CRS ELECTRONICS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

Unaudited, in U.S. dollars

As at March 31, 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim financial statements of CRS Electronics Inc. (the "Company" or "CRS") as at and for the three month period ended March 31, 2011, were prepared by management in accordance with IAS 34, interim financial reporting, and IFRS 1, First-time adoption of International Financial Reporting Standards ("IFRS"), as issued by the IASB. The comparative figures as at January 1, 2010 and December 31, 2010, and for the three months ended March 31, 2010 have been restated to comply with IFRS. For details on the most significant adjustments to the statements of financial position, loss, and comprehensive loss and cash flows, see note 18 – Impact of adopting IFRS, as well as CRS's filings with Canadian securities regulatory authorities that are available at www.sedar.com.

In preparing these 2011 unaudited condensed interim financial statements, the Company has amended certain accounting policies it previously applied in the Canadian GAAP financial statements to comply with IFRS, and has restated the 2010 comparative figures to reflect these adjustments. Note 18 to these financial statements sets out a description of the differences between Canadian GAAP and IFRS accounting policies, and reconciles the effect of the transition on the Company's equity and comprehensive loss. Only changes in accounting policies have been disclosed in these unaudited condensed interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim financial statements and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim financial statements.

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

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

NOTICE TO READER

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

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

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

	March 31, 2011	**December 31, 2010**	**January 1, 2010**
ASSETS			
Current Assets			
Cash and cash equivalents	**$ 212,054**	$ 340,015	$ 869,234
Accounts receivable (Note 3)	**391,147**	707,649	372,246
Government incentives receivable (Note 12)	**104,446**	148,701	38,444
Inventory (Note 4)	**572,851**	533,049	367,702
Deposits and prepaid expenses	**71,060**	86,360	45,431
	1,351,558	1,815,774	1,693,057
Non-current assets			
Equipment, furniture and leaseholds (Note 5)	**567,581**	600,003	353,383
Patents and trademarks (Note 6)	**293,683**	197,562	–
Intangible assets – development costs (Note 7)	**627,480**	612,915	299,349
	$ 2,840,302	$ 3,226,254	$2,345,789
LIABILITIES			
Current liabilities			
Bank indebtedness (Note 8)	**$ 160,814**	$ 283,676	$ –
Trade and other payables provisions	**627,882**	562,400	362,034
Notes payable (Note 9)	**15,459**	38,377	194,638
Current portion of debt obligations (Note 10)	**133,172**	76,962	49,408
Current portion of finance lease obligations (Note 11)	**4,300**	4,442	6,456
	941,627	**965,857**	**612,536**
Non-current liabilities			
Debt obligations (Note 10)	**532,072**	322,228	71,527
Finance lease obligations (Note 11)	**-**	786	4,948
Derivative Liability - Warrants (Note 13)	**252,308**	315,080	294,477
	1,726,007	1,603,951	983,488
Commitments and Contingencies (Note 17)			
Subsequent events (Note 21)			
EQUITY			
Share capital (Note 14)	**3,610,560**	3,589,339	2,317,608
Shares to be issued	–	9,706	–
Other paid-in capital	**272,866**	275,706	183,160
(Deficit)	**(2,769,131)**	(2,252,448)	(1,138,467)
	1,114,295	1,622,303	1,362,301
	$ 2,840,302	$ 3,226,254	$ 2,345,789

Nature of operations (Note 1)

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

APPROVED BY THE BOARD OF DIRECTORS:

Signed "Scott Riesebosch" Director   *Signed "Jason Sparaga"* Director

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

For the 3 month periods ending March 31

	2011	2010
SALES	**$ 540,693**	$ 628,635
Cost of sales	**520,920**	499,468
GROSS PROFIT	**19,773**	129,167
EXPENSES		
Engineering, research and development	**80,129**	1,359
Selling and marketing	**108,692**	109,660
General and administrative	**415,665**	248,200
SRED refundable tax credits and grant funding	**(28,336)**	(3,628)
Foreign exchange (gains) losses	**4,033**	(1,047)
Finance costs - short-term debt obligations	**5,763**	5,367
Finance and accretion costs - long-term debt obligations	**11,051**	2,200
Loss (gain) on sale of capital assets	**–**	(1,813)
Change in warrant liability	**(62,772)**	252,563
	534,222	612,861
LOSS BEFORE INCOME TAXES	**(514,449)**	(483,694)
INCOME TAXES	**–**	–
Foreign exchange (loss) gain and valuation adjustments	**(2,234)**	7,601
NET LOSS AND COMPREHENSIVE LOSS	**(516,683)**	(476,093)
Loss per share - basic and fully diluted	(0.02)	(0.02)
Weighted average number of common shares outstanding - basic and fully diluted	**31,180,919**	28,046,708

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

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

For the 3 month periods ending March 31

	2011	2010
OPERATING ACTIVITIES		
Net (loss) for the period	**$ (516,683)**	$(476,093)
Items not affecting cash		
Stock based compensation	**–**	–
Change in warrant liability	**(62,772)**	252,563
Amortization of intangible assets	**28,918**	6,206
Amortization of capital assets	**45,001**	26,826
Accretion expense	**6,407**	–
Loss (gain) on sale of capital assets	**–**	(1,813)
	(499,129)	(192,311)
Net change in non-cash working capital items relating to operating activities		
Accounts receivable	**316,502**	(270,596)
Government incentives receivable	**44,255**	(12,690)
Inventory	**(39,802)**	(494,268)
Deposits and prepaid expenses	**15,300**	(20,674)
Trade and other payables provisions	**65,482**	825,871
Deposits	**–**	43,105
Cash (used in) provided by operating activities	**(97,392)**	(121,563)
INVESTING ACTIVITIES		
Purchase of equipment, furniture, and leaseholds	**(12,579)**	(304,006)
Proceeds on sale of capital assets	**–**	6,072
Additions to intangible assets – development costs	**(43,483)**	(169,522)
– patent and trademark costs	**(96,121)**	–
Cash (used in) investing activities	**(152,183)**	(467,456)
FINANCING ACTIVITIES		
Advances from notes payable, net of repayments	**(22,918)**	(109,243)
Line of credit (repayment)	**(122,862)**	–
Finance lease obligation repayments	**(928)**	(1,565)
Advances from debt obligations, net of repayments	**259,647**	(12,227)
Issue of common shares	**8,675**	135,743
Cash provided by financing activities	**121,614**	12,708
Net increase (decrease) in cash and cash equivalents	**(127,961)**	(576,311)
Cash and cash equivalents, beginning of period	**340,015**	869,234
Cash and cash equivalents, end of period	**$ 212,054**	$ 292,923
The following cash flows are included in operating activities:		
Income taxes (paid) refunded	**–**	–
Interest (paid)	**(6,164)**	(7,567)

