TAURIGA SCIENCES, INC.
Form 10-Q
November 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2016**

OR

[ ] TRANSTITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-53723

TAURIGA SCIENCES, INC.

(Exact name of registrant as specified in its charter)

Florida	**30-0791746**
(State or other jurisdiction of Identification No.)	(I.R.S. Employer or organization)

39 Old Ridgebury Road

Danbury, CT 06180

(Address of principal executive offices) (Zip Code)

(917) 796-9926

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $.00001 Par Value

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company filer. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [ ] Accelerated Filer [ ] Non-Accelerated Filer [ ] Smaller Reporting Company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

As of November 7, 2016 the registrant had 1,498,395,933 shares of its Common Stock, $0.00001 par value, outstanding.

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PART I. FINANCIAL STATEMENTS

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TAURIGA SCIENCES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2016 (Unaudited)	March 31, 2016
ASSETS		
Current assets:		
Cash	$6,254	$-
Investment - available for sale security	438	750
Prepaid expenses and other current assets	625	2,500
Total current assets	7,317	3,250
Property and equipment, net	-	6,914
Total assets	$7,317	$10,164
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Notes payable to individuals and companies	$158,775	$253,775
Notes payable to individuals and companies - related party	-	18,000
Bank overdraft	-	1,272
Accounts payable	291,211	307,384
Accrued interest	82,183	86,812
Accrued expenses	589,383	661,770
Liability for common stock to be issued	562,700	305,500
Derivative liability	782,204	670,577
Total current liabilities	2,466,456	-2,305,090
Stockholders' deficit:		
Common stock, par value $0.00001; 2,500,000,000 shares authorized, 1,341,270,933 and 1,219,820,933 issued and outstanding at June 30, 2016 and March 31, 2016, respectively	13,413	12,199
Additional paid-in capital	50,484,084	49,745,876
Accumulated deficit	(52,716,115)	(51,812,793)
Accumulated other comprehensive loss	(240,521)	(240,208)
Total stockholders' deficit	(2,459,139)	(2,294,926)

Total liabilities and stockholders’ deficit	$7,317	$10,164

The accompanying notes are an integral part of the condensed consolidated financial statements.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(IN US$)

(Unaudited)

	For the Three Months Ended June 30,	
	2016	2015 (Restated)
Continuing Operations:		
Revenues	$-	$-
Cost of goods sold	-	-
Gross profit	-	-
Operating expenses		
General and administrative	766,810	282,141
Depreciation and amortization expense	6,914	2,334
Total operating expenses	773,724	284,475
Loss from operations	(773,724)	(284,475)
Other income (expense)		
Interest expense	(22,233)	(4,801)
Financing expense	-	(258,000)
Derivative expense	-	(96,058)
Gain on settlement	-	265,856
Gain on warrant conversion	-	56,372
Change in derivative liability	(107,365)	63,417
Total other income (expense)	(129,598)	26,786
Net loss from continuing operations	(903,322)	(257,689)
Discontinued Operations:		
Gain from discontinued operations	-	6,462
Total discontinued operations	-	6,462
Net loss	(903,322)	(251,227)
Other comprehensive income (loss)		
Change in unrealized loss on available for sale security	(313)	(1,938)

Foreign currency translation adjustment	-	(48)
Total other comprehensive loss	(313)	(1,986)
Comprehensive loss	$(903,635)	$(253,213)
Loss per share - basic and dilutted	$(0.00)	$(0.00)
Weighted average number of shares outstanding - basic and dilutted	1,237,862,142	917,668,438

The accompanying notes are an integral part of the condensed consolidated financial statements.

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TAURIGA SCIENCES, INC. AND SUBSDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN US$)

(Unaudited)

	For the Three Months Ended June 30, 2016	2015
Cash flows from operating activities		
Net loss	$(903,322)	$(251,227)
Adjustments to reconcile net loss to cash used in operating activities:		
Stock-based compensation	11,823	222,793
OID Interest	4,262	-
Depreciation and amortization	6,914	2,889
Gain on warrant conversion	-	(56,372)
Gain on settlement	-	(265,856)
Common stock issued for services (including stock to be issued)	557,200	-
Derivative expense	-	96,058
Change in derivative liability	107,365	(63,417)
Value of financing costs for share liability	-	154,000
Decrease (increase) in assets		
Inventory	-	4,258
Prepaid expenses	1,875	3,512
Increase (decrease) in liabilities		
Accounts payable	(16,177)	42,964
Accrued interest	17,973	4,801
Accrued expenses	(72,387)	40,827
Accrued professional fees	-	(62,500)
Cash used in operating activities	(284,474)	(127,270)
Cash flows from investing activities		
Cash provided by (used in) investing activities	-	-
Cash flows from financing activities		
Proceeds from notes payable	-	115,000
Bank overdraft	(1,272)	-
Proceeds from notes payable-related party	-	18,000
Payment for settlement of financing	-	(230,000)
Proceeds from the sale of common stock (including to be issued)	292,000	-
Proceeds from convertible debentures	-	100,000
Cash provided by financing activities	290,728	3,000

Foreign currency translation effect	-	(48)
Net increase (decrease) in cash	6,254	(124,318)
Cash, beginning of year	-	209,098
Cash, end of year	$6,254	$84,780
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest Paid	$-	$-
Taxes Paid	$-	$-
NON CASH ITEMS		
Conversion of notes payable to common stock	$135,600	$-
Conversion of accrued interest to common stock	$22,600	$-
Issuance of common stock for cashless warrant exercise	$-	$-
Note receivable from terminated acquisition	$-	$-

The accompanying notes are an integral part of the condensed consolidated financial statements.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 – BASIS OF OPERATIONS

The unaudited financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The financial statements and notes are presented as permitted on Form 10-Q and do not contain certain information included in the Company’s annual statements and notes. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the March 31, 2016 Form 10-K filed with the SEC, including the audited financial statements and the accompanying notes thereto. While management believes the procedures followed in preparing these financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year.

These unaudited financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the operations and cash flows for the periods presented.

Nature of Business

On October 29, 2013, the Company entered into a strategic alliance with Bacterial Robotics, LLC (Bacterial Robotics). Bacterial Robotics owns certain patents and/or other intellectual property related to the development of genetically modified micro-organisms (GMOs) and GMOs tailored to perform one or more specific functions, one such GMO being adopted to clean polluting molecules from nuclear waste, such GMO being referred herein as the existing BactoBot Technology (the BR Technology). Bacterial Robotics is developing a whitepaper to deliver to the Company for acceptance. Upon acceptance by the Company, the parties will form a strategic relationship through the formation of a joint venture in which the Company will be the majority and controlling owner which will use the NuclearBot Technology to further the growth of the nuclear wastewater treatment market. The intent is for Bacterial Robotics to issue a 10-year license agreement. In connection with the strategic alliance agreement, the Company issued a warrant to purchase 75,000,000 shares of its common stock valued at $1,100,000 and paid an additional $50,000 in cash. The Company fully impaired this as of March 31, 2014, as there was no value in the agreement, and the Company would not pursue any of the technology associated with the patents.

On November 25, 2013, the Company executed a definitive agreement to acquire Pilus Energy, LLC (“Pilus”), an Ohio limited liability company and a developer of alternative cleantech energy platforms using proprietary microbial solutions that creates electricity while consuming polluting molecules from wastewater. Pilus is converging digester, fermenter, scrubber, and other proven technologies into a scalable Electrogenic Bioreactor (“EBR”) platform. This technology is the basis of the Pilus Cell™. The EBR harnesses genetically enhanced bacteria, also known as bacterial robots, or BactoBots™, that remediate water, harvest direct current (“DC”) electricity, and produce economically important gases. The EBR accomplishes this through bacterial metabolism, specifically cellular respiration of nearly four hundred carbon and nitrogen molecules. Pilus’ highly metabolic bacteria are non-pathogenic. Because of the mediated biofilm formation, these wastewater-to-value BactoBots resist heavy metal poisoning, swings of pH, and survive in a 4-to-45-degree Celsius temperature range. Additionally, the BactoBots are anaerobically and aerobically active, even with low BOD/COD.

On January 28, 2014, the acquisition was completed. Pilus is a wholly-owned subsidiary of the Company. As a condition of the acquisition, Pilus will get one seat on the board of directors, and the shareholders of Pilus will receive a warrant to purchase 100,000,000 shares of common stock of the Company, which represented a fair market value of approximately $2,000,000. In addition, the Company paid Bacterial Robotics, LLC (“BRLLC”), formerly the parent company of Pilus, $50,000 on signing the memorandum of understanding and $50,000 at the time of closing. The only asset Pilus had on its balance sheet at the time of the acquisition was a patent. The Company determined that the value of the acquisition on January 28, 2014 would be equal to the value of cash paid to Pilus plus the value of the 100,000,000 warrants they issued to acquire Pilus. Through March 31, 2014, the Company amortized the patent over its estimated useful life, then on March 31, 2014, the Company conducted its annual impairment test and determined that the entire unamortized balance should be impaired as the necessary funding to further develop the patent was not available at that time. On July 15, 2016, the Company was notified by its patent attorney, that the maintenance fee is due in the issue of US Patent # 8,354,267. The final deadline to pay the fee to avoid abandonment is January 15, 2017. If the Company does not make this payment it will lose the patent permanently.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 – BASIS OF OPERATIONS (CONTINUED)

Going Concern

As indicated in the accompanying condensed consolidated financial statements, the Company has incurred net losses of $903,322 and $251,227 for the three months ended June 30, 2016 and 2015, respectively. Management's plans include the raising of capital through equity markets to fund future operations and cultivating new license agreements or acquiring ownership in technology companies. Failure to raise adequate capital and generate adequate sales revenues could result in the Company having to curtail or cease operations. Additionally, the Company does not have the financial resources to commercialize the Pilus technology. If it is unable to obtain such resources, it may be forced to sell all or a portion of the Pilus technology to a third-party. In the event this occurs, there is no guaranty the consideration received by the Company would be of material benefit to either the Company and/or its shareholders. Even if the Company does raise sufficient capital to support its operating expenses, acquire new license agreements or ownership interests in medical companies and generate adequate revenues, there can be no assurances that the revenues will be sufficient to enable it to develop business to a level where it will generate profits and cash flows from operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. However, the accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. These condensed consolidated financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Condensed Consolidated Financial Statements

The condensed consolidated financial statements include the accounts and activities of Tauriga Sciences, Inc. and its wholly-owned Canadian subsidiary, Tauriga Canada, Inc. All inter-company transactions have been eliminated in consolidation.

Revenue Recognition

Revenue is recognized when realized or realizable, and when the earnings process is complete, which is generally upon the shipment of products.

Foreign Currency Translation

Commencing with the quarter ended June 30, 2012, the Company considers the U.S. dollar to be its functional currency. Prior to March 31, 2012, the Company considered the Canadian dollar to be its functional currency. Assets and liabilities were translated into U.S. dollars at year-end exchange rates. Statement of operations amounts were translated using the average rate during the year. Gains and losses resulting from translating foreign currency financial statements were included in accumulated other comprehensive gain or loss, a separate component of stockholders' deficit.

