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TYRATECH, INC.

("TyraTech" or "the Group")

MAIDEN FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

TyraTech Inc. (AIM: TYR), a leading independent novel pesticide company for human, animal and environmental health, today announces its maiden full year results for the year ended 31 December 2007 and the first since listing in June 2007.

Operational Highlights

- First commercial launch from TyraTech's own product range for a general purpose insect spray for hospitality industry containing all natural active ingredients
- First product launch from Sustainable Solutions business of dairy waste management equipment for the production of Nature's Natural, a unique horticulture soil product
- Completion of the key objectives for human functional foods to receive the first major milestone payment from worldwide exclusive agreement with Kraft Foods Inc.
- Development and financial milestones achieved with insecticide strategic partners Arysta and Syngenta
- Strengthened senior management team and sales and marketing function

Financial Highlights

- Successful initial public offering (IPO) in June, listing on the AIM market of the London Stock Exchange, raising gross proceeds of £25 million
- Revenue increased to US$5.5 million (£2.8 million) from US$(0.3) million in the prior period
- Gross Research and development costs US$5.9 million (2006: US$4.5 million)
- Net cash US$27.5 million (2006: US$1.7 million)

Commenting on the Group's maiden Full Year Results since Listing, Douglas Armstrong Ph.D., Chief Executive Officer of TyraTech, said:

"TyraTech had its debut on AIM in June and the Group has made good progress throughout this period. 2008 is going to be an exciting year when we will continue to focus on the Kraft development, plan to create further new partnerships, and launch new products. We also expect this year to have important new value building discovery advances of proprietary active ingredients needed for the delivery of disruptive products for the control of agricultural and animal pests. We have built a strong infrastructure with key team additions bringing industry leading expertise and experience to TyraTech. I am very optimistic about the future and we look forward to creating significant shareholder value as we progress the Group."

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Chairman's Statement

TyraTech, which was formed in 2004, develops and commercializes products for the control of invertebrate pests and pathogens using TyraTech's proprietary discovery core technology. This technology provides the Group with a wide variety of product and business opportunities in many markets and geographic regions. The differentiating feature of these products is the potential to have a combined level of potency and safety that other invertebrate control products are unable to offer. Our platform brings many of the principles of drug discovery and development to the fields of insecticides and parasiticides. By targeting specific chemoreceptors that are found in invertebrates but not in humans and animals, TyraTech can produce products that use natural plant derived compounds targeting these receptors to rapidly kill insects and parasites while being environmentally friendly and harmless to humans and animals.

The key elements of the Group's strategy are based on the creation of significant shareholder value through bringing products to market to serve the animal health, human health and the pesticides market via the following routes:

- Development of the core technology to identify more potent and cost-effective proprietary Active Ingredients (AIs) needed to support our current products,
- Development of disruptive products using a combination of in-house and third party programs,
- Complete new third party development and licensing strategic relationships in consumer, animal health and selected agriculture market segments that deliver milestone and exclusivity payments,
- Bring products to market through partners in key markets,
- Bring products direct to market,
- Complete the milestones for the Kraft project and leverage the data for use in animal health applications,
- Develop a TyraTech brand that is associated with optimal invertebrate pest and pathogen control while providing unsurpassed safety to humans, animals and the environment, and
- Build Sustainable Solutions, a waste reprocessing technology, into a material asset, focusing on the U.S. market.

TyraTech's plan for the use of its technology is to develop selected proprietary active ingredients which can then be used across a wide variety of market segments, either by development partners or by TyraTech itself. The work done to date has confirmed the capability of the platform and provided direction for new AI discovery. TyraTech intends to expand and exploit its platform in order to develop new AIs which will create significant additional value in the market with products that materially improve potency while sustaining or improving safety.

TyraTech also has a separate technology with associated intellectual property that is the basis for the Sustainable Solutions business. This technology has been incorporated into specialized dairy farm equipment for processing cattle manure waste to a usable material for cow bedding and plant growing medium. TyraTech's main emphasis will be to further develop the technology, improve the processing equipment, and develop markets for the processed material.

At the end of 2007 we have (US$27.5) million in cash and short term deposits and we will be investing in 2008 to continue to exploit the market opportunities that this exciting technology provides.

Geoffrey Vernon
Chairman
April 2, 2008

Chief Executive Officer's Review

Introduction

TyraTech has had a successful year following its debut on the Alternative Investment Market in London. The Group aims to be the recognized commercial leader for revolutionary products that control invertebrate pests and pathogens and have an unsurpassed combination of efficacy and safety for humans, animals and the environment. The Group looks to maximize sustainable growth and value for its shareholders, customers, partners, and employees through the development of quality industry-changing products enabled by our proprietary, targeted, receptor-based screening platform.

TyraTech's Core Technology

TyraTech's founding technology has broad applicability, for human and animal health markets, as well as the control of insects and other agricultural pests. The Group's molecular screening technology is principally based on three specific receptors that are members of the G-coupled protein receptor (GPCR) class and:

- Is used to assay receptor-specific natural and other compounds as putative pesticides;
- Is highly predictive of activity in the *in vivo* setting; and
- Provides a sensitive quality control procedure for qualifying natural compounds in manufacturing.

TyraTech has focused primarily on certain botanical essential oils which are natural ligands for the targeted receptors and, due to their broad spectrum activity, have an excellent safety profile and can sometimes have a speedier regulatory pathway. However, the receptor-based technology can also be used for the characterization of any chemical (synthetic or natural) to rapidly assess both the binding to receptors and the potency of receptor activation. The biological pathways associated with the receptors also offer a directed way to identify additional active compounds – including other existing pesticides – that may act in a favorable or synergistic fashion with the receptor ligands.

By targeting different modes of action, TyraTech's technology supports the development of a line of products called "TyraTech EXTEND" which are composed of lower concentrations of marketed pesticides combined with TyraTech's natural blends and which demonstrate efficacy at a level equal to that of higher concentrations of these chemicals, with a superior safety profile and more favorable environmental impact. As a result of the different modes of action in the TyraTech EXTEND products, the development of resistance that currently occurs with recurrent use of chemical pesticides is expected to significantly decrease. TyraTech's screening platform can also be used to find other substances, either natural or synthetic chemicals, which dramatically amplify the efficacy of the receptor-activating blends without negatively affecting their safety profile. This is the basis for TyraTech's planned amplified potency (called TyraTech AMP) products and will target compounds that have a directed activity at the biology that results following the receptor activation.

Based on the capabilities of its screening platform, TyraTech is able to further expand the use of this platform to support the development of selective blends that target or spare specific invertebrates. This capability is expected to provide TyraTech products to satisfy unmet need in various commercial applications by decreasing the negative environmental impact of pesticides on beneficial species.

Sustainable Solutions

In addition to its own core technology, TyraTech has proprietary technology which is used in equipment that converts dairy cow manure into a useful growing or potting soil medium and suitable sphagnum peat alternative. A separate division (TyraTech Sustainable Solutions LLC) has been created to sell this equipment to dairy farms in the U.S., purchase the pathogen-free growing medium output at a nominal fee, and resell the manufactured product to either:

- The horticulture and home lawn and garden markets as a natural growing medium or as a substitute to peat moss, with or without the addition of a TyraTech Natural pesticide to protect new plant growth; or
- Local dairy farms as natural bedding, which could incorporate a TyraTech insect repellent to protect the cattle.