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

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

	Share capital	Other Paid-in Capital	Deficit	Total
Balance, December 31, 2009	2,317,608	183,160	(1,138,467)	1,362,301
Net (loss) for the quarter	-	-	(476,093)	(476,093)
Issue of common shares	135,743	-	-	135,743
Transfer from other paid-in capital on exercise of stock options	18,924	(18,924)	-	-
Balance, March 31, 2010	2,472,275	164,236	(1,614,560)	1,021,951

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

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

1. NATURE OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of International Financial Reporting Standards (IFRS)

The Company has prepared these condensed interim financial statements under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss. They are the Company's first condensed interim financial statements prepared in accordance with IFRS. The Company prepared its Canadian dollar financial statements until December 31, 2010 in accordance with Canadian Generally Accepted Accounting Principles (GAAP), which differ in certain respects from IFRS.

In preparing these 2011 condensed interim financial statements, the Company has amended certain accounting policies it previously applied in the Canadian GAAP financial statements to comply with IFRS, and has restated the 2010 comparative figures to reflect these adjustments. Note 18 to these financial statements sets out a description of the differences between Canadian GAAP and IFRS accounting policies, and reconciles the effect of the transition on the Company's equity and comprehensive loss.

The Company has prepared these condensed interim financial statements in accordance with IAS 34, *Interim Financial Reporting*, using the accounting policies it expects to adopt in its December 31, 2011 financial statements, based on the IFRS standards and interpretations it expects to apply at that time. The Company has applied the policies set out below consistently to all the periods presented unless otherwise noted below. These condensed interim financial statements reflect all normal and recurring adjustments necessary, in management's opinion, to fairly present the interim periods included. The quarterly results are not necessarily indicative of results to be expected for the entire year.

The Company has applied IFRS with effect from January 1, 2010, the transition date, in accordance with the transitional provisions set out in IFRS 1, *First-time Adoption of International Financial Reporting Standards*. IFRS 1 requires that a first-time adopter retrospectively apply all IFRS standards effective at the end of its first IFRS reporting period. However, it also sets out certain optional exemptions and certain mandatory exceptions to this principle. Note 18 also describes the items relevant to the Company's reporting.

These condensed interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010. Throughout these condensed interim financial statements additional disclosures relating to the year ended December 31, 2010 are provided in accordance with IFRS where material to an understanding of these condensed interim financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue recognition

The Company measures revenue at the fair value of the consideration received or receivable, reducing revenue for estimated customer returns, rebates and other similar allowances. It recognizes revenue from the sale of goods when it satisfies the following conditions:

- it has transferred to the buyer the significant risks and rewards of ownership of the goods;
- it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- it can measure the amount of revenue reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- it can measure the costs incurred or to be incurred in respect of the transaction reliably.

Specifically, the Company recognizes revenue from sales of child safety systems, LED lighting products that it manufactures, and lighting products that it buys and resells, when it ships the products to the customer and collectability is reasonably assured. Ownership transfers at the point of shipment from the Company's plant.

The Company manufactures custom lighting boards based on designs from a specific customer. Customers send parts to the Company to manufacture these boards; the Company does not record the cost of these parts in its accounts. It recognizes revenues when it ships the products to the customer and collectability is reasonably assured. Ownership again transfers at the point of shipment from the Company's plant.

Cash and cash equivalents

Cash includes cash on hand and, when applicable, short-term, highly liquid deposits with original maturities of less than 90 days at the date of their acquisition. Cash and cash equivalents include the following:

	March 31 2011	December 31 2010	January 1 2010
Cash	**212,054**	340,015	155,622
Term deposit	**-**	-	713,612
	212,054	340,015	869,234

Inventory

The Company records inventory at the lower of cost and estimated net realizable value. Costs include raw materials, incoming freight, duty, brokerage and non-recoverable taxes, and are assigned to inventories on a first-in first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Equipment, furniture and leaseholds
The Company records equipment, furniture and leaseholds at cost (including directly applicable taxes, freight-in and installation costs) less accumulated depreciation and accumulated impairment losses. Assets held under finance leases are included in tangible fixed assets and are depreciated on a straight-line basis over their estimated useful lives.

It recognizes depreciation to write off the cost of assets less their residual values over their useful lives, using the following methods and rates:

Office furniture and equipment	20% declining balance
Computer equipment	30% declining balance
Computer software	30% declining balance
Vehicles	30% declining balance
Production equipment	20% declining balance
Tools, moulds and dies	3 years straight-line
Leasehold improvements	5 years straight-line

The Company reviews the estimated useful lives, residual values and depreciation method at each year end, accounting for the effect of any changes in estimate on a prospective basis.

Patents and trademarks
Patents and trademarks are stated at cost, which primarily consist of legal costs in relation to their applications. Patents and trademarks are amortized using the straight-line method over the estimated useful life thereof.

Research and development costs
Research and development costs include materials, direct salaries and benefits, administration, contracting, consulting and professional fees.

The Company recognizes expenditure on research activities as an expense in the period incurred.

The Company recognizes an internally-generated intangible asset arising from development (or from the development phase of an internal project) if, and only if, it has demonstrated all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount the Company initially recognizes for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets these recognition criteria. Subsequent to initial recognition, it reports these assets at cost less accumulated amortization and accumulated impairment losses. The assets recognized to date are being amortized on a straight-line basis over a five year period.