Cash Equivalents

For purposes of reporting cash flows, cash equivalents include investment instruments purchased with an original maturity of three months or less. At June 30, 2016, the Company had $6,254 cash at any financial institution which exceeded the total FDIC insurance limit of $250,000. The Company had no cash equivalents as of June 30, 2016. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits.

Inventory

Inventory consists of raw materials, production in progress and finished goods and is stated at the lower of cost or market determined by the first-in, first-out method. The Company sold off all of its segments that had inventory during the year ended March 31, 2016.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment and Depreciation

Property and equipment is stated at cost and is depreciated using the straight line method over the estimated useful lives of the respective assets. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that extend the useful life of the assets are capitalized. When property and equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in operations.

Intangible Assets

Intangible assets consisted of licensing fees and a patent prior to being impaired which were stated at cost. Licenses were amortized over the life of the agreement and patents were amortized over the remaining life of the patent at the date of acquisition.

Net Income (Loss) Per Common Share

The Company computes per share amounts in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 260 Earnings per Share (“EPS”) which requires presentation of basic and diluted EPS. Basic EPS is computed by dividing the income (loss) available to Common Stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is based on the weighted-average number of shares of Common Stock and Common Stock equivalents outstanding during the periods; however, potential common shares are excluded for period in which the Company incurs losses, as their effect is anti-dilutive.

Stock-Based Compensation

The Company accounts for Stock-Based Compensation under ASC 718 “Compensation-Stock Compensation”, which addresses the accounting for transactions in which an entity exchanges its equity instruments for goods or services, with a primary focus on transactions in which an entity obtains employee services in share-based payment transactions. ASC 718-10 requires measurement of cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). Incremental compensation costs arising from subsequent modifications of awards after the grant date must be recognized.

The Company accounts for stock-based compensation awards to non-employees in accordance with ASC 505-50, Equity-Based Payments to Non-Employees. Under ASC 505-50, the Company determines the fair value of the warrants or stock-based compensation awards granted as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. Any stock options or warrants issued to non-employees are recorded in expense and an offset to additional paid-in capital in shareholders’ equity/(deficit) over the applicable service periods using variable accounting through the vesting dates based on the fair value of the options or warrants at the end of each period.

The Company issues stock to consultants for various services. The costs for these transactions are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of the common stock is measured at the earlier of (1) the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached or (2) the date at which the counterparty’s performance is complete. The Company recognized consulting expense and a corresponding increase to additional paid-in-capital related to stock issued for services.

Comprehensive Income (Loss)

The Company has adopted ASC 220 effective January 1, 2012 which requires entities to report comprehensive income (loss) within a continuous statement of comprehensive income.

Comprehensive income (loss) is a more inclusive financial reporting methodology that includes disclosure of information that historically has not been recognized in the calculation of net income (loss).

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

Long-lived assets, primarily fixed assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. The Company will perform a periodic assessment of assets for impairment in the absence of such information or indicators. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. For long-lived assets to be held and used, the Company would recognize an impairment loss only if its carrying amount is not recoverable through its undiscounted cash flows and measures the impairment loss based on the difference between the carrying amount and estimated fair value.

Research and Development

The Company expenses research and development costs as incurred. Research and development costs were $0 for the months ended June 30, 2016 and 2015, respectively.

Fair Value Measurements

ASC 820 Fair Value Measurements defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value measurements.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1- fair value measurements are those derived from quoted prices (unadjusted in active markets for identical assets or liabilities);

Level 2- fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3- fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments classified as Level 1 - quoted prices in active markets include cash.

These condensed consolidated financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment to estimation. Valuations based on unobservable inputs are highly subjective and require significant judgments. Changes in such judgments could have a material impact on fair value estimates. In addition, since estimates are as of a specific point in time, they are susceptible to material near-term changes. Changes in economic conditions may also dramatically affect the estimated fair values.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of June 30, 2016 and 2015. The respective carrying value of certain financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash, accounts payable and accrued expenses.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments

Derivatives are recorded on the condensed consolidated balance sheet at fair value. The conversion features of the convertible debentures are embedded derivatives and are separately valued and accounted for on the consolidated balance sheet with changes in fair value recognized during the period of change as a separate component of other income/expense. Fair values for exchange-traded securities and derivatives are based on quoted market prices. The pricing model we use for determining fair value of our derivatives is the Monte Carlo Pricing Model. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management's judgment and may impact net income. During the year ended March 31, 2016, the Company utilized an expected life ranging from 73 days to 365 days based upon the look-back period of its convertible debentures and notes and volatility of 125%. During the year ended March 31, 2015, the Company utilized an expected life ranging from 66 days to 325 days based upon the look-back period of its convertible debentures and notes and volatility in the range of 166% to 196%. As a result of the May 28, 2015, 7% Convertible Redeemable Note with a principal amount of $104,000 with a maturity date of May 28, 2016 (the "Union Note") which contains an anti-rachet clause for the conversion of this Union Note, the Company recorded a derivative liability in the amount of $200,058 (as a result the entire note was discounted). The also recorded a derivative liability as a result of the July 14, 2015 issuance of a 12% Convertible Redeemable Note with the principal amount of $96,000 issued with an original issue discount of $16,000. The derivative liability recorded on this note was $152,126 (as a result the entire note was discounted.) As a result of the issuance of this note containing more beneficial terms of conversion, the Union Note will now be convertible at the lower of the lesser of (a) sixty percent (60%) multiplied by the lowest closing price as of the date a notice of conversion is given (which represents a discount rate of forty percent (40%)) or (b) one half penny ($0.005). In the three months ended June 30, 2016, the Company recognized a loss on the fair value of the derivative liability in the amount of $107,365 bringing the fair value of the derivative liability to $782,204. In the year ended March 31, 2016, the Company recognized a loss on the fair value of the derivative liability in the amount of $277,700.

Income Taxes

Income taxes are accounted for under the liability method of accounting for income taxes. Under the liability method, future tax liabilities and assets are recognized for the estimated future tax consequences attributable to differences between the amounts reported in the financial statement carrying amounts of assets and liabilities and their respective tax bases.

Future tax assets and liabilities are measured using enacted or substantially enacted income tax rates expected to apply when the asset is realized or the liability settled. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

ASC 740 "Income Taxes" clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This standard requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements.

As a result of the implementation of this standard, the Company performed a review of its material tax positions in accordance with recognition and measurement standards established by ASC 740 and concluded that the tax position of the Company does not meet the more-likely-than-not threshold as of June 30, 2016.

Recent Accounting Pronouncements

In March 2016, the FASB issues ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718)", or ASU No. 2016-09. The amendments of ASU No. 2016-09 were issues as part of the FASB's simplification initiative focused on improving areas of GAAP for which cost and complexity may be reduced while maintaining or improving the usefulness of information disclosed within the financial statements. The amendments focused on simplification specifically with regard to share-based payment transactions, including income tax consequences, classification of awards as equity or liabilities and classification on the statement of cash flows. The guidance in ASU No. 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company will evaluate the effect of ASU 2016-09 for future periods as applicable.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new guidance will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period and is applied retrospectively. Early adoption is permitted. We are currently in the process of assessing the impact the adoption of this guidance will have on the Company's consolidated financial statements.

In August 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-15, "Presentation of Financial Statements—Going Concern" ("ASU No. 2014-15"). The provisions of ASU No. 2014-15 require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this ASU are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The Company is currently assessing the impact of this ASU on the Company's consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, Presentation of Financial Statements – Going Concern, that outlines management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. The amendment is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is currently assessing the impact that this standard will have on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-10, “Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation” (ASU 2014-10). ASU 2014-10 removes all incremental financial reporting requirements regarding development-stage entities, including the removal of Topic 915 from the FASB Accounting Standards Codification. In addition, ASU 2014-10 adds an example disclosure in Risks and Uncertainties (Topic 275) to illustrate one way that an entity that has not begun planned operations could provide information about risks and uncertainties related to the company’s current activities. ASU 2014-10 also removes an exception provided to development-stage entities in Consolidations (Topic 810) for determining whether an entity is a variable interest entity. Effective with the first quarter of our fiscal year ended March 31, 2015, the presentation and disclosure requirements of Topic 915 will no longer be required. The revisions to Consolidation (Topic 810) are effective the first quarter of our fiscal year ended March 31, 2017. The Company early adopted the provisions of ASU 2014-10 effective for the year ended March 31, 2015.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” (Topic 606) (ASU 2014-09), which supersedes the revenue recognition requirements in ASC Topic 605, “Revenue Recognition”, and most industry-specific guidance. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The amendments in ASU 2014-09 will be applied using one of two retrospective methods. The effective date will be the first quarter of our fiscal year ended March 31, 2018. We have not determined the potential effects on our consolidated financial statements.

There are several other new accounting pronouncements issued or proposed by the FASB. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe any of these accounting pronouncements has had or will have a material impact on the Company’s consolidated financial position or operating results.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In accordance with ASC 855 "Subsequent Events" the Company evaluated subsequent events after the balance sheet date through the date of issuance.

NOTE 3 – DISCONTINUED OPERATIONS

On August 11, 2015 the Company formally divested (discontinued) its Natural Wellness Business. The business mainly consisted of a CBD infused topical lotion called TopiCanna as well as a line of Cannabis Complement products that were intended to compliment individuals who were consistently using medicinal cannabis related product. On August 11, 2015, the Company sold the balance of its inventory of TopiCanna and Cannabis Complement products for a one-time cash payment of $20,462. As a result of the disposal of this business, the Company reported a loss on disposal of $104,957, as reflected in the chart below:

	For the Three Months Ended June 30,	
	2016	2015
Revenues	$-	$40,746
Cost of goods sold	-	7,942
Gross profit	-	32,804
Operating expenses		
General and administrative	-	25,787

Depreciation and amortization expense	-	555
Total operating expenses	-	26,342
Income (Loss) from discontinued operations	$-	6,462

The consolidated statement of operations was restated to reflect the reclassification of the discontinued operations.

There were no assets or liabilities from discontinued operations the three months and year ended June 30, 2016 and March 31, 2016.

The Company recognized a loss on the disposal of the Natural Wellness subsidiary:

TAURIGA SCIENCES, INC. AND SUBSIDIARY

Loss on disposal of Natural Wellness (subsidiary)

Cash	$	19,219	
Inventory, at cost		81,198	
Prepaid expenses		16,461	
Property and equipment, net		8,541	
Less cash received for sale of inventory		(20,462	)
Loss on disposal of continuing operations	$	104,957	

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TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 4 – PROPERTY AND EQUIPMENT

The Company's property and equipment is as follows:

	June 30, 2016	March 31, 2016	Estimated Life
Computers, office furniture and equipment	$55,942	$55,942	3-5 years
Technical equipment	-	-	5 years
Total	55,942	55,942	
Less: accumulated depreciation	(55,942)	(49,028)	
Net	$-	$6,914	

Depreciation expense for the three months ended June 30, 2016 and the year ended March 31, 2016 was $6,914 and $9,832, respectively.

NOTE 5 – INTANGIBLE ASSETS

License Agreements:

Immunovative Therapies, Ltd.

