

## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

**CROWDGATHER, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Rounded to the nearest \$1,000)

|   | (Unaudited)<br>January 31, 2017 | April 30, 2016 |
|---|---------------------------------|----------------|
| <b>ASSETS</b>   |                                 |                |
| Current assets  |                                 |                |
| Cash  | \$ 88,000                       | \$ 36,000      |
| Accounts receivable   | 33,000                          | 29,000         |
| Prepaid expenses and deposits   | 68,000                          | 61,000         |
| Total current assets  | 189,000                         | 126,000        |
| Property and equipment, net of accumulated depreciation                             | 11,000                          | 11,000         |
| Intangible and other assets, net of accumulated amortization                        | 3,187,000                       | 3,195,000      |
| Total assets  | \$ 3,387,000                    | \$ 3,332,000   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                 |                |
| Current liabilities   |                                 |                |
| Accounts payable  | \$ 114,000                      | \$ 217,000     |
| Accrued vacation  | 34,000                          | 34,000         |
| Other accrued liabilities   | 667,000                         | 184,000        |
| Convertible notes payable, net of discount  | 526,000                         | 239,000        |
| Notes payable to related parties  | 307,000                         | 319,000        |
| Notes payable   | 758,000                         | 758,000        |
| Derivative liabilities  | 520,000                         | 943,000        |
| Total current liabilities   | 2,926,000                       | 2,694,000      |
| Stockholders' equity  |                                 |                |
| Preferred stock, \$0.001 par, 25,000,000 shares authorized, 0 shares issued         | -                               | -              |
| Common stock, \$0.001 par, 975,000,000 shares authorized, 130,536,394 shares issued | 131,000                         | 122,000        |
| Additional paid-in capital  | 37,201,000                      | 37,066,000     |
| Accumulated deficit   | (36,871,000)                    | (36,550,000)   |
| Total stockholders' equity  | 461,000                         | 638,000        |
| Total liabilities and stockholders' equity  | \$ 3,387,000                    | \$ 3,332,000   |

See accompanying notes to condensed consolidated unaudited financial statements

**CROWDGATHER, INC.**  
**CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF OPERATIONS**  
(Rounded to the nearest \$1,000, except shares outstanding and loss per share)

|  | Nine Months Ended January 31, |                | Three Months Ended January 31, |              |
|--|-------------------------------|----------------|--------------------------------|--------------|
|  | 2017                          | 2016           | 2017                           | 2016         |
| Revenue  | \$ 309,000                    | 355,000        | 120,000                        | 98,000       |
| Cost of revenue  | 1,000                         | 2,000          | -                              | 1,000        |
| Gross profit   | 308,000                       | 353,000        | 120,000                        | 97,000       |
| Operating expenses   |                               |                |                                |              |
| Payroll and related expenses   | 386,000                       | 940,000        | 107,000                        | 274,000      |
| Stock based compensation   | 54,000                        | 97,000         | 18,000                         | 18,000       |
| General and administrative   | 369,000                       | 1,683,000      | 73,000                         | 443,000      |
| Legal settlements, net   | 15,000                        | -              | -                              | -            |
| Loss on disposal of assets   | 5,000                         | -              | -                              | -            |
| Total operating expenses   | 829,000                       | 2,720,000      | 198,000                        | 735,000      |
| Loss from operations   | (521,000)                     | (2,367,000)    | (78,000)                       | (638,000)    |
| Other income (expense), net  |                               |                |                                |              |
| Debt discount (expense), net fair value adjustment                             | (76,000)                      | (567,000)      | (49,000)                       | (139,000)    |
| Gain (loss) on sale of assets  | 100,000                       | -              | 100,000                        | -            |
| State interest and issuance (expense)  | -                             | (423,000)      | -                              | (222,000)    |
| Gain (loss) on notes payable   | -                             | 93,000         | -                              | -            |
| Change in fair value of derivative liabilities                                 | 750,000                       | -              | -                              | -            |
| Other interest (expense)   | (522,000)                     | (45,000)       | (49,000)                       | (43,000)     |
| Total Other income (expense), net  | 252,000                       | (942,000)      | 2,000                          | (404,000)    |
| Net income (loss) from continuing operations before provision for income taxes | (269,000)                     | (3,309,000)    | (76,000)                       | (1,042,000)  |
| Provision for income taxes   | 52,000                        | 1,000          | -                              | -            |
| Net income (loss) from continuing operations                                   | (321,000)                     | (3,310,000)    | (76,000)                       | (1,042,000)  |
| Discontinued operations  |                               |                |                                |              |
| Income (loss) from discontinued operations                                     | -                             | 1,005,000      | -                              | 286,000      |
| Net income (loss) from discontinued operations                                 | -                             | 1,005,000      | -                              | 286,000      |
| Net income (loss)  | \$ (321,000)                  | \$ (2,305,000) | \$ (76,000)                    | \$ (756,000) |
| Weighted average shares outstanding- basic and diluted                         | 130,536,394                   | 117,742,353    | 130,536,394                    | 120,036,572  |
| Net income (loss) per share – basic and diluted                                |                               |                |                                |              |
| Continuing operations  | \$ (0.00)                     | \$ (0.03)      | \$ (0.00)                      | \$ (0.01)    |
| Discontinued operations  | \$ -                          | \$ 0.01        | \$ -                           | \$ 0.00      |
| Net  | \$ (0.00)                     | \$ (0.02)      | \$ (0.00)                      | \$ (0.01)    |