Impairment of long-lived assets
At the end of each reporting period, the Company reviews the carrying amounts of its internally-generated intangible assets arising from development, equipment, furniture and leaseholds and assets under capital leases, to determine whether any indication exists that any of those assets have suffered an impairment loss. If any such indication exists, it estimates the asset's recoverable amount to determine the extent of the impairment loss (if any). Where it is not possible to estimate an individual asset's recoverable amount, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where it can identify a reasonable and consistent basis of allocation, it also allocates corporate assets to individual cash-generating units, or otherwise allocates them to the smallest group of cash-generating units for which it can identify a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Company discounts estimated future cash flows to their present value using a pre-tax discount rate. This rate reflects current market assessments of the time value of money and also reflects the risks specific to the asset (unless these risks are reflected in the estimates of future cash flows).

If the Company estimates an asset or cash-generating unit's recoverable amount to be less than its carrying amount, it reduces the carrying amount to the recoverable amount, recognizing an impairment loss immediately in profit or loss. Where an impairment loss subsequently reverses, the Company increases the asset or unit's carrying amount to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have been existed if no impairment loss had been recognized in prior years. It recognizes a reversal of an impairment loss immediately in profit or loss.

Foreign currency translation
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.

Loss per share
The Company calculates basic loss per share by dividing the loss for the year by the weighted average number of common shares outstanding during the year. It calculates diluted loss per share in a similar manner, except that it increases the weighted average number of common shares outstanding, using the treasury stock method, to include common shares potentially issuable from the assumed exercise of stock options and other instruments, if dilutive. In the Company's case, these potential issuances are "anti-dilutive" as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

Stock-based compensation
The Company measures equity-settled share-based payments to employees and others who provide similar services, issued under the stock option plan described in note 14, at the fair value of the equity instruments at the grant date. It calculates the fair value using the Black-Scholes option valuation model and expenses this amount on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, crediting the amounts to other paid-in capital. It revises its estimate of the number of equity instruments expected to vest at the end of each reporting period, recognizing the impact of revising the original estimates, if any, in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other paid-in capital. When options are exercised, the Company credits the proceeds, together with the amount originally credited to other paid-in capital, to share capital.

Income taxes
Income tax expense represents the sum of the tax currently payable and deferred tax.

The Company bases the tax currently payable on its taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense taxable or deductible in other years and items that are never taxable or deductible. The Company calculates its liability for current tax using tax rates that have been enacted or substantively enacted by the end of the reporting period.

It also recognizes deferred tax on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computing taxable profit or loss. It generally recognizes deferred tax liabilities for all taxable temporary differences, and generally recognizes deferred tax assets for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The Company reviews the carrying amount of deferred tax assets at the end of each reporting period and reduces them to the amount it expects to be recovered. It measures deferred tax assets and liabilities at the tax rates it expects to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Government assistance
The Company makes periodic applications for financial assistance under available government incentive programs including grants, low interest loans and tax credits, related to purchasing equipment and to other expenditures. The Company recognizes government assistance on an accrual basis when it has completed all requirements to earn the assistance and receipt is reasonably assured. It reflects government grants relating to capital expenditures as a reduction of the cost of such assets, and reflects government grants relating to operating expenses as a reduction of the expense. Non-interest bearing loans are discounted at market lending rates and accretion expense is recorded as a financing cost in the period incurred. As such, all costs are expensed as incurred and are recorded as a component of interest expense.

Provisions
The Company recognizes a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable it will be required to settle the obligation, and it can make a reliable estimate of its amount. The amount it recognizes as a provision is its best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the surrounding risks and uncertainties. Where it measures a provision using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows, calculated using a pre-tax discount rate reflecting the risks specific to the liability. The Company adjusts the liability at the end of each reporting period for the unwinding of the discount rate and for changes to the discount rate or to the amount or timing of the estimated cash flows underlying the obligation.

Financial instruments
The Company recognizes a financial asset or financial liability when it becomes a party to the instrument's contractual provisions. It initially measures financial assets and financial liabilities at their fair value, adding or deducting directly attributable transaction costs (except for transaction costs directly attributable to acquiring financial assets or financial liabilities at fair value through profit or loss, which it recognizes immediately in profit or loss).

The Company's financial instruments and their classifications, described further below, are as follows:

Financial assets:	**Classification**:
Cash	At fair value through profit or loss
Accounts receivable	Loans and receivables

Financial instruments, continued

Financial liabilities:	**Classification:**
Bank loans, accounts payable, notes payable, and debt obligations	Other financial liabilities
Derivative liabilities - Warrants	At fair value through profit or loss

Financial assets
The Company recognizes and derecognizes all financial assets on the trade date. It derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of its ownership to another entity. It classifies financial assets into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. It determines the classification at the time of initial recognition, depending on the nature and purpose of the financial assets. The Company does not currently have any financial assets in the held-to-maturity or available-for-sale categories.

The Company measures financial assets at FVTPL at fair value, recognizing any gains or losses arising from this measurement in profit or loss. It measures loans and receivables at amortized cost using the effective interest method, less any impairment, except for short-term receivables for which recognizing interest would be immaterial. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the instrument's expected life (or, where appropriate, a shorter period) to the net carrying amount on initial recognition. The Company assesses financial assets, other than those at FVTPL, for indicators of impairment at the end of each reporting period. For financial assets carried at amortized cost, the amount of any impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial liabilities
The Company classifies financial liabilities as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivates, are also classified as held-for-trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income (loss).

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in earnings or loss in the period in which they arise. The net gain or loss recognized in income or loss excludes any interest paid on the financial liabilities.

Derecognition of financial assets and liabilities
Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in earnings or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in earnings or loss.

Measurement uncertainty
Preparing financial statements in conformity with IFRS requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Items affected by significant estimates include, but are not limited to, the composition of future income tax assets and related valuation allowance, the allowance for doubtful accounts receivable, the allowance for obsolete inventory and the valuation of options and warrants issued. In all these cases, actual results could differ from the estimates that the Company used.

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:

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 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))
- 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)

3. ACCOUNTS RECEIVABLE

	March 31 2011	December 31 2010	January 1 2010
Trade accounts receivable	**386,672**	705,433	343,987
HST recoverable	**9,990**	3,582	34,831
Other receivables	**10,324**	10,053	2,943
Allowance for doubtful accounts	**(15,839)**	(11,419)	(9,515)
	391,147	707,649	372,246

Accounts receivable, continued
A bus manufacturer based in the United States represents 39.8% of the trade accounts receivable on March 31, 2011 (18.5% on December 31, 2010 and 26.4% on January 1, 2010).

