	—	—	—
Foreign exchange (loss) gain and valuation adjustments	(157.7)	12.6	(2.2)	—	—	—	—	—
Income taxes recovery	—	—	—	—	—	—	—	4.7
Net (loss) income	(\$158.5)	(\$568.3)	(\$516.7)	(\$530.4)	(\$237.8)	(\$411.6)	(\$240.3)	(\$360.9)
Loss per share	(0.00)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)

Results of Operations

The following table sets out the Company's results for the nine months ended September 30, 2011 compared with the same period last year.

Unaudited ⁽¹⁾

<i>In Thousands of U.S. dollars</i>	Nine months ended September 30		Increase (Decrease)	% Increase (Decrease)
	2011	2010		
Sales	\$ 1,615.5	\$ 2,161.5	(546.0)	(25.3)%
Gross profit	(178.1)	550.2	(728.3)	(132.4)%
<i>Gross profit percentage</i>	(11.0)%	25.5%		
Selling and marketing	658.6	405.7	252.9	62.3%
<i>As a % of sales</i>	40.8%	18.8%		
General and administrative	1,333.4	964.5	368.9	38.2%
<i>As a % of sales</i>	82.5%	44.6%		
Engineering and research	360.0	17.2	342.8	1993.0%
	22.3%	0.8%		
Foreign exchange (gain) loss	1.9	10.3	(8.4)	(81.6)%
<i>Total operating expenses</i>	2,353.9	1,397.7	956.2	68.4%
<i>Income (loss) from operations</i>	(2,532.0)	(847.5)		
Add back amortization	244.3	139.7		
EBITDA	\$ (2,287.7)	\$ (707.8)	(1,579.9)	223.2%
Finance costs	(41.0)	(31.4)		
Depreciation of capital equipment	(158.0)	(114.3)		
Amortization of product development	(86.3)	(25.4)		
Gain (loss) on sale of capital assets	0.1	(1.1)		
Refundable tax credit income	60.1	21.2		
Change in warrant liability	1,418.5	203.3		
Foreign exchange (loss) gain and valuation adjustments	(149.2)	56.0		
Net loss	(1,243.5)	(599.5)	(644.0)	107.4%

⁽¹⁾ Information for 2011 and 2010 is prepared in accordance with IFRS.

Revenues

Revenues for the three months ended September 30, 2011 decreased 32% to \$461,000 from \$677,700 for the same period in 2010. Revenue from bus light sales during the three months ended September 30, 2011 decreased 17.5% to \$242,800 from \$294,200 for the same period in 2010. Revenues from contract manufacturing for the three months ended September 30, 2011 increased 29% to \$112,200 from \$87,000 in 2010. Commercial LED revenue for the three months ended September 30, 2011 stemmed from LED MR16 sales that decreased 64.2% to \$106,000 from \$296,500 during the same period in 2010.

Revenues for the nine months ended September 30, 2011 decreased 25.3% to \$1,615,500 from \$2,161,500 for the same period in 2010. Revenue from bus light sales during the nine months ended September 30, 2011 decreased 12.8% to \$843,800 from \$967,500 for the same period in 2010. Revenues from contract manufacturing for the nine months ended September 30, 2011 decreased 7.2% to \$366,600 from \$394,900 in 2010. Commercial LED revenue for the nine months ended September 30, 2011 stemmed from LED MR16 sales that decreased 49.3% to \$405,100 from \$799,100 during the same period in 2010.

Cost of Sales and Gross Profit

The cost of sales is inclusive of direct material costs, plant labour, plant overheads, plant management salaries, amortization of plant and equipment and the amortization of product development costs. For the three months ended September 30, 2011, gross profit percentage was (39)% compared to 28% in the same period last year. The decrease is primarily attributed to low sales volumes in relation to increased fixed plant expenses and amortization charged to cost of sales.

For the nine months ended September 30, 2011, gross profit percentage was (11)% compared to 25.5% in the same period last year. The decrease is attributed to the same factors as noted above.

Selling and marketing expenses

For the three months ended September 30, 2011 selling and marketing expenses increased 204.5% to \$286,500 from \$94,100 for the same period in 2010. This increase reflects stock based compensation totalling \$45,000, in addition to increased staffing costs and marketing focus in the retail lighting sector in line with the Energizer roll out scheduled for the fourth quarter of 2011.