See accompanying notes to condensed consolidated unaudited financial statements

**CROWDGATHER, INC.**  
**CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS**  
(Rounded to the nearest \$1,000)

|  | <b>Nine Months Ended</b> |                         |
|--|--------------------------|-------------------------|
|  | <b>January 31, 2017</b>  | <b>January 31, 2016</b> |
| <b>Cash flows from operating activities:</b>                                       |                          |                         |
| Net income (loss) from continuing operations                                       | \$ (321,000)             | \$ (3,310,000)          |
| Net income from discontinued operations  | -                        | 1,005,000               |
| <b>Adjustments to reconcile net loss to net cash used in operating activities:</b> |                          |                         |
| Depreciation and amortization  | 8,000                    | 599,000                 |
| Stock-based compensation   | 54,000                   | 97,000                  |
| Loss on extinguishment of debt   | -                        | (93,000)                |
| Debt discount expense  | 76,000                   | 567,000                 |
| Change in fair value of derivative liabilities                                     | (750,000)                | -                       |
| Non-cash interest  | 423,000                  | 423,000                 |
| <b>Changes in operating assets and liabilities:</b>                                |                          |                         |
| (Increase) decrease in accounts receivable   | (4,000)                  | 63,000                  |
| (Increase) decrease in prepaid expenses and deposits                               | (6,000)                  | (18,000)                |
| Increase in accounts payable and accrued liabilities                               | 181,000                  | 89,000                  |
| <b>Net cash used in operating activities</b>                                       | <b>(339,000)</b>         | <b>(578,000)</b>        |
| <b>Cash flows from investing activities:</b>                                       |                          |                         |
| Proceeds from sale of intangible assets  | 100,000                  | 11,000                  |
| <b>Net cash provided by investing activities</b>                                   | <b>100,000</b>           | <b>11,000</b>           |
| <b>Cash flows from financing activities:</b>                                       |                          |                         |
| Note extinguishment  |                          | (709,000)               |
| Line of credit   |                          | (330,000)               |
| Proceeds from the issuance of debt   | 291,000                  | 1,556,000               |
| <b>Net cash provided by financing activities</b>                                   | <b>291,000</b>           | <b>517,000</b>          |
| <b>Net increase (decrease) in cash</b>   | <b>52,000</b>            | <b>(50,000)</b>         |
| Cash, beginning of period  | 36,000                   | 74,000                  |
| Cash, end of period  | <u>\$ 88,000</u>         | <u>\$ 24,000</u>        |
| <b>Supplemental disclosure of cash flow information:</b>                           |                          |                         |
| Cash paid for:   |                          |                         |
| Income taxes   | \$ 1,000                 | \$ 1,000                |
| Non-cash transactions:   |                          |                         |
| Stock-based compensation   | \$ 90,000                | \$ 97,000               |

See accompanying condensed consolidated unaudited financial statements

**CROWDGATHER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**  
**JANUARY 31, 2017**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

CrowdGather, Inc. (hereinafter referred to as “we”, “us”, “our”, or “the company”) is a social networking, internet company that specializes in developing and hosting forum based websites and provides targeted advertising and marketing services for online customers. We are headquartered in Calabasas, California, and were incorporated under the laws of the State of Nevada on April 20, 2005. Through our merger with Plaor, Inc on May 19, 2014, we also develop, market and operate online social games as live services played over the Internet and on social networking sites and mobile platforms. Plaor’s initial social gaming platform is a simulated casino environment referred to as Mega Fame Casino. On March 18, 2016, we sold Plaor, Inc.

**Principles of Consolidation**

The accompanying consolidated financial statements include our activities and our wholly-owned subsidiaries, Adisn, Inc. and Plaor, Inc. All intercompany transactions have been eliminated.

**Basis of Presentation**

The condensed consolidated unaudited financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements included in our annual report on Form 10-K for the year ended April 30, 2016. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended January 31, 2017, are not necessarily indicative of the results that may be expected for any other interim period or the entire year. For further information, these unaudited financial statements and the related notes should be read in conjunction with our audited financial statements for the year ended April 30, 2016, included in our annual report on Form 10-K.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could materially differ from those estimates.

**Identifiable Intangible Assets**

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 350, *Intangibles – Goodwill and Other* (ASC 350), goodwill and intangible assets with indefinite lives are not amortized but instead are measured for impairment at least annually in the fourth quarter, or when events indicate that impairment exists. As required by ASC 350, in the impairment tests for indefinite-lived intangible assets, we compare the estimated fair value of the indefinite-lived intangible assets, website domain names, using a combination of discounted cash flow analysis and market value comparisons. If the carrying value exceeds the estimate of fair value, we calculate the impairment as the excess of the carrying value over the estimate of fair value and accordingly record the loss.

Intangible assets that are determined to have definite lives are amortized over the shorter of their legal lives or their estimated useful lives and are measured for impairment only when events or circumstances indicate the carrying value may be impaired in accordance with ASC 360, *Property, Plant and Equipment* discussed below. We recognized \$8,000 of impairment during the nine months ended January 31, 2017.

## **Impairment of Long-Lived Assets**

In accordance with ASC 360, we estimate the future undiscounted cash flows to be derived from the asset to assess whether or not a potential impairment exists when qualitative events or circumstances indicate the carrying value of a long-lived asset may be impaired. If the carrying value exceeds our estimate of future undiscounted cash flows, we then calculate the impairment as the excess of the carrying value of the asset over our estimate of its fair value. We recognized no impairment during the nine months ended January 31, 2017.