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

	March 31 2011	December 31 2010	January 1 2010
Opening balance	**11,419**	10,054	27,594
Provision for impairment of accounts receivable	**3,970**	1,365	9,515
Bad debt recoveries	**-**	-	(27,594)
Closing balance	**15,839**	11,419	9,515

4. INVENTORY

	March 31 2011	December 31 2010	January 1 2010
Finished goods	**301,979**	192,564	195,139
Raw materials	**207,190**	292,058	151,637
Inventory in transit	**63,682**	48,427	20,926
	572,851	533,049	367,702

During the quarter ended March 31, 2011, the Company recorded inventory write-downs of $2,089 (December 31, 2010 of $15,327) and made no reversals of previous inventory write-downs (March 31, 2010 reversal of $4,280).

5. EQUIPMENT, FURNITURE AND LEASEHOLDS

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

At March 31, 2011:

	Office Furniture and Equipment	Tools, moulds and dies	Computer equipment	Computer software	Vehicles	Production Equipment	Leasehold improvements	Assets under finance lease	Total
Cost									
At January 1, 2011	70,976	150,616	46,984	48,654	14,405	590,580	141,915	19,505	1,083,635
Additions	3,049	-	442	-	-	-	9,088	-	12,579
Disposals	-	-	-	-	-	-	-	-	-
	74,025	150,616	47,426	48,654	14,405	590,580	151,003	19,505	1,096,214
Accumulated amortization									
At January 1, 2011	32,148	69,536	14,994	28,441	14,287	267,115	46,817	10,294	483,632
Depreciation for the period	2,211	13,677	2,903	1,910	22	17,264	6,295	719	45,001
	34,359	83,213	17,897	30,351	14,309	284,379	53,112	11,013	528,633
Net Carrying value at March 31, 2011	**39,666**	**67,403**	**29,529**	**18,303**	**96**	**306,201**	**97,891**	**8,492**	**567,581**

Equipment, furniture and leaseholds, continued
At March 31, 2010:

	Office Furniture and Equipment	Tools, moulds and dies	Computer equipment	Computer software	Vehicles	Production Equipment	Leasehold improvements	Assets under finance lease	Total
Cost									
At January 1, 2010	40,068	85,163	73,715	40,312	14,405	344,938	90,013	19,505	708,119
Additions	6,017	42,829	11,272	2,590	-	231,262	14,872	-	308,842
Disposals	-	-	(41,462)	-	-	(12,064)	-	-	(53,526)
	46,085	127,992	43,525	42,902	14,405	564,136	104,885	19,505	963,435
Accumulated amortization									
At January 1, 2010	24,079	27,885	36,001	16,405	14,165	205,249	24,516	6,436	354,735
Depreciation for the period	1,249	8,288	1,114	233	36	10,641	6,331	1,162	26,826
Eliminated on disposal	-	-	(36,664)	-	-	(7,765)	-	-	(44,429)
	25,328	36,173	(1,777)	16,638	14,201	208,125	30,847	7,598	337,132
Net Carrying value at March 31, 2010	**20,757**	**91,819**	**45,302**	**26,264**	**204**	**356,011**	**74,038**	**11,907**	**626,303**

Of the depreciation charge for the period, $37,237 was included in cost of sales and $7,764 within general and administrative. (2010, $21,462 and $5,366 respectively)

At December 31, 2010:

	Office Furniture and Equipment	Tools, moulds and dies	Computer equipment	Computer software	Vehicles	Production Equipment	Leasehold improvements	Assets under finance lease	Total
Cost									
At January 1, 2010	40,068	85,163	73,715	40,312	14,405	344,938	90,013	19,505	708,119
Additions	30,908	65,453	14,731	8,342	-	257,706	51,902	-	429,042
Disposals	-	-	(41,462)	-	-	(12,064)	-	-	(53,526)
	70,976	150,616	46,984	48,654	14,405	590,580	141,915	19,505	1,083,635
Accumulated amortization									
At January 1, 2010	24,079	27,885	36,001	16,405	14,165	205,249	24,516	6,436	354,735
Depreciation for the year	8,069	41,651	15,658	12,036	122	69,631	22,301	3,858	173,326
Eliminated on disposal	-	-	(36,664)	-	-	(7,765)	-	-	(44,429)
	32,148	69,536	14,994	28,441	14,287	267,115	46,817	10,294	483,632
Net Carrying value at December 31, 2010	**38,828**	**81,080**	**31,989**	**20,213**	**118**	**323,465**	**95,098**	**9,211**	**600,003**

6. PATENTS AND TRADEMARKS

Patents and trademarks at March 31, 2011 and December 31, 2010 consist of the following:

Cost		Cost	
At January 1, 2011	197,562	At January 1, 2010	-
Additions	96,121	Additions	197,562
Disposals	-	Disposals	-
	293,683		197,562
Accumulated Amortization		Accumulated Amortization	
At January 1, 2011	-	At January 1, 2010	-
Amortization for the year	-	Amortization for the year	-
Decrease due to disposal	-	Decrease due to disposal	-
	-		-
Net Carrying value at March 31, 2011	293,683	Net Carrying value at December 31, 2010	197,562

7. INTANGIBLE ASSETS - DEVELOPMENT COSTS

Cost and accumulated amortization at March 31, 2011 and December 31, 2010, and movements during the year, are as follows:

Cost		Cost	
At January 1, 2011	693,984	At January 1, 2010	347,134
Additions	43,483	Additions	434,999
Disposals		Disposals	(88,149)
	737,467		693,984
Accumulated Amortization		Accumulated Amortization	
At January 1, 2011	81,069	At January 1, 2010	47,785
Amortization for the year	28,918	Amortization for the year	49,966
Decrease dueto disposal	-	Decrease due to disposal	(16,683)
	109,987		81,069
Net Carrying value at March 31, 2011	627,480	Net Carrying value at December 31, 2010	612,915

The amortization expense was charged to cost of sales for both 2011 and 2010.