TyraTech's Market and Partnering Strategy

The key to TyraTech's success will be the effective development of well-structured channels to market. TyraTech will approach market entry, at least in its early years, primarily through strategic marketing and development partnerships. The rationale behind this is that TyraTech's core technology provides such a large base of products in many diverse market segments that it is impossible for an early stage company to maximize the broad scope of commercial opportunities, particularly in an organized and timely fashion. As a result, strategic partnerships with companies that have a strong global and/or key regional presence will provide its products with the most extensive market coverage at a lower cost and with higher operating margins. However, the Group's opportunity for immediate revenues necessitates identifying alternative routes to market directly to customers or through distribution partners in the short and medium term.

- When strategic partners are used, TyraTech aims to structure the relationships so that the opportunity for access to a major market share is enabled, and that the partnership arrangement will provide a financial return that is commensurate with the added value that TyraTech provides. Partners are expected, in many cases, to develop their own final formulations/dose forms and products using TyraTech's AIs, IP, and/or prototype formulations. Different approaches will be explored to structure these relationships to enable appropriate financial return, including profit sharing structures, joint ventures and traditional licensing.

Future Strategy

TyraTech has formed a key strategic partnership with Kraft Foods Inc for the development of a functional food that can aid in the control of human intestinal parasites. This project and relationship is progressing well and together we achieved the first major milestone at the end of 2007. TyraTech's pesticide technology has matured over the past year and now demonstrates an opportunity for broader pest control capabilities. With this progress, we are changing; our strategic partnering approaches are changing to better coordinate bringing a broader array of products to the marketplace. The Group is now in a position to explore strategic development and marketing partnerships that have broader segment opportunity to better leverage our new active ingredient formulations. Our current insecticide relationships with Arysta and Syngenta also progressed this year, successfully achieving target performance and financial milestones. However these relationships are for relatively narrow segments in pest control, namely professional pest control operators, vector control, and limited horticultural applications. Having broader, rather than narrow market rights is also a preferred objective of Arysta and Syngenta. As we are now pursuing these broader market segment partnerships, we expect our current partners will compete along with other pesticide companies as we determine the best partner options for TyraTech, which will likely result in changes in the scope of rights. For example in preparing for this new phase, Syngenta and TyraTech have recently mutually agreed to suspend development activity in the current narrow market segments and to explore the Group's technology for a potentially different relationship with broader and larger market segments. Arysta continues to move forward with the lead TyraTech insecticide products, while discussing new areas of partnership.

Not only are we targeting a revamped partner strategy for the agricultural and horticultural markets, but we expect new relationships in the consumer and professional pest control markets, and in our animal health business. Our shareholders should begin to see the results of these strategic alliance activities this over the coming year.

In the future, the Group will target relationships and license agreements that will be more “product” specific rather than providing the partner with rights to all technology within a market segment. As a result, TyraTech plans to:

- Create development and product license agreements with competent partners for those products that require very specialized and onerous development and/or marketing skills (more specifically, functional foods, shelf-space consumer products, human acute treatment products).
- Create product license agreements with partners to sell products that are generated from existing technology and AIs in market segments with many end customers,
- Enter, on its own, those market segments where there is, together, an unmet need (safety and/or efficacy), the development process is not onerous and the number of key customers is limited, and
- Go to market with its own sales force for Sustainable Solutions equipment and through distributors for the processed Nature’s Natural growing medium.

In the longer term TyraTech will seek to enter markets with its own products where its core technology can create AIs that have the ability to disrupt market dynamics.

Outlook and Summary

We have had a successful year in the Kraft relationship, achieving the first major milestone, as well as development milestones with Arysta and Syngenta. 2008 promises to be an exciting year with the continued focus on the Kraft development, new partnerships to be created, new products to be released and the continued focus on the development of the technology. To this last point, we believe that the technology platform can serve to generate the market-changing products that we all strive for: products that can control the targeted pests in a way that provides safety to people, animals and the environment. In doing this, the era of toxic chemical pesticides should end; with pesticides that we don’t have to be afraid to use, and food crops that won’t carry poisons. We have an increasingly strong organization in place to help achieve these ambitious goals and I am optimistic for the future. We look forward to building and returning value to our shareholders and thank them for their support. Finally I would like to thank our employees for the significant effort they have put in, to make this a successful year for the Group.

R. Douglas Armstrong, Ph.D.,
Chief Executive Officer
April 2, 2008

Financial Review

Overview

Results for the year to December 31, 2007 show a successful year in achieving key milestones, bringing products to market and investing in key resources. Revenues increased to US$5.5 million from US$(0.3) million and we grew the operating expenses to US$18.9 million from US$7.1 million.

Revenues

The Group achieved major milestones during the year from Kraft and other contract milestones from Arysta and Syngenta resulting in payments of US$5.2 million (2006: US$2.3 million); the amounts recognized for revenue during the year was US$5.6 million (2006: US$0.2 million). In the year ended December 31, 2007, we also released products to the market and we invoiced and recognized US$0.4 million of revenue in new areas. Revenue was offset by an amount relating to the fair value of warrants issued to a commercial partner and treated as a sales incentive of US$(0.5) million (2006: US$(0.5) million).

Cost of Sales and Gross Profit

Cost of sales for the year was US$2.4 million (2006: nil). This related to significant first costs of our "Wastesolver" manure management equipment of US$0.7 million, cost of new insecticide products introduced in the US and India of US$0.1 million, research and development costs related to collaborative revenue projects of US$1.4 million, and an inventory write off from last year of US$0.2 million relating to business that we did not pursue with AgCert International Plc.

Operating Expenses

Overall operating expenses increased to US$18.9 million (2006: US$7.1 million) and include non cash compensation expense relating to founder share grants and options of US$4.0 million (2006: US$0.4 million). The net cash expenditure in operating expenses grew to US$14.9 million (2006: US$6.7 million).

Research and development expenditure increased to US$5.9 million (2006: US$4.5 million) gross and $4.5 million net after allocating $1.4 million (2006: nil) to cost of goods sold, as we increased the number of staff in the department and expanded the work on patent protection. The cash expenditure grew to US$5.3 million (2006: US$4.3 million). General and administrative spending also increased to US$8.1 million from US$1.4 million, reflecting the development of a management team and supply chain organization. The cash expenditure grew to US$6.0 million (2006: US$1.3 million). Business Development expenditure also grew to US$6.2 million (2006: US$1.2 million) as the Group recruited business development and sales and marketing teams to take the Group's technology to market. The cash expenditure grew to US$4.9 million (2006: US$1.1 million)

Other Income and Costs

Finance income increased to US$0.8 million (2006: nil) earned from the funds raised from the listing on June 1, 2007. Part of the proceeds was used to pay of all the outstanding debt to XL TechGroup Inc to which the interest expense of US$1.0 million (2006: US$1.6 million) relates.

