CRS Electronics Inc.

Management Discussion and Analysis

First Quarter, Fiscal 2010
Ended March 31, 2010

Prepared by management without audit

May 28, 2010

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 months ended March 31, 2010. This discussion and analysis should be read in conjunction with the unaudited Interim Financial Statements and related notes as at and for the period ended March 31, 2010 and the audited Financial Statements and related notes as at and for the year ended December 31, 2009. Reference should also be made to CRS's filings with Canadian securities regulatory authorities that are available at www.sedar.com.

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.

All amounts are in Canadian dollars unless otherwise noted (tabular amounts are in thousands of Canadian dollars) and prepared in accordance with Canadian Generally Accepted Accounting Policies.

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 and 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. 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 expectations will materialize. The forward-looking statements made in this MD&A describe our expectations as at May 28, 2009.

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 Factors" section.

Overview

For over 12 years, CRS has been a developer and manufacturer of 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 light emitting diodes 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 the LED MR16 halogen bulb replacement and to develop a LED streetlight engine. In 2010, to compliment the LED MR16 the Company developed an LED PAR series of interior lights.

CRS is currently focused on the introduction of its LED MR16 and LED PAR lights to the North American interior light replacement market. CRS' new 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. The Company developed and sold their LED decorative streetlight for test installations in approximately 10 cities in North America. Market penetration by LED lights in both the indoor and outdoor general lighting market is less than 1%. LED lighting products save energy, have attractive economic benefits and are good for the environment. 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. As CRS' customer's market share grows for their respective products, CRS believes their revenue from contract assembly will increase accordingly.

In addition to measures based on Canadian Generally Accepted Accounting Principles ("GAAP") in this MD&A, we use the term earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA is not defined by GAAP, and our use of such terms or measurement of such items may vary from that of other companies. In this MD&A, we may describe certain 'income' and 'expense' items as unusual or non-recurring. These terms are not defined by GAAP. We provide this detail so that readers have a better understanding of the significant events and transactions that have had an impact on our results.

Highlights for the Quarter

CRS continues to execute on its strategic and operational initiatives as highlighted during the quarter and shortly thereafter:

Revenues for the quarter increased 52% over the previous quarter.

Sales by units of MR16's are up 286% over 2009 and 18.2% over the fourth quarter of 2009.

CRS is pleased that our MR16 was included in the Gateway Demonstration sponsored by the United States Department of Energy at a major hotel in California.

The Company signed the Contribution Agreement with the Southern Ontario Development Corporation ("SODC") for a no interest, 6 year unsecured loan.

The Company began installation of the new production equipment that will increase plant capacity from approximately $5.0 million to $12.0 million in potential revenue.

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. To achieve this overall objective, CRS set several business objectives to accomplish during 2010 and 2011.

Sales Objectives and Milestones

Successful market introduction of the LED MR16 and LED PAR replacement lamps

CRS' first sales objective is to be one of the top three suppliers by unit sales in the LED MR16 replacement market in North America. The first milestone that will indicate success in this market is to generate orders for 20,000 LED MR16's during any one quarter of 2010. Over 44,000,000 halogen MR16's are installed in commercial buildings in the United States. By CRS estimates over 80% of the halogen MR16 lights installed are 50 watt halogen lamps. Due to the combined lumen output and colour rendering, CRS' customers are successfully replacing up to and including 50 watt halogen MR16 lamps.

In 2010, the Company developed LED versions of PAR 20, PAR 30 and PAR 38 replacement lamps. The target market for the LED PAR series of lamps is the same market as LED MR16 lamps. The PAR series of lamps compliments MR16 sales and represents a significantly larger replacement market in commercial facilities. Management estimates the installed base of conventional PAR lamps in commercial facilities in the United States to be approximately 400,000,000 lamps. The market penetration of the LED versions of PAR lamps is less than 1%.