## **Investments**

Investments are classified as available for sale and consist of marketable equity securities. Investments are stated at fair value and unrealized holding gains and losses, net of the related tax effect, are reported as a component of accumulated other comprehensive income until realized. Realized gains or losses on disposition of investments are computed on the “specific identification” method and are reported as income or loss in the period of disposition on our consolidated statements of operations.

## **Revenue Recognition**

We currently work with third-party advertising networks and advertisers pay for advertising on a cost per thousand impressions, cost per click or cost per action basis. We also derive revenue from the sale of virtual goods associated with our online games, as well as from services provided for customer events. All sales are recorded in accordance with ASC 605, *Revenue Recognition*. Revenue is recognized when all the criteria have been met:

- When persuasive evidence of an arrangement exists.
- The services have been provided to the customer.
- The fee is fixed or determinable.
- Collectability is reasonably assured.

### *Online Game*

Our former wholly owned subsidiary Plaor operated Mega Fame Casino (“MFC”), a full-featured free-to-play online social casino. MFC is available on Facebook, Google Play, and the Apple App Store. MFC generates revenue through the sale of virtual currency to players that they may exchange to play at any of our online slot machines, video poker machines, Hold’em style poker tables, or for other features and experiences available within MFC. Players can pay for our virtual currency using Facebook credits (prior to July 2013) or Facebook local currency payments (beginning July 2013) when playing our games through Facebook and can use other payment methods such as credit cards or PayPal on other platforms.

Revenue from the sale of virtual currency to players is recognized when the service has been provided to the player, assuming all other revenue recognition criteria have been met. We have determined that an implied obligation exists by the Company to the paying player to continue displaying the purchased virtual goods within the online game over their estimated life or until they are consumed. The proceeds from the sale of virtual goods are initially recorded as deferred revenue. We recognize revenue as the goods are consumed, assuming all other revenue recognition criteria have been met, which is generally over a period of 90 days. Deferred revenue associated with the operation MFC has been presented as discontinued operations on our income statement and statement of financial position. Please see Note 4 for additional detail.

## **Cost of Revenue**

Our cost of revenue consists primarily of the direct expenses incurred in order to generate revenue. Such costs are recorded as incurred. Our cost of revenue consists primarily of virtual good transaction fees paid to platform operators such as Facebook, Google, and Apple. We also record costs related to the fulfillment of specific customer advertising campaigns and the costs associated with the manufacture and distribution of our synthetic human pheromone consumer products.

## **Stock Based Compensation**

We account for employee stock option grants in accordance with ASC 718, *Compensation – Stock Compensation*. ASC 718 establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. ASC 718 requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments

based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period (usually the vesting period).

For options and warrants issued as compensation to non-employees for services that are fully vested and non-forfeitable at the time of issuance, the estimated value is recorded in equity and expensed when the services are performed and benefit is received as provided by ASC 505-50, *Equity – Disclosure*. For unvested shares, the change in fair value during the period is recognized in expense using the graded vesting method.

### **Internal-Use Software Development Costs**

We expense costs as incurred for internal-use software during the preliminary stages of development. Costs incurred during the application development stage are capitalized, subject to their recoverability. All costs incurred after the software has been implemented and is fully operational are expensed as incurred. As of January 31, 2017, we have not capitalized any internal-use software development costs.

### **Comprehensive Loss**

We apply ASC No. 220, *Comprehensive Income* (ASC 220). ASC 220 establishes standards for the reporting and display of comprehensive income or loss, requiring its components to be reported in a financial statement that is displayed with the same prominence as other financial statements. We incurred no items of comprehensive loss during the nine months ended January 31, 2017. As a result, comprehensive loss and our net loss were identical for the nine months ended January 31, 2017.

### **Recent Accounting Pronouncements**

There were various accounting updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on our condensed consolidated financial position, results of operations or cash flows.

### **Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year presentation.

## **2. GOING CONCERN**

We have incurred a net loss of \$321,000 for the nine months ended January 31, 2017 and have an accumulated deficit of \$36,871,000 as of January 31, 2017, and additional debt or equity financing will be required to fund our activities and to support our operations. However, there is no assurance we will be able to obtain additional financing. Furthermore, there is no assurance that rapid technological changes, changing customer needs and evolving industry standards will enable us to introduce new products on a continual and timely basis so that profitable operations can be attained.

## **3. ACQUISITION**

### *Plaor Merger*

On May 19, 2014, we completed a merger agreement for 100% of the issued and outstanding common stock of Plaor, Inc. (Plaor), a social gaming company, pursuant to which Plaor survived as our wholly-owned subsidiary (“Merger”). The Company issued 55,075,801 shares of its \$0.01 par value common stock to the shareholders of Plaor. These shares were valued for the Company's accounting purposes at \$0.11 per share which represented the closing share price of the Company's stock on May 19, 2014. The total value of the acquisition was approximately \$6,058,000 and has been allocated in accordance with ASC 805 as per the Company's valuation estimate as follows:

|  |    |           |
|--|----|-----------|
| Cash and cash equivalent                       | \$ | 102,000   |
| Accounts receivable, Net                       |    | 87,000    |
| Prepays and other assets                       |    | 25,000    |
| Property and equipment                         |    | 18,000    |
| Amortizable intangible assets:                 |    |           |
| Trademarks, trade name, licensing and branding |    | 4,066,000 |

|                                   |                     |
|-----------------------------------|---------------------|
| Goodwill allocated                | 1,817,000           |
| Total assets acquired             | 6,115,000           |
| Fair value of liabilities assumed | (232,000)           |
| Net fair value                    | <u>\$ 5,883,000</u> |

In addition, in connection with the Merger, Hazim Ansari was appointed a director of CrowdGather. See our Current Report on Form 8-K filed on May 5, 2014.