For the nine months ended September 30, 2011 selling and marketing expenses increased 62.3% to \$658,600 from \$405,700 for the same period in 2010. This increase is attributed to the same factors as noted above.

General and administrative expenses

For the three months ended September 30, 2011 general and administrative expenses increased 42.4% to \$430,100 from \$302,100 for the same period in 2010. This increase reflects the stock based compensation of \$81,000 provided to the Company's management during the third quarter of 2011.

For the nine months ended September 30, 2011 general and administrative expenses increased 38.2% to \$1,333,400 from \$964,500 for the same period in 2010. This increase reflects increased staffing costs and insurance fees. As well as \$40,500 in non-recurring expenditures for legal and investor relations related to the Company's OTC listing during the first quarter of 2011 and \$138,500 of stock based compensation provided to management during the nine months ended September 30, 2011.

Engineering and Research

Research costs are expensed in the year the costs are incurred. When a product is likely to be commercially viable in the form developed, the costs to complete the development are capitalized on the balance sheet. When commercial sales begin the development costs are amortized over the expected life of the product.

For the three months ended September 30, 2011 net research and development expenses increased to \$194,000 from (\$6,700) for the same period in 2010. For the nine months ended September 30, 2011 net research and development expenses increased to \$360,000 from \$17,300 for the same period in 2010. The Company has incurred significant costs during 2011 as engineering staff levels increased, and the department began support of continuous improvement of existing lines in addition to active product development projects.

Finance Costs

Total finance costs for the three month period ended September 30, 2011 decreased \$2,700 to \$13,600 vs. \$16,300 for the same period in 2010. Total finance costs for the nine month period ended September 30, 2011 increased \$9,600 to \$41,000 vs. \$31,400 for the same period in 2010. Finance costs are attributable to a mix of long and short term debt obligations as follows:

Interest on short-term debt obligations decreased 38.7% to \$6,500 during the three months ended September 30, 2011 from \$10,600 during the same period in 2010. Additionally, interest on short-term debt obligations decreased 17.3% to \$19,100 during the nine months ended September 30, 2011 from \$23,100 during the same period in 2010. The decrease in the expense for these periods resulted from a decrease in the average credit card debt and bank operating loans during the period.

Finance costs, continued:

Net interest on long-term debt obligations increased 22.8% to \$7,000 during the three months ended September 30, 2011 from \$5,700 during the same period in 2010. Year to date, net interest on long-term debt obligations increased 160.7% to \$21,900 during the nine months ended September 30, 2011 from \$8,400 during the same period in 2010. Net interest on long-term debt obligations are comprised of the following:

	Three months ended		Nine months ended	
	September 30		September 30	
	2011	2010	2011	2010
Interest LTD	5,900	6,100	16,000	10,400
Accretion expense	13,200	-	28,300	-
Less:				
Interest revenue	(12,100)	(400)	(22,400)	(2,000)
Net Interest on LTD:	7,000	5,700	21,900	8,400

Interest costs are higher during 2011 due to higher average principal outstanding on long-term debt. This is primarily attributable to the finance of capital equipment that occurred in the second quarter of 2010. Accretion expense is related to the non-interest bearing loan from the S.O.D.P. These expenses are partially offset by increased interest revenues. The increased revenues are due to a 1 year redeemable term deposit purchased by the Company with proceeds from the private equity placement issuance of common shares on April 28, 2011. Interest on the term deposit compounds annually at a rate of 1.5%.

Depreciation of property and equipment

Depreciation increased 15.3% to \$61,200 during the three months ended September 30, 2011 from \$53,100 during the same period in 2010. Additionally, depreciation increased 32.7% to \$158,000 during the nine months ended September 30, 2011 from \$119,100 during the same period in 2010. The increase is related primarily to additional production equipment put into operation in the second quarter of 2010.

Amortization of Product Development Costs

The amortization expense increased \$20,200 to \$28,700 during the three months ended September 30, 2011 from \$8,500 during the same period in 2010. During the third quarter of 2011, the Company amortized \$28,700 related to LED MR16, the G2Max bus safety light and dimming technology. Overall the amortization expense increased \$60,000 to \$86,300 during the nine months ended September 30, 2011 from \$23,300 during the same period in 2010. Year to date September 30, 2011, CRS invested a gross amount of \$128,000 in deferred development costs for the development of the PAR Series lamps, GU 10 lamp, and A-19 bulb.

