CRS Electronics Inc.

Management Discussion and Analysis

First Quarter Report
For the three month period ended March 31, 2013

May 29, 2013

The following information prepared as of May 29, 2013 is Management's Discussion and Analysis ("MD&A") of the financial condition and performance of CRS Electronics Inc. (the "Company" or "CRS") for the three months ended March 31, 2013 and should be read in conjunction with the audited financial statements for the year ended December 31, 2012 which have been prepared in accordance with International Financial Reporting Standards.

All amounts are in United States (U.S.) dollars unless otherwise noted (tabular amounts are in thousands of U.S. dollars).

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

Forward-Looking Information

The statements made in this MD&A, particularly those in the "Outlook" section that are not historical facts, contain forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address CRS's expectations, should be considered forward-looking statements. Such statements are based on management's exercise of business judgment as well as assumptions made by management and with information currently available to management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of similar import, are intended to identify any forward-looking statements. The forward-looking statements made in this MD&A describe our expectations as at May 29, 2013.

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 the Company believes that their expectations are based on reasonable assumptions, the Company can give no assurance that our forward-looking statements will materialize. Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

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

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

Overview

For over 14 years, CRS has been a developer and manufacturer of light emitting diode ("LED") light products. As a manufacturer of LED light boards for its own school bus warning lights and under contract for other light applications, CRS realized that the improvement in LEDs created an opportunity for CRS to supply LED based indoor and outdoor lighting. Throughout 2007 to 2013 inclusive, CRS expended a significant amount of time and capital to develop an LED MR16 halogen bulb replacement and an LED PAR series of interior lights for the commercial market sector.

CRS is currently focused on the expansion of its lamps to the North American interior light replacement market at a commercial level. LED lighting products save energy, have attractive economic benefits and are eco-friendly. CRS seeks to expand into the North American LED fixture market at a commercial level. Over the next few years, management believes that LED lighting products will gain market share.

Outlook – Fiscal 2013

For Fiscal 2013 the Company will be focusing on increasing revenues by adding additional commercial partners and achieving Energy Star certification and DLC certification to support commercial sales efforts. Additional work being undertaken on reducing product costing is also expected to support these initiatives.

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.

Sales Objectives

1. Energizer Brand LED Sales

CRS' objective continues to be the expansion of its product line under the Energizer Licensing agreement. This objective incorporates a) the creation of select partnerships with commercial distributors for distribution of the lamps, b) the successful launch a North American marketing campaign, followed by c) a product roll out into the commercial North American market.

2. Commercial LED Lamp Sales

Our objective is to expand sales in the commercial replacement market. To achieve this target we plan to a) augment the existing LED lights offered by CRS (MR16, PAR 20, PAR 30 and PAR 38) to provide both premium and economy product lines to our electrical distributors and b) continue to expand the product portfolio (R20, BR30 and BR40 lamps) c) create strong partnerships in the new construction, replacement lamp and retrofit industries. Recruiting a professional sales management and customer service staff is underway. Regional management positions in the largest US cities have already been filled. Several major lighting distributors have provided positive feedback on exclusive distribution strategy.

3. Bus light business and contract LED light board manufacturing

CRS continues to support our partners in these market segments. Over many years CRS has developed strong partnerships and the product lines deliver consistent gross margins. CRS plans to work with our partners to maintain its current sales volumes.

4. Lighting Fixture Sales

CRS will introduce LED light fixtures to North America through a new brand called Lumenova™. The brand will be represented by commercial lighting agents and sold through electrical distribution. Finalized designs are being prototyped with an expected launch date of August 2013. Designs include industry innovations in light output and maintenance. Initial market feedback has been extremely positive. Recruiting an experienced sales management and customer service staff is underway.

Product Development Objectives

1. Product cost reduction

CRS expects continued demand for lower cost offerings for customers. The Company has been engaged with various offshore companies and is considering various outsourcing and product development changes to reduce the price points of our products while maintaining CRS' high performance and specification standards.

2. Product Development

Market research has shown that Energy Star ratings have strong consumer recognition and provide confidence for selection of sound, energy efficient LED Lamps. On both domestically produced and imported products this approval is being aggressively pursued. Preliminary results indicate our LED lamps will contain best in class light output and dimming compatibility which are two critical components of value in the marketplace. Lumenova™ fixtures require DLC certification. Both certifications will be achieved by August 2013. CRS will work jointly with its strategic partners to provide performance specifications that are at the 'head of the class' for professional series commercial lights.