Entry into the LED outdoor lighting market

With respect to outdoor lighting, CRS has a similar sales objective to be one of the top three suppliers of LED streetlights in North America. To accomplish this objective, CRS will continue to supply LED light engines for the use in decorative streetlights. CRS has conceptual designs for the cobra head style light. Approximately 131,000,000 streetlights are installed in the United States. A milestone will be the market introduction and sale of the CRS cobra head LED light. In 2009, CRS set a target to sell 3,500 LED streetlights during the second quarter of 2010. The Company does not believe it will achieve the sales objective of selling 3,500 LED streetlights during the second quarter of 2010. The Company is deferring the sales objective of selling 3,500 LED streetlights to the first quarter of 2011. Municipalities and Government facilities are slower to adopt LED technology than originally anticipated.

Continued growth of CRS' bus light business and contract LED light board manufacturing

CRS' entry, ten years ago, into the LED lighting market was through the development of high brightness bus warning lights. The Company has set a milestone for bus light sales to be 10% greater in 2010 over 2009. During the first quarter of 2010, bus light sales increased 60.5% over Q1 2009 and 68.2% over the last quarter of 2009. Gross profit margins decreased to 42.6% in the first quarter of 2010 from 45.1% in the first quarter of 2009. Gross margins from bus lights sales should decrease during the remainder of the year as a result of a new contract with the Company's largest customer.

The quality of the LED bus lights were noticed by the world's leading manufacturers of LEDs. CRS' LED suppliers began referring customers to CRS to assist their customers to develop LED versions of their existing conventional light products under contract. Contract manufacturing could represent significant growth for CRS as additional light applications are converted from conventional lighting to LED based products. CRS has the LED manufacturing experience and production capacity to grow with their contract manufacturing customers.

Product Development Objectives and Milestones

The first major objective in the area of product development is to further develop the LED MR16 to enable CRS to reduce the cost thereof, and allow CRS to reduce the end user selling price. Due to the high quality of the light generated by its current MR16 models, CRS is successfully selling its current MR16 light offering. CRS has encountered price resistance from potential customers who do not feel the light quality is important for their installation. To compete with lower cost imports for sales to those potential customers, CRS is working on product modifications and cost reductions that are expected to result a version of the LED MR16 with a lower selling price in the fourth quarter.

The second product development objective is to research and develop a LED PAR lamp line ranging in size from PAR 20 to PAR 38 bulb form factors. Many projects require that both PAR lamps and MR16's be installed at the same location. The design of the LED PAR line of lamps will be optimized to appeal to a broad spectrum of buyers while maintaining CRS' high quality standards. The Company introduced the line at a major trade show in May 2010. The Company plans to release the product for distribution in the fourth quarter of 2010.

The third product development objective is to complete the design, build a prototype, test and develop the manufacturing methods for the cobra head style LED streetlight. The development will include intelligence in the light such as remote sensing, security features and other attributes in the operations of the LED light engine. The Company received a loan from the SODC to help finance the development of the cobra head product. Development of the cobra head light has been delayed to allow CRS' development team to dedicate time to the LED MR16 and LED PAR lamps. Also management believes that the penetration of LED streetlights into the conventional streetlight market will occur slowly with no significant penetration occurring to late 2011.

Production Objectives and Milestones

CRS' first production objective is to adopt lean manufacturing techniques to assist CRS in increasing production capacity from a current capacity of $5,000,000 to a range of between $12,000,000 to $15,000,000 per year. To meet this objective, CRS will require additional production management staff, additional production staff, staff training and production equipment. An Equipment Loan Facility from PenFinancial and the loan from the SODC have enabled CRS to commence purchasing the required manufacturing equipment. The first milestone was to install the production equipment during the third quarter of 2009. The second milestone was to have the ability to produce 40,000 LED MR16's, and to meet the needs of its contract customers and bus light customers during the first quarter of 2010. The installation of the production equipment was delayed until the first and second quarter of 2010. The second milestone of increasing production capacity will be completed in the second quarter of 2010.