Changes in the fair value of warrants amounted to US$(11) thousand (2006 US$2.2 million) and relates to warrants issued to the underwriters of the IPO. The charge in 2006 of US$2.2 million is for warrants issued to XLTechGroup, Inc.

An arrangement to accelerate payment of the Vanderbilt University licensing agreement resulted in a US$518 thousand loss on extinguishment of the discounted Vanderbilt license liability. Payment of the liability was made through a combination of cash (US$0.5 million) and 65,457 shares of TyraTech, Inc. common stock valued at US$651,000.

Results before and after tax for the year were a loss of US$16.5 million compared to a loss before and after tax of US$11.2 million in the previous year.

Balance Sheet

Non-current assets increased to US$1.3 million (2006: US$0.7 million) as a result of the fit out of new offices and laboratories to accommodate the expansion of staff and the upgrade of our information technology infrastructure and new ERP systems. Current assets show a significant increase to US$29.1 million (2006: US$2.1 million). Cash and cash equivalents were US$27.5 million (2006: 1.7 million) as a result of the fundraising completed June 1, 2007, while trade and other receivables increased to US$0.5 million (2006: US$0.2 million). Inventories grew to US$0.8 million (2006: US$0.2 million) with a build of materials to support the growth in revenues for 2008. Prepayments and short term deposits grew to US$0.3 million (2006: US$0.0 million) due to the separation of operations from XLTechGroup, Inc.

Total liabilities decreased to US$6.4 million (2006: US$14.8 million). The Group has no debt at the end of 2007, part of the proceeds from the IPO were used to pay down the debt of US$6.0 million payable to XLTechGroup, Inc. at the end of 2006. The accounts payable and accrued liabilities have grown to US$3.8 million (2006: US$1.9 million) with the increase in the size of the Group's operations. The deferred revenue has reduced by a small amount to US$1.6 million (2006 US$2.2 million) due to the timing and size of milestone payments and when they are recognized as revenue. The deferred revenue outstanding at the end of 2007 is expected to be recorded as revenue during the first half of 2008 as costs are incurred on collaborative research and development activities. The warrant liability at the end of 2007 of US$1.0 million, which will not be settled in cash, relates to warrants issued to the underwriters of the IPO. The warrant liability at the end of 2006 of US$4.6 million was for warrants issued to XLTechGroup, Inc., which were reclassified to equity upon completion of the IPO.

During the year TyraTech LLC a Delaware LLC was merged with and into TyraTech Inc, a company formed on April 27, 2007 as a Delaware Corporation. The existing members of TyraTech LLC received 16,934,565 common shares in TyraTech Inc. A further 5,000,000 shares were issued with the admission of the Group to trading on the AIM market of the London Stock Exchange for cash net proceeds of US$43.7 million. At that time 65,457 common shares were issued to Vanderbilt University in conjunction with a cash payment for the assignment of outright ownership to the Group of certain patents and patent applications. Further warrants for 198,002 common shares were granted to the Group's advisers on admission of the shares to the AIM exchange. During the year the Group acquired 129,121 treasury shares under the terms of a buy back agreement with an employee who had retired.

Liquidity and Cash Flow

Net loss before and after tax for the year was US$16.5 million (2006: US$11.2 million) including non-cash expenses such as amortization of employee stock awards of US$4.0 million (2006: US$0.4 million), depreciation and amortization of US$0.9 million (2006: US$1.4 million) and warrants issued and changes in the value of existing warrants of US$0.5 million (2006: US$2.7 million). The increased operational activity including sales and product development has increased accounts receivable, prepaid expenses and inventory by US$1.5 million (2006: US$0.3 million), this is offset by an increase in payables and accruals of US$2.5 million (2006: US$1.0 million). All this together has resulted in a net cash outflow from operating activities in the year of US$10.3 million (2006: US$3.8 million).

Cash invested in property, plant and equipment increased to US$0.9 million (2006: US$0.6 million). This was largely for the fit out of new offices and laboratories to accommodate the expansion of staff and the upgrade of our information technology infrastructure and new ERP systems.

As noted above, during the year the Group issued 5,000,000 shares with the admission of the Group to trading on the AIM market of the London Stock Exchange, for net proceeds of $43.7 million. Part of the proceeds from the issue was used to repay the notes payable to XL TechGroup, Inc.

Cash and cash equivalents were US$27.5 million (2006: US$1.7 million). We invest our cash resources in deposits with banks with the highest credit ratings, putting security before absolute levels of return.

Currency Effects

The Group has no significant overseas currency exposures and does not use financial derivatives to manage currency risk.

Keith Bigsby
Chief Financial Officer
April 2, 2008

TYRATECH, INC.
Consolidated Balance Sheets
December 31, 2007 and 2006

Assets		**2007**	**2006**
Current assets:			
Cash and cash equivalents	$	27,521,625	1,656,666
Accounts receivable		485,590	194,496
Inventory		765,107	219,180
Prepaid expenses		283,028	19,996
Total current assets		29,055,350	2,090,338
Property and equipment, net of accumulated depreciation		1,329,563	705,089
Total assets	$	30,384,913	2,795,427
Liabilities and Shareholders' Equity (Deficit)			
Current liabilities:			
Accounts payable	$	573,100	132,435
Accrued liabilities		2,830,017	868,067
Accrued license fees		—	501,780
Due to affiliate		401,852	340,702
Deferred revenue		1,605,666	2,187,062
Current installments of obligation under capital lease		18,462	16,758
Notes payable to affiliate		—	6,019,578
Liability for warrants		997,930	4,655,345
Total current liabilities		6,427,027	14,721,727
Capital lease obligation, excluding current installments		36,940	55,402
Total liabilities		6,463,967	14,777,129
Common stock, $0.001 par, Authorized and issued 22 million in 2007 (16 million in 2006)		22,000	16,256
Additional paid-in capital		55,818,617	3,383,194
Retained deficit		(31,919,006)	(15,381,152)
Tresury stock		(665)	—
Shareholders' equity		23,920,946	(11,981,702)
Total liabilities and shareholders' equity (deficit)	$	30,384,913	2,795,427

See accompanying notes to consolidated financial statements.

TYRATECH, INC.
Consolidated Statements of Operations
December 31, 2007 and 2006

		2007	2006
Revenues:			
Product sales		404,979	—
License and royalty revenue		100,000	150,000
Collaborative revenue		5,525,037	80,834
Gross revenues		6,030,016	230,834
Contra-revenues from sales incentives provided in warrants		(482,919)	(495,889)
Net revenue		5,547,097	(265,055)
Costs and expenses related to product sales and collaborative revenue		2,439,558	—
Gross profit (loss)		3,107,539	265,055
Costs and expenses:			
General and administrative		8,139,193	1,366,789
Business development		6,206,324	1,231,322
Research and technical development		4,517,300	4,505,042
Total costs and expenses		18,862,817	7,103,153
Loss from operations		(15,755,278)	(7,368,208)
Other (income) expense:			
Interest income		(758,004)	—
Interest expense		1,032,859	1,593,908
Change in fair value of warrant liabilities		(10,971)	2,228,646
Loss on extinguishment of liability		518,692	—
Total other expense		782,576	3,822,554
Loss before income taxes		(16,537,854)	(11,190,762)
Income taxes		—	—
Net loss	$	(16,537,854)	(11,190,762)
Net loss per common share:			
Basic and diluted	$	(0.84)	(0.69)
Weighted average number of common shares:			
Basic and diluted		19,756,955	16,195,975

See accompanying notes to consolidated financial statements.