On December 12, 2011, the Company entered into a License Agreement (the "License Agreement") with Immunovative Therapies, Ltd., an Israeli Corporation ("ITL"), pursuant to which the Company received an immediate exclusive and worldwide license to commercialize all product candidates (the "Licensed Products") based on ITL's current and future patents and a patent in-licensed from the University of Arizona. The license granted covers two experimental products for the treatment of cancer in clinical development called AlloStim TM and Allo Vaz TM ("Licensed Products").

On January 8, 2013, the Company received from ITL, a notice by which ITL purported to terminate the License Agreement dated December 9, 2011 between the Company and ITL (the "ITL Notice"), along with alleged damages. It is the Company's position that ITL breached the License Agreement by delivering the ITL Notice and, that prior to the ITL Notice, the License Agreement was in full force and, on January 17, 2013 and that the Company had complied in all material respect with the License Agreement therefore the Company believes that there are no damages to ITL. As such, on January 17, 2013, the Company filed a lawsuit against ITL, which included the request for various injunctive relief against ITL for damages stemming from this breach. On February 19, 2013, the Company and ITL entered into a settlement agreement whereby the parties have agreed to the following: (1) the Company submitted a letter to the Court advising the Court that the parties had reached a settlement and that the Company is withdrawing its motion, (2) ITL paid the Company $20,000, (3) ITL issued to the Company, ITL's share capital equivalent to 9% of the issued and outstanding shares of ITL (3,280,000 shares), (4) the Company changed its name and (5) the settling parties agree that the license agreement is terminated. No value has been assigned to the ITL shares received, as they are deemed to be worthless. The Company, based upon its evaluation of the ITL financial statement, considered its investment in ITL to be impaired as the ITL Company had negative net worth and the funds advanced were being utilized for research, development and testing. During the year ended March 31, 2016, the Company sold the 3,280,000 shares for $125,000 which is recorded in the condensed consolidated statements of operations.

Green Hygienics, Inc.

On May 31, 2013, the Company executed a licensing agreement with GHI (see Note 1). The Licensing Agreement with GHI will enable the Company, on an exclusive basis for North America, to market and sell 100% tree-free, bamboo-based, biodegradable, hospital grade wipes, as well as other similar products to commercial entities including medical facilities, schools, and more. The Company agreed to pay $250,000 for the licensing rights. In addition, the Company issued 4,347,826 shares of its common stock to GHI whereas GHI's parent company, Green Innovations Ltd. ("GNIN") has issued the Company 625,000 shares of common stock of GNIN, valued at $250,000. The terms of the Licensing Agreement provide for the equal recognition of profits between the Company and GHI on the sales by the Company.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 5 – INTANGIBLE ASSETS (CONTINUED)

Green Hygienics, Inc. (Continued)

The Company has paid $143,730 of the $250,000 licensing fee in cash and issued 2,500,000 shares of its common stock in lieu of the remaining $106,270. The Company was amortizing the licensing fee over the five-year life of the licensing agreement, and through March 31, 2014 the accumulated amortization amounted to $34,911. At March 31, 2014, the Company determined not to pursue the marketability for the related products and considered the remaining net value to be impaired, recording an impairment charge of $215,089.

Bacterial Robotics, LLC

On October 29, 2013, the Company entered into a strategic alliance agreement between the Company and Bacterial Robotics, LLC (the Parties) to develop a relationship for the research and development of the NuclearBot Technology that will be marketed and monetized pursuant to a Definitive Agreement. Accordingly, subject to the terms of this agreement, (a) Bacterial Robotics agreed to develop a whitepaper which may be delivered as a readable electronic file, on the subject of utilizing the NuclearBot Technology in the cleansing of nuclear wastewater created in the operation of a nuclear power plant (the “Whitepaper”), which Bacterial Robotics shall deliver to the Company within ninety (90) days of the agreement, which may be extended upon mutual agreement based upon unexpected complexities, and (b) the parties agreed to use commercially reasonable efforts in good faith to (1) identify prospective pilot programs, projects and opportunities for the NuclearBot Technology for the Parties to strategically and jointly pursue, (2) enter into a joint venture, in which the Company will be the majority and controlling owner, for the purpose of (A) marketing and selling products and services utilizing the NuclearBot Technology, (B) sublicensing the NuclearBot Technology and (C) owning all improvements to the NuclearBot Technology, and other inventions and intellectual property, jointly developed by the Parties and (3) negotiate terms and conditions of Definitive Agreements. As consideration for the strategic alliance, the Company issued a $25,000 deposit upon signing the agreement. Additionally, the Company issued a 5-year warrant for up to 75,000,000 shares of the Company’s common stock with a value of $1,139,851 and an additional $25,000 in cash. The Company amortizes the fee of $1,189,851 over the ten-year life of the licensing agreement, and through March 31, 2014 the accumulated amortization amounted to $48,952. At March 31, 2014, the Company determined that it was not going to pursue the market nor invest additional capital to fund the commercialization and accordingly, considered the remaining net value to be impaired recording an impairment charge of $1,140,899.

Breathe Ecig Corp

On March 31, 2015, the Company entered into a license agreement with Breathe Ecig Corp. (which has subsequently changed its name of White Fox Ventures, Inc.) (“Breathe”) whereby the Company issued 10,869,565 shares of its common stock, valued at $100,000, to Breathe for certain licensing rights, as defined in the agreement. Amortization of the license fee will commence on April 1, 2015 over the two-year term of the agreement (See Note 11). As Breathe is worthless as of the date of this report, the Company has written off the entire $100,000 value as of March 31, 2015.

License agreements consist of the cost of license fees with Breathe Ecig Corp. ($100,000), Green Hygienics, Inc. ($250,000) and Bacterial Robotics, LLC ($1,189,851) at March 31, 2016 and March 31, 2015. All licenses were fully impaired as of March 31, 2016. An analysis of the cost is as follows:

	March 31, 2016	Estimated Life
Licensing fee	$1,539,851	2-5 years
Less: accumulated amortization	83,863	
	1,455,988	
Net impairment	(1,455,988)	
Balance	$—	

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 5 – INTANGIBLE ASSETS (CONTINUED)

Patents:

Pilus Energy, LLC

The Company, through the acquisition of Pilus Energy on January 28, 2014, acquired a patent to develop cleantech energy using proprietary microbiological solution that creates electricity while consuming polluting molecules from wastewater. On July 15, 2016, the Company was notified by its patent attorney, that the maintenance fee is due in the issue of US Patent # 8,354,267. The final deadline to pay the fee to avoid abandonment is January 15, 2017. If the Company does not make this payment it will lose the patent permanently.

The cost of the patent and related amortization at June 30, 2016 and March 31, 2016 is as follows:

	Fair Value	Estimated Life
Cash advanced on signing the memorandum of understanding and closing agreement	$100,000	16.5 years
Fair value of the warrant for 100,000,000 shares of the Company's common stock	1,710,000	
Total	1,810,000	
Less amortization in the year ended March 31, 2015	18,540	
Net value at March 31, 2015 prior to impairment	$1,791,460	
Impairment in the year ended March 31, 2015	1,791,460	
Net value for the three months and year ended June 30, 2016 and March 31, 2016	—	

NOTE 6 – EMBEDDED DERIVATIVES – FINANCIAL INSTRUMENTS

The Company entered into several financial instruments, which consist of notes payable, containing various conversion features. Generally, the financial instruments are convertible into shares of the Company's common stock; at prices that are either marked to the volume weighted average price of the Company's intended publicly traded stock or a static price determinative from the financial instrument agreements. These prices may be at a significant discount to market determined by the volume weighted average price once the Company completes its reverse acquisition with the intended publicly traded company. The Company for all intent and purposes considers this discount to be fair market value as would be determined in an arm's length transaction with a willing buyer.

The Company accounts for the fair value of the conversion feature in accordance with ASC 815-15, Derivatives and Hedging; Embedded Derivatives, which requires the Company to bifurcate and separately account for the conversion features as an embedded derivative contained in the Company's convertible debt and original issue discount notes payable. The Company is required to carry the embedded derivative on its balance sheet at fair value and account for any unrealized change in fair value as a component in its results of operations. The Company valued the embedded derivatives using eight steps to determine fair value under ASC 820. (1) Identify the item to be valued and the unit of account. (2) Determine the principal or most advantageous market and the relevant market participants. (3) Select the valuation premise to be used for asset measurements. (4) Consider the risk assumptions applicable to liability measurements. (5) Identify available inputs. (6) Select the appropriate valuation technique(s). (7) Make the measurement. (8) Determine amounts to be recognized and information to be disclosed.

As of March 31, 2015, the value of the derivative liability associated with the convertible notes was $90,000 associated with the Class B warrants issued to Hanover Holdings I, LLC, as the warrants had been converted into shares of common stock during the three months ended June 30, 2015. As a result of the Union Note which contains an anti-rachet clause, the Company recorded a derivative liability in the amount of $200,058 (as a result the entire note was discounted). In the three months ended June 30, 2016, the Company recognized a loss on the fair value of the derivative liability in the amount of $107,365 bringing the fair value of the derivative liability to $782,204. In the year ended March 31, 2016, the Company recognized a loss on the fair value of the derivative liability in the amount of $277,700.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 7 – CONVERTIBLE NOTES AND NOTES PAYABLE

Union Capital, LLC

On May 28, 2015 the Company entered into a Securities Purchase Agreement (the "Union Purchase Agreement") with Union Capital, LLC ("Union") for the purchase of a 7% Convertible Redeemable Note in the principal amount of $104,000 with a maturity date of May 28, 2016 (the "Union Note"). The Company received gross proceeds of $100,000 under the Union Note. The Company granted Union 12,500,000 shares of Company common stock for a commitment fee in consideration of the Union Note. Pursuant to the terms of the Union Note, at any time Union may convert any principal and interest due to it at a 20% discount to the lowest closing bid price of Company common stock for the five trading days prior to the conversion notice. Additionally, the discount will be adjusted on a ratchet basis in the event the Company offers a more favorable discount rate or look-back period to a third party during the term of the Union Note. Union will not be allowed to convert into shares of common stock that would result in it beneficially owning more than 9.99% of the Company's issued and outstanding common stock. The Company may prepay the amounts under the Union Note as follows: (i) if prepaid within ninety days, the Company must pay a 15% premium on all principal and interest outstanding and (ii) if prepaid after ninety days but before the one hundred and eighty-one day, the Company must pay a 30% premium on all principal and interest outstanding. The Company intends to use its best efforts to repay the Union Note within the first ninety days. The Company agreed to reserve 33,000,000 shares of its common stock to satisfy its obligations under the Union Note. This reserve will be increased to three times the number of shares of common stock upon the approval of the Company's stockholders of an increase in the number of authorized shares of common stock. The Company agreed to call a special meeting solely for such purpose with fifteen days of the Union Note. The $104,000 remains outstanding at June 30, 2016 (reflected as a derivative liability), and the $4,000 discount was expensed in the three months ended June 30, 2015.

As a provision of this note, the Company shall have its common stock delisted from a market (including the OTCQB marketplace) shall be considered an event of default. As of July 15, 2015 with the Company's delisting from the OTCQB Exchange resulting for failure to timely file the Company's annual report with the Securities and Exchange Commission ("SEC") violating Regulation SX, Rule 2-01 as a direct result of the Company not being able to obtain properly audited financial statements.

Due to the breach under common stock delisting from market the outstanding principal due under this note shall be increased by 50%. The new principal balance of the note increased to $156,000 with current accrued interest of

$36,859.