#### **4. SALE OF PLAOR, INC. AND DISCONTINUED OPERATIONS**

On March 18, 2016 we sold our wholly owned subsidiary Plaor, Inc. to Native Games America, LLC (“NGA”). The sale allows us to focus more directly on our core online communities and digital cannabis businesses while also removing approximately \$1,848,000 of current debt and accrued interest from our balance sheet along with the elimination of approximately \$589,000 of liabilities related to Plaor, Inc.

At close of the transaction on March 18, 2016, NGA assumed \$1,848,000 of debt and accrued interest, \$589,000 of outstanding liabilities and made cash payments of \$200,000 to the Company and cash payments on behalf of Plaor to settle liabilities of \$284,000. The balance was a note receivable of \$731,000. Based on discussion with the management of NGA we impaired the balance in note receivable on our balance sheet to \$0.

The Company has recorded termination of its operations of Plaor, Inc as of March 18, 2016, in accordance with Accounting Standards Codification (ASC) No. 205-20, Discontinued Operations. As such, the historical results of Plaor, Inc. have been adjusted to include discontinued-related costs and exclude corporate allocations with CrowdGather, Inc and have been classified as discontinued operations in all periods presented.

#### **5. INVESTMENTS**

Our investments consist of 714,286 shares of Human Pheromone, Inc. restricted common stock acquired in January 2012. These securities are classified as available for sale and are stated at fair value.

#### **6. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

|  | <u>January 31, 2017</u> | <u>April 30, 2016</u> |
|--|-------------------------|-----------------------|
| Furniture, fixtures and office equipment | \$ 31,000               | \$ 31,000             |
| Computers, servers and equipment         | 594,000                 | 594,000               |
|  | <u>625,000</u>          | <u>625,000</u>        |
| Less: accumulated depreciation           | <u>(614,000)</u>        | <u>(614,000)</u>      |
|  | <u>\$ 11,000</u>        | <u>\$ 11,000</u>      |

Depreciation expense was \$0 and \$8,000 for the nine months ended January 31, 2017 and 2016, respectively.  
nine months

#### **7. INTANGIBLE ASSETS**

Intangibles are either amortized over their estimated lives, if a definite life is determined, or are not amortized if their life is considered indefinite. We account for the intangible assets at cost. Intangible assets acquired in a business combination, if any, are recorded under the purchase method of accounting at their estimated fair values at the date of acquisition. Intangibles consist of the following:



|                                    | <u>Est. Life</u> | <u>January 31, 2017</u> | <u>April 30, 2016</u> |
|------------------------------------|------------------|-------------------------|-----------------------|
| Online forums and related websites | Indefinite       | \$ 3,195,000            | \$ 4,216,000          |
| Less: impairment                   |                  | (8,000)                 | (1,021,000)           |
|                                    |                  | <u>\$ 3,187,000</u>     | <u>\$ 3,195,000</u>   |

In accordance with ASC 350-30 *General Intangibles Other Than Goodwill*, we evaluate the remaining useful life of our intangible assets not being amortized to determine whether events and circumstances continue to support an indefinite useful life. As of January 31, 2017 and April 30, 2016 we determined that our forum assets remained indefinite-lived assets not subject to amortization. We considered factors including: expected cash flow, our historical experiences, regulatory factors and the effects of possible obsolescence and maintenance required to support the assets.

As of January 31, 2017 and April 30, 2016, we determined that the fair value of our online forums and related websites did not exceed its carrying value and therefore was impaired. We recorded an impairment charge of approximately \$8,000 and \$1,021,000 and held a net carrying value after impairment of \$3,187,000 and \$3,195,000 as January 31, 2017 and April 30, 2016. The impairment amount was determined using the income approach and specifically the multi-period excess earnings method. We engaged the services of an independent appraisal firm to conduct the impairment analysis according to US GAPP principles including ASC 350 *Intangibles – Goodwill and Other*.

On April 8, 2015, we acquired the digital assets of Weedtracker.com and related online community in exchange for a \$5,000 cash payment due December 31, 2015 and 250,000 shares of our \$0.001 par value common stock, valued for accounting purposes at \$0.08 per share which represented the closing share price on the closing date of the transaction for a total stock based payment of \$20,000. As a result, the total purchase price was \$25,000.

On August 11, 2015, we acquired the digital assets of CouponsForWeed.com and related mobile application in exchange for a \$1,000 cash payment due at closing and 28,571 shares of our \$0.001 par value common stock, valued for accounting purposes at \$0.05 per share which represented the volume weighted average share price on the closing date of the transaction for a total stock based payment of \$1,000. As a result, the total purchase price was \$2,000.

## 8. STOCK OPTIONS

In May 2008 our board of directors approved the CrowdGather, Inc. 2008 Stock Option Plan (the Plan). The Plan permits flexibility in types of awards, and specific terms of awards, which will allow future awards to be based on then-current objectives for aligning compensation with increasing long-term shareholder value.

