



For Immediate Release

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Crossroads Systems Announces Q1'07 Results and Annual Meeting of Stockholders

AUSTIN, Texas—March 1, 2007—Crossroads Systems, Inc. (OTC Pink Sheets: CRDS.PK), a leading provider of business information assurance solutions for secure storage and data protection, today announced results for its fiscal first quarter ended January 31, 2007 (Q1'07).

Revenue totaled \$4.8 million for Q1'07 compared to \$7.1 million in the fiscal fourth quarter ended October 31, 2006 (Q4'06). Product revenue totaled \$1.8 million for Q1'07 compared to \$2.8 million for Q4'06. In addition, revenue from IP license, royalty and other totaled \$3.0 million for Q1'07 compared to \$4.3 million for Q4'06. The decrease of \$1.3 million was mainly a result of a decrease in IP license revenue being received in Q1'07, as royalties from HP remained consistent. Gross profit was \$3.9 million, or 82 percent for Q1'07, compared to \$4.7 million, or 67 percent for Q4'06. Net loss for Q1'07 was \$1.5 million, or \$0.05 cents loss per share, compared to a net loss of \$2.1 million, or \$0.08 cents loss per share in Q4'06.

In addition, Crossroads announced that it will hold its 2007 Annual Meeting of Stockholders on April 26, 2007 at 9:00 AM CDT at its corporate headquarters:

Crossroads Systems, Inc.
11000 N. MoPac Expressway
Austin, TX 78759 USA

About Crossroads Systems

With headquarters in Austin, Texas, Crossroads Systems is a leading provider of Business Information Assurance solutions. Crossroads solves today's growing data storage, business continuity, disaster recovery and information security markets needs. Our solutions are designed to help companies store, manage and ensure the security, resiliency and accessibility of their data. Crossroads products are sold as part of packaged offerings from companies such as EMC, HP, Quantum and SUN, and are distributed through partners such as ACAL, Bell Micro, Info-X, and Promark. Crossroads (CRDS.PK) is currently traded on the Pink Sheets. Crossroads is a member of the Storage Networking Industry Association (SNIA). For more information about Crossroads Systems, please visit www.crossroads.com or call 800-BUY-CRDS / 800.643.7148.

Forward-Looking Statements

Statements that Crossroads Systems, Inc. may publish, including those in this announcement that are not strictly historical, are "forward-looking" statements made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. This release may include forward-looking statements. The words "believe," "expect," "intend," "plan," "project," "will" and similar phrases as they relate to Crossroads are intended to identify such forward-looking statements. These statements reflect the current views and assumptions of Crossroads, and are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

* See Tables Attached*

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CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In Thousands)

	October 31, 2006	January 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 12,321	\$ 15,201
Short-term investments.....	3,955	-
Total cash, cash equivalents and short-term investments..	16,276	15,201
Accounts receivable, net	4,916	4,328
Inventories, net	114	146
Prepays and other current assets	766	648
Total current assets	22,072	20,323
Property and equipment, net	1,940	1,904
Intangible, net.....	5,460	5,109
Investment in NexQL.....	-	5,694
Goodwill.....	3,135	3,135
Other assets	45	45
Total assets	\$ 32,652	\$ 36,210
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,728	\$ 1,127
Accrued expenses	5,172	4,385
Accrued warranty costs	73	33
Deferred revenue	1,218	1,339
Total current liabilities	8,191	6,884
Long-term liabilities.....	2,363	2,363
Stockholders' equity	22,098	26,963
Total liabilities and stockholders' equity	\$ 32,652	\$ 36,210

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In Thousands, Except Share and Per Share Data)

	Three Months Ended	
	January 31,	
	<u>2006</u>	<u>2007</u>
Revenue:		
Product.....	\$ 1,548	\$ 1,794
IP License, royalty and other	<u>2,512</u>	<u>2,960</u>
Total revenue	4,060	4,754
Cost of revenue:		
Product.....	1,424	770
IP License, royalty and other	<u>31</u>	<u>106</u>
Total cost of revenue	<u>1,455</u>	<u>876</u>
Gross profit	<u>2,605</u>	<u>3,878</u>
Operating expenses:		
Sales and marketing	534	1,466
Research and development	2,962	3,023
General and administrative	621	484
FAS123R and stock based compensation.....	81	227
Business restructuring expense.....	328	-
Amortization of intangibles.....	<u>67</u>	<u>351</u>
Total operating expenses	<u>4,593</u>	<u>5,551</u>
Income (Loss) from operations	(1,988)	(1,673)
Interest income.....	<u>197</u>	<u>178</u>
Net Income (Loss).....	<u>\$ (1,791)</u>	<u>\$ (1,495)</u>
Basic and diluted net loss per share.....	(0.07)	(0.05)
Shares used in computing basic and diluted net loss per share	<u>26,572,096</u>	<u>27,798,031</u>

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended January 31,	
	2006	2007
Cash flows from operating activities:		
Net loss.....	\$ (1,791)	\$ (1,495)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation.....	308	286
Business restructuring expenses.....	-	-
Amortization of intangibles.....	67	351
Loss on disposal of fixed assets	34	-
Stock-based compensation.....	28	-
FAS 123R implementation.....	81	227
Provision for doubtful accounts receivable.....	(20)	(24)
Provision for excess and obsolete inventory.....	125	16
Changes in assets and liabilities:		
Accounts receivable.....	665	603
Inventories.....	784	(32)
Prepays and other current assets.....	(1,259)	116
Accounts payable.....	78	(568)
Accrued expenses and other.....	(274)	(597)
Net cash used in operating activities.....	<u>(1,174)</u>	<u>(1,117)</u>
Cash flows from investing activities:		
Purchase of property and equipment.....	(176)	(284)
Purchase of held-to-maturity investments.....	(3,000)	-
Maturity of held-to-maturity investments.....	3,100	3,955
Investment in privately-held company.....	-	(174)
Net cash provided by (used in) investing activities.....	<u>(76)</u>	<u>3,497</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock.....	59	500
Change in book overdraft.....	-	-
Net cash provided by financing activities.....	<u>59</u>	<u>500</u>
Net increase (decrease) in cash and cash equivalents.....	(1,191)	2,880
Cash and cash equivalents, beginning of period.....	15,030	12,321
Cash and cash equivalents, end of period.....	<u>\$ 13,839</u>	<u>\$ 15,201</u>