Upon the event of default, interest shall accrue at a default interest rate of 24% per annum or, if such rate is usurious or not permitted by current law, then at the highest rate of interest permitted by law. Additionally, in the event of a breach of deliver to the holder the common stock without restrictive legend shall include the penalty of $250 per day should the shares are not issued beginning on the 4th day after the conversion notice was delivered to the Company. This penalty shall increase to $500 per day beginning on the 10th day.

Group 10 Holdings LLC

On July 14, 2015, the Company entered into a $96,000 20% OID convertible debenture with Group 10 Holdings LLC. Along with this note, 15,000,000 commitment shares were issued to the holder, earned in full upon purchase of debenture. This note bears 12% interest per annum with a default interest rate of the lesser of 18% or the or the maximum rate permitted under applicable law, effective as of the issuance date of this debenture ("default interest rate".) If any event of default occurs, the outstanding principal amount of this debenture, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at holder's election, immediately due and payable in cash in the sum of (a) one hundred eighteen percent (118%) of the outstanding principal amount of this debenture plus one hundred percent (100%) of accrued and unpaid interest thereon and (b) all other amounts, costs, expenses and liquidated damages due in respect of this debenture ("Mandatory Default Amount"). After the occurrence of any event of default, the interest rate on this debenture shall accrue at an interest rate equal the default interest rate.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 7 – CONVERTIBLE NOTES AND NOTES PAYABLE (CONTINUED)

Subject to the approval of holder for prepayments after one hundred eighty (180) days, borrower may prepay in cash all or any portion of the principal amount of this debenture and accrued interest thereon, with a premium, as set forth below ("prepayment premium"), upon ten (10) business days prior written notice to holder. Holder shall have the right to convert all or any portion of the principal amount and accrued interest thereon. The amount of each prepayment premium shall be as follows: (a) one hundred twenty-five percent (125%) of the prepayment amount if such prepayment is made at any time from the issuance date until thirty (30) days thereafter; (b) one hundred thirty-five percent (135%) of the prepayment amount if such prepayment is made at any time from thirty-one (31) days after the issuance date until one hundred seventy-nine (179) days after the issuance date; and (c) one hundred forty-five percent (145%) of the prepayment amount if such prepayment is made at any time after one hundred eighty (180) days from the issuance date.

The holder shall have the right, but not the obligation, at any time after the issuance date and until the maturity date, or thereafter during an event of default, to convert all or any portion of the outstanding principal amount, accrued interest and fees due and payable thereon into fully paid and non-assessable shares of common stock of borrower at the conversion price, (the "conversion shares") which shall mean the lesser of (a) sixty percent (60%) multiplied by the lowest closing price as of the date a notice of conversion is given (which represents a discount rate of forty percent (40%)) or (b) one half penny ($0.005).

If the market capitalization of the borrower is less than eight hundred thousand dollars ($800,000) on the day immediately prior to the date of the notice of conversion, then the conversion price shall be twenty-five percent (25%) multiplied by the lowest closing price as of the date a notice of conversion is given (which represents a discount rate of seventy-five percent (75%)). Additionally, if the closing price of the borrower's common stock on the day immediately prior to the date of the notice of conversion is less than $0.002 then the conversion price shall be twenty-five percent (25%) multiplied by the lowest closing price as of the date a notice of conversion is given (which represents a discount rate of seventy-five percent (75%)).

Borrower agrees to pay late fees to holder for late issuance of such shares in the form required pursuant to convertible debenture agreement upon conversion thereof, in the amount equal to one thousand dollars ($1,000) per business day after the delivery date.

The holder, shall reserve not less than five times the aggregate number of shares of the common stock that shall be issuable upon the conversion of the outstanding principal amount of this debenture and payment of interest hereunder. Initially, the share reserve shall be equal to two hundred million (200,000,000), and shall be adjusted by the transfer agent from time to time to comply with the required reserve. The holder may request bi-monthly increases to reserve such amounts based on a conversion price equal to the lowest closing price, as defined in the debenture, as of such date, by written instructions from the Holder to the Transfer agent.

The note also contains a most favored nations status provision whereby the borrower or any of its subsidiaries issue any security (in an amount under one million dollars ($1,000,000)) with any term more favorable to the holder such more favorable term, at holder's option, shall become a part of the transaction documents with holder.

As of July 15, 2015 with the Company's delisting from the OTCQB Exchange resulting for failure to timely file the Company's annual report with the Securities and Exchange Commission ("SEC") violating Regulation SX, Rule 2-01 as a direct result of the Company not being able to obtain properly audited financial statements.

Due to the breach under common stock delisting from market the outstanding principal due under this note shall be increased by 18%. The new principal balance of the note increased to $113,280 with current accrued interest of $19,585.

Convertible Notes Payable to Individuals

The Company at June 30, 2016 and March 31, 2016 had $158,775 and $253,775 ($18,000 of which is to a related party), respectively of notes payable to individuals. The notes are convertible into common stock of the Company at $0.025 per share. The interest rates range between 3% and 8% per annum and the notes are unsecured. During the three months ended June 30, 2016, the Company issued 33,900,000 shares of common stock at a value $135,600 ($0.004 per share) to convert notes payable in the amount $113,000 (including a related party note in the amount of $18,000) plus a 20% conversion premium which was recorded as interest expense in the amount $22,600, and converted into shares of common stock. During the year ended March 31, 2016 no notes were converted to common stock.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 7 – CONVERTIBLE NOTES AND NOTES PAYABLE (CONTINUED)

On June 1, 2015, the Company entered into a securities purchase agreement (the "Purchase Agreement") with various accredited investors for the sale of certain debentures with aggregate gross proceeds to the Company of $133,000. Pursuant to the terms of the agreement, the investors were granted 13,300,000 shares of Company common stock for a commitment fee. These shares were issued on June 15, 2016. Additionally, the Company was required to repay the amounts raised under the Purchase Agreement prior to December 1, 2015 except as described below. The Purchase Agreement provides the Company with the following prepayment options: (i) if prepaid prior to August 31, 2015, the Company must pay each investor the amount invested plus a 10% premium and (ii) if prepaid after August 31, 2015 but prior to December 1, 2015, the Company must pay each investor the amount invested plus a 20% premium. In the event the Company has not repaid the amounts as described above, on December 1, 2015 the Company has the option to convert all amounts raised under the Purchase Agreements into shares of common stock based on a 20% discount to the Company's VWAP (as defined in the Purchase Agreement) for the three Trading Days (as defined in the Purchase Agreement) prior to December 1, 2015, which the Company has done. Excluding the 13,300,000 commitment shares, in May 2016 the Company agreed to issue 33,900,000 shares of its common stock, which were issued on June 15, 2016 to settle all obligations under these Purchase Agreements.

Non-convertible Debt Financing

Alternative Strategy Partners PTE Ltd.

On September 23, 2015, the Company entered into a debt facility of $180,000 in non-convertible debt financing from Singapore-based institutional investor Alternative Strategy Partners PTE Ltd. ("ASP"). The debt carries a fixed interest rate per annum of 11.50% ("the Designated Rate") payable in full by December 23, 2015 ("the Maturity Date"). Both parties have discussed the possibility of amending terms, if necessary, under the assumption that both parties mutually agree to such amendment. The Company received cash from the note of $90,000 ($75,000 wired directly to the Company and $15,000 wired directly from ASP to compensate a consultant).

The balance of this $180,000 or the other $90,000 was to be wired directly to a Japanese based consumer product firm called Eishin, Inc., but there was never any documentation provided to support this $90,000. The Company is in dispute with the noteholder, and has not recorded this liability as of June 30, 2016. If the proper documentation is provided to the Company, they will record the liability at that time.

The Company had entered into an agreement to acquire common shares equivalent to 20.1% of Eishin Co., Ltd. (“Eishin”), a high growth Japan-based company focusing on providing solutions to improve automobile combustion efficiency. “Eco-Spray”, Eishin’s key product made from 100% natural ingredients, is distributed in numerous Asian markets including China, Japan, Korea, India, UAE, Bangladesh, Cambodia, Philippines and Myanmar, and is currently being tested for expansion in North America. The Company has agreed to make an investment in Eishin for a total of $180,000, of which half was paid on October 1, 2015 and the remainder to be paid by the end of October 31, 2015. The initial $90,000 that was to be used to purchase 20.1% ownership of Eishin was never funded by ASP and the shares were never transferred. Additionally, the Company did not invest any other funds to acquire any ownership in Eishin.

The Company has not received any type of default notice with respect to this $180,000 non-convertible debenture. Additionally, the Company has not received any shares in Eishin Co., Ltd. up to this point. The Company is currently in discussions with ASP to amend the original terms of this non-convertible debenture. Specifically, to reduce the face value of this note from $180,000 to $90,000 and forgo receipt of any shares of Eishin Co., Ltd.

Lastly on October 9, 2015, ASP Managing Director (Yuhi Horiguchi) notified the Company via email that any and all warrants that had been previously mentioned in the $180,000 note were fully cancelled. So there are no warrants in existence, in accordance with this $180,000 non-convertible debenture. Nor have there been any defaults that ASP has notified the Company.

Interest expense for the three months ended June 30, 2016 was $22,233 compared to the same period in the prior year of $4,801, respectively. Accrued interest at June 30, 2016 and March 31, 2016 was $82,183 and $86,812, respectively.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 8 – RELATED PARTIES

On May 27, 2015, the Company entered into a securities purchase agreement (the "Purchase Agreement") with Lawrence May Enterprises, an accredited investor for the sale of a debentures with aggregate gross proceeds to the Company of $18,000. Pursuant to the terms of the agreement, the investor was granted 1,800,000 shares of Company common stock as a commitment fee. These shares were issued on June 15, 2016. Additionally, the Company was required to repay the amounts raised under the Purchase Agreement prior to December 1, 2015 except as described below. The Purchase Agreement provides the Company with the following prepayment options: (i) if prepaid prior to August 31, 2015, the Company must pay each investor the amount invested plus a 10% premium and (ii) if prepaid after August 31, 2015 but prior to December 1, 2015, the Company must pay each investor the amount invested plus a 20% premium. In the event the Company has not repaid the amounts as described above, on December 1, 2015 the Company has the option to convert all amounts raised under the Purchase Agreements into shares of common stock based on a 20% discount to the Company's VWAP (as defined in the Purchase Agreement) for the three Trading Days (as defined in the Purchase Agreement) prior to December 1, 2015, which the Company has done.

NOTE 9 – STOCKHOLDERS' DEFICIT

Common Stock

The Company is authorized to issue 2,500,000,000 shares of its common stock. Effective June 30, 2016, 1,341,270,933 shares of common stock are outstanding.

On July 9, 2015, the Company's Board of Directors ("BOD") approved an amendment to the Company's Articles of Incorporation to increase the Company's authorized common stock from 1,000,000,000 to 2,500,000,000 shares and on July 17, 2015, the Company filed Schedule 14A with the Securities and Exchange Commission calling for a special meeting of the stockholders that was held on July 27, 2015 to approve the amendment.