For the three months ended January 31, 2017 and 2016, we recognized \$18,000 and \$18,000 of stock-based compensation costs, respectively, as a result of the issuance of stock options to employees, directors and consultants in accordance with ASC 505.

A summary of the status of our unvested shares as of January 31, 2017 is presented below:

|                                      | <u>Number<br/>of Shares</u> | <u>Weighted-Average Grant-<br/>Date Fair Value</u> |
|--------------------------------------|-----------------------------|--|
| Non-vested balance, April 30, 2016   | 353,000                     | \$ 0.06  |
| Granted                              | -                           | -  |
| Vested                               | (309,000)                   | 0.06   |
| Forfeited/Expired                    | -                           | -  |
| Non-vested balance, January 31, 2017 | <u>44,000</u>               | <u>\$ 0.06</u>                                     |

As January 31, 2017, total unrecognized stock-based compensation cost related to unvested stock options was \$3,000 which is expected to be recognized over a weighted-average period of approximately 3 months.

## 9. COMMITMENTS AND CONTINGENCIES

As of July 31, 2015, we leased approximately 1,309 square feet of office space located at 23945 Calabasas Road, Suite 115, Calabasas California. The term of our lease is nine months. Our rent is \$2,553 per month. The Company no longer occupies this office space.

As of the date of this report, we are not currently involved in any legal proceeding that we believe has a material adverse effect on our business, financial condition or operating results.

## 10. NOTES PAYABLE

The following is a summary of notes payable as of January 31, 2017 and April 30, 2016. For further information, these unaudited financial statements and the related notes should be read in conjunction with our audited financial statements for the year ended April 30, 2016, included in our annual report on Form 10-K.