Outlook

CRS management believes that opportunities exist to generate significant sales of CRS' range of products. The Company's traditional business of providing LED bus lights should stabilize in 2010. Lower margins in the bus light business should be offset by an increase in volume. Contract manufacturing of LED light circuit boards should increase in 2009 over 2008 due to the sector by sector adoption of LED based products offered by the Company's customers.

The most dramatic change in year over year revenues is expected to occur with the sale of CRS' LED MR16 and the LED PAR lamps. Incentive plans offered by governments and utilities in both Canada and the United States look favourably upon products that reduce energy consumption. Both CRS' indoor and outdoor LED lights will offer energy savings and lower operating costs to the end user.

Performance of CRS

Key performance indicators

The key performance indicators for CRS are revenue growth, gross profit, EBITDA, and net income.

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 will increase over the next 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. Table 1 presents the Company’s results for the last eight quarters. Table 2 sets out the Company’s results for the quarter and for the year compared with the same periods last year.

Quarterly Results

Table 1

In Thousands of dollars	***Fiscal 2010*** Q1	Fiscal 2009 Q4	Fiscal 2009 Q3	Fiscal 2009 Q2	Fiscal 2009 Q1	Fiscal 2008 Q4	Fiscal 2008 Q3	Fiscal 2008 Q2
Sales	**$653.8**	$572.1	$878.7	$651.3	$430.0	$450.6	$667.8	$784.4
Gross profit	**$134.3**	$101.4	$227.5	$190.5	$122.8	134.3	264.3	243.5
Gross profit %	**20.5%**	17.7%	25.9%	29.2%	28.6%	29.8%	39.6%	31.0%
Select expenses								
Selling	**114.0**	130.8	191.2	86.2	68.6	122.6	88.1	40.7
General and administrative	**258.1**	283.2	263.1	194.4	143.3	70.5	202.6	101.3
Engineering and research	**1.4**	5.5	4.8	4.0	3.9	102.6	54.4	17.5
Foreign exchange (gain) loss	**(1.1)**	0.9	9.4	(27.3)	4.5	16.3	1.3	(0.1)
Total expenses	**372.4**	420.4	468.5	257.3	220.3	312.0	346.4	159.4
Income (loss) from operations	**(238.1)**	(319.0)	(241.0)	(66.8)	(97.5)	(177.7)	(82.1)	84.1
Add back: Depreciation and amortization	**34.4**	33.5	36.1	35.6	22.9	33.2	13.0	13.0
EBITDA	**(203.7)**	(285.5)	(204.9)	(31.2)	(74.6)	(144.5)	(69.1)	97.1
Interest expense	**(7.9)**	(11.5)	(14.9)	(23.8)	(16.5)	(15.8)	(12.1)	(12.2)
Refundable tax credit income (expense)	**3.8**	(6.5)	(4.0)	2.1	8.9	25.9	16.5	16.5
Depreciation	**(27.9)**	(17.0)	(26.9)	(27.6)	(16.3)	(19.9)	(13.0)	(13.0)
Amortization of product development costs	**(6.5)**	(16.5)	(9.2)	(8.0)	(6.6)	(13.2)	—	—
Stock-based compensation	**0.0**	(28.6)	(6.0)	(178.3)	0.0	—	—	—
Gain on sale of capital assets	**1.9**	—	—	—	—	—	—	—
Income taxes recovery	**0.0**	4.7	—	—	—	—	—	—
Net (loss) income	**($240.4)**	($360.9)	($265.9)	($266.8)	($105.1)	($167.5)	($77.7)	$88.4
Loss per share	**($0.01)**	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)	$0.01

Results of Operations

The following table sets out the Company's consolidated results for the period ended March 31, 2010 compared with the same period last year.