Scientific Research and Experimental Development Tax Credit (“SRED”)

The tax credits that relate to the deferred development costs are recorded on the balance sheet as a reduction of deferred development expenses. The tax credits that relate to research are recorded as a reduction in expenses on the statement of operations. The amount recorded as reduction to expenses for the three months ended September 30, 2011 was \$19,300 compared to \$4,200 in 2010. The amount recorded as reduction to expenses for the nine months ended September 30, 2011 was \$60,200 compared to \$21,200 in 2010. The \$39,000 increase during the nine month period includes \$17,300 a positive adjustment with respect to the reassessment of the period ended May 19, 2009 after acceptance of Scientific Research and Experimental Development Tax Credits (“SRED”) along with increases activities in 2011.

Foreign Exchange Losses

The US dollar is the functional currency of the Company and is also the currency in which it presents these financial statements. The Company recognizes transactions in currencies other than the US dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, it retranslates monetary items denominated in foreign currencies at the rates prevailing at that date. It does not retranslate non-monetary items measured in terms of historical cost in a foreign currency. It recognizes exchange differences on monetary items in profit or loss in the period in which they arise. For the three months ended September 30, 2011, CRS incurred a foreign currency gain of \$4,800 compared to a loss of \$14,000 in 2010. For the nine months ended September 30, 2011, CRS incurred a foreign currency loss of \$1,900 compared to a gain of \$10,300 in 2010.

Loss before Income Taxes, Depreciation and Amortization (“EBITDA”)

The negative EBITDA for the three months ended September 30, 2011 was (\$995,400) compared to (\$149,700) for the same period in 2010. The negative EBITDA for the nine months ended September 30, 2011 was (\$2,287,700) compared to (\$707,800) for the same period in 2010. The decrease in revenues in 2011 combined with the increase in fixed overhead and administrative costs has reduced overall earnings by \$845,700 and \$1,579,900 respectively for the three and nine months ended September 30, 2011 compared to 2010.

Net losses

As a result of the above activities, the net loss for the three months ended September 30, 2011 was (\$158,500), or (\$0.00) per share compared to a loss of (\$85,200), or \$0.00 per share for the same period 2010. The net loss for the nine months ended September 30, 2011 was (\$1,243,500), or (\$0.03) per share compared to a loss of (\$599,600), or (\$0.02) for the same period 2010. The \$73,300 and \$643,900 negative changes respectively in net losses vs. 2010 have been moderated by a positive change in

warrant liability totalling \$1,078,700 and \$1,418,500 respectively for the three and nine months ended September 30, 2011.

Liquidity and Capital Resources

The following table summarizes the key financial ratios of the Company.

<i>(in U.S. dollars except for ratios)</i>	September 30 2011	<i>December 31</i> <i>2010</i>
Current Ratio	3.5:1	1.9:1
Cash	\$2,741,815	\$340,015
Available operating line	\$17,491	\$38,052
Net Working Capital	\$3,112,043	\$849,917
Total Assets	\$6,225,855	\$3,226,254
Total Debt	\$2,652,353	\$1,603,951
Total Equity	\$3,573,502	\$1,622,303
Debt to Equity Ratio	0.74:1	0.99:1

In accordance with IAS, warrants issued for cash and denominated in CAD dollars are classified as a liability and stated at fair value on the statement date. Prior to adoption of IFRS warrants were classified as equity resulting in changes to the Company's debt to equity ratio. The value of warrants included in total debt obligations (above) is:

<i>(in U.S. dollars)</i>	September 30 2011	December 31 2010
Derivative liability – Warrants	\$846,208	315,080

Subsequent to the end of the period the Company received its 5th and final payment for CAD \$178,000 with the Southern Ontario Development Corporation (SODP). Total funding received is CAD \$667,036 increasing the amount repayable to SODP. The contribution amount is then repayable in 60 equal monthly payments commencing April 1, 2011. No interest is payable on the outstanding balance of the contribution amount.

Management closely monitors the Company's current cash position and the short-term and long-term cash requirements. The Company is in a volatile market place that could generate significant orders for their LED products. The Company may be required to obtain additional funding to take advantage of the market opportunities. If additional funding is required, an issuance of common stock or a commitment to issue common stock will most likely be a component of the funding.