| Note name   | Note Date | Interest Rate | Due Date | Conversion Rate | Warrant Shares | April 30, 2016      | Cash Proceeds     | Conversion          | Debt Discount       | Amortization of Debt Discount | July 31, 2016       | Cash Proceeds    | Debt Discount      | Amortization of Debt Discount | October 31, 2016    | Cash Proceeds    | Amortization of Debt Discount | 1/31/2017           |
|---|-----------|---------------|----------|-----------------|----------------|---------------------|-------------------|---------------------|---------------------|-------------------------------|---------------------|------------------|--------------------|-------------------------------|---------------------|------------------|-------------------------------|---------------------|
| <b>CONVERTIBLE DEBT</b>                                 |           |               |          |                 |                |                     |                   |                     |                     |                               |                     |                  |                    |                               |                     |                  |                               |                     |
| Iain MacNicol   | 9/9/16    | 12.0%         | 12/8/16  | \$ 0.01         | 1,250,000      | \$ -                | \$ -              | \$ -                | \$ -                | \$ -                          | \$ -                | \$ 28,000        | \$ -               | \$ -                          | \$ 28,000           | \$ -             | \$ -                          | \$ 28,000           |
| Darius Gandhi   | 9/6/16    | 12.0%         | 12/5/16  | \$ 0.01         | 1,375,000      | -                   | -                 | -                   | -                   | -                             | -                   | 25,000           | -                  | -                             | 25,000              | -                | -                             | 25,000              |
| Darius Gandhi   | 7/6/16    | 12.0%         | 10/4/16  | \$ 0.01         | 3,750,000      | -                   | 75,000            | -                   | -                   | -                             | 75,000              | -                | -                  | -                             | 75,000              | -                | -                             | 75,000              |
| Manju Vaswani   | 6/7/16    | 12.0%         | 9/5/16   | \$ 0.01         | 3,750,000      | -                   | 50,000            | -                   | -                   | -                             | 50,000              | -                | -                  | -                             | 50,000              | -                | -                             | 50,000              |
| Bosko Djordjevic  | 6/28/16   | 12.0%         | 9/26/16  | \$ 0.01         | 3,750,000      | -                   | 75,000            | -                   | -                   | -                             | 75,000              | -                | -                  | -                             | 75,000              | -                | -                             | 75,000              |
| Vinay 20150504  | 5/4/15    | 8.0%          | 6/7/18   | \$ 0.01         | n/a            | 150,000             | -                 | -                   | -                   | -                             | 150,000             | -                | -                  | -                             | 150,000             | -                | -                             | 150,000             |
| Vinay 20150605  | 6/5/15    | 8.0%          | 6/7/18   | \$ 0.01         | n/a            | 100,000             | -                 | -                   | -                   | -                             | 100,000             | -                | -                  | -                             | 100,000             | -                | -                             | 100,000             |
| Vinay 20150123  | 1/23/15   | 8.0%          | 6/7/18   | \$ 0.01         | n/a            | 154,000             | -                 | -                   | -                   | -                             | 154,000             | -                | -                  | -                             | 154,000             | -                | -                             | 154,000             |
| Iconic 20150921   | 9/21/15   | 8.0%          | 4/20/16  | \$ 0.01         | n/a            | 147,000             | -                 | (90,000)            | -                   | -                             | 57,000              | -                | -                  | -                             | 57,000              | -                | -                             | 57,000              |
|   |           |               |          |                 |                | 551,000             | 200,000           | (90,000)            | -                   | -                             | 661,000             | 53,000           | -                  | -                             | 714,000             | -                | -                             | 714,000             |
| <b>CONVERTIBLE DEBT DISCOUNT (Derivative Liability)</b> |           |               |          |                 |                |                     |                   |                     |                     |                               |                     |                  |                    |                               |                     |                  |                               |                     |
| Iain MacNicol   | 9/9/16    | 12.0%         | 12/8/16  | \$ 0.01         | n/a            | -                   | -                 | -                   | -                   | -                             | -                   | -                | (24,000)           | 16,000                        | (8,000)             | -                | 8,000                         | -                   |
| Darius Gandhi   | 9/6/16    | 12.0%         | 12/5/16  | \$ 0.01         | n/a            | -                   | -                 | -                   | -                   | -                             | -                   | -                | (24,000)           | 16,000                        | (8,000)             | -                | 8,000                         | -                   |
| Darius Gandhi   | 7/6/16    | 12.0%         | 10/4/16  | \$ 0.01         | n/a            | -                   | -                 | -                   | (75,000)            | 25,000                        | (50,000)            | -                | -                  | 50,000                        | -                   | -                | -                             | -                   |
| Manju Vaswani   | 6/7/16    | 12.0%         | 9/5/16   | \$ 0.01         | n/a            | -                   | -                 | -                   | (50,000)            | 34,000                        | (16,000)            | -                | -                  | 16,000                        | -                   | -                | -                             | -                   |
| Bosko Djordjevic  | 6/28/16   | 12.0%         | 9/26/16  | \$ 0.01         | n/a            | -                   | -                 | -                   | (75,000)            | 50,000                        | (25,000)            | -                | -                  | 25,000                        | -                   | -                | -                             | -                   |
| Vinay 20150504  | 5/4/15    | 8.0%          | 6/7/18   | \$ 0.01         | n/a            | (103,000)           | -                 | -                   | -                   | 12,000                        | (91,000)            | -                | -                  | 12,000                        | (79,000)            | -                | 12,000                        | (67,000)            |
| Vinay 20150605  | 6/5/15    | 8.0%          | 6/7/18   | \$ 0.01         | n/a            | (71,000)            | -                 | -                   | -                   | 8,000                         | (63,000)            | -                | -                  | 8,000                         | (55,000)            | -                | 8,000                         | (47,000)            |
| Vinay 20150123  | 1/23/15   | 8.0%          | 6/7/18   | \$ 0.01         | n/a            | (113,000)           | -                 | -                   | -                   | 13,000                        | (100,000)           | -                | -                  | 13,000                        | (87,000)            | -                | 13,000                        | (74,000)            |
| Iconic 20150921   | 9/21/15   | 8.0%          | 4/20/16  | \$ 0.01         | n/a            | (25,000)            | -                 | -                   | -                   | 25,000                        | -                   | -                | -                  | -                             | -                   | -                | -                             | -                   |
|   |           |               |          |                 |                | (312,000)           | -                 | -                   | (200,000)           | 167,000                       | (345,000)           | -                | (48,000)           | 156,000                       | (237,000)           | -                | 49,000                        | (188,000)           |
| <b>TOTAL CONVERTIBLE DEBT</b>                           |           |               |          |                 |                | <b>239,000</b>      | <b>200,000</b>    | <b>(90,000)</b>     | <b>(200,000)</b>    | <b>167,000</b>                | <b>316,000</b>      | <b>53,000</b>    | <b>(48,000)</b>    | <b>156,000</b>                | <b>477,000</b>      | <b>-</b>         | <b>49,000</b>                 | <b>526,000</b>      |
| <b>CONVENTIONAL DEBT</b>                                |           |               |          |                 |                |                     |                   |                     |                     |                               |                     |                  |                    |                               |                     |                  |                               |                     |
| Vinay   | 7/16/15   | 12.0%         | 6/7/18   | n/a             | n/a            | 96,000              | -                 | -                   | -                   | -                             | 96,000              | -                | -                  | -                             | 96,000              | -                | -                             | 96,000              |
| Vinay   | 7/23/15   | 12.0%         | 6/7/18   | n/a             | n/a            | 372,000             | -                 | -                   | -                   | -                             | 372,000             | -                | -                  | -                             | 372,000             | -                | -                             | 372,000             |
| Vinay   | 8/18/15   | 12.0%         | 6/7/18   | n/a             | n/a            | 100,000             | -                 | -                   | -                   | -                             | 100,000             | -                | -                  | -                             | 100,000             | -                | -                             | 100,000             |
| Vinay   | 10/14/15  | 12.0%         | 6/7/18   | n/a             | n/a            | 50,000              | -                 | -                   | -                   | -                             | 50,000              | -                | -                  | -                             | 50,000              | -                | -                             | 50,000              |
| Vinay   | 10/22/15  | 12.0%         | 6/7/18   | n/a             | n/a            | 40,000              | -                 | -                   | -                   | -                             | 40,000              | -                | -                  | -                             | 40,000              | -                | -                             | 40,000              |
| Vinay   | 11/15/15  | 12.0%         | 6/7/18   | n/a             | n/a            | 50,000              | -                 | -                   | -                   | -                             | 50,000              | -                | -                  | -                             | 50,000              | -                | -                             | 50,000              |
| Vinay   | 12/1/15   | 12.0%         | 6/7/18   | n/a             | n/a            | 50,000              | -                 | -                   | -                   | -                             | 50,000              | -                | -                  | -                             | 50,000              | -                | -                             | 50,000              |
|   |           |               |          |                 |                | 758,000             | -                 | -                   | -                   | -                             | 758,000             | -                | -                  | -                             | 758,000             | -                | -                             | 758,000             |
| <b>RELATED PARTY DEBT</b>                               |           |               |          |                 |                |                     |                   |                     |                     |                               |                     |                  |                    |                               |                     |                  |                               |                     |
| Sabuni  | 4/13/15   | 12.0%         | 10/15/16 | n/a             | n/a            | 50,000              | -                 | (50,000)            | -                   | -                             | -                   | -                | -                  | -                             | -                   | -                | -                             | -                   |
| Sabuni  | 4/17/15   | 12.0%         | 4/15/17  | n/a             | n/a            | 239,000             | -                 | -                   | -                   | -                             | 239,000             | 16,000           | -                  | -                             | 255,000             | 22,000           | -                             | 277,000             |
| Ansari  | 9/15/15   | 12.0%         | 4/15/17  | n/a             | n/a            | 10,000              | -                 | -                   | -                   | -                             | 10,000              | -                | -                  | -                             | 10,000              | -                | -                             | 10,000              |
| Sacks   | 9/15/15   | 12.0%         | 4/15/17  | n/a             | n/a            | 10,000              | -                 | -                   | -                   | -                             | 10,000              | -                | -                  | -                             | 10,000              | -                | -                             | 10,000              |
| Corredera   | 9/17/15   | 12.0%         | 4/15/17  | n/a             | n/a            | 10,000              | -                 | -                   | -                   | -                             | 10,000              | -                | -                  | -                             | 10,000              | -                | -                             | 10,000              |
| <b>TOTAL RELATED PARTY DEBT</b>                         |           |               |          |                 |                | <b>319,000</b>      | <b>-</b>          | <b>(50,000)</b>     | <b>-</b>            | <b>-</b>                      | <b>269,000</b>      | <b>16,000</b>    | <b>-</b>           | <b>-</b>                      | <b>285,000</b>      | <b>22,000</b>    | <b>-</b>                      | <b>307,000</b>      |
| <b>TOTAL</b>  |           |               |          |                 |                | <b>\$ 1,316,000</b> | <b>\$ 200,000</b> | <b>\$ (140,000)</b> | <b>\$ (200,000)</b> | <b>\$ 167,000</b>             | <b>\$ 1,343,000</b> | <b>\$ 69,000</b> | <b>\$ (48,000)</b> | <b>\$ 156,000</b>             | <b>\$ 1,520,000</b> | <b>\$ 22,000</b> | <b>\$ 49,190</b>              | <b>\$ 1,591,000</b> |