8. BANK INDEBTEDNESS

Bank indebtedness consists of the following:

	March 31 2011	December 31 2010	January 1 2010
Operating line of credit	**160,814**	283,676	-

The Company has an operating line of credit in the amount of $330,368. The operating line of credit (and certain debt obligations, see note 10) is collateralized by a general security agreement, representing a first and fixed floating charge over the assets and undertakings of the Company, assignment of adequate public liability and fire insurance acknowledging the Credit Union Syndicate as first loss payees and a personal guarantee by two of the shareholders in the amount of $206,480. Interest is charged on a monthly basis at a rate of prime plus 1.5% per annum (3% at March 31, 2011, December 31, 2010 and January 1, 2010 respectively).

9. NOTES PAYABLE

Notes payable consists of the following:

	March 31 2011	December 31 2010	January 1 2010
Extended payments on insurance – bearing interest at 4.988% per annum with 10 monthly payments of CAD $6,149, commencing August 16, 2010 and maturing May 16, 2011.	**12,617**	30,528	-
Extended payments on insurance – bearing interest at 4.988% per annum with 10 monthly payments of CAD $1,385, commencing August 20, 2010 and maturing May 20, 2011.	**2,842**	6,877	-
Extended payments on insurance – bearing interest at 15.95% per annum with 10 monthly payments of CAD $493, commencing May 20, 2010 and maturing February 20, 2011.	**-**	972	-
Extended payments on debt with a law firm – non-interest bearing with 12 monthly payments of CAD $15,513 commencing August 27, 2009 and maturing July 29, 2010.	**-**	-	118,081
Settlement on a debt with a past employee – non-interest bearing with principal payments of CAD $9,461 per month to May 7, 2010.	**-**	-	35,878
Supplier loan for tooling – non-interest bearing, payable when certain parts are shipped. The final payment was made in March, 2010.	**-**	-	30,688
Settlement on a debt with a consultant – non-interest bearing, with the remaining principal repayments of CAD $10,500 per month to December 15, 2009. The final payment on the note was made in January 2010.	**-**	-	9,991
	15,459	38,377	194,638

10. DEBT OBLIGATIONS

Debt obligations consist of the following:

	March 31 2011	December 31 2010	January 1 2010
PenFinancial Credit Union - 9% interest, payable in blended monthly installments of CAD $1,038, maturing March 29, 2012.	**13,859**	16,286	25,386
PenFinancial Credit Union - 8% interest, payable in blended monthly installments of CAD $1,440, maturing December 20, 2014.	**57,648**	59,334	67,557
PenFinancial Credit Union - 9% interest, payable in blended monthly installments of CAD $3,921, maturing June 14, 2015	**171,065**	174,600	-
PenFinancial Credit Union – Prime plus 2% payable in Blended monthly installments of CAD $3,844, due to October, 2010	**-**	-	27,992
Advances received under the Sothern Ontario Development Plan (SODP) as described in detail below.	**422,672**	148,970	-
Less: principal due within one year	**(133,172)**	(76,962)	(49,408)
	532,072	322,228	71,527

The PenFinancial loans (and the operating line of credit, see note 8) are collateralized by a registered general security agreement, representing a first fixed and floating charge over the assets and undertakings of the Company. There is also a personal guarantee for $206,480 executed by two shareholders and officers of the Company.

Contribution Agreement (CA) with the Southern Ontario Development Program
In March 2010, the Company signed a Contribution Agreement with the Southern Ontario Development Program ("SODP"), a program administered by the Government of Canada for a maximum contribution amount of $852,344. 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 contribution amount is repayable over six years. No payments were required until April 1, 2011. The contribution amount is then repayable in 60 monthly payments equal to $14,206 from April 1, 2011 to March 1, 2016. No interest is payable on the undrawn balance of the contribution amount. No assets of the Company currently owned or to be acquired under the CA will be pledged as security. As at March 31, 2011, $505,199 has been received under the CA.

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

2011	133,172
2012	132,670
2013	141,559
2014	148,593
2015	109,250
	665,244

11. OBLIGATIONS UNDER FINANCE LEASES

The following is a schedule of minimum lease payments under the finance leases expiring in 2011:

Years ending 2011	5,045
	5,045
Less: amount representing interest at 12%	(745)
	4,300
Less: current portion	(4,300)
	-

12. GOVERNMENT INCENTIVES RECEIVABLE

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

Government incentives receivable consist of the following:

	March 31 2011	December 31 2010	January 1 2010
Ontario ITC and ORDTC	121,674	94,321	38,444
Scientific Research and Experimental Development Tax Credit	176,834	161,562	73,134
Valuation allowance – Federal, non-refundable tax credit	(176,834)	(161,562)	(73,134)
Valuation allowance – Provincial, non-refundable tax credit	(17,228)	-	-
SODP program grant receivable	-	54,380	-
	104,446	148,701	38,444

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

13. DERIVATIVE LIABILITY - WARRANTS

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

Series A warrants

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

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

Series B warrants

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

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

Series C warrants

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

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

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

	March 31, 2011	March 31, 2010
Gain (loss) on warrant liability	**62,772**	(252,563)

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

	March 31, 2011	December 31, 2010	January 1, 2010
Series A	**N/A**	N/A	132,552
Series B	**N/A**	N/A	161,925
Series C	**252,308**	315,080	N/A
USD$	**252,308**	315,080	294,477

Derivative liability, continued

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

	March 31, 2011	December 31, 2010	March 31, 2010	January 1, 2010
Exercise price (CAD$)	$0.70	$0.70	$0.50 & $0.65	$0.50 & $0.65
Share price (CAD $)	$0.60	$0.51	$0.60	$0.28 & $0.54
Risk-free interest rate	1.80%	1.66%	1.73%	1.30% & 1.42%
Expected life	1.1 years	1.5 years	0.5 & 0.7 years	1 year
Expected volatility	112%	157%	131%	75% & 73%
Dividend rate	0%	0%	0%	0%

14. SHARE CAPITAL

[a] Shares

Authorized
Unlimited number of common shares

Issued and outstanding
31,183,246 common shares

The common share transactions over the period are as follows:

	Number of shares	Amount
Balance December 31, 2009	27,935,347	2,317,608
Transfers from contributed surplus on exercise of options	-	55,318
Issuance of common shares for cash	3,224,731	1,226,119
Balance December 31, 2010	31,160,078	3,599,045
Transfers from contributed surplus on exercise of options	-	2,840
Issuance of common shares for cash	23,168	8,675
Balance March 31, 2011	**31,183,246**	**3,610,560**

[b] Stock options

Employee Stock Option Plan
In 2008, CRS established a stock option plan under which directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company. Under the plan, the Company may grant stock options to directors, senior officers, employees' and advisors and is authorized to issue options to acquire up to 10% of the issued and outstanding shares of the Company. The Board of directors administers the plan and determines the vesting and other terms of each award.