Performance of CRS

Key performance indicators

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

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

The Company is targeting gross margin percentages (defined as revenues less cost of sales and plant expenses as a percentage of revenues) of approximately 35.0% on an annual basis. Maintaining a consistent gross margin will be an indicator of how well the Company is managing its production costs and customer contract negotiations. The Company is looking at various product development and outsourcing alternatives to increase gross margin.

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

Measurement

Below in "Quarterly Results" and "Results of Operations" are two tables the Company uses to assess performance. "Quarterly Results" presents the Company's results for the last eight quarters, followed by a comparison of the Company's fiscal three months to the prior three months.

Quarterly Results

	Fiscal 2013	Fiscal 2012				Fiscal 2011		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
In Thousands of dollars	USD	USD	USD	USD	USD	USD	USD	USD
Sales	$738.5	$463.3	$607.1	$687.7	$1,312.0	$526.6	$461.0	$614.9
Gross profit (loss)	($262.3)	($750.1)	($348.1)	($277.3)	($357.6)	($384.1)	($179.6)	($18.0)
Gross profit (loss)%	(35.5%)	(161.9%)	(57.3)%	(40.3)%	(27.3)%	(72.9)%	(39.0)%	(2.9)%
Select expenses								
Selling and marketing	129.5	446.2	118.0	278.9	571.6	352.7	286.4	264.7
General and administrative	386.5	566.7	719.5	453.2	512.0	427.4	430.1	488.5
Engineering and research	132.3	61.0	103.2	106.5	112.8	175.8	194.0	85.7
Foreign exchange (gain) loss	77.2	49.6	(175.6)	(147.6)	30.1	(57.4)	152.9	(10)
Total expenses	725.5	1,123.5	765.1	691.0	1,226.5	898.5	1,063.4	828.9
Income (loss) from operations	(987.8)	(1,873.6)	(1,113.2)	(968.3)	(1,584.1)	(1,282.6)	(1,243.0)	(846.9)
Add back: Depreciation and amortization	76.0	107.5	109.4	112.3	111.8	125.1	89.9	83.3
EBITDA Loss	(911.8)	(1,766.1)	(1,003.8)	(856.0)	(1,472.3)	(1,157.5)	(1,153.1)	(763.6)
Finance costs	(7.3)	(10.1)	2.8	(34.3)	(23.2)	(18.9)	(13.6)	(10.8)
Refundable tax credit income (expense)	—	—	—	—	—	(41.3)	19.3	12.4
Depreciation of capital equipment	(44.4)	(70.6)	(72.2)	(75.7)	(76.1)	(67.5)	(61.2)	(54.6)
Amortization of intangibles	(24.8)	(28.5)	(28.8)	(28.7)	(28.0)	(27.5)	(28.7)	(28.7)
Amortization of patents and trademarks	(6.8)	(8.4)	(8.4)	(7.9)	(7.7)	(30.1)	—	—
Impairment of product development costs	—	—	—	—	—	(456.0)	—	—
Impairment of patents and trademarks	—	(21.8)	—	—	—	(258.2)	—	—
Gain (loss) on sale of equipment, furniture and fixtures	—	(237.4)	(12.4)	(5.3)	(0.3)	—	0.1	—
Change in warrant liability	38.0	170.7	(50.9)	26.3	462.1	13.3	1,078.7	277.0
Income taxes recovery	—	—	—	—	—	—	—	—
Net (loss) income	($957.1)	($1,972.2)	($1,173.7)	($981.6)	($1,145.5)	($2,043.7)	($158.5)	($568.3)
Loss per share	(0.01)	(0.03)	(0.02)	(0.02)	(0.03)	(0.05)	(0.00)	(0.02)

Results of Operations

The following table sets out the Company's results for the three months ended March 31, 2013 compared with the prior year's period ended.