On May 10, 2016 we received a notice of conversion from Iconic Holdings, LLC (“Iconic”) related to the note originally issued to them on September 21, 2015. Iconic elected to convert \$20,000 of the outstanding balance of the note to our common stock at a price of \$0.01 per share as per our second amendment of the note dated April 15, 2016. We issued Iconic 2,000,000 shares of common stock. The remaining principal balance of the note following the issuance of shares was \$127,000.

On May 24, 2016 we received a notice of conversion from Iconic Holdings, LLC (“Iconic”) related to the note originally issued to them on September 21, 2015. Iconic elected to convert \$20,000 of the outstanding balance of the note to our common stock at a price

of \$0.01 per share as per our second amendment of the note dated April 15, 2016. We issued Iconic 2,000,000 shares of common stock. The remaining principal balance of the note following the issuance of shares was \$107,000.

On June 7, 2016, we issued a Promissory Note for \$50,000 received from an individual. The proceeds were to provide us with working capital. Under the terms of the Note, the balance of the note will be converted into our shares of our common stock at a price of \$0.01 per share on the 90<sup>th</sup> day following the issuance of the note.

On June 7, 2016, we issued a Promissory Note for \$75,000 received from an individual. The proceeds were to provide us with working capital. Under the terms of the Note, the balance of the note will be converted into our shares of our common stock at a price of \$0.01 per share on the 90<sup>th</sup> day following the issuance of the note.

On June 23, 2016, we granted to three individuals an aggregate amount of 500,000 options to purchase shares of common stock of the Company, under the 2008 Stock Option Plan, at a purchase of \$0.01 per share. The stock options vest quarterly over a two year period and expire on the earlier of nine months from the end of the business relationship or June 23, 2026.

On June 28, 2016, we issued a Promissory Note for \$75,000 received from an individual. The proceeds were to provide us with working capital. Under the terms of the Note, the balance of the note will be converted into our shares of our common stock at a price of \$0.01 per share on the 90<sup>th</sup> day following the issuance of the note.

On July 19, 2016, Crowdgather, Inc. (the "Company") issued 5,793,267 shares of restricted common stock to Sanjay Sabnani (CEO) related to a \$56,000 loan on April 13, 2014. The shares were issued pursuant to a settlement of a Promissory Note. Mr. Sabnani converted the remaining \$58,000 due to him into 5,793,267 shares of restricted common stock of CrowdGather, Inc. The conversion rate was \$0.01 per share and this conversion extinguishes the Note.

On September 6, 2016, we issued a Promissory Note for \$27,500 received from an individual. The proceeds were to provide us with working capital. Under the terms of the Note, the balance of the note will be converted into our shares of our common stock at a price of \$0.01 per share on the 90<sup>th</sup> day following the issuance of the note.

On September 9, 2016, we issued a Promissory Note for \$25,000 received from an individual. The proceeds were to provide us with working capital. Under the terms of the Note, the balance of the note will be converted into our shares of our common stock at a price of \$0.01 per share on the 90<sup>th</sup> day following the issuance of the note.