Table 2

	Three months ended March 31		Increase	% Increase
In Thousands of dollars	**2010**	**2009**	**(Decrease)**	**(Decrease)**
Sales	$653.8	$430.0	$223.8	52.0%
Gross profit	134.3	122.8	11.5	9.4%
Gross profit percentage	20.5%	28.6%		
Select expenses				
Selling	114.0	68.6	45.4	66.2%
As a % of sales	17.4%	16.0%		
General and administrative	258.1	143.3	114.8	80.1%
As a % of sales	39.5%	33.3%		
Engineering and research	1.4	3.9	(2.5)	-64.1%
As a % of sales	0.2%	0.9%		
Foreign exchange (gain) loss	(1.1)	4.5	(5.6)	-124.4%
As a % of sales	-0.2%	1.0%		
Total operating expenses	372.4	220.3		
Income (loss) from operations	(238.1)	(97.5)		
Add back depreciation and amortization	34.4	22.9	11.5	50.2%
As a % of sales	25.6%	5.3%		
EBITDA	(203.7)	(74.6)	(129.1)	-173.1%
Interest expense	(7.9)	(16.5)	8.6	-52.1%
As a % of sales	-1.2%	-3.8%		
Refundable tax credit income	3.8	8.9	5.1	-57.3%
As a % of sales	0.6%	2.1%		
Depreciation	(27.9)	(16.3)	11.6	71.2%
As a % of sales	-4.3%	-3.8%		
Amortization of product development	(6.5)	(6.6)	(0.1)	-1.5%
As a % of sales	-1.0%	-1.5%		
Gain on sale of capital assets	1.9	0.0	(1.9)	0.0%
As a % of sales	0.0%	0.0%		
Net loss	($240.4)	($105.1)	(135.3)	-128.7%

Revenues

Revenues for the three months ended March 31, 2010 increased 52.0% to $653,800 from $430,000 for the same period in 2009. Revenue in the quarter from the LED MR16 sales increased 145.0% to $100,954 from $41,127 in 2009. Revenues from the sale of MR16's are expected to increase in the second quarter of 2010 as a result of obtaining UL approval. Revenue from bus light sales during the first quarter of 2010 increased 60.5% to $430,900 from $268,400 for the same period in 2009. Revenues from contract manufacturing for the first three months of 2010 were up 15.4% to $101,400 from $87,800 in 2009. CRS anticipates growth in the contract LED light circuit board sales as customers gain market share with their LED products.

Cost of Sales and Gross Profit

The cost of sales is inclusive of direct material costs, plant labour, plant overheads, plant management salaries, depreciation on plant and equipment and the amortization of product development costs. For the three months ended March 31, 2010, gross profit percentages decreased to 20.5% from 28.6% in 2009. The change is attributed to an increase in fixed plant expenses and depreciation and amortization charged to cost of sales. To be competitive in the LED MR16 replacement market the Company reduced selling prices of the LED MR16. The Company has also reduced the cost of the LED MR16. In the first quarter of 2010, the Company experienced lower margins on the LED MR16 as result of the lower LED MR16 costs not being realized until late in the first quarter. Also during the first quarter of 2010, the effect of a reduction of 5% in bus light selling prices with its largest bus light customer was experienced.

Selling expenses

For the three months ended March 31, 2010 selling expenses increased 66.2% to $144,000 from $68,600 for the same period in 2009. The Company had one additional sales employee and two sales consultants during the first quarter of 2010 compared to the first quarter of 2009. During the first quarter of 2010, the Company incurred selling expenses to pursue the property managers in Canada and to commence the introduction of the LED PAR series of lights.

General and administrative expenses

For the three months ended March 31, 2010, general and administrative expenses increased 80.1% to $258,100 from $143,300 for the same period in 2009. The increase in costs resulted from an increase in salaries and statutory benefits over the previous year and to the additional costs related to being a public company such as legal fees, audit costs, investor relations expenses and insurance costs.