TYRATECH, INC.
Consolidated Statements of Shareholders' Equity
Years ended December 31, 2007 and 2006

		Common stock	Additional paid-in capital	Retimed earnings	Treasury stock	Total stockholders' equity
Balances as of December 31, 2005	$	15,159	2,987,077	(4,190,390)	—	(1,188,154)
Stock based compensation		1,097	396,117	—	—	397,214
Net loss		—	—	(11,190,762)	—	(11,190,762)
Balances as of December 31, 2006		16,256	3,383,194	(15,381,152)	—	(11,981,702)
Issuance of shares to settle license liability		65	650,935	—	—	651,000
Issuance of shares, net of offering costs of $7,266,519 of which $1,390,556 represent non-cash warrants issued to underwriters		5,000	42,292,805	—	—	42,297,805
Reclassification of warrants from liability to equity		—	5,037,000	—	—	5,037,000
Issuance of warrants		—	482,919	—	—	482,919
Purchase of treasury stock		—	—	—	(665)	(665)
Stock based compensation		679	3,971,764	—	—	3,972,443
Net loss		—	—	(16,537,854)	—	(16,537,854)
Balances as of December 31, 2007	$	22,000	55,818,617	(31,919,006)	(665)	23,920,946

See accompanying notes to consolidated financial statements.

TYRATECH, INC
Consolidated Statements of Cash Flows
December 31, 2007 and 2006

		2007	2006
Cash flows from operating activities:			
Net loss	$	(16,537,854)	(11,190,762)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		870,931	1,356,026
Exclusivity fees		—	(70,834)
Write-off of inventory		219,180	—
License maintenance fee		100,528	116,363
Change in fair value of warrants		471,948	2,724,535
Amortization of stock awards		3,972,443	397,214
Loss on extinguishment of liability		518,692	—
Changes in operating assets and liabilities:			
Accounts receivable		(448,990)	(36,600)
Inventory		(765,107)	(219,180)
Prepaid expenses		(263,032)	(19,996)
Accounts payable and accrued liabilities		2,402,615	810,126
Accrued license fee		(470,000)	—
Deferred revenue		(423,500)	2,100,000
Due to affiliate		61,150	219,406
Net cash used for operating activities		(10,290,996)	(3,813,702)
Cash flows used for investing activities:			
Purchases of property and equipment		(851,802)	(618,301)
Net cash (used) for investing activities		(851,802)	(618,301)
Cash flows from financing activities:			
Net (payments) borrowings on notes payable to affiliate		(6,663,181)	6,062,002
Payments made under capital lease		(16,758)	(3,942)
Net proceeds from sale of common stock		43,688,361	—
Treasury stock purchase from employee		(665)	—
Net cash provided by financing activities		37,007,757	6,058,060
Net increase in cash		25,864,959	1,626,057
Cash, beginning of year		1,656,666	30,609
Cash, end of year	$	27,521,625	1,656,666
Supplemental disclosures:			
Cash paid for interest	$	1,032,859	266,860
Cash paid for income taxes	$	—	—

TYRATECH, INC.
Consolidated Statements of Cash Flows (continued)
December 31, 2007 and 2006

		2007	2006
Noncash investing and financing activities:			
The Company incurred a capital lease obligation that was capitalized to property and equipment	$	—	76,102
The Company issued warrants to acquire its common shares in connection with financing obtained, which was recorded as discount to debt and a noncash warrant liability		—	1,930,810
The Company issued shares in connection with the settlement of a license liability		651,000	—
The Company issued warrants in connection with a research and development agreement		482,919	—
The Company recorded a receivable and defense revenue related transaction with a related party		—	157,896
The Company recorded and subsequently wrote-off a revenue related transaction with an affiliate		157,896	—
The Company reclassified warrants issued to a vendor and an affiliate to equity		5,037,000	—
The Company issued warrants in satisfaction of costs incurred to advisors		1,390,556	—

See accompanying notes to consolidated financial statements.

Noted to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies and Practices

(a) Description of Business

TyraTech, Inc., a corporation (the Company) is engaged in the development, manufacture, marketing and sale of proprietary insecticide and parasiticide products, through the utilization of a proprietary development platform that enables rapid characterization of potent blends of plant oil derived pesticides. TyraTech is focused on developing safer natural products with plant essential oils to be used in a wide variety of pesticidal and parasitic applications. These new synergistic formulations target specific receptors unique to invertebrates.

The Company is subject to risks common to companies in the biotechnology industry including, but not limited to, development by its competitors of new technological innovations, dependence on key personnel, and its ability to protect proprietary technology.

XL TechGroup, Inc. (XLTG), an entrepreneurial high technology company listed on the London Exchange's Alternative Investment Market under the trading symbol XLT, is a major shareholder of the Company.

(b) Basis of Presentation

The consolidated financial statements of the Company in U.S. Dollars ($) have been prepared in accordance with United States generally accepted accounting policies (US GAAP). The consolidated financial statements include the accounts of TyraTech, Inc. and subsidiaries TyraTech Holdings India, LLC, TyraTech Sustainable Solutions, LLC, and TyraTech India Pvt. Ltd. All significant intercompany balances and transactions have been eliminated.

On May 23, 2007, the Company was recapitalized from a limited liability company to a corporation in preparation of an initial public offering (IPO) on the London Stock Exchange's Alternative Investment Market (AIM). Member units of the limited liability company were exchanged for common shares of the corporation on the basis of 1 unit to 0.8606 common share. On June 1, 2007, the Company completed an IPO of its common stock under the symbol TYR and raised approximately $43.7 million, net of cash offering costs of $5.9 million. Employees, consultants, and investors of the Company own the balance of the common stock.

The consolidated financial statements of equity (deficit) have been presented as if the recapitalization occurred on December 31, 2005.

In the opinion of the Company directors, the financial information for these periods presents fairly the financial position, results of operations and cash flows for the periods in conformity with U.S. GAAP.

(c) Cash and Cash Equivalents

The Company considered all highly liquid securities with maturities of three months or less when acquired to be cash equivalents.

(d) Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The Company does not have any off-balance-sheet credit exposure related to its customers.

(e) Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method (FIFO).

(f) Property and Equipment

Purchased property and equipment is recorded at cost. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the related assets or the remaining terms of the leases, whichever is shorter, as follows:

Leasehold improvements	3 years
Furniture, fixtures and equipment	4 – 7 years
Computer equipment and software	5 years

The Company accounts for long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

(g) Discounts on Debt

Discounts on debt are amortized to interest expense using the effective interest method over the term of the respective debt.