On October 24, 2016, we issued a Promissory Note for \$50,000 received from Sanjay Sabnani, our Chief Executive Officer. The proceeds were to provide us with working capital. Under the terms of the Note, the balance of the note and interest at a rate of 12% per year will be due 18 months from the issuance of the Note.

On November 11, 2016 CrowdGather entered into a licensing agreement for its free forum communities (including [Yuku.com](http://Yuku.com), [Freeforums.org](http://Freeforums.org), [Forumer.com](http://Forumer.com), and [Lefora.com](http://Lefora.com)) with Tapatalk, Inc. in order to address needs for greater engineering and infrastructure support. As a result of this agreement, Tapatalk will pay CrowdGather license fees including an upfront payment covering the first nine months of operations of \$100,000 received on November 16, 2016. After the initial nine months, Tapatalk will make royalty payments amounting to no less than \$10,000 per month and no more than \$30,000 per month. \$5,000 will be withheld for costs. Tapatalk will take over all costs and operations of the hosted forum business thereby allowing CrowdGather to focus its resources on developing a mobile application for its relaunch of [WeedTracker.com](http://WeedTracker.com) in the first half of 2017.

We recorded interest expense of \$522,000 and \$468,000 related to notes payable for the nine months ended January 31, 2017 and 2016, respectively. As of January 31, 2017 and April 30, 2016 accrued interest was \$272,000 and \$139,000, respectively.

## **11. DERIVATIVE LIABILITIES**

The following is a summary of the fair value of the derivative liability for the above noted convertible notes as of January 31, 2017 and April 30, 2016. For further information, these unaudited financial statements and the related notes should be read in conjunction with our audited financial statements for the year ended April 30, 2016, included in our annual report on Form 10-K.

| Note name                            | April 30, 2016    | Estimated Fair Value Upon Issuance | Change in Estimated Fair Value | July 31, 2016     | Estimated Fair Value Upon Issuance | Change in Estimated Fair Value | October 31, 2016  |
|--------------------------------------|-------------------|------------------------------------|--------------------------------|-------------------|------------------------------------|--------------------------------|-------------------|
| <b>EMBEDDED CONVERSION FEATURE</b>   |                   |                                    |                                |                   |                                    |                                |                   |
| Darius Gandhi 20160909               | \$ -              | \$ -                               | \$ -                           | \$ -              | \$ 10,000                          | \$ (4,000)                     | \$ 6,000          |
| Iain MacNicol 20160906               | -                 | -                                  | -                              | -                 | 12,000                             | (6,000)                        | 6,000             |
| Gandhi 20160607                      | -                 | 47,000                             | (14,000)                       | 33,000            | -                                  | (14,000)                       | 19,000            |
| Manju Vaswani 20160607               | -                 | 51,000                             | (27,000)                       | 24,000            | -                                  | (5,000)                        | 19,000            |
| Bosko Djordjevic 20160628            | -                 | 69,000                             | (39,000)                       | 30,000            | -                                  | (15,000)                       | 15,000            |
| Vinay 20150504                       | 350,000           | -                                  | (212,000)                      | 138,000           | -                                  | (15,000)                       | 123,000           |
| Vinay 20150605                       | 234,000           | -                                  | (142,000)                      | 92,000            | -                                  | (10,000)                       | 82,000            |
| Vinay 20150123                       | 359,000           | -                                  | (217,000)                      | 142,000           | -                                  | (15,000)                       | 127,000           |
|                                      | -                 | -                                  | -                              | -                 | -                                  | -                              | -                 |
| <b>TOTAL Conv Deriv Liability</b>    | <b>\$ 943,000</b> | <b>\$ 167,000</b>                  | <b>\$ (651,000)</b>            | <b>\$ 459,000</b> | <b>\$ 22,000</b>                   | <b>\$ (84,000)</b>             | <b>\$ 397,000</b> |
| <b>WARRANT</b>                       |                   |                                    |                                |                   |                                    |                                |                   |
| Darius Gandhi 20160909               | -                 | -                                  | -                              | -                 | 11,000                             | 1,000                          | 12,000            |
| Iain MacNicol 20160906               | -                 | -                                  | -                              | -                 | 12,000                             | -                              | 12,000            |
| Gandhi 20160607                      | -                 | 35,000                             | 1,000                          | 36,000            | -                                  | (3,000)                        | 33,000            |
| Vinay Holdings 20160607              | -                 | 33,000                             | 3,000                          | 36,000            | -                                  | (3,000)                        | 33,000            |
| Bosko Djordjevic 20160628            | -                 | 48,000                             | (15,000)                       | 33,000            | -                                  | -                              | 33,000            |
|                                      | -                 | -                                  | -                              | -                 | -                                  | -                              | -                 |
| <b>TOTAL Warrant Deriv Liability</b> | <b>\$ -</b>       | <b>\$ 116,000</b>                  | <b>\$ (11,000)</b>             | <b>\$ 105,000</b> | <b>\$ 23,000</b>                   | <b>\$ (5,000)</b>              | <b>\$ 123,000</b> |
|                                      | -                 | -                                  | -                              | -                 | -                                  | -                              | -                 |
| <b>TOTAL Derivative Liability</b>    | <b>\$ 943,000</b> | <b>\$ 283,000</b>                  | <b>\$ (662,000)</b>            | <b>\$ 564,000</b> | <b>\$ 45,000</b>                   | <b>\$ (89,000)</b>             | <b>\$ 520,000</b> |