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. In the first quarter of 2010, engineering, research and development costs decreased to $1,400 from $3,900 for the same period in 2009. During the first quarter of 2010 and 2009, the engineering staff was dedicated to product development projects. In 2010, the engineering staff dedicated substantially all their time to the development of the LED PAR series of lights and to the LED MR16.

Interest on Short-Term Debt

Interest on short-term debt decreased to $5,600 during the first quarter of 2010 from $13,100 during the first quarter of 2009. The decrease in the expense in 2010 from 2009 resulted from a decrease in the average credit card debt and bank operating loans.

Interest on Long-Term Debt

For the three months ended March 31, 2010, interest on long-term debt decreased to $2,288 from $3,375 in 2009. The decrease in the expense resulted from the reduction in the average principal outstanding on long-term debt.

Depreciation

Depreciation was reported on the Statement of Operations as follows:

	Three months ended March 31	
	2010	2009
Cost of sales	$22,320	$13,026
Depreciation expense	5,580	3,257
	$27,900	$16,283

The increase in depreciation expenses resulted from capital expenditures incurred during 2009 and the first quarter of 2010.

Amortization of Product Development Costs

The amortization expense for the first quarter of 2010 was $6,500 compared to $6,600 during the first quarter of 2009. To March 31, 2010, CRS invested $569,000 in deferred development costs for the development of the LED MR16 light, the LED streetlight, the Par Series of indoor lights and the G2Max bus safety light. During the quarter, the Company amortized the costs related to LED MR16 and the LED streetlight.

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 March 31, 2010 was $3,800 compared to income of $8,900 in 2009. During both the first quarters of 2010 and 2009, the majority of tax credits reduced deferred development costs on the balance sheet.

Foreign Exchange Losses

In any year CRS sells on average 70% of its products in U.S. dollars. On average in any year, approximately 40% of its expenses are incurred in U.S. dollars. When the value of the U.S. dollar changes to the value of the Canadian dollar, CRS can experience a foreign currency gain or loss on monetary items such as accounts payable and accounts receivable held by CRS during the period of change. For the three months ended March 31, 2010, CRS incurred a foreign currency gain of $1,100 compared to a loss of $4,500 in 2009.

Losses

The net loss for the quarter ended March 31, 2010 was ($240,400), or ($0.01) per share compared to a loss of ($105,100), or ($0.01) for the first quarter of 2009. From mid 2008 to the present, CRS increased management staff and increased marketing expenses to introduce the LED MR16, the LED PAR series and LED streetlight. In Q1 2010, selling and administrative costs, inclusive of depreciation, increased by $158,000 to $366,600 from $208,600 in Q1 2009. The increase in revenue and resulting increase in gross profits for the same periods did not off-set the increase in selling and administrative expenses.

The weighted average number of common shares outstanding during the first quarter of 2010 was 28,405,950 compared to 15,887,427 for the same period in 2009. The calculation of loss per common share is based on the reported net loss divided by the weighted average number of shares outstanding during the year. Diluted loss per share is calculated on the treasury stock basis. As potentially dilutive equity instruments are anti-dilutive, basic and diluted earnings per share are the same.

Loss before Income Taxes, Depreciation and Amortization ("EBITDA")

The negative EBITDA for the quarter ended March 31, 2010 was ($203,700) compared to the first quarter 2009 negative EBITDA of ($74,600). The increase in revenues and related contribution margins in 2010 compared to 2009 did not offset the increase in selling and administrative costs.

Liquidity and Capital Resources

Please refer to the Condensed Balance Sheet presented in Appendix 1. The following table summarizes the key financial ratios and monetary values that are indicative of the financial health of the Company.