In Thousands of U.S. dollars [1]	Three Months Ended March 31 2013	2012	Increase (Decrease)	% Increase (Decrease)
Sales	$738.5	$1,312.0	(573.5)	(43.7%)
Gross profit (loss)	(263.3)	(357.6)	95.3	(26.6%)
Gross profit (loss) percentage	(35.5%)	(27.3%)		
Selling and marketing	129.5	571.6	(442.1)	(77.3%)
As a % of sales	17.5%	43.6%		
General and administrative	386.5	512.0	(125.5)	(24.5%)
As a % of sales	52.3%	39.0%		
Engineering and research	132.3	112.8		
Foreign exchange (gain) loss	77.2	30.1		
Total operating expenses	725.5	1,226.5		
Income (loss) from operations	(987.8)	(1,584.1)		
Add back amortization	76.0	111.8		
EBITDA Loss	(911.8)	(1,472.3)	560.5	(38.1%)
Finance costs	(7.3)	(23.2)		
Depreciation of capital equipment	(44.4)	(76.1)		
Amortization of product development	(24.8)	(28.0)		
Amortization of patents and trademarks	(6.8)	(7.7)		
Impairment of product development	—	—		
Impairment of patents and trademarks	—	—		
Gain (loss) on sale of equipment, furniture and fixtures	—	—		
Refundable tax credit income	—	—		
Change in warrant liability	38.0	462.1		
Net loss	($957.1)	($1,145.5)	188.4	(16.4%)

[1] Information for 2013 and 2012 is prepared in accordance with International Financial Reporting Standards ("IFRS").

Revenues

Revenues for the three months ended March 31, 2013 decreased 43.7% to $738,500 from $1,312,000 for the same period in 2012.

Revenue from bus light sales during the three months ended March 31, 2013 increased 0.2% to $261,100 from $260,700 for the same period in 2012. Revenues from contract manufacturing for the three months ended March 31, 2013 increased 291.9% to $203,800 from $52,000 in 2012.

Commercial LED revenue for the three months ended March 31, 2013 stemmed from LED MR16 sales that decreased 27.1% to $80,300 from $110,100 during the same period in 2012.

Retail LED revenue for the three months ended March 31, 2013 stemmed from LED MR16, GU10, PAR 20, 31, 38, and A19 sales that decreased 78.3% to $193,300 from $889,200 during the same period in 2012.

Cost of Sales and Gross Profit

The cost of sales is inclusive of direct material costs, plant labour, plant overheads, plant management salaries, amortization of plant and equipment and the amortization of product development costs.

For the three months ended March 31, 2013, gross loss percentage was (35.5)% compared to (27.3)% in the same period last year. The decrease is primarily attributed to low sales volume in relation to fixed plant expenses and amortization charged to cost of goods sold. Measures are being taken to mitigate these issues which could persist to impact the gross margin of orders placed in fiscal 2013.

Selling and marketing expenses

For the three months ended March 31, 2013 selling and marketing expenses decreased 77.3% to $129,500 from $571,600 for the same period in 2012. This decrease reflects the retraction out of the retail sales market and current transition into selling exclusively to the commercial sales market which requires significantly less marketing expenses to be incurred in Fiscal 2013.

General and administrative expenses

For the three months ended March 31, 2013 general and administrative expenses decreased 24.5% to $386,500 from $512,000 for the same period in 2012. The majority of the decrease relates to not incurring the additional travel, consulting and legal fees associated with the private placement finalized on June 8, 2012 in the prior year.

Engineering and Research

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

For the three months ended March 31, 2013 net research and development expenses increased to $132,300 from $112,800 for the same period in 2012. The Company has incurred additional research and development costs in relation to its commercial lamp and lighting fixture launch scheduled for Q2 Fiscal 2013.

Finance Costs

Total finance costs for the three month period ended March 31, 2013 decreased $15,900 to $7,300 from $23,200 for the same period in 2012.

Finance costs are attributable to a mix of long and short term debt obligations as follows:

Interest on short-term debt obligations increased 10.8% to $8,200 during the three month period ended March 31, 2013 from $7,400 during the same period in 2012. The increase in the expense for the three months ended resulted from an increase in the credit interest and bank service charges during the period.

Net interest on long-term debt obligations decreased 105.7% to ($900) during the three months ended March 31, 2013 from $15,800 during the same period in 2012. Net interest on long-term debt obligations are comprised of the following:

	Three months ended March 31	
	2013	**2012**
Interest LTD	$ 3,700	$ 6,700
Accretion expense	8,500	11,100
Less:		
Interest revenue	(13,100)	(2,000)
Net Interest on LTD:	$ (900)	$ 15,800

Interest costs are lower during 2013 due to lower average principal outstanding on long-term debt. This is primarily attributable to the finalization of two outstanding loans during January 2013. Accretion expense is related to the non-interest bearing loan from the Southern Ontario Development Program. These expenses are partially offset by interest revenues. The 2013 revenues were due to two, one year redeemable term deposits purchased by the Company with proceeds from the private equity placement issuance of common shares on June 8, 2013. Interest on the term deposits compounds annually at a rate of 1.3% and 1.536%.