Fiscal Year 2016

On June 27, 2014, $250,000 in cash was released from escrow pursuant to a securities purchase agreement with Hanover Holdings I, LLC ("Hanover I"), as amended April 17, 2014, associated with the Company's acquisition of Honeywood (see Note 1) and filing of a registration statement registering Company securities, whereby the Company agreed to issue shares of its common stock under a Class A and Class B warrant, as defined in the amended agreement. The Class A warrant provided for a fixed exercise price of $0.05 per share; the Class B warrant provided for an initial exercise price of $0.05, however, upon a drop of the market price below $0.05 based on the closing price of the Company's common stock for a period of three consecutive trading days, the Class B warrant shall carry a call option premium of 135% and shall require payment of the shares within 5 business days in the form of either cash or a conversion into shares of the Company's common stock based on the closing share price on the three days prior. As the securities purchase agreement was entered into in anticipation of the Honeywood acquisition and the filing of a registration statement, neither of which occurred, the Company and Hanover I informally have agreed to regard the $250,000 investment as an exercise under the terms of the Class B warrant. As a result, shares of Company common stock are to be issued, based on the call option premium amount of $337,500, upon the request of Hanover I. During the year ended March 31, 2015, 12,211,400 shares of common stock with a value of $147,500 have been issued to Hanover I. As of March 31, 2015, common stock valued at $190,000, 29,188,403 shares, is issuable to Hanover I. These shares have been issued as of June 3, 2015.

During the year ended March 31, 2016, the Company issued 27,500,000 common shares as commitment shares valued at $191,000, in conjunction with the issuance on two convertible notes in the aggregate amount of $200,000 ($104,000 and $96,000), each convertible note payable matures one-year after issuance, bearing interest rates of 7 - 12% annual interest, increasing to 18-24% default interest.

During the year ended March 31, 2016, the Company issued 38,340,000 shares of common stock to the Chief Executive Officer and V.P. Strategic Planning from $0.003 to $0.01, totaling $175,260.

During the year ended March 31, 2016, the Company issued 30,035,000 shares of common stock as share based compensation at prices ranging from $0.003 to $0.01, totaling $137,735.

During the year ended March 31, 2016, the Company issued 191,750,000 shares of common stock for advisory and investor relation services at a prices ranging from $0.002 to $0.0045 per share, totaling $759,750.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 9 – STOCKHOLDERS’ DEFICIT (CONTINUED)

Common Stock (Continued)

During the year ended March 31, 2016, the Company issued 4,000,000 shares of common stock along with $8,000 in cash to settle a liability of a consultant who provided services for the Company from August 2013 through October 2013. The stock was valued at $0.002 per share, totaling $8,000.

Fiscal Year 2017

During the three months ended June 30, 2016, the Company issued 33,900,000 shares of common stock at a value $135,600 ($0.004 per share) to convert notes payable in the amount $113,000 (including a related party note in the amount of $18,000) plus a 20% conversion premium which was recorded as interest expense in the amount $22,600. During the year ended March 31, 2016 no notes were converted to common stock.

During the three months ended June 30, 2016, the Company issued 27,250,000 shares of common stock ($0.004 per share) for proceeds of $109,000. $5,000 of the proceeds were received in the prior period and were reflected in share liability.

During the three months ended June 30, 2016, the Company issued 49,000,000 shares of common stock for services rendered valued at $370,000 ($0.002 to $0.005 per share.)

During the three months ended June 30, 2016, the Company issued 11,300,000 shares of common stock for commitment shares to individual note holders (See Note 7) at a value of $113,000 ($0.01 per share) reflected in Share liability at March 31, 2016.

The Company also received proceeds in the amount of $188,000 for the sale of 47,000,000 shares of common stock that the Company issued in the third fiscal quarter of 2017. Funds received are classified as a liability to issue shares on the Company's condensed consolidated balance sheet.

In connection with the consulting agreements and the board advisory agreements, certain agreements have as part of the compensation arrangements, the following clauses: a) the consultant will be reimbursed for all reasonable out of pocket expenses, b) to the extent the consultant introduces the Company to any sources of equity or debt arrangements, the Company agrees to pay 8% to 10% in cash and 8% to 10% in common stock of the Company of all cash amounts actually received by the Company and 2% for debt arrangements, and c) the Company, in its sole discretion, may make additional cash payments and/or issue additional shares of common stock to the consultant based upon the consultant's performance.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 9 – STOCKHOLDERS' DEFICIT (CONTINUED)

Warrants for Common Stock

The following table summarizes warrant activity for the three months ended June 30, 2016 and the year ended March 31, 2016:

	Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2015	106,941,932	$ 0.02	4.49 Years	$10,050,000
Granted	-	-		
Expired	-	-		
Exercised	(29,188,403)	(0.01)		
Canceled	-	-		
Outstanding at March 31, 2016	77,303,529	$ 0.02	4.49 Years	$10,050,000
Granted	29,950,000	0.01	2.87 Years	-
Expired	-	-		
Exercised	-	-		
Canceled	-	-		
Outstanding and exercisable at June 30, 2016	107,253.529	$ 0.017	4.11 Years	$-

The warrants were valued utilizing the following assumptions employing the Black-Scholes Pricing Model:

	Three Months Ended June 30, 2016	Year Ended March 31, 2015	
Volatility	n/a	179	%
Risk-free rate	n/a	0.39	%
Dividend	—	—	
Expected life of warrants	n/a	1.89 Years	

For the three months ended June 30, 2016, the Company entered into Stock Purchase agreements ("SPA's") with 20 qualified investors, subsequently issuing 74,250,000 shares of common stock. In accordance with terms of the SPA's, each investor was awarded 1 Noncashless Warrant (with a term of 36 months) for every 2.5 shares of stock purchased. The strike price of these warrants is 1 cent per share. The total warrants of 29,950,000 are classified as additional paid in capital. The warrants are classified as equity as they contain no provisions that would enable liability classification.

Stock Options

On February 1, 2012, the Company awarded to each of two former executives options to purchase 5,000,000 common shares, an aggregate of 10,000,000 shares. These options vested immediately and were for services performed. The Company recorded stock-based compensation expense of $1,400,000 for the issuance of these options. The following weighted average assumptions were used for Black-Scholes option-pricing model to value these stock options:

Volatility	220 %
Expected dividend rate	-
Expected life of options in years	10
Risk-free rate	1.87%

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 9 – STOCKHOLDERS' DEFICIT (CONTINUED)

The following table summarizes option activity for the three months and year ended June 30, 2016 and March 31, 2016:

	Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2015	10,000,000	$ 0.10	6.85 Years	$ —
Granted	—	—		
Expired	—	—		
Exercised	—	—		
Outstanding at March 31, 2016	10,000,000	$ 0.10	5.84 Years	$ —
Granted	—	—		
Expired	—	—		
Exercised	—	—		
Outstanding and exercisable at June 30, 2016	10,000,000	$ 0.10	5.59 Years	$ —

Stock-based compensation for the three months ended June 30, 2016 and 2015 was $11,823 and $874.065, respectively.

NOTE 10 – PROVISION FOR INCOME TAXES

Deferred income taxes are determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company’s assets and liabilities. Deferred income taxes are measured based on the tax rates expected to be in effect when the temporary differences are included in the Company’s tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

Deferred tax assets consist of the following:

	June 30, 2016	March 31, 2016
Net operating losses	$5,460,000	$5,180,000
Impairment of assets	2,490,000	2,490,000
Valuation allowance	(7,950,000)	(7,670,000)
	$-	$-

At June 30, 2016, the Company had a U.S. net operating loss carryforward in the approximate amount of $22 million available to offset future taxable income through 2036. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods. The Company also has a Canadian carry forward loss which approximates $700,000 and is available to offset future taxable income through 2035. The valuation allowance increased by $300,000 and $580,000 in the three months ended June 30, 2016 and the year ended March 31, 2016, respectively.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 10 – PROVISION FOR INCOME TAXES (CONTINUED)

A reconciliation of the Company's effective tax rate as a percentage of income before taxes and the federal statutory rate for the three months ended June 30, 2016 and 2015 is summarized as follows:

	2016	2015
Federal statutory rate	(34.0)%	(34.0)%
State income taxes, net of federal benefits	(3.3)	(3.3)
Foreign tax	(0.3)	(0.3)
Valuation allowance	37.6	37.6
	0 %	0 %

NOTE 11 – INVESTMENTS - AVAILABLE FOR SALE SECURITIES

The Company's investments in Green Innovations, Ltd and Breathe Ecig Corp. are included within Current Assets as they are expected to be realized in cash within one year. The investments are recorded at fair valve with unrealized gains and losses, net of applicable taxes, in Other Comprehensive Income. The Company's investment in Green Innovations, Ltd has a cost of $250,000, unrealized loss of $249,562 and a fair value of $438 at June 30, 2016. At March 31, 2016, the unrealized loss was $249,250 and the fair value was $750, respectively. The investment in Breathe Ecig Corp has been written off as of December 31, 2015 as there is no value in that company.

NOTE 12 – CURRENT LITIGATION

Lawsuit Filed Against Cowan Gunteski & Co. PA

On November 4, 2015, the Company filed a lawsuit against its predecessor audit firm Cowan Gunteski & Co. PA in Federal Court — Southern District Florida (Miami, Florida) entitled "Tauriga Sciences, Inc. v. Cowan, Gunteski & Co., P.A. et al”, Case No. 0:15-cv-62334. The case has since been transferred to the United States District Court for the District of New Jersey. The case alleges, among other things, that Cowan Gunteski committed malpractice with respect to the audit of the Company’s FY 2014 financial statements (as illustrated in the PCAOB Public Censure of July 23, 2015) and then misrepresented to the Company with respect about its ability to re-issue an independent opinion for FY 2014 financial statements. On July 31, 2015, the Company was delisted from the OTCQB Exchange to the OTC Pink Limited Information Tier due to its inability to file its FY 2015 Form 10K. The lawsuit was expected by the Company and its counsel to take up to 18 months to complete, from the date it was filed (November 4, 2015).

The Company in its lawsuit seeks damages against Cowan Gunteski (and its malpractice insurance policy) exceeding $4,000,000. There is no guarantee that the Company will be successful in this lawsuit.

Subsequent to the filing of the lawsuit, the Company was notified that the lawsuit was temporarily suspended so that the Company and Cowan can attempt to mediate this case based on the engagement letters between the parties. On December 30, 2015, the Company was notified that Daniel F. Kolb was appointed as the mediator.

Mediation commenced on February 3, 2016. During these efforts, the Company had been offered settlement amounts, but none that have been satisfactory.

On March 22, 2016 the Company decided that its good faith efforts to settle its ongoing litigation with Cowan Gunteski & Co. P.A. have proven unsuccessful. Therefore, the Board of Directors of the Company unanimously agreed to proceed forward with the litigation. The Company is continuing to seek the assistance of independent experts, to help ascribe dollar amounts for certain damages suffered by the Company (“provable damages”). At this point in time, the Company has realized out of pocket cash losses and liabilities (inclusive of liquidated damages) that exceed $850,000. Additional potential damages include but are not limited to: inability to properly maintain Pilus Energy’s Intellectual Property (“Pilus IP”), the July 31, 2015 delisting of the Company shares from OTCQB to Pink Sheets, loss of market capitalization (“market cap”), loss of trading liquidity (“trading volume”), and loss of substantial business opportunities. In aggregate the Company intends to seek monetary award(s), during trial, in excess of $4,000,000. That figure is expected to continually increase as additional time lapses.