(in thousands of Canadian dollars except for ratios)	March 31, 2010	December 31, 2009
Current Ratio	1.4:1	2.8:1
Cash	$297,565	$913,557
Available operating line	$320,000	$320,000
Working Capital	$581,856	$1,165,232
Total Assets	$3,192,880	$2,556,849
Total Debt	$1,457,692	$722,454
Total Equity	$1,735,188	$1,834,395
Debt to Equity Ratio	.84:1	.4:1

The Qualifying Transaction and the private placements in May 2009, September 2009 and December 2009 resulted in a significant improvement in the liquidity of the Company. The transactions allowed the Company to bring liabilities to a current position, increase production capacity and fund the growth in sales. During the first quarter of 2010, to prepare for an increase in sales of the MR16, the Company increased inventory by $482,000 and incurred capital expenditure of $333,927. The Company also incurred $182,000 of development costs related the LED PAR series and LED MR16. The pre-noted expenditures and the loss incurred during the quarter resulted in a reduction of working capital and lower current ratio's. The Company has arranged long-term debt with the SODC and PenFinancial. To satisfy suppliers related to the increase in inventory and expenditures the Company will need to utilize its operating line and draw on the long-term debt from the SODC and PenFinancial during the second quarter of 2010. The current ratio and debt to equity ratio are acceptable given the increase in the business activity during Q1 of 2010.

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.

Cash Flows

During the first quarter of 2010, CRS experienced negative cash flows used in operations of ($111,064) compared to a negative cash flow of ($106,103) in 2009. During the first quarter of 2010, revenues increased 52.0% over the same period in the previous year. The increase in revenue resulted in an increase in accounts receivable of $261,800. As stated in the previous section the Company also incurred an increase in inventory, capital expenditures and product development costs. The expenditures were financed primarily by suppliers.

Description of the Securities

[a] Common stock

The authorized capital of CRS consists of an unlimited number common shares. On March 31, 2010 28,405,950 common shares were issued and outstanding [27,935,347 – December 31, 2009].

Issuance of common shares for cash

The Company issued the following common shares for cash during the first quarter of 2010:

Exercise of agents options

During the quarter, 66,007 common shares were issued through the exercise agents options at a price of $0.30 per common share for gross proceeds of $19,802.

Exercise of stock options

During the quarter, 404,596 common shares were issued through the exercise of stock options under the Employee Stock Option Plan at a price of $0.30 per common share for gross proceeds of $121,376.

[b] Warrants

As at March 31, 2010, the following warrants were outstanding:

Name and Issue Date	Expiry date	Terms	Number of ½ warrants	Number of common shares to be issued
Series A September 30, 2009	September 30, 2010	½ warrant to purchase common shares at $0.50	1,749,999	874,998
Series B December 29, 2009	December 22, 2010	½ warrant to purchase common shares at $0.65	2,777,777	1,388,887

[c] Stock options

Employee Stock Option Plan

In 2008, CRS established a stock option plan whereby directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company. Under this stock option 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.

Stock options granted during the year vest after a four month period. At that time the stock options are valued using the Black-Scholes option pricing model. On January 7, 2010, three employees were issued 2,500 stock options each. The stock options will be valued upon vesting in the second quarter of 2010.

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 1,532,255.

The following table summarizes information about options outstanding as at March 31, 2010:

Range of exercise prices		Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price
$0.30	**$0.50**	1,278,340	2.5 years	$0.30
$0.51	**$0.70**	30,000	4.5 years	$0.52
Total		1,308,340	2.6 years	$0.31

Agent's options and charitable options

During the period 66,007 agent's options were exercised for gross proceeds equal to $19,802. The balance at the end of the period was 349. Subsequent to the end of the period these options expired unexercised.

On 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.

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

None.

Proposed Transactions

CRS is not a party to any proposed transaction, with the exception of expansion plans mentioned above, that may have an effect on the financial condition, results of operations or cash flows or proposed asset or business acquisition or disposition.

Subsequent Events

Subsequent to the period end, 177,477 stock options were exercised for the issuance of 177,477 common shares with gross proceeds equal to $52,243.

Also subsequent to the end of the period, the CFO of the Company resigned. Under an existing employment agreement the employee will be paid salary and benefits for a period of six months. An expense equal to $63,400 will be recorded in the second quarter of 2010.