The Company has the following commitments outstanding as at September 30, 2011:

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:

<u>Year</u>	<u>Minimum Guaranteed Royalty</u>
2011	\$ 20,000
2012	411,000
2013	592,500
2014	756,000
2015	836,000

Cash Flows

During the nine month ended September 30, 2011, CRS experienced negative cash flows used in operations of (\$2,117,700) compared to a negative cash flow of (\$1,298,700) for the same period in 2010. Reduction of accounts receivable and increases in accounts payable partially offset higher losses. The Company invested \$724,100 in tooling and other capital equipment, development costs and patents in the nine months ended September 30, 2011 compared to \$926,000 in the prior year. The Company's various financing activities generated \$5,243,600 in cash flows for the nine month ended September 30, 2011 compared to \$1,623,100 in the same period last year. The increase during the second quarter of 2011 is mainly attributable to the April 28, 2011 private placement offering generating gross proceeds of CAD \$5,158,500.

The Company continues to manage its significant cash requirements during this ramp up phase and may seek additional debt or equity financing.

Outstanding Share Data

As at September 30, 2011 and November 28, 2011 the Company had the following items issued and outstanding:

at September 30, 2011:

- Common shares: 40,723,434
- Stock options:

Range of exercise prices		Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price
\$0.30	\$0.50	1,231,624	38 months	\$0.38
\$0.51	\$0.70	1,235,000	54 months	\$0.60
Total		2,466,624	46 months	\$0.49

1,314,124 options are exercisable as at September 30, 2011. The weighted average exercise price of these options is \$0.43.

- Charitable options:

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 agent, each option entitles the agent to subscribe for one Unit at a price of \$0.55 until October 28, 2012.

at November 28, 2011:

- Common shares 40,723,434
- Stock options:

Range of exercise prices		Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price
\$0.30	\$0.50	1,231,624	36 months	\$0.38
\$0.51	\$0.70	1,235,000	52 months	\$0.60
Total		2,466,624	44 months	\$0.49

1,314,124 options are exercisable as at November 28, 2011. The weighted average exercise price of these options is \$0.43.

- Charitable options:

March 27, 2008, charitable options to purchase 66,486 common shares were granted to an eligible charitable organization. These options are exercisable at \$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 agent, each option entitles the agent to subscribe for one Unit at a price of \$0.55 until October 28, 2012.

Off-Balance Sheet Arrangement

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of CRS including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Transactions with Related Parties

Key management includes the Chief Executive Officer and the Chief Operating Officer. The compensation paid or payable to key management for services is as follows:

	September 30 2011	September 30 2010
Wages and benefits	<u>260,788</u>	<u>188,214</u>

Proposed Transactions

CRS is not a party to any proposed transaction other than those previously discussed, that may have an effect on the financial condition, results of operations or cash flows or proposed asset or business acquisition or disposition.

Critical Accounting Policies

Adoption of International Financial Reporting Standards (IFRS)

The following reconciles the Company's Statement of Financial Position, Statements of Loss and Comprehensive Loss, and Statements of Equity as previously reported under Canadian GAAP.

Statement of Financial Position:

Unaudited

	September 30, 2010		
	CDN GAAP	IFRS Adj.	IFRS
	CDN \$		USD \$
ASSETS			
Current Assets			
Cash and cash equivalents	275,461	(7,768)	267,693
Accounts receivable	639,248	(18,027)	621,221
Government incentives receivable	83,114	(2,344)	80,770
Inventory	784,537	(22,124)	762,413
Deposits and prepaid expenses	84,650	(2,387)	82,263
	1,867,010	(52,650)	1,814,360
Long-term assets			
Equipment, furniture and leaseholds	747,137	(74,315)	672,822
Patents and trademarks	115,421	(3,255)	112,166
Intangible assets - development costs	699,748	(46,757)	652,991
	3,429,316	(176,977)	3,252,339
LIABILITIES			
Current liabilities			
Bank indebtedness	-	-	-
Trade and other payables provisions	458,516	(12,930)	445,586
Notes payable	61,529	(1,735)	59,794
Current portion of debt obligations	59,106	(1,667)	57,439
Current portion of finance lease obligations	4,228	(119)	4,109
	583,379	(16,451)	566,928
Long-term liabilities			
Debt obligations	386,767	(10,907)	375,860
Finance lease obligations	1,488	(42)	1,446
Derivative liability - Warrants	-	323,292	323,292
	971,634	295,892	1,267,526
SHAREHOLDERS' EQUITY			
Share capital	3,980,533	(388,617)	3,591,916
Shares to be issued	-	-	-
Contributed surplus	171,061	(40,139)	130,922
Warrants	415,382	(415,382)	-
(Deficit)	(2,109,294)	371,269	(1,738,025)
	2,457,682	(472,869)	1,984,813
	3,429,316	(176,977)	3,252,339