On September 29, 2016, the judge presiding over the case approved the ruled on the two outstanding motions filed on June 13, 2016. The motion to transfer the case to United States District Court for the District of New Jersey was approved, however the judge denied the defendants’ motion to dismiss the lawsuit. Depositions have commenced in this case.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 13 – FAIR VALUE MEASUREMENTS

The following summarizes the company's financial assets and liabilities that are measured at fair value on a recurring basis at June 30, 2016 and March 31, 2016

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Investment-available-for-sale security	$438	$ -	$-	$438
Liabilities				
Derivative liabilities	$-	$	$782,204	$782,204

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Investment-available-for-sale security	$750	$ -	$-	$750
Liabilities				
Derivative liabilities	$-	$	$670,577	$670,577

The estimated fair values of the Company's derivative liabilities are as follows:

	Convertible Notes	Derivative Liability	Total
Liabilities Measured at Fair Value			
Balance as of March 31, 2015	$ -	$90,000	$90,000
Revaluation (gain) loss	-	670,577	670,577

Issuances, net		-	(90,000)	(90,000)
Balance as of March 31, 2016	$	-	$ 670,577	$ 670,577
Revaluation (gain) loss		-	111,627	111,627
Issuances, net		-	-	-
Ending balance as of June 30, 2016	$	-	$ 782,204	$ 782,204

NOTE 14 – SUBSEQUENT EVENTS

Common Stock Issuances

Subsequent to June 30, 2016, the Company issued additional shares of common stock as follows: (i) 40,000,000 shares to consultants and board members (ii) 10,000,000 shares issued as commitment shares to the holder of a convertible note (iii) 44,000,000 shares to the holder of a convertible note and (iv) 63,125,000 shares issues via private placement.

Lawsuit Filed Against Cowan Gunteski & Co. PA

On November 4, 2015, the Company filed a lawsuit against its predecessor audit firm Cowan Gunteski & Co. PA in Federal Court — Southern District Florida (Miami, Florida) entitled "Tauriga Sciences, Inc. v. Cowan, Gunteski & Co., P.A. et al", Case No. 0:15-cv-62334. The case has since been transferred to the United States District Court for the District of New Jersey. The case alleges, among other things, that Cowan Gunteski committed malpractice with respect to the audit of the Company's FY 2014 financial statements (as illustrated in the PCAOB Public Censure of July 23, 2015) and then misrepresented to the Company with respect about its ability to re-issue an independent opinion for FY 2014 financial statements. On July 31, 2015, the Company was delisted from the OTCQB Exchange to the OTC Pink Limited Information Tier due to its inability to file its FY 2015 Form 10K. The lawsuit was expected by the Company and its counsel to take up to 18 months to complete, from the date it was filed (November 4, 2015).

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 14– SUBSEQUENT EVENTS (CONTINUED)

Lawsuit Filed Against Cowan Gunteski & Co. PA (Continued)

The Company in its lawsuit seeks damages against Cowan Gunteski (and its malpractice insurance policy) exceeding $4,000,000. There is no guarantee that the Company will be successful in this lawsuit.

Subsequent to the filing of the lawsuit, the Company was notified that the lawsuit was temporarily suspended so that the Company and Cowan can attempt to mediate this case based on the engagement letters between the parties. On December 30, 2015, the Company was notified that Daniel F. Kolb was appointed as the mediator.

Mediation commenced on February 3, 2016. During these efforts, the Company had been offered settlement amounts, but none that have been satisfactory.

On March 22, 2016 the Company decided that its good faith efforts to settle its ongoing litigation with Cowan Gunteski & Co. P.A. have proven unsuccessful. Therefore, the Board of Directors of the Company unanimously agreed to proceed forward with the litigation. The Company is continuing to seek the assistance of independent experts, to help ascribe dollar amounts for certain damages suffered by the Company (“provable damages”). At this point in time, the Company has realized out of pocket cash losses and liabilities (inclusive of liquidated damages) that exceed $850,000. Additional potential damages include but are not limited to: inability to properly maintain Pilus Energy’s Intellectual Property (“Pilus IP”), the July 31, 2015 delisting of the Company shares from OTCQB to Pink Sheets, loss of market capitalization (“market cap”), loss of trading liquidity (“trading volume”), and loss of substantial business opportunities. In aggregate the Company intends to seek monetary award(s), during trial, in excess of $4,000,000. That figure is expected to continually increase as additional time lapses.

On September 29, 2016, the judge presiding over the case approved the ruled on the two outstanding motions filed on June 13, 2016. The motion to transfer the case to United States District Court for the District of New Jersey was approved, however the judge denied the defendants’ motion to dismiss the lawsuit. Depositions have commenced in this case.

Convertible Notes Payable

Group 10 Holdings LLC – Note dated November 7, 2016

On August 3, 2016, the Company entered into a $48,000 convertible debenture with OID in the amount of $8,000 with Group 10 Holdings LLC. Along with this note, 8,000,000 commitment shares must be issued to the holder within 15 days or an event of default will have occurred (shares were issued on August 4, 2016), earned in full upon purchase of the debenture. This debenture bears 12% interest per annum with a default interest rate of the lesser of 18% or the or the maximum rate permitted under applicable law, effective as of the issuance date of this debenture ("default interest rate".) If any event of default occurs, the outstanding principal amount of this debenture, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at holder's election, immediately due and payable in cash in the sum of (a) one hundred eighteen percent (118%) of the outstanding principal amount of this debenture plus one hundred percent (100%) of accrued and unpaid interest thereon and (b) all other amounts, costs, expenses and liquidated damages due in respect of this debenture ("mandatory default amount"). After the occurrence of any event of default, the interest rate on this debenture shall accrue at an interest rate equal the default interest rate.

Subject to the approval of holder for prepayments after one hundred eighty (180) days, borrower may prepay in cash all or any portion of the principal amount of this debenture and accrued interest thereon, with a premium, as set forth below (each a "prepayment premium"), upon ten (10) business days prior written notice to holder. Holder shall have the right to convert all or any portion of the principal amount and accrued interest thereon during such ten (10) business day notice period. The amount of each prepayment premium shall be as follows: (a) one hundred forty-five percent (145%) of the prepayment amount if such prepayment is made at any time from the issuance date until the maturity date.

The holder shall have the right, but not the obligation, at any time after the issuance date and until the maturity date, or thereafter during an event of default, to convert all or any portion of the outstanding principal amount, accrued interest and fees due and payable thereon into fully paid and non-assessable shares of common stock of borrower at the conversion price, (the "conversion shares") which shall mean the lesser of (a) sixty percent (60%) multiplied by the lowest closing price during the thirty-five (35) trading days prior to the notice of conversion is given (which represents a discount rate of forty percent (40%)) or (b) one-half of a penny ($0.005.)

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 14– SUBSEQUENT EVENTS (CONTINUED)

Convertible Notes Payable (Continued)

Group 10 Holdings LLC – Note dated November 7, 2016 (Continued)

If the market capitalization of the borrower is less than two million dollars ($2,000,000) on the day immediately prior to the date of the notice of conversion, then the conversion price shall be twenty-five percent (25%) multiplied by the lowest closing price during the thirty-five (35) trading days prior to the date a notice of conversion is given (which represents a discount rate of seventy-five percent (75%)). Additionally, if the closing price of the borrower's common stock on the day immediately prior to the date of the notice of conversion is less than two-tenths of a penny ($0.002) then the conversion price shall be twenty-five percent (25%) multiplied by the lowest closing price during the thirty-five (35) trading days prior to a notice of conversion is given (which represents a discount rate of seventy-five percent (75%)).

The note also contains a most favored nations status provision whereby the borrower or any of its subsidiaries issue any security (in an amount under one million dollars ($1,000,000)) with any term more favorable to the holder such more favorable term, at holder's option, shall become a part of the transaction documents with holder.

At all times during which this debenture is outstanding, borrower shall reserve and keep available from its authorized and unissued shares of common stock (the "share reserve") for the sole purpose of issuance upon conversion of this debenture and payment of interest on this debenture, free from preemptive rights or any other actual or contingent purchase rights of persons other than holder, not less than five times the aggregate number of shares of the commons stock that shall be issuable the conversion of the outstanding principal amount of this debenture and payment of interest hereunder. Initially, the share reserve shall be equal to one hundred fifty million (150,000,000) shares. The holder may request bi-monthly increases to reserve such amounts based on a conversion price equal to the lowest closing price during the preceding thirty-five (35) day. Borrower agrees that it will take all such reasonable actions as may be necessary to assure that the conversion shares may be issued. Borrower agrees to provide holder with confirmation evidencing the execution of such share reservation within fifteen (15) business days from the issuance date.

Holder may provide the transfer agent with written instructions to increase the share reserve in accordance therewith in the event of: (a) closing price of borrower's common stock is less than $0.002 for three (3) consecutive trading days; or (b) borrower's issued and outstanding shares of common stock is greater than seventy of their authorized shares. Then the share reserve shall increase to the number of shares of common stock equal to the five (5) times the value of the outstanding principal amount plus accrued interest.

Further, as part of the terms of this note the Company agrees that it will not incur further indebtedness other than (a) lease obligations and purchase money indebtedness of up to one hundred thousand dollars, in the aggregate, incurred in connection with the acquisition of capital assets and lease obligations with respect to newly acquired or leased assets, (c) indebtedness that (i) is expressly subordinate to this debenture pursuant to a written subordination agreement with holder that is acceptable to holder in its sole and absolute discretion and (ii) matures at a date sixty (60) days later than the maturity date, (d) trade payables and other accounts payable of borrower incurred in the ordinary course of business in accordance with GAAP and not evidenced by a promissory note or other security, and (e) indebtedness existing on the date hereof and set forth on the Balance Sheet dated September 30, 2015, provided that (x) the terms of such indebtedness are not changed from the terms in effect as of the most recent balance sheet date, and (y) any such indebtedness which is for borrowed money is not due and payable until after August 3, 2017.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 14– SUBSEQUENT EVENTS (CONTINUED)

Convertible Notes Payable (Continued)

Group 10 Holdings LLC – Note dated November 7, 2016 (Continued)

On November 7, 2016, the Company entered into a $45,000 convertible debenture with OID in the amount of $7,000 with Group 10 Holdings LLC. Along with this note, 8,000,000 commitment shares must be issued to the holder within 15 days or an event of default will have occurred, earned in full upon purchase of the debenture. This debenture bears 12% interest per annum with a default interest rate of the lesser of 18% or the or the maximum rate permitted under applicable law, effective as of the issuance date of this debenture ("default interest rate".) If any event of default occurs, the outstanding principal amount of this debenture, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at holder's election, immediately due and payable in cash in the sum of (a) one hundred eighteen percent (118%) of the outstanding principal amount of this debenture plus one hundred percent (100%) of accrued and unpaid interest thereon and (b) all other amounts, costs, expenses and liquidated damages due in respect of this debenture ("mandatory default amount"). After the occurrence of any event of default, the interest rate on this debenture shall accrue at an interest rate equal the default interest rate.