(h) Revenue Recognition

The Company's business strategy includes entering into collaborative license and development agreements with agricultural and food companies for the development and commercialization of the Company's product candidates. The terms of the agreements typically include nonrefundable license fees, funding of research and development, payments based upon achievement of development milestones and royalties on product sales. The Company follows the provisions of the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 104 (SAB No. 104), *Revenue Recognition*, Emerging Issues Task Force (EITF) Issue No. 00-21 (EITF 00-21), *Accounting for Revenue Arrangements with Multiple Deliverables*, EITF Issue No. 99-19 (EITF 99-19*), Reporting Revenue Gross as a Principal Versus Net as an Agent*, and EITF Issue No. 01-9 (EITF 01-9), *Accounting for Consideration Given by a Vendor to a Customer* (*Including a Reseller of the Vendor's Products).*

Product Sales

Revenue is recognized for product sales when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured. If product sales are subject to customer acceptance, revenues are not recognized until customer acceptance occurs.

License Fees and Multiple Element Arrangements

Non-refundable license fees are recognized as revenue when the Company has a contractual right to receive such payment, the contract price is fixed or determinable, the collection of the resulting receivable is reasonably assured and the Company has no further performance obligations under the license agreement. Multiple element arrangements, such as license and development arrangements are analyzed to determine whether the deliverables, which often include a license and performance obligations such as research and steering committee services, can be separated or whether they must be accounted for as a single unit of accounting in accordance with EITF 00-21. The Company recognizes up-front license payments as revenue upon delivery of the license only if the license has stand-alone value and the fair value of the undelivered performance obligations, typically including research and/or steering committee services, can be determined. If the fair value of the undelivered performance obligations can be determined, such obligations would then be accounted for separately as performed. If the license is considered to either (i) not have stand-alone value or (ii) have stand-alone value but the fair value of any of the undelivered performance obligations cannot be determined, the arrangement would then be accounted for as a single unit of accounting and the license payments and payments for performance obligations are recognized as revenue over the estimated period of when the performance obligations are performed.

Whenever the Company determines that an arrangement should be accounted for as a single unit of accounting, it must determine the period over which the performance obligations will be performed and revenue will be recognized. Revenue will be recognized using a relative method. The Company recognizes revenue using the relative performance method provided that the Company can reasonably estimate the level of effort required to complete its performance obligations under an arrangement and such performance obligations are provided on a best-efforts basis. Revenue recognized under the relative performance method would be determined by multiplying the total payments under the contract by the ratio of level of effort incurred to date to estimated total level of effort required to complete the Company's performance obligations under the arrangement. Revenue is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned, as determined using the relative performance method, as of each reporting period.

If the Company cannot reasonably estimate the estimated level of effort required to complete its performance obligation, then revenue is deferred until the Company can reasonably estimate its level of effort or the performance obligation ceases or becomes inconsequential.

Significant management judgment is required in determining the level of effort required under an arrangement and the period over which the Company is expected to complete its performance obligations under an arrangement. In addition, if the Company is involved in a steering committee as part of a multiple element arrangement that is accounted for as a single unit of accounting, the Company assesses whether its involvement constitutes a performance obligation or a right to participate. Steering committee services that are not inconsequential or perfunctory and that are determined to be performance obligations are combined with other research services or performance obligations required under an arrangement, if any, in determining the level of effort required in an arrangement and the period over which the Company expects to complete its aggregate performance obligations.

Royalty Revenue

Royalty revenue is recognized upon the sale of the related products, provided that the royalty amounts are fixed or determinable, collection of the related receivable is reasonably assured and the Company has no remaining performance obligations under the arrangement. If royalties are received when the Company has remaining performance obligations, the royalty payments would be attributed to the services being provided under the arrangement and therefore would be recognized as such performance obligations are performed under either the relative performance or straight line methods, as applicable, and in accordance with these policies as described above.

Deferred Revenue

Amounts received prior to satisfying the above revenue recognition criteria are recorded as deferred revenue in the accompanying consolidated balance sheets. Amounts not expected to be recognized during the year ending December 31, 2008 are classified as long-term deferred revenue. As of December 31, 2007, the Company has short-term deferred revenue of $1,605,666 (2006: $2,187,062) related to its collaborations.

Summary

The Company has one customer in the pesticides and insecticides segment in 2007 that represents 91% of total revenue (2006: two customers represent 32%).

(i) Equity Based Compensation

Effective July 1, 2005, the Company adopted SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R), which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123). SFAS 123R requires all share-based payments, including grants of employee stock options, to be recognized in the statement of operations based on their fair values.

All unit equity based compensation issued by the Company were issued after July 1, 2005 and therefore all were accounted for in accordance with SFAS 123R.

(j) Research and Technical Development

Research and technical development costs are expensed as incurred. Research and technical development costs for the years ended December 31, 2007 amounts to $4,517,300 (2006: $4,505,042) after charging $1,413,518 (2006: nil) to cost of sales.

(k) Income Taxes

Prior to its recapitalization as discussed below, under provisions of the Internal Revenue Code and applicable state laws, the Company was not directly subject to income taxes; the result of its operations was includable in the tax returns of its members. Therefore, no provision for income taxes was included in the accompanying financial statements, prior to May 23, 2007.

After being recapitalized from a limited liability company to a corporation on May 23, 2007, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating losses and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(l) Foreign Currency Translation

The assets and liabilities of consolidated foreign entities are translated into U.S. dollars at the exchange rate as of the balance sheet date and revenues and expenses are translated at the average exchange rate during the period. Any resulting translation adjustment is recorded as a separate component of shareholder's equity.

(m) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from the estimates.

(n) Segment Information

The Company operates in two primary business segments which are (1) pesticides and insecticides and (2) sustainable solutions

(o) Recently Issued Accounting Standards

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115* (Statement 159). Statement 159 gives the Company the irrevocable option to carry most financial assets and liabilities at fair value that are not currently required to be measured at fair value. If the fair value option is elected, changes in fair value would be recorded in earnings at each subsequent reporting date. SFAS 159 is effective for the Company's 2008 fiscal year. The Company is currently evaluating the impact the adoption of this statement could have on its financial condition, results of operations and cash flows.

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurement* (Statement 157). Statement 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The Statement does not require any new fair value measures. The Statement is effective for fair value measures already required or permitted by other standards for fiscal years beginning after November 15, 2007. The Company is required to adopt Statement 157 beginning on January 1, 2008. Statement 157 is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening retained earnings in the year of adoption. In November 2007, the FASB proposed a one-year deferral of Statement 157's fair-value measurement requirements for non-financial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis. The Company is currently evaluating the impact of adopting Statement 157 on its results of operations and financial position.

The FASB issued FASB Statement No. 160, *Non-controlling Interests in Consolidated Financial Statements* (Statement 160) in December 2007. Statement 160 will require non-controlling interests (previously referred to as minority interests) to be treated as a separate component of equity, not as a liability or other item outside of permanent equity. The Statement applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. Statement 160 is effective for periods beginning on or after December 15, 2008. Earlier application is prohibited. Statement 160 will be applied prospectively to all non-controlling interests, including any that arose before the effective date except that comparative period information must be recast to classify non-controlling interests in equity, attribute net income and other comprehensive income to non-controlling interests, and provide other disclosures required by Statement 160.

(2) Liquidity and Capital Resources

The Company has funded operating and investing cash requirements principally through borrowings from members prior to the IPO. As of December 31, 2007, the Company had $27,521,625 in cash and no indebtedness.