Adoption of IFRS, continued:

Statements of Loss and comprehensive loss	Three months ended September 30, 2010	Nine months ended September 30, 2010
As previously reported under Canadian GAAP	(237,820)	(889,824)
Statement of comprehensive loss – Foreign exchange (loss) gain	9,013	30,966
Statement of Financial Position – Foreign exchange (loss) gain and valuation adjustments	18,266	55,954
Adjustment – derivative liability	125,316	203,346
As reported in accordance with IFRS	(85,225)	(599,558)

Statement of Equity:

	September 30 2010
<i>Share Capital</i>	
As previously reported under Canadian GAAP	3,980,533
Foreign exchange loss (gain)	(45,944)
Prior period(s) foreign exchange loss (gain)	(328,970)
Transfer of exercised warrants	(13,703)
As reported in accordance with IFRS	3,591,916
<i>Other Paid in Capital</i>	
As previously reported under Canadian GAAP	171,061
Foreign exchange loss (gain)	1,883
Prior period(s) foreign exchange loss (gain)	(25,998)
Transfer value of expired warrants	(16,024)
As reported in accordance with IFRS	130,922
<i>Deficit</i>	
As previously reported under Canadian GAAP	(2,109,294)
Foreign exchange loss (gain)	167,923
Gain (loss) on warrant liability	203,346
As reported in accordance with IFRS	(1,738,025)

Statement of Equity, continued:

Canadian \$ Warrants as Equity	September 30 2010
<i>As previously reported under Canadian GAAP (CAD)</i>	415,382
<i>FVTPL revaluation loss (gain) (USD)</i>	(121,613)
<i>Loss (gain) on expiry of warrants (USD)</i>	(81,337)
<i>Cumulative foreign exchange loss (gain)</i>	110,860
<i>Transfer to derivative liability (USD)</i>	(323,292)
As reported in accordance with IFRS	-
Total reported in accordance with IFRS	1,984,813

Accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2011 or later periods.

The following new standards, amendments and interpretations, that have not been early adopted in these condensed interim financial statements, may have an effect on the Company's future results and financial position:

Amendments to IFRS 7 “Financial Instruments: Disclosures”

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the new standard.

IFRS 13 – Fair value measurement

IFRS 13 Fair Value Measurement will improve consistency and reduce complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the new standard.

The following new standards, amendments and interpretations, that have not been early adopted in these unaudited condensed interim financial statements, are not expected to have an effect on the Company's future results and financial position:

- IFRS 1 – Severe Hyperinflation (Effective for periods beginning on or after July 1, 2011)
- IAS 12 – Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 (Effective for periods beginning on or after January 1, 2012)
- IAS 1 – Presentation of Other Comprehensive Income (Amendments to IAS 1 (Effective for periods beginning on or after July 1, 2012)
- IFRS 10 – Consolidated Financial Statements (Effective for periods beginning on or after January 1, 2013)
- IFRS 11 – Joint Arrangements (Effective for periods beginning on or after January 1, 2013)
- IFRS 12 – Disclosure of interests in other entities (Effective for periods beginning on or after January 1, 2013)
- IAS 19 – Amendments to Defined Benefit Plans and Termination Benefits (Effective for periods beginning on or after January 1, 2013)

Risk and Uncertainties

CRS operates in the LED lighting market and is exposed to a variety of risk factors and uncertainties in the normal course of operations. The risks and uncertainties that could materially affect our business, financial condition and results of operations are described in our Annual Report for the fiscal year 2010 which has been filed with Canadian securities regulatory authorities and is available at www.sedar.com under the corporate name CRS Electronics Inc. The risks disclosed in our annual report are not necessarily the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us, or that we currently believe to be immaterial, may also adversely affect our business.

There was no significant change to these risks and uncertainties during the nine-month period ended September 30, 2011 other than those described elsewhere in this MD&A.