[b] Stock options, continued

Value of stock options granted:

The total expense recognized for the period was $0 (December 31, 2010 - $147,863 and March 31, 2010 - $0), of which $0 is included within cost of sales and $0 is included within general and administrative (December 31, 2010 - $0 and $147,863 respectively).

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

	March 31, 2011		December 31, 2010		March 31, 2010	
	No. of shares	**Weighted average exercise price**	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding, beginning of year	1,295,324	0.38	1,705,436	0.30	1,705,436	0.30
Granted	-	-	340,833	0.57	7,500	0.30
Expired	-	-	-	-	-	-
Exercised	(15,168)	0.30	(750,945)	0.29	(404,596)	0.29
Outstanding, end of year	1,280,156	0.39	1,295,324	0.38	1,308,304	0.31

The weighted average share price at the dates the options were exercised during the year was $0.39 (December 2010- $0.38 and March 2010- $0.31).

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 1,838,169.

The following table summarizes information about options outstanding as at March 31, 2011:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted-average exercise price
$0.30 - $0.50	950,156	30 months	0.32
$0.51 - $0.70	330,000	49 months	0.60
Total	1,280,156	35 months	0.39

1,280,156 options are exercisable as at March 31, 2011. The weighted average exercise price of these options is $0.39.

15. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence, to sustain future development of the business, and to continue as a going concern. Management defines capital as the Company's equity. Because of the requirements of financing the Company's debt, net earnings generated from operations are generally not available to be reinvested in the Company or distributed to the Company's shareholders. To finance the future capital expenditures and working capital necessary to sustain a growth in operations, the Company recognizes the need to increase its capital base by issuing common shares or other equity based financial instruments.

Capital Management, continued

The Board of Directors does not establish quantitative "return on capital" criteria for management; but instead promotes year over year sustainable profitable growth. In the future, the Board will review on a quarterly basis the level of dividends paid to the Company's shareholders and will monitor all other capital management activities.

16. FINANCIAL INSTRUMENTS

[a] Fair value

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and notes payable do not materially differ from their fair values given their short-term period to maturity. The fair values of bank indebtedness and debt obligations approximate carrying value as the instruments bear interest or are discounted at market rates.

[b] Credit risk

The Company is exposed to credit risk in the event of non-performance by customers in paying outstanding trade accounts receivable. One customer represents 39.8% of accounts receivable at March 31, 2011 (18.5% at December 31, 2010 and 46.4% on March 31, 2010). The Company has purchased insurance from the Export Development Corporation to compensate for this risk in addition to monitoring the status of accounts on a regular basis.

[b] Credit risk, continued

Trade accounts receivable are past due when a customer fails to make a payment when contractually due. The Company specifically identifies customers with past due balance and provides for these accounts where appropriate. The following is an aging of trade accounts receivable:

	Current	30-60 days	60-90 days	Over 90 days	Total
March 31, 2011	206,083	104,773	44,602	31,214	386,672

[c] Interest rate risk

The Company is exposed to interest rate risk on its short-term credit facilities and on a portion of its long-term debt, since the interest rate charged on these facilities fluctuates with the general level of interest rates. However, in management's opinion, this risk is not significant as the short term credit facilities do not represent a significant amount of financing.

[d] Foreign currency risk

The Company is exposed to currency risk because it makes purchases and sales transacted in Canadian currency. The following accounts were denominated in Canadian dollars:

	March 31 2011	December 31 2010	January 1 2010
Cash	(113,390)	(241,094)	(135,305)
Trade accounts receivable	143,774	460,413	128,574
Trade accounts payable	(223,188)	(217,856)	(180,204)
Short-term notes payable	(14,974)	(38,171)	(172,307)
Debt obligations	(644,367)	(397,046)	(127,099)

Foreign currency risk, continued

At March 31, 2011 a 10% change in the average exchange rate between U.S. dollars and Canadian dollars would have resulted in a $85,200 change on reported net loss and comprehensive loss for the year.

17. COMMITMENTS AND CONTINGENCIES

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

The Company has the following commitments outstanding:

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

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

Year	Minimum Guaranteed Royalty
2011	$157,000
2012	274,000
2013	539,000
2014	688,000
2015	760,000

18. IMPACT OF ADOPTING IFRS

As described in note 2, these are the Company's first financial statements prepared in accordance with IFRS. The Company has applied IFRS with effect from January 1, 2010, the transition date, in accordance with the transitional provisions set out in IFRS 1, *First-time Adoption of International Financial Reporting Standards*. IFRS 1 requires that a first-time adopter retrospectively apply all IFRS standards effective at the end of its first IFRS reporting period. However, it also sets out certain optional exemptions and certain mandatory exceptions to this principle.

The majority of the optional exemptions are either not relevant to or necessary for the Company. However, it has applied the following items:

Share-based payments

The Company has elected not to recognize or measure the effect of stock options, warrants and other share-based payments that vested before the transition date. The cumulative impact of these awards on the information previously reported under Canadian GAAP has been eliminated through opening retained earnings.

The only mandatory exception relevant to the Company prevents it from amending any of the estimates it previously made under Canadian GAAP, unless objective evidence exists that any of those estimates were in error. Since no such evidence exists, the estimates used in preparing these IFRS financial statements remain unchanged.

Note 2 describes the accounting policies the Company applies under IFRS. These differ from the accounting policies it previously applied under Canadian GAAP in the following material respects:

Foreign currency translation

In these financial statements, the US dollar is the Company's functional currency. Under Canadian GAAP,

the Company's functional currency was the Canadian dollar. The change reflects the greater specificity contained in IFRS on determining the functional currency, focusing in particular on the currency in which an entity primarily generates sales and that in which it primarily incurs costs.

Statements of Loss and Comprehensive Loss previously reported in Canadian dollars under Canadian GAAP have been translated using the Bank of Canada average exchange rate posted for the period. The Statements of Financial Position are translated using the Bank of Canada closing rate on the date of the Statement except for inventories, intangible assets, and property, plant and equipment which are valued at the average Bank of Canada rates in effect at date of acquisition.