Subject to the approval of holder for prepayments after one hundred eighty (180) days, borrower may prepay in cash all or any portion of the principal amount of this debenture and accrued interest thereon, with a premium, as set forth below (each a "prepayment premium"), upon ten (10) business days prior written notice to holder. Holder shall have the right to convert all or any portion of the principal amount and accrued interest thereon during such ten (10) business day notice period. The amount of each prepayment premium shall be as follows: (a) one hundred forty-five percent (145%) of the prepayment amount if such prepayment is made at any time from the issuance date until the maturity date.

The holder shall have the right, but not the obligation, at any time after the issuance date and until the maturity date, or thereafter during an event of default, to convert all or any portion of the outstanding principal amount, accrued interest and fees due and payable thereon into fully paid and non-assessable shares of common stock of borrower at the conversion price, (the "conversion shares") which shall mean the lesser of (a) sixty percent (60%) multiplied by the lowest closing price during the thirty-five (35) trading days prior to the notice of conversion is given (which represents a discount rate of forty percent (40%)) or (b) one-half of a penny ($0.003.)

If the market capitalization of the borrower is less than two million dollars ($2,000,000) on the day immediately prior to the date of the notice of conversion, then the conversion price shall be twenty-five percent (25%) multiplied by the lowest closing price during the thirty-five (35) trading days prior to the date a notice of conversion is given (which represents a discount rate of seventy-five percent (75%)). Additionally, if the closing price of the borrower's common stock on the day immediately prior to the date of the notice of conversion is less than two-tenths of a penny ($0.002) then the conversion price shall be twenty-five percent (25%) multiplied by the lowest closing price during the thirty-five (35) trading days prior to a notice of conversion is given (which represents a discount rate of seventy-five percent (75%)).

The note also contains a most favored nations status provision whereby the borrower or any of its subsidiaries issue any security (in an amount under one million dollars ($1,000,000)) with any term more favorable to the holder such more favorable term, at holder's option, shall become a part of the transaction documents with holder.

At all times during which this debenture is outstanding, borrower shall reserve and keep available from its authorized and unissued shares of common stock (the "share reserve") for the sole purpose of issuance upon conversion of this debenture and payment of interest on this debenture, free from preemptive rights or any other actual or contingent purchase rights of persons other than holder, not less than five times the aggregate number of shares of the commons stock that shall be issuable the conversion of the outstanding principal amount of this debenture and payment of interest hereunder. Initially, the share reserve shall be equal to one hundred fifty million (150,000,000) shares. The holder may request bi-monthly increases to reserve such amounts based on a conversion price equal to the lowest closing price during the preceding thirty-five (35) day. Borrower agrees that it will take all such reasonable actions as may be necessary to assure that the conversion shares may be issued. Borrower agrees to provide holder with confirmation evidencing the execution of such share reservation within fifteen (15) business days from the issuance date.

Holder may provide the transfer agent with written instructions to increase the share reserve in accordance therewith in the event of: (a) closing price of borrower's common stock is less than $0.002 for three (3) consecutive trading days; or (b) borrower's issued and outstanding shares of common stock is greater than seventy of their authorized shares. Then the share reserve shall increase to the number of shares of common stock equal to the five (5) times the value of the outstanding principal amount plus accrued interest.

Further, as part of the terms of this note the Company agrees that it will not incur further indebtedness other than (a) lease obligations and purchase money indebtedness of up to one hundred thousand dollars, in the aggregate, incurred in connection with the acquisition of capital assets and lease obligations with respect to newly acquired or leased assets, (c) indebtedness that (i) is expressly subordinate to this debenture pursuant to a written subordination agreement with holder that is acceptable to holder in its sole and absolute discretion and (ii) matures at a date sixty (60) days later than the maturity date, (d) trade payables and other accounts payable of borrower incurred in the ordinary course of business in accordance with GAAP and not evidenced by a promissory note or other security, and

(e) indebtedness existing on the date hereof and set forth on the Balance Sheet dated March 31, 2016, provided that (x) the terms of such indebtedness are not changed from the terms in effect as of the most recent balance sheet date, and (y) any such indebtedness which is for borrowed money is not due and payable until after August 3, 2017.

See Exhibit 4.1 to this Quarterly Report on Form 10-Q for a complete description of the Convertible Debenture described above.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Business Overview and Management's Discussion and Analysis of Financial Condition and Results of Operations describes the principal factors affecting the results of operations, liquidity and capital resources and critical accounting estimates. This discussion should be read in conjunction with the accompanying quarterly unaudited Condensed Consolidated Financial Statements contained in this Form 10-Q and our Annual Report on Form 10-K, for the year ended March 31, 2016 ("Annual Report"). Our Annual Report includes additional information about our significant accounting policies, practices and the transactions that underlie our financial results, as well as a detailed discussion of the most significant risks and uncertainties associated with our financial and operating results.

Business Overview

On October 29, 2013 the Company entered into a Strategic Alliance with Synthetic Biology Pioneer Bacterial Robotics LLC to Develop and Commercialize Industry Specific Bacterial Robots "BactoBots". Under terms of the Agreement the companies will jointly develop a nuclear industry-specific Bacterial Robot ("BactoBots(TM)"). BactoBots are ubiquitous microscopic robots applicable to therapeutics, wastewater, and chemicals. Specifically, Bacterial Robotics owns a family of intellectual property beginning with U.S Patent # 8,354,267 B2 that relates generally to genetically enhanced bacteria that conduct specific functions. Bacterial Robotics initial focus with Tauriga is developing a proprietary BactoBot to remediate wastewater generated by nuclear energy production. On July 15, 2016, the Company was notified by its patent attorney, that the maintenance fee is due in the issue of US Patent # 8,354,267. The final deadline to pay the fee to avoid abandonment is January 15, 2017. If the Company does not make this payment it will lose the patent permanently.

On November 25, 2013, the Company entered a definitive agreement to acquire Cincinnati, Ohio based Pilus Energy LLC ("Pilus Energy"), a developer of alternative cleantech energy platforms using proprietary microbial solutions that creates electricity while consuming polluting molecules from wastewater. Upon consummation of the proposed transaction, which has been unanimously ratified by Tauriga's board of directors, Pilus Energy will become a wholly-owned subsidiary of Tauriga. In addition, certain advisors of Pilus Energy will be incorporated into the existing management team of Tauriga and will report directly to the Company's Chief Executive Officer. A total of $100,000 was paid by Tauriga to Bacterial Robotics in connection with the execution of this November 2013 definitive agreement for the acquisition of Pilus Energy.

On January 28, 2014, the Company completed the acquisition of Cincinnati, Ohio based synthetic biology pioneer Pilus Energy LLC ("Pilus Energy"). Structurally Pilus Energy will be a wholly owned subsidiary of Tauriga (pursuant to the terms of the definitive agreement) and will maintain its headquarters location in the State of Ohio. The management of Pilus Energy will report directly to both the Chief Executive Officer ("CEO") and Chief Operating Officer ("COO") of Tauriga with the expectation that at least one board seat of Tauriga will be allocated to a Pilus

Energy affiliate. The Board of Directors of Tauriga Sciences unanimously approved both the previously announced definitive merger agreement on October 25, 2013 as well as the completion of the acquisition inclusive of amended closing terms. In consideration for early closing of this acquisition, shareholders of Pilus Energy received a warrant to purchase 100,000,000 shares of Tauriga Sciences, Inc. common stock at $0.02 per share.

Pilus Energy utilizes a proprietary clean technology to convert industrial customer “wastewater” into value. This wastewater-to-value (“WTV”) proposition provides customers with substantial revenue-generating and cost-saving opportunities. Pilus Energy is converging digester, fermenter, scrubber, and other proven legacy technologies into a single scalable Electrogenic Bioreactor (“EBR”) platform. This transformative microbial fuel cell technology is the basis of the Pilus Cell(TM). The EBR harnesses genetically enhanced bacteria, also known as bacterial robots, or BactoBots(TM), that remediate water, harvest direct current (DC) electricity, and produce economically important gases and chemicals. The EBR accomplishes this through bacterial metabolism, specifically cellular respiration of nearly four hundred carbon and nitrogen molecules typically called pollutants in wastewater. Pilus Energy’s highly metabolic bacteria are non-pathogenic. Because of the mediated biofilm formation, these wastewater-to-value BactoBots(TM) resist heavy metal poisoning, swings of pH, and survive in a 4-to-45-degree Celsius temperature range. Additionally, the BactoBots(TM) are anaerobically and aerobically active, even with low biological oxygen demand (“BOD”) and chemical oxygen demand (“COD”). Currently, the Company does not have the financial resources to commercialize the Pilus technology. If it is unable to obtain such resources, it may be forced to sell all or a portion of the Pilus technology to a third-party. In the event this occurs, there is no guaranty the consideration received by the Company would be of material benefit to either the Company and/or its shareholders.

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On March 26, 2014, the Company announced that its wholly owned subsidiary Pilus Energy LLC ("Pilus Energy") has commenced a five-phase, $1,700,000 USD commercial pilot test ("commercial pilot") with the Environmental Protection Agency ("EPA"), utilizing Chicago Bridge & Iron Co. (NYSE:CBI) ("CB&I") Federal Services serving as the third-party-contractor through the EPA's Test and Evaluation ("T&E") facility. This five phase commercial pilot will include significant testing of the Pilus Energy Electrogenic Bioreactor ("EBR") synthetic biology platform for generating value from wastewater. This commercial pilot is of great importance to the Company, because it represents the scale up from the benchtop (laboratory) scale to commercial (industrial) scale. The Metropolitan Sewer District of Greater Cincinnati ("MSDGR"), which is co-located with EPA's T&E facility, will host the commercial scale EBR prototype at its main treatment plant in Cincinnati.

RESULTS OF OPERATIONS

Three and months ended June 30, 2016 compared to the three months ended June 30, 2015

Revenue. The Company was currently developing its business and as a result it had not developed a material or consistent pattern of revenue generation. In addition, and as discussed further below, the business was disposed of in August 2015. For the three months ended June 30, 2016, the Company did not generate any revenue compared to $40,476 revenue for the three months ended June 30, 2015.

The revenue was generated from the Company's natural wellness cannabis compliment line launched in August of 2014. The Company disposed of operations on August 7, 2015. There is no guaranty that a new line of business will result in material revenue production.

Cost of Goods Sold. The Company's cost of goods sold for the three months ended June 30, 2016 was $0, which resulted no gross profit for that period compared to cost of goods sold of $7,492 and a gross margin of $32,804 or 80.5% for the three months ended June 30, 2015. The difference was due to the disposition of operations in the second fiscal quarter of 2016.

General and Administrative Expenses. For the three months ended June 30, 2016, general and administrative expenses were $766,810 compared to $282,141 for the same period in the prior fiscal year. This increase was primarily due to stock issued for services rendered under consulting agreements in the amount of $557,200.

Other Income (Expense). For the three months ended June 30, 2016, other expense was $129,598 compared to other income $26,786 for the same period in the prior fiscal year. This largest item in the three months ended June 30, 2016 was change in derivative liability resulting an expense of $107,365.

Net Loss. For the three months ended June 30, 2016, the Company generated net loss of $903,322 compared to $251,227 for the same period in the prior fiscal year. The increased loss was primarily due to stock issued for services rendered under consulting agreements in the amount of $557,200.