Critical Accounting Policies

This MD&A should be read in conjunction with the Company's unaudited Financial Statements for the three month ended March 31, 2010, and the audited Financial Statements for the year ended December 31, 2009 and the notes thereto. Those Financial Statements outline the accounting principles and policies used to prepare our financial statements. Accounting policies are critical if they rely on a substantial amount of judgment in their application or if they result from a choice between accounting alternatives and that choice has a material impact on reported results or financial position. There has been no change in critical accounting policies since December 31, 2009.

International Financial Reporting Standards ("IFRS")

The accounting framework under which financial statements are prepared in Canada for all profit-oriented publicly accountable enterprises is scheduled to change to IFRS by January 1, 2011. Commencing in fiscal 2010, the Company will need to prepare accounts in accordance with Canadian GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS in 2011. The Company is evaluating accounting policy differences between Canadian GAAP and IFRS based on management's current understanding of these standards. Management is currently assessing the impact of the transition to IFRS on its financial statements.

The Company will use a four phase approach to ensure successful conversion to IFRS, including:

- diagnostic impact assessment;
- design and planning;
- solution development; and
- Implementation.

The Company has not commenced the implementation of the IFRS conversion plan. During the second quarter of 2010, CRS intends to proceed with implementation of the selected accounting policies for the opening balance sheet on January 1, 2010, which will be used for comparative purposes once the IFRS conversion is effective on January 1, 2011. The Corporation will identified key internal personnel with expertise to manage its transition to IFRS. The Corporation will develop an IFRS changeover plan, which will includes a detailed timeline for assessing, resourcing, training and analyzing key differences, along with selecting accounting policies under IFRS and IFRS 1 exemptions. The Corporation will continue to assess the impact on business activities, accounting policies, information systems and internal control over financial reporting during the period to the transition date. To date, the Company has not determined that the transition to IFRS will result in a significant change to current accounting policies or financial statement presentation.

Financial Instruments and Other Instruments

CRS is not a party to any financial instrument, as the term is defined in National Instrument 51-102F1, paragraph 1.14.

Risk Factors

The Company is exposed to a variety of risks in the normal course of operations. Please refer to Management Discussion and Analysis for the year ended December 31, 2009. Reference should also be made to the Company's filings with Canadian securities regulatory authorities that are available at www.sedar.com under the corporate name CRS Electronics Inc.

Appendix 1

CRS ELECTRONICS INC.
Condensed Balance Sheets – Unaudited

As at March 31, 2010 and December 31, 2009	**2010**	2009
ASSETS		
Current Assets		
Cash and cash equivalents	**$297,565**	$913,557
Accounts receivable	**653,029**	391,219
Income taxes receivable	**51,944**	40,404
Inventory	**896,485**	414,386
Deposits and prepaid expenses	**67,153**	47,747
	1,966,176	1,807,313
Long-term Assets		
Equipment, furniture and leaseholds	**704,605**	402,013
Assets under capital leases	**13,173**	14,167
Deferred development costs	**508,926**	333,356
	$3,192,880	$2,556,849
LIABILITIES		
Current liabilities		
Bank indebtedness	**$0**	$0
Accounts payable and accrued liabilities	**1,206,730**	375,403
Customer deposits	**43,788**	3,408
Notes payable	**86,748**	204,559
Current portion of long-term debt	**41,224**	51,926
Current portion of long-term lease obligations	**5,830**	6,785
	1,384,320	642,081
Long-term liabilities		
Long-term debt	**69,207**	75,173
Long-term lease obligations	**4,165**	5,200
Future taxes payable	**0**	0
	1,457,692	722,454
SHAREHOLDERS EQUITY (DEFICIT)		
Share capital	**2,807,437**	2,646,577
Warrants	**198,129**	198,129
Contributed surplus	**189,477**	209,159
Retained deficit	**(1,459,855)**	(1,219,470)
	1,735,188	1,834,395
	$3,192,880	$2,556,849