Derivative liability

Under Canadian GAAP, warrants issued as part of a unit offering are treated as equity and are valued at the date of issuance. The warrants were valued using the Black-Scholes pricing model. The warrants are not accounted for as financial instruments.

Under IFRS, non-broker warrants issued in a currency other than the Company's functional currency as part of a unit offering do not meet the definition of equity as they violate the fixed-for-fixed principle due to the number of common shares issuable on exercise of the warrants fluctuating based on the U.S. dollar and Canadian dollar exchange rate. Under IFRS, the warrants are accounted for as financial instruments designated as financial liabilities at fair value through profit and loss (IAS 39.9) and subsequently measured at fair value (IAS 39.47a). On initial recognition of a compound instrument, the financial instrument must be measured at fair value with the residual value allocated to the other component, being the common shares.
These warrants are measured at fair value through profit and loss under IFRS (Note 13).

The application of IFRS has resulted in: an increase in deficit of $103,968 at the Transition Date, an increase in deficit of $252,563 during the three months ended March 31, 2010; and a decrease in deficit of $211,558 at December 31, 2010.

The following summarizes the impact of these differences on the Company's Statement of Financial Position, Statements of Loss and Comprehensive Loss, Statements of Cash Flows, and Statements of Equity as previously reported under Canadian GAAP.

Statement of Financial Position:

Unaudited	December 31, 2010			March 31, 2010			January 1, 2010		
	CDN GAAP	IFRS Adj.	IFRS	CDN GAAP	IFRS Adj.	IFRS	CDN GAAP	IFRS Adj.	IFRS
ASSETS	CDN $		USD $	CDN $		USD $	CDN $		USD $
Current Assets									
Cash and cash equivalents	338,180	1,835	340,015	297,565	(4,642)	292,923	913,557	(44,323)	869,234
Accounts receivable	703,841	3,808	707,649	653,029	(10,187)	642,842	391,219	(18,973)	372,246
Government incentives receivable	147,902	799	148,701	51,944	(810)	51,134	40,404	(1,960)	38,444
Inventory	552,689	(19,640)	533,049	896,485	(34,515)	861,970	414,386	(46,684)	367,702
Deposits and prepaid expenses	85,896	464	86,360	67,153	(1,048)	66,105	47,747	(2,316)	45,431
	1,828,508	(12,734)	1,815,774	1,966,176	(51,202)	1,914,974	1,807,313	(114,256)	1,693,057
Long-term assets									
Equipment, furniture and leaseholds	670,270	(70,267)	600,003	704,605	(89,837)	614,768	416,180	(62,797)	353,383
Patents and trademarks	203,546	(5,984)	197,562	-	-	-	-	-	-
Deferred development costs	656,420	(43,505)	612,915	508,926	(46,261)	462,665	333,356	(34,007)	299,349
Assets under capital leases	-	-	-	13,173	(1,637)	11,536	-	-	-
	3,358,744	(132,490)	3,226,254	3,192,880	(188,937)	3,003,943	2,556,849	(211,060)	2,345,789
LIABILITIES									
Current liabilities									
Bank indebtedness	282,153	1,523	283,676	-	-	-	-	-	-
Accounts payable and accrued liabilities	559,373	3,027	562,400	1,206,730	(18,825)	1,187,905	378,811	(16,777)	362,034
Notes payable	38,171	206	38,377	86,748	(1,353)	85,395	204,559	(9,921)	194,638
Current portion of long-term debt	76,549	413	76,962	41,224	(643)	40,581	51,926	(2,518)	49,408
Current portion of capital lease obligations	4,418	24	4,442	5,830	(91)	5,739	6,785	(329)	6,456
Customer deposits	-	-	-	43,788	(683)	43,105	-	-	-
	960,664	5,193	965,857	1,384,320	(21,595)	1,362,725	642,081	(29,545)	612,536
Long-term liabilities					-			-	
Long-term debt	320,497	1,731	322,228	69,207	(1,080)	68,127	75,173	(3,646)	71,527
Capital lease obligations	782	4	786	4,165	(65)	4,100	5,200	(252)	4,948
Warrants	-	315,080	315,080	-	547,040	547,040	-	294,477	294,477
	1,281,943	322,008	1,603,951	1,457,692	524,300	1,981,992	722,454	261,034	983,488
SHAREHOLDERS' EQUITY									
Share capital	3,970,534	(381,195)	3,589,339	2,807,437	(335,162)	2,472,275	2,646,577	(328,969)	2,317,608
Shares to be issued	10,000	(294)	9,706	-	-	-	-	-	-
Contributed surplus	488,933	(213,227)	275,706	189,477	(25,241)	164,236	209,159	(25,999)	183,160
Warrants	246,980	(246,980)	-	198,129	(198,129)	-	198,129	(198,129)	-
(Deficit)	(2,639,646)	387,198	(2,252,448)	(1,459,855)	(154,705)	(1,614,560)	(1,219,470)	81,003	(1,138,467)
	2,076,801	(454,498)	1,622,303	1,735,188	(713,237)	1,021,951	1,834,395	(472,094)	1,362,301
	3,358,744	(132,490)	3,226,254	3,192,880	(188,937)	3,003,943	2,556,849	(211,060)	2,345,789

Statements of Loss and comprehensive loss	Year ended December 31,2010	Quarter ended March 31,2010
As previously reported under Canadian GAAP	(1,420,176)	(240,385)
Statement of comprehensive loss – Foreign exchange (loss) gain	41,753	9,254
Statement of Financial Position – Foreign exchange (loss) gain and valuation adjustments	52,884	7,601
Adjustment – derivative liability	211,558	(252,563)
As reported in accordance with IFRS	(1,113,981)	(476,093)