Depreciation of property and equipment

Depreciation decreased 41.7% to $44,400 during the three months ended March 31, 2013 from $76,100 during the same period in 2012. The decrease is related primarily to significant disposal of redundant production equipment realized during Fiscal 2012.

Amortization of Intangible Assets

The amortization expense decreased $3,200 to $24,800 during the three months ended March 31, 2013 from $28,000 during the same period in 2012.

Amortization of Patents and Trademarks

The amortization expense decreased $900 to $6,800 during the three months ended March 31, 2013 from $7,700 during the same period in 2012.

Foreign Exchange Losses

The US dollar is the functional currency of the Company and is also the currency in which it presents these financial statements. The Company recognizes transactions in currencies other than the US dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, it retranslates monetary items denominated in foreign currencies at the rates prevailing at that date. It does not retranslate non-monetary items measured in terms of historical cost in a foreign currency. It recognizes exchange differences on monetary items in profit or loss in the period in which they arise. For the three months ended March 31, 2013, CRS incurred a foreign currency loss of $77,200 compared to a loss of $30,100 in 2012.

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

The negative EBITDA loss for the three months ended March 31, 2013 was ($911,800) compared to ($1,472,300) for the same period in 2012. The decrease in selling and marketing and general and administrative expenses has decreased overall EBITDA loss by $560,500 for the three months ended March 31, 2013 compared to 2012.

Net losses

As a result of the above activities, the net loss for the three months ended March 31, 2013 was ($957,100), or ($0.01) per share compared to a loss of ($1,145,500), or ($0.03) per share for the same period 2012. The $188,400 positive change in net losses have been increased principally by a decrease in selling and marketing and general and administrative expenses of $567,600 and a decrease in overall amortization of $35,800. This positive change is negated in part by a negative change in warrant liability of $424,100 for the three months ended March 31, 2013 compared to the prior period.

Liquidity and Capital Resources

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

(in U.S. dollars except for ratios)	March 31 2013	*March 31 2012*
Current Ratio	4.1:1	*1.01:1*
Cash	$3,338,579	*$243,749*
Available operating line	N/A	*$0*
Net Working Capital	$3,595,575	*$22,569*
Total Assets	$5,691,025	*$3,507,424*
Total Debt	$1,681,356	*$3,004,888*
Total Equity	$4,009,669	*$502,536*
Debt to Equity Ratio	0.42:1	*5.98:1*

Cash Flows

During the period ended March 31, 2013, CRS experienced negative cash flows used in operations of ($935,815) compared to a negative cash flow of ($563,679) for the same period in 2012. Reduction of inventory and deposits and prepaid expenses partially offset higher losses. The Company invested $34,260 in tooling and other capital equipment, development costs and patents in the three months ended March 31, 2013 compared to $119,148 in the same period last year. The Company's various financing activities generated negative cash flow of $209,257 for the three months ended March 31, 2013 compared to $8,625 in the same period last year. The increase during the first quarter of 2013 is mainly attributable to the finalization of two outstanding loans in the amount of $138,083.

Outstanding Share Data

As at March 31, 2013 the Company had the following items issued and outstanding:

- Common shares: 71,399,844
- Stock options: 1,367,503

Range of exercise prices (CAD$)		Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price (CAD$)
$0.28	**$0.48**	810,836	20 months	$0.33
$0.58	**$0.59**	556,667	15 months	$0.58
Total		1,367,503	18 months	$0.43

1,325,837 options are exercisable as at March 31, 2013. The weighted average exercise price of these options is CAD $0.43.

As at May 29, 2013 the Company had the following items issued and outstanding:

- Common shares: 71,399,844
- Stock options: 5,694,170

Range of exercise prices (CAD$)		Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price (CAD$)
$0.24	**$0.48**	5,160,836	53 months	$0.25
$0.58	**$0.59**	513,334	12 months	$0.58
Total		5,674,170	49 months	$0.28

1,282,504 options are exercisable as at May 29, 2013. The weighted average exercise price of these options is CAD $0.45.