Liquidity and Capital Resources

We continue to fund our operations through private placement offerings and other financings.

During the three months ended June 30, 2016, the Company sold 27,250,000 shares of common stock raising $292,000. The shares were issued by the Company in the first and third fiscal quarters of 2017.

At June 30, 2016, we had $6,254 of cash or cash equivalents as compared to $0 at March 31, 2016.

Cash Flows

Net cash used in operating activities amounted to $284,474 and $127,270 for the three months ended June 30, 2016 and 2015, respectively.

During the three months ended June 30, 2016 and 2015, we used no cash in investing activities.

During the three months ended June 30, 2016, we had $290,728 cash provided by financing activities compared to $3,000 provided in the same period in the prior fiscal year, primarily as a result of shares issued for cash in 2016 of $292,000. In 2015, the Company received proceeds of $133,000 in notes payable from individuals and companies (of which $18,000 was from a related party) and $100,000 from a convertible debenture, offset by a payment of $230,000 to settle an agreement with another financing institution.

We do not believe that our cash on hand at June 30, 2016 will be sufficient to fund our current working capital requirements as we try to develop a new business line. We will continue to seek additional equity financing. However, there is no assurance that we will be successful in our equity private placements or if we are that the terms will be beneficial to our shareholders.

Going Concern Qualifications

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company had no revenue and net losses of $903,322 for the three months ended June 30, 2016 compared to sales of $40,746 and net loss of $251,227 for the three months ended June 30, 2015. The Company had an accumulated deficit of $52,716,115 and there are existing uncertain conditions which the Company faces relative to its obtaining financing and capital in the equity markets. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company is highly dependent on its ability to continue to obtain investment capital from future funding opportunities to fund the current and planned operating levels. The unaudited consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to bring in income generating activities and its ability to continue receiving investment capital from future funding opportunities. No assurance can be given that the Company will be successful in these efforts.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Securities and Exchange Commission defines the term "disclosure controls and procedures" to mean a company's controls and other procedures of an issuer that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer's management, including its chief executive and chief financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company maintains such a system of controls and procedures in an effort to ensure that all information which it is required to disclose in the reports it files under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified under the SEC's rules and forms and that information required to be disclosed is accumulated and communicated to the chief executive and chief financial officer to allow timely decisions regarding disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are not effective as of such date. The Chief Executive Officer and Chief Financial Officer have determined that the Company continues to have the following deficiencies which represent a material weakness:

1. The Company does not have an Audit Committee;
2. Lack of in-house personnel with the technical knowledge to identify and address some of the reporting accounting issues surrounding certain complex or non-routine transactions. With material, complex and non-routine transactions, management has and will continue to seek guidance from third-party experts and/or consultants to gain a thorough understanding of these transactions;
3. Insufficient personnel resources within the accounting function to segregate the duties over financial transaction processing and reporting; and
4. Insufficient written policies and procedures over accounting transaction processing and period end financial disclosure and reporting processes.

To remediate our internal control weaknesses, management would need to implement the following measures:

The Company would need to add sufficient number of independent directors to the board and will form an Audit Committee with a qualified person to chair the committee.

The Company has hired a chief financial officer, but would need to add sufficient accounting personnel to properly segregate duties and to effect a timely, accurate preparation of the financial statements.

The Company would need to staff technically proficient at applying U.S. GAAP to financial transactions and reporting.

Upon the hiring of additional accounting personnel, the Company would develop and maintain adequate written accounting policies and procedures.

Currently, management does not have the resources nor will it in the near to mid-term future to accomplish these goals.

The additional hiring is contingent upon the Company's efforts to obtain additional funding through equity or debt and the results of its operations. Management expects to secure funds in the coming fiscal year but provides no assurances that it will be able to do so.

Changes in Internal Control over Financial Reporting

Except as set forth above, there were no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

The Company's management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of the control system must reflect that there are resource constraints and that the benefits must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of November 3, 2016, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of our operations except as set forth below:

Lawsuit Filed Against Cowan Gunteski & Co. PA

On November 4, 2015, the Company filed a lawsuit against its predecessor audit firm Cowan Gunteski & Co. PA in Federal Court — Southern District Florida (Miami, Florida) entitled “Tauriga Sciences, Inc. v. Cowan, Gunteski & Co., P.A. et al”, Case No. 0:15-cv-62334. The case has since been transferred to the United States District Court for the District of New Jersey. The case alleges, among other things, that Cowan Gunteski committed malpractice with respect to the audit of the Company’s FY 2014 financial statements (as illustrated in the PCAOB Public Censure of July 23, 2015) and then misrepresented to the Company with respect about its ability to re-issue an independent opinion for FY 2014 financial statements. On July 31, 2015, the Company was delisted from the OTCQB Exchange to the OTC Pink Limited Information Tier due to its inability to file its FY 2015 Form 10K. The lawsuit was expected by the Company and its counsel to take up to 18 months to complete, from the date it was filed (November 4, 2015).

The Company in its lawsuit seeks damages against Cowan Gunteski (and its malpractice insurance policy) exceeding $4,000,000. There is no guarantee that the Company will be successful in this lawsuit.

Subsequent to the filing of the lawsuit, the Company was notified that the lawsuit was temporarily suspended so that the Company and Cowan can attempt to mediate this case based on the engagement letters between the parties. On December 30, 2015, the Company was notified that Daniel F. Kolb was appointed as the mediator.

Mediation commenced on February 3, 2016. During these efforts, the Company had been offered settlement amounts, but none that have been satisfactory.

On March 22, 2016 the Company decided that its good faith efforts to settle its ongoing litigation with Cowan Gunteski & Co. P.A. have proven unsuccessful. Therefore, the Board of Directors of the Company unanimously agreed to proceed forward with the litigation. The Company is continuing to seek the assistance of independent experts, to help ascribe dollar amounts for certain damages suffered by the Company ("provable damages"). At this point in time, the Company has realized out of pocket cash losses and liabilities (inclusive of liquidated damages) that exceed $850,000. Additional potential damages include but are not limited to: inability to properly maintain Pilus Energy's Intellectual Property ("Pilus IP"), the July 31, 2015 delisting of the Company shares from OTCQB to Pink Sheets, loss of market capitalization ("market cap"), loss of trading liquidity ("trading volume"), and loss of substantial business opportunities. In aggregate the Company intends to seek monetary award(s), during trial, in excess of $4,000,000. That figure is expected to continually increase as additional time lapses.

On September 29, 2016, the judge presiding over the case approved the ruled on the two outstanding motions filed on June 13, 2016. The motion to transfer the case to United States District Court for the District of New Jersey was approved, however the judge denied the defendants' motion to dismiss the lawsuit. Depositions have commenced in this case.

Arbitration – Cherry Baekert LLP

On November 23, 2015, the Company had its arbitration date in Miami, Florida at the law office of Pollack, Pollack and Kogan against Cherry Baekert LLP (a consultant of the Company). This arbitration was concerning outstanding invoices of $31,280 that Cherry Baekert believed was owed from the Company pursuant to two separate engagement letters entered into in 2014. Prior to November 23, 2015, the Company had already paid $25,000 to Cherry Baekert pursuant to these above mentioned agreements.

The arbitrator, Lawrence Saichek, ruled against the Company on December 29, 2015 awarding Cherry Baekert the full $31,280 plus legal fee reimbursement, and court costs reimbursed. The total award was $47,568. Since that time, the number has grown to $51,387. On April 25, 2016, the Company made a $15,000 payment to Cherry Baekert towards this outstanding amount. Therefore, the remaining balance is now $36,387. In addition, Cherry Baekert, as a good faith measure, granted the Company until June 30, 2016 to pay the balance. There can be no guarantees that the Company will be able to meet that deadline. The Company wired the final amount due on June 28, 2016.

ITEM 1A. RISK FACTORS.

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

For the three months ended June 30, 2016, the Company issued 33,900,000 shares of common stock at a value $135,600 ($0.004 per share) to convert notes payable in the amount $113,000 (including a related party note in the amount of $18,000) plus a 20% conversion premium which was recorded as interest expense in the amount $22,600. During the year ended March 31, 2016 no notes were converted to common stock.

For the three months ended June 30, 2016, the Company issued 27,250,000 shares of common stock ($0.004 per share) for proceeds of $109,000. $5,000 of the proceeds were received in the prior period and were reflected in share liability. The Company also received proceeds in the amount of $188,000 for the sale of 47,000,000 shares of common stock that the Company issued in the third fiscal quarter of 2017.

For the three months ended June 30, 2016, the Company issued 49,000,000 shares of common stock for services rendered valued at $370,000 ($0.002 to $0.005 per share.)

For the three months ended June 30, 2016, the Company issued 11,300,000 shares of common stock for commitment shares to individual note holders (See Note 7) at a value of $113,000 ($0.01 per share) reflected in Share liability at March 31, 2016.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

As of this report date the Company was in default of two convertible notes payable; a $104,000 7% convertible redeemable note dated May 28, 2015 with Union Capital, LLC (“Union”) and a $96,000 20% OID convertible debenture with Group 10 Holdings LLC (“Group 10”) dated July 14, 2015, bearing a 12% annual rate of interest.

As a result of the default the Union note principal balance increased by 50% to $156,000 with an interest rate of 24%. The Group 10 note, as a result of the default, increased the unpaid principal balance by 18% to $113,280 with an interest rate of 18%.

Also, as of this report date, the Company was in default of an 11.5% debt facility with Alternative Strategy Partners PTE Ltd. ("ASP") dated September 23, 2015 of a non-convertible note with a balance of $90,000, for the failure to make timely payment as per agreed on December 23, 2015. As a result of the default this note, this note bears an 18% interest rate. The Company has not received any default notices from ASP as of October 31, 2016. Additionally, the Company is currently in negotiations to settle all remaining obligations due to ASP under this $90,000 face value debenture.

The Company's default is result of the July 15, 2015 filing failure which resulted in the delisting from the OTCQB Exchange resulting for failure to timely file the its annual report with the Securities and Exchange Commission ("SEC") violating Regulation SX, Rule 2-01 as a direct result of the Company not being able to obtain properly audited financial statements.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS.

4.1	$45,000 Convertible Debenture issued by Tauriga Sciences, Inc. to Group 10 Holdings LLC on November 7, 2016.
31.1	Certification of Chief Executive Officer of Tauriga Sciences, Inc. Required by Rule 13a-14(1) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Accounting Officer of Tauriga Sciences, Inc. Required by Rule 13a-14(1) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer of Tauriga Sciences, Inc. Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Section 1350 Of 18 U.S.C. 63
32.2	Certification of Principal Accounting Officer of Tauriga Sciences, Inc. Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Section 1350 Of 18 U.S.C. 63

Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Exhibit 101

101.INS - XBRL Instance Document

101.SCH - XBRL Taxonomy Extension Schema Document

101.CAL - XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF - XBRL Taxonomy Extension Definition Linkbase Document

101.LAB - XBRL Taxonomy Extension Label Linkbase Document

101.PRE - XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TAURIGA SCIENCES, INC.
(Registrant)

Date: November 9, 2016 By: */s/ Seth M. Shaw*
Seth M. Shaw
Principal Executive Officer

By: */s/ Ghalia Lahlou*
Ghalia Lahlou
Principal Accounting Officer