The Company has had significant negative cash flows from operating activities since inception. The Company believes that the proceeds from the sale of securities during June 2007 and cash proceeds from operating activities will be sufficient to meet the working capital and capital expenditures needs of the Company through 2008.

(3) Accounts Receivable

Accounts receivable as of December 31, 2007 and 2006 consist of:

		2007	2006
Trade receivables	$	393,340	193,203
Interest receivables		92,250	—
Other receivables		—	1,293
	$	485,590	194,496

(4) Inventories

Inventories as of December 31, 2007 and 2006 consist of:

		2007	2006
Raw materials	$	380,405	219,180
Work in progress		298,351	—
Finished goods		86,351	—
	$	765,107	219,180

(5) Property and Equipment

Property and equipment, net as of December 31, 2007 and 2006 consist of:

		2007	2006
Leasehold improvements	$	746,683	394,986
Furniture, fixtures and equipment		618,982	338,053
Computer equipment and software		261,563	42,387
		1,627,228	775,426
Less accumulated depreciation		(297,665)	(70,337)
	$	1,329,563	705,089

(6) Accrued liabilities

Accrued liabilities as of December 31, 2007 and 2006 consist of:

		2007	2006
Accrued compensation	$	1,395,842	151,146
Professional fees		971,098	336,845
Other		463,077	380,076
	$	2,830,017	868,067

(7) Leases

During the year ended December 31, 2006, the Company entered into a capital lease for certain equipment that expires in September 2010. At December 31, 2007, the gross amount and related gross amortization of the equipment recorded under capital lease amounted to $55,402 (2006: $76,102) and $16,758 (2006: 3,171), respectively. Amortization of assets under the capital lease is included with depreciation expense.

The Company has non-cancelable operating leases for office space and equipment that expires during April 2009. Rental expense for operating leases during the years ended December, 2007 was $10,020 (2006: $41,320).

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2007 are:

		Capital leases		Operating leases
Year ending December 31:				
2008	$	23,040		58,746
2009		23,040		4,909
2010		17,279		—
Total minimum lease payments		63,359	$	63,655
Less estimated executory costs		—		
Net minimum lease payments		63,359		
Less amount representing interest (at 9.72%)		7,957		
Present value of net minimum capital lease payments		55,402		
Less current installments of obligations under capital leases		18,462		
Obligations under capital leases excluding current installments	$	36,940		

(8) Related Party Transactions

(a) Notes Payable to XLTG

Notes payable as of December 31, 2007 and 2006 consist of:

		2007	2006
$2,000,000 secured note, interest payable at Libor plus 4.0%, (5.24% at December 31, 2006)	$	—	2,000,000
$10,000,000 secured note, interest payable at Prime plus 3.0%, (8.50% at December 31, 2006)		—	4,663,181
		—	6,663,181
Discount on debt		—	(643,603)
	$	—	6,019,578

On October 31, 2005, the Company entered into a $2,000,000 secured note agreement with XLTG which matures on the earlier of the termination date, qualified public offering, sale of all assets of the Company or December 31, 2009. The note is secured with Company's assets and personal property. The note requires the Company to pay XLTG on a monthly basis the interest on the unpaid and outstanding principal amount at a rate of LIBOR plus 4%. Unpaid interest is accrued and treated as a draw. The Company has the option to prepay the note at any time in whole or in part with accrued interest without penalty. The Company repaid the note in full with the proceeds of the IPO in June 2007.

On May 1, 2006, the Company entered into a $10,000,000 secured note agreement with XLTG which matures on the earlier of the termination date, qualified public offering, sale of all assets of the Company or December 31, 2009. The note is secured with Company's assets and personal property. The note requires the Company to pay the XLTG on a monthly basis the interest on the unpaid and outstanding principal amount at a rate of Prime plus 3%. Unpaid interest is accrued and treated as a draw. The Company has the option to prepay the note at any time in whole or in part with accrued interest without penalty. The Company repaid the note in full with the proceeds of the IPO in June 2007.

(b) Support Services from XLTG

During the years ended December 31, 2007 and 2006, the Company received support under a services agreement with XLTG. These services include support in the form of personal labor, management, and various other administrative functions including payroll processing, accounts payable processing, and other record keeping tasks. Services were billed to the Company based on actual costs of these support services, including overhead for various support functions provided. Additionally, the services agreement included a charge for usage of office facilities in Melbourne, Florida. These services and terms upon which they were provided were outlined in a formal services agreement between the Company and XLTG.

Fees charged for services for the year ended December 31, 2007 amount to $1,339,752 (2006: $2,448,546). Such costs are included in general and administrative expenses.

As of December 31, 2007 $401,852 (2006: $340,702) was payable to the XLTG under this agreement. The obligation is non-interest bearing.

(c) ***Research and Development Services from Vanderbilt University***

During the year ended December 31, 2007, the Company paid $564,000 (2006: $395,010) to Vanderbilt University (Vanderbilt), a shareholder, for the dedicated use of a laboratory and staff which houses the Company's proprietary development platform. Such amounts are included in research and development costs in the consolidated statements of operations

As of December 31, 2007 $60,000 (2006: $nil) was payable to Vanderbilt under this arrangement. Such amounts are included in accrued liabilities.

(d) ***License Fee***

On June 4, 2004, the Company entered into an agreement with Vanderbilt, a member of the Company, to acquire an exclusive license to undertake the development of business, technical, regulatory, and market strategies in order to make, have made, use, sell, offer to sell, license and improve and to grant sublicenses of Licensed Products. In consideration for this license, the Company agreed to pay a license maintenance fee in the amount of $50,000 per year effective on the first anniversary of the agreement date and increasing by $50,000 per year in each successive year for a period of ten years.

On June 5, 2005, the Company amended and restated its Operating Agreement to ratify the issuance of the 33% interest in the Company to Vanderbilt for the contributed licensed intellectual property (IP) noted above into the Company. The IP was valued at $1,404,051 and has been recorded as a $1.0 million capital contribution and $404,051 of license maintenance fees payable, representing the present value of the remaining future payments due under the license maintenance fee agreement. The present value of the future payments due under the license maintenance fee agreement has been included in in-process research and development expenses in the statement of operations and was determined using a risk adjusted discount rate of 55%, which corresponded with the stage of development of the Company at that time.

The present value will be re-stated at each period end, as the discount unwinds and further payments are made in accordance with the agreement. As of December 31, 2006, the license maintenance fee liability on the balance sheet was $501,780.

On April 23, 2007, an arrangement to accelerate payment of the Vanderbilt licensing agreement was executed between the Company and Vanderbilt for cash of $470,000 and 65,457 shares of the Company's common stock valued at $651,000. Related to this settlement of the license agreement, the Company recognized $518,692 loss on the early extinguishment of the liability during the year ended December 31, 2007.