Charitable options:

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

Agent options:

As compensation for services related to the April 28, 2012 offering, the Company issued a total of 530,022 non-transferable compensation options to the lead agents. Each option entitles the agent to subscribe for one common share unit at a price of CAD $0.55 until October 28, 2013. These options expired unexercised.

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 three months. The Company will recognize contingent liabilities in a future period when they become known to the Company.

The Company has the following commitments outstanding:

1. The Company signed an exclusive license agreement with Eveready Battery Company, Inc. (the “Exclusive Agreement”), a subsidiary of Energizer Holdings, Inc., for the Company to manufacture a suite of LED lighting products under the brand name Energizer. The term of the Exclusive Agreement is from January 1, 2012 to March 31, 2015.

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

Years	Minimum Guaranteed Royalty
2013	$ 592,500
2014	756,000
2015	836,000

2. The Company signed a service agreement with DBA Tenzing Managed IT Services, for the Company to establish offsite IT infrastructure and related management services. The services primarily relate to administration of the supplied infrastructure, network availability, data backup and archiving. The term of the agreement is from March 12, 2012 (deployment date) to February 28, 2015.

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

Years	IT Hosting Fees
2013	$ 42,955
2014	42,955
2015	7,159

3. The Company signed a service agreement with Niagara Regional Broadband Network Limited, for the Company to establish high-speed fiber optic network bandwidth and related management services. The services primarily relate to the maintenance of the supplied fiber optic network and network availability for the Welland plant. The term of the agreement is from April 1, 2012 (deployment date) to March 31, 2016.

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

Years	IT Hosting Fees
2013	$ 8,744
2014	8,744
2015	8,744
2016	2,186

4. The Company signed a service agreement with Activo Inc, for the Company to establish high-speed fiber optic network bandwidth and related management services. The services primarily relate to the maintenance of the supplied fiber optic network and network availability for the Richmond Hill office. The term of the agreement is from Aug 1, 2013 (deployment date) to June 30, 2016.

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

Years	IT Hosting Fees
2013	$ 2,255
2014	2,255
2015	2,255
2016	1,128

5. The Company signed a tenant lease agreement for the use of office space located at 9120 Leslie Street, Suite 102, Richmond Hill, Ontario. The tenant agreement covers general rent of office space, operating costs, utilities and realty taxes. The term of the agreement is from August 1, 2013 to July 31, 2015.

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

Years	Rent
2013	$ 43,005
2014	43,617
2015	25,673

6. On September 19, 2012, the Company received a claim from an ex-employee claiming wrongful dismissal on August 28, 2012. The employee was made redundant as part of the rationalization process undertaken by the Company. The claim has resulted in a settlement with the ex-employee and accordingly a provision based on the settlement has been recorded in the trade and other payables in the Company's condensed consolidated interim statements of financial position.

7. On December 28, 2013, GE Lighting Solutions, LLC ("GE") filed a lawsuit against the Company claiming CRS has infringed two GE patents and has asked for an Order to have CRS destroy all infringing products and related moulds, machine, tooling or other equipment used in their manufacture, to prevent CRS from importing, manufacturing, using, selling and/or offering all infringing products and to have CRS pay damages to GE, together with costs and prejudgment and post-judgment interest. The amount of the claim for damages and costs was not stipulated in the lawsuit. CRS denies any wrongdoing or infringement of any patent owned by GE, believes the claim to be without merit and intends to vigorously defend against the GE lawsuit. No accruals have been made as a result.

Subsequent Events

a) On April 9, 2013, the Company announced the grant of new incentive stock options to acquire up to 2,500,000 common shares of the Company to the CEO of the Company, having a term of five years and an exercise price of $0.24 per share, vesting as to one-fourth at the end of each of the four anniversary dates following the date of grant and subject to the terms of the Company's stock option plan.

b) On April 18, 2013, the Company announced it has granted an aggregate of 1,870,000 stock options under its stock option plan to two officers and several employees of the Company. All of the options have a term of five years, are exercisable at a price of $0.24 per share and vest as to one-fourth at the end of each of the four anniversary dates following the date of grant and subject to the terms of the Company's stock option plan. A total of 1,000,000 options were granted to Chief Administrative Officer and 500,000 were granted to the Chief Technical Officer of the Company.

c) On May 2, 2013, the Company announced the proposed entering into of an agreement for a private placement by the Company to Ms. Yan Li, of up to 16,330,974 common shares of the Company at a price of $0.1837 per common share for total aggregate proceeds to the Company of approximately $3,000,000 in reliance on the minimum amount investment exemption. Ms. Yan Li is the Chief Administrative Officer of the Company.

