



For Immediate Release

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Crossroads Systems Announces Q2'07 Results

AUSTIN, Texas—May 31, 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 second quarter ended April 30, 2007 (Q2'07).

Revenue totaled \$4.9 million for Q2'07 compared to \$4.8 million in the fiscal first quarter ended January 31, 2007 (Q1'07). Product revenue totaled \$1.9 million for Q2'07 compared to \$1.8 million for Q1'07. In addition, revenue from IP license, royalty and other totaled \$3.0 million for Q2'07 compared to \$3.0 million for Q1'07. Gross profit was \$4.2 million, or 84 percent for Q2'07, compared to \$3.9 million, or 82 percent for Q1'07. Net loss for Q2'07 was \$2.3 million, or \$0.08 cents loss per share, compared to a net loss of \$1.5 million, or \$0.05 cents loss per share in Q1'07.

Crossroads Systems is in the process of completing a 382 study to understand the status of its net operating losses (NOLs). Under the Section 382 rules, a change in ownership can occur whenever there is a shift in ownership by more than 50 percentage points by one or more five-percent shareholders within a three-year period.

When a change of ownership is triggered, the NOLs may be impaired. In order to continue to protect this NOL asset, Crossroads Systems is requesting that all of its investors directly contact the company's investor relations department prior to allowing their ownership interest to approach a five percent level.

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)

	January 31, 2007	April 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 15,201	\$ 13,289
Short-term investments.....	-	-
Total cash, cash equivalents and short-term investments..	15,201	13,289
Accounts receivable, net	4,328	4,431
Inventories, net	146	102
Prepays and other current assets	648	698
Total current assets	20,323	18,520
Property and equipment, net	1,904	1,913
Intangible, net.....	5,109	4,629
Investment in NexQL.....	5,694	5,694
Goodwill.....	3,135	3,263
Other assets	45	44
Total assets	\$ 36,210	\$ 34,063
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,127	\$ 895
Accrued expenses	4,385	4,524
Accrued warranty costs	33	27
Deferred revenue	1,339	1,390
Total current liabilities	6,884	6,836
Long-term liabilities.....	2,363	2,363
Stockholders' equity	26,963	24,864
Total liabilities and stockholders' equity	\$ 36,210	\$ 34,063

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	2006	2007	2006	2007
Revenue:				
Product.....	\$ 1,522	\$ 1,966	\$ 3,070	\$ 3,760
IP License, royalty and other	1,058	2,972	3,570	5,932
Total revenue	2,580	4,938	6,640	9,692
Cost of revenue:				
Product.....	921	501	2,345	1,271
IP License, royalty and other	40	283	71	389
Total cost of revenue	961	784	2,416	1,660
Gross profit	1,619	4,154	4,224	8,032
Operating expenses:				
Sales and marketing	894	1,826	1,428	3,292
Research and development	3,410	3,512	6,248	6,535
General and administrative	1,009	701	1,630	1,185
FAS123R and stock based compensation.....	272	223	477	450
Business restructuring expense.....	-	-	328	-
Amortization of intangibles.....	67	351	134	702
Total operating expenses	5,652	6,613	10,245	12,164
Income (Loss) from operations	(4,033)	(2,459)	(6,021)	(4,132)
Interest and Other income.....	175	138	372	316
Net Income (Loss).....	<u>\$ (3,858)</u>	<u>\$ (2,321)</u>	<u>\$ (5,649)</u>	<u>\$ (3,816)</u>
Basic and diluted net loss per share.....	(0.14)	(0.08)	(0.21)	(0.14)
Shares used in computing basic and diluted net loss per share	<u>26,801,002</u>	<u>28,154,311</u>	<u>26,684,652</u>	<u>27,973,218</u>

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

	Six Months Ended April 30,	
	2006	2007
Cash flows from operating activities:		
Net loss.....	\$ (5,649)	\$ (3,816)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation.....	316	585
Business restructuring expenses.....	-	-
Amortization of intangibles.....	134	703
Loss on disposal of fixed assets	34	-
Stock-based compensation.....	28	-
FAS 123R implementation.....	229	449
Provision for doubtful accounts receivable.....	(64)	(37)
Provision for excess and obsolete inventory.....	224	37
Changes in assets and liabilities:		
Accounts receivable.....	1,723	513
Inventories.....	898	12
Prepays and other current assets.....	(263)	67
Accounts payable.....	292	(799)
Accrued expenses and other.....	(489)	(435)
Net cash used in operating activities.....	<u>(2,587)</u>	<u>(2,721)</u>
Cash flows from investing activities:		
Purchase of property and equipment.....	(319)	(592)
Purchase of held-to-maturity investments.....	(3,955)	-
Maturity of held-to-maturity investments.....	3,093	3,955
Investment in privately-held company.....	(3,608)	(174)
Net cash provided by (used in) investing activities.....	<u>(4,789)</u>	<u>3,189</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.....	(7,317)	968
Cash and cash equivalents, beginning of period.....	15,030	12,321
Cash and cash equivalents, end of period.....	<u>\$ 7,713</u>	<u>\$ 13,289</u>