(e) ***Product Sale to Affiliate of XLTG***

During the year ended December 31, 2006, the Company deferred revenue of $157,896 for products shipped to an affiliate of the XLTG. The products shipped to the affiliate of XLTG were products originally purchased from an unrelated third party under an exclusive purchasing agreement. As of December 31, 2006, $157,896 was due from the affiliate of XLTG and was included in receivables and deferred revenues. During the year ended December 31, 2007, the Company and the affiliate of XLTG settled a dispute relating to the outstanding amounts at December 31, 2006. Under the terms of the settlement, the Company forgave the receivable as the products sold to the affiliate did not perform as expected.

(9) Warrants

(a) XLTG Warrants

In connection with the $10.0 million secured note payable to XLTG, the Company entered into a purchase option agreement by which XLTG was granted an option to purchase equity in the Company. Under the purchase option, the Company granted XLTG the right to purchase a variable number of shares based upon the amount of the note payable drawn down by the Company at the qualified public offering and the qualified public offering initial share price. The warrants are for a term of 5 years. At the date of grant the warrants were recorded at fair value as a warrant liability and as a discount in obtaining financing. The fair value of the warrant at the grant was $1.9 million. The warrant is re-measured at fair value at each reporting date with subsequent changes in fair value recorded in the statement of operations. Upon the qualified public offering of the shares in June 1, 2007, the warrant qualified for equity classification within the balance sheet and as such the warrant liability was reclassified to equity at fair value on June 1, 2007. The warrant is not subsequently re-measured to fair value after this date as it qualifies for equity classification. The fair value of the warrant as of June 1, 2007 upon the qualified public offering was $4.5 million (December 31, 2006: $4.1 million).

The fair value of this purchase option was estimated by using the Black-Scholes option-pricing model with the following assumptions: no dividends, risk-free rate of 4.8% – 4.9%, the remaining contractual life of the purchase option and a volatility of 100%.

(b) Collaborative Warrants

In connection with research and development collaborations, the Company granted warrants to purchase a variable number of common shares of Company's common shares equal to $2.0 million divided by the per share price to the public in an initial public offering or the price paid in a private placement for each common share of the Company. The $2.0 million of warrants were divided into two parts: $1.0 million of the warrants are exercisable upon the closing of a qualified equity investment offering and the remaining $1.0 million of warrants are exercisable upon successful completion of prescribed co-development activities in accordance with the technology sublicensing agreement. The warrants have a term of three years from the time of the qualified equity offering. With the IPO in June 2007, the warrants have a term until June 1, 2010. At the date of grant, the first $1.0 million of warrants were recorded at fair value to a warrant liability and included as a reduction to revenue as a sales incentive to the unrelated third party. The fair value of the first $1.0 million of warrants as of December 31, 2006 was $0.5 million. The remaining $1.0 million of warrants are recorded at fair value upon successful completion of the first milestone related to the technology and sublicensing agreement as a reduction to the revenue as a sales incentive. The first 1.0 million of warrants were initially re-measured at fair value at each reporting date with subsequent changes in fair value recorded in the statement of operations. Upon the qualified public offering of the shares in June 2007, the first $1 million of warrants qualified for equity classification within the balance sheet and as such the warrant liability was reclassified to equity at fair value. With equity classification of the warrants, the warrant are not subsequently re-measured to fair value after this date. The fair value of the first $1.0 of warrants upon the qualified public offering in June 2007 was $0.5 million. The fair value of the second $1.0 million of warrants upon the achievement of the first milestone in

December 2007 was $0.5 million with the warrant being equity classified. The $2.0 million of warrants are for 202,941 common shares of the Company at an exercise prices of $9.80 to $9.89 per share.

The fair value of the warrants was determined by using the Black-Scholes option-pricing model with the following assumptions: no dividends, risk-free rate of 4.6% to 4.8%, 3 year life of the warrants from the time of a qualified equity investment offering, volatility of 68% to 80% and a discount factor related to the probability of a qualified offering not occurring of 0%.

(c) IPO Underwriter Warrants

In connection with the IPO, the Company granted warrants to underwriters of the IPO to purchase 198,002 common shares of the Company at £5 per common share. The warrants are for a term of 5 years. At the date of grant, the warrants were recorded at fair value to a warrant liability with the expense offset against the IPO proceeds in equity. The warrant is re-measured at fair value at each reporting date with subsequent changes in fair value recorded in the statement of operations. The fair value of the warrant as of December 31, 2007 and the date of the IPO on June 1, 2007 were $1.0 million and $1.4 million, respectively.

The fair value of these warrants was determined by using the Black-Scholes option-pricing model with the following assumptions: no dividends, risk-free rate of 4.4%, the remaining contractual life of the warrants, and a volatility of 68% – 100%.

(10) Stock Based Compensation

(a) Unit Grants

From inception until recapitalized from a limited liability company to a corporation on May 23, 2007, the Company has granted a total of 2.0 million net member units to various employees through unit grant agreements. The unit grants generally vest over four years of continual service and has initial cost to the unit holder of $0.01. The fair value of these grants was determined by the Company at the grant date and was equal to the fair market value of the units at the date of grant. The fair value is amortized to compensation expense on a straight line basis over the vesting period.

Employees

As of December 31, 2007 the total unrecognized compensation cost for these unit grants was $10.0 million (2006: $6.7 million), which is being amortized over the remaining weighted average vesting period of 2.9 years (2006: 3.7 years). The compensation recognized in operating expenses for unit grants for the year ended December 31, 2007 was $3.0 million (2006: $0.2 million). Since inception to December 31, 2007, 310,964 units granted have vested. The initial cost of the unit grants to the employees was forgiven by the Company and is treated as additional compensation to the employee. The weighted average grant date fair value for all unit grants during the year ended December 31, 2007 was $6.2 million (2006: $6.5 million).

Nonemployees

In 2007, the Company granted 60,000 units (2006: 70,000) units to several nonemployees through unit grant agreements. The unit grants vest based on achieving performance terms of the contract and have an initial cost to the unit holder of $0.01 per unit. The fair value of these grants are recognized as the performance terms of the contract have been met. The compensation recognized for unit grants for the year ended December 31, 2007 totaled $0.5 million (2006: $0.2 million) and is included in operating expenses.

During the year ended December 31, 2007, 35,000 units (2006: 25,000 units) vested under the terms of the unit grant agreements. The initial cost of the units to the holder was forgiven by the Company and treated as additional compensation to the non-employee.

Summary Unit Grant Information

The Company determined the estimated unit price of the Company at the measurement date by using a combination of an independent valuation of the Company's units and internal analysis of milestones of the Company throughout the year.

Effective with the recapitalization from a limited liability company to a corporation on May 23, 2007 and the IPO the units granted to employees and nonemployees were converted to shares based up the IPO conversion of 1 unit to 0.8606 shares.

A summary of unit grant activity under the unit grant plan is summarized as follows:

	Number of shares*
Outstanding at December 31, 2005	—
Forfeited or expired	1,213,446
Repurchased	(25,818)
Outstanding at December 31, 2006	1,187,628
Granted	626,517
Forfeited or expired	(55,939)
Outstanding at December 31, 2007	1,758,206
Vested at December 31, 2007	326,041

* – Units granted under the plan converted to shares.

The total shares granted under unit grant agreements included in the statement of shareholders' equity include both vested and non-vested shares.