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.

Proposed Transactions

CRS is not a party to any proposed transactions, other than the financing initiatives being pursued as described elsewhere in this document, which may have an effect on the financial condition, results of operations or cash flows or proposed asset or business acquisition or disposition.

Critical Accounting Policies

This MD&A should be read in conjunction with the Company's unaudited condensed interim financial statements for the three and nine months ended September 30, 2012, and the audited annual financial statements for the year ended December 31, 2011. 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 was no significant change to the critical accounting policies from the year ended December 31, 2011 during the nine month period ended September 30, 2012.

Accounting standards issued but not yet effective
Certain pronouncements were issued by the IASB that are mandatory for accounting periods beginning after January 1, 2013 or later periods.

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

IFRS 9, Financial Instruments ("IFRS 9):

In October 2010, the IASB issued IFRS 9. IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's financial statements commencing January 1, 2015. The Company is assessing the impact of this new standard on its financial statements.

IFRS 10, Consolidated Financial Statement ("IFRS 10"):

In May 2012, the IASB issued IFRS 10. IFRS 10, Consolidated Financial Statements, which replaces the consolidated requirements of SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This new standard is effective for the Company's financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its financial statements.

IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"):

In May 2012, the IASB issued IFRS 12. IFRS 12, Disclosure of Interests in Other Entities, establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for the Company's financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its financial statements.

IFRS 13, Fair Value Measurement ("IFRS 13"):

In May 2012, the IASB issued IFRS 13. IFRS 13, Fair Value Measurement, replaces the fair value guidance contained in individual IFRSs with a single source of fair value measurement guidance. The standard completes the IASB's project to converge fair value measurement in IFRS and United States Generally Accepted Accounting Principles. This new standard is effective for the Company's financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its financial statements.

Accounting standards issued but not yet effective, continued

IAS 1, Presentation of Financial Statements ("IAS 1"):

In June 2012, the IASB amended IAS 1, Presentation of Financial Statements. This amendment retains the "one or two statement" approach to presenting the Statements of Income and Comprehensive Income at the option of the entity and only revises the way other comprehensive income/(loss) is presented. This new standard is effective for the Company's financial statements commencing January 1, 2013. The Company anticipates no change to its financial statements as a result of this new standard.

Financial Instruments

[a] Fair value

The carrying values of cash and cash equivalents, accounts receivable, government incentives receivable, trade and other payables and notes payable do not materially differ from their fair values given their short-term period to maturity. The fair values of bank indebtedness, finance lease obligations 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. Three main customers represent 30.3%, 5.0% and 29.1% respectively of accounts receivable at March 31, 2013 (28.7%, 20.3% and 10.3% at December 31, 2012). 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.

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 (over normal credit term) 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, 2013	$366,384	$184,449	$77,026	$62,815	$690,674

[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 2013	March 31 2012
Cash and cash equivalents	3,229,202	4,392,331
Trade accounts receivable	276,366	236,628
Trade accounts payable	(39,151)	(60,481)
Short-term notes payable	(12,983)	(32,256)
Debt obligations	(488,125)	(669,832)

At March 31, 2013 a 10% change in the average exchange rate between U.S. dollars and Canadian dollars would have resulted in a $296,531 change on reported net loss and comprehensive loss for the three months.

Risk and Uncertainties

CRS operates in the LED lighting market and is exposed to a variety of risk factors and uncertainties in the normal course of operations. The risks and uncertainties that could materially affect our business, financial condition and results of operations are described in our Annual Report for the fiscal year 2012 which has been filed with Canadian securities regulatory authorities and is available at www.sedar.com under the corporate name CRS Electronics Inc. The risks disclosed in our annual report are not necessarily the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us, or that we currently believe to be immaterial, may also adversely affect our business.

There was no significant change to these risks and uncertainties during the period ended March 31, 2013 other than those described elsewhere in this MD&A.