Statement of Cash Flow

	December 31, 2010			March 31, 2010		
	CDN GAAP	IFRS Adj.	IFRS	CDN GAAP	IFRS Adj.	IFRS
OPERATING ACTIVITIES	CDN $		USD $	CDN $		USD $
Net (loss) for the year	(1,420,176)	306,195	(1,113,981)	(240,385)	(235,708)	(476,093)
Items not affecting cash		-				
Stock-based compensation	152,342	(4,479)	147,863	-	-	-
Change in warrant liability	-	20,603	20,603	-	252,563	252,563
Amortization of product development costs	51,480	(1,514)	49,966	6,455	(249)	6,206
Impairment loss on product development costs	40,501	(1,191)	39,310	-	-	-
Amortization of capital assets	178,578	(5,250)	173,328	27,900	(1,074)	26,826
Accretion expense	3,965	(117)	3,848	-	-	-
Loss (gain) on sale of capital assets	6,070	(178)	5,892	(1,886)	73	(1,813)
	(987,240)	314,069	(673,171)	(207,916)	15,605	(192,311)
Net change in non-cash working capital items relating to operating activities						
Accounts receivable	(312,622)	(22,781)	(335,403)	(261,810)	(8,786)	(270,596)
Government incentives receivable	(107,498)	(2,759)	(110,257)	(11,540)	(1,150)	(12,690)
Inventory	(138,303)	(27,044)	(165,347)	(482,099)	(12,169)	(494,268)
Deposits and prepaid expenses	(38,149)	(2,780)	(40,929)	(19,406)	(1,268)	(20,674)
Trade and other payables provisions	180,562	19,804	200,366	831,327	(5,456)	825,871
Deposits	-	-	-	40,380	2,725	43,105
Cash (used in) operating activities	(1,403,250)	278,509	(1,124,741)	(111,064)	(10,499)	(121,563)
INVESTING ACTIVITIES						
Purchase of equipment, furniture, and leaseholds	(445,052)	13,085	(431,967)	(333,927)	29,921	(304,006)
Proceeds on sale of capital assets	6,315	(188)	6,127	6,315	(243)	6,072
Additions to intangible assets - development costs	(203,546)	5,984	(197,562)	(182,024)	12,502	(169,522)
- patent and trademark costs	(415,044)	12,202	(402,842)	-	-	-
Cash (used in) investing activities	(1,057,327)	31,083	(1,026,244)	(509,636)	42,180	(467,456)
FINANCING ACTIVITIES						
Advances from notes payable, net of repayments	(166,388)	10,127	(156,261)	(117,811)	8,568	(109,243)
Line of credit (repayment)	282,153	1,523	283,676	-	-	-
Finance lease obligations repayments	(6,785)	609	(6,176)	(1,990)	425	(1,565)
Advances from debt obligations, net of repayments	265,980	8,427	274,407	(16,669)	4,442	(12,227)
Issuance of common shares	1,510,240	(284,120)	1,226,120	141,178	(5,435)	135,743
Cash provided by financing activities	1,885,200	(263,434)	1,621,766	4,708	8,000	12,708
Net (decrease) increase in cash and cash equivalents	(575,377)	46,158	(529,219)	(615,992)	39,681	(576,311)
Cash and cash equivalents, beginning of year	913,557	(44,323)	869,234	913,557	(44,323)	869,234
Cash and cash equivalents, end of year	338,180	1,835	340,015	297,565	(4,642)	292,923

Statement of Equity:

Share Capital	**December 31, 2010**	**March 31, 2010**	**January 1, 2010**
As previously reported under Canadian GAAP	3,980,534	2,807,437	2,646,577
Foreign exchange loss (gain)	(38,816)	(328,969)	(328,969)
Prior period(s) foreign exchange loss (gain)	(328,970)	(6,193)	-
Transfer of exercised warrants	(13,703)	-	-
As reported in accordance with IFRS	3,599,045	2,472,275	2,317,608

Other Paid in Capital	**December 31, 2010**	**March 31, 2010**	**January 1, 2010**
As previously reported under Canadian GAAP	488,933	189,477	209,159
Foreign exchange loss (gain)	(2,803)	757	(25,999)
Prior period(s) foreign exchange loss (gain)	(25,998)	(25,998)	-
Transfer value of expired warrants	(184,426)	-	-
As reported in accordance with IFRS	275,706	164,236	183,160

Deficit	**December 31, 2010**	**March 31, 2010**	**January 1, 2010**
As previously reported under Canadian GAAP	(2,639,646)	(1,459,855)	(1,219,470)
Foreign exchange loss (gain)	175,640	97,858	184,971
(Gain) loss on warrant liability	211,558	(252,563)	(103,968)
As reported in accordance with IFRS	(2,252,448)	(1,614,560)	(1,138,467)

Canadian $ Warrants as Equity		**December 31, 2010**	**March 31, 2010**	**January 1, 2010**
As previously reported under Canadian GAAP	(CAD)	246,980	198,129	198,129
FVTPL revaluation loss (gain)	(USD)	82,919	252,563	103,968
Loss (gain) on expiry of warrants	(USD)	(294,477)	-	-
Cumulative foreign exchange loss (gain)		279,658	96,348	(7,620)
Transfer to derivative liability	(USD)	(315,080)	(547,040)	(294,477)
As reported in accordance with IFRS		-	-	-
Total reported in accordance with IFRS		**1,622,303**	**1,021,951**	**1,362,301**

19. RELATED PARTY TRANSATIONS

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:

	March 31, 2011	**March 31, 2010**
Wages and benefits	91,415	57,786

20. AUTHORIZATION

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

These unaudited condensed interim financial statements as at March 31, 2011 were approved by the Board of Directors on June 28, 2011.

21. SUBSEQUENT EVENTS

a) Subsequent to the end of the period the Company filed its 5th and final claim for CAD $177,000 with the Southern Ontario Development Corporation (SODP). Total anticipated funding is CAD $667,000 which is repayable in 60 equal monthly payments April 1, 2011 to March 1, 2016 as detailed in note 10.

b) On April 28, 2011 the Company closed a brokered private placement equity financing issuing 9,379,156 units at a price of CAD $0.55 per unit for gross proceeds of CAD $5,158,535. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share upon payment of CAD $0.65 per common share no later than April 28, 2014 subject to acceleration of the expiry date if the 20 day volume weighted average trading price of the common shares of the Company is greater than $1.00. The warrants are not registered for trading and all common shares issued through the exercise of warrants before August 28, 2014 will be restricted from trading until that date.

c) On May 5, 2011 the Company issued 905,000 options to Directors and Senior Staff of the Company pursuant to its stock option plan. The options, vesting on various dates over a three year period, have an exercise price of $0.58 per share exercisable on or before May 5, 2016.