(b) *2007 Equity Compensation Plan*

On May 23, 2007, the board of directors approved the TyraTech, Inc. 2007 Equity Compensation Plan which authorizes up to a maximum of 10% of the shares outstanding after the IPO (2,200,002 shares based upon the IPO) be made available for granting of awards to all employees and non-employee directors. These share awards can be in the form of options to purchase capital stock, stock appreciation rights (SARS), restricted shares, and other option stock based awards the Board of Directors Remuneration Committee shall determine. The Remuneration Committee of our board of directors, which is comprised of all independent directors, determines the number of shares, the term, the frequency and date, the type, the exercise periods, any performance criteria pursuant to which awards may be granted and the restrictions and other terms of each grant of restricted shares in accordance with terms of our Plan.

Stock Appreciation Rights

During the period from May 23, 2007 to December 31, 2007, the Company granted 737,000 stock appreciation rights (SARS) to employees and 40,000 SARS to consultants of the Company. SARs can be granted with an exercise price less than, equal to or greater than the stock's fair market value at the date of grant and require the Company to issue stock to the employee upon exercise of the SAR. The SARs have ten year terms and vest and become fully exercisable after four years from the date of grant.

The fair value of each SAR was estimated on the date of grant using the Black-Scholes option-pricing model that used the weighted average assumption in the following table. The Company estimated the expected term of the SARs using an approach that approximated the "simplified approach", as outlined in Staff Accounting Bulletin (SAB) No. 107, *Share-Based Payments*. Using this approach, the Company assigned an expected term of 7 years for grants with four-year graded vesting. The expected stock price volatility was determined by examining the historical volatilities for industry peers and using the Company's common stock. Industry peers consist of several public companies in the biotechnology industry similar in size, stage of life cycle and financial leverage. The Company will continue to analyze the historical stock price volatility and expected term assumption as more historical data for the Company's common stock becomes available. The risk-free interest rate assumption is based on the U.S. Treasury instruments at grant date whose term was consistent with the expected term of the Company's SARs. The expected dividend assumption is based on the Company's history and expectation of dividend payouts.

Valuation assumptions:	
Expected dividend yield	0%
Expected volatility	86%
Expected term (years)	7
Risk-free interest rate	4.6% – 4.8%

SAR activity during the period indicated as follows:

	Weighted average	Weighted average remaining	Aggregate

	Number of shares		exercise price	contractual term		intrinsic value
Balance at May 23, 2007	—	$	—			
Granted	777,000		9.74			
Exercised	—		—			
Expired	—		—			
Balance at December 31, 2007	777,000	$	9.74	9.70	$	141,760
Exercisable at December 31, 2007	—	$	—	—	$	—

The weighted average grant date fair value of options granted during from May 23, 2007 to December 31, 2007 was $6.0 million. No SARs vested or were exercised from May 23, 2007 to December 31, 2007.

A summary of the status of the Company's non-vested SARs as of December 31, 2007, and changes during the period from May 23, 2007 to December 31, 2007, is presented below:

Nonvested shares	Shares		Weighted average grant-date fair value
Balance at May 23, 2007	—	$	—
Granted	777,000		8.48
Vested	—		—
Forfeited	—		—
Balance at December 31, 2007	777,000	$	8.48

As of December 31, 2007, there was $5.6 million of total unrecognized compensation cost related to non-vested SAR arrangements granted under the plan. That cost is expected to be recognized over a weighted average period of 3.7 years. The total fair value of shares vested during the period from May 23, 2007 to December 31, 2007 was $0. The compensation recognized in operating expenses for SARS for the year ended December 31, 2007 was $0.5 million (2006: $0 million).

The Company plans to use authorized and un-issued shares to satisfy SAR exercises.

Restricted Stock Grant

During the period from May 23, 2007 to December 31, 2007, the Company granted 50,000 shares of restricted stock to one employee of the Company equal to the stock's fair market value at the date of grant and requires the Company to issue common stock to the employee upon exercise of the restricted stock grant. The restricted stock grant has ten year term and 50% vest and become fully exercisable after one year and the balance after two years from the date of grant.

The fair value of these grants was determined by the Company at the grant date and was equal to the fair market value of the common stock at the date of grant.

Restricted stock grant activity during the period indicated as follows:

	Number of shares		Aggregate intrinsic value
Balance at May 23, 2007	—	$	
Granted	50,000		
Exercised	—		
Expired	—		
Balance at December 31, 2007	50,000	$	$ 491,500
Exercisable at December 31, 2007	—	$	$ —

The grant date fair value of restricted stock granted during from May 23, 2007 to December 31, 2007 was $0.5 million. The restricted stock grant did not vest nor were there any exercises from May 23, 2007 to December 31, 2007.

A summary of the status of the Company’s non-vested restricted stock grant as of December 31, 2007, and changes during period from May 23, 2007 to December 31, 2007, is presented below:

Nonvested shares	Shares	Weighted average grant-date fair value
Balance at May 23, 2007	—	$ —
Granted	50,000	9.83
Vested	—	—
Forfeited	—	—
Balance at December 31, 2007	50,000	$ 9.83

At December 31, 2007, there was $0.4 million of total unrecognized compensation cost related to non-vested restricted stock granted under the plan. That cost is expected to be recognized over a weighted average period of 1.74 years. The total fair value of shares vesting during the period from May 23, 2007 to December 31, 2007 was $0. The compensation recognized in operating expenses for restricted stock granted for the year ended December 31, 2007 was $0.06 million (2006: $0 million).

The Company plans to use authorized and unissued shares as well as any treasury shares to satisfy restricted stock grant exercises.

(11) Research and Development Collaborations

The Company has the following significant research and development collaborative agreement outstanding at December 31, 2007 and 2006:

Kraft

Agreement Summary

On December 5, 2006, the Company entered into a technology sublicense agreement with Kraft. Pursuant to this agreement Kraft is granted limited exclusive sublicense to use the Company's know-how and related license and patents relating to the production of "functional foods" which treat and prevent parasites in humans through additives to foods, beverages and dietary supplements. Kraft is required to use commercially reasonable efforts pursue the achievement of milestones set out in the agreement. The project for the development of licensed products is divided into four development stages. Within each stage certain designated milestones are to be accomplished in accordance with the development and implementation priorities agreed by the parties. The Company has the obligation to fund product development with a portion of the product development funded through an upfront payment and milestone payments. The Company and Kraft agreed to negotiate a supply agreement in "good faith" after commercial launch. In addition, Kraft has agreed to pay the Company royalties for any product sales related to the "functional foods" with the Company's technology.

Accounting Summary

The Company considers its arrangement with Kraft to be a revenue arrangement with multiple deliverables. The Company's deliverables under this collaboration include an exclusive license to its parasitic technologies, research and development services, and participation on a steering committee. The Company applied the provisions of EITF 00-21 to determine whether the performance obligations under this collaboration could be accounted for separately or should be accounted for as a single unit of accounting. The Company determined that the deliverables, specifically, the license, research and development services and steering committee participation, represented a single unit of accounting because the Company believes that the license, although delivered at the inception of the arrangement, does not have stand-alone value to Kraft without the Company's research and development services and steering committee participation and because objective and reliable evidence of the fair value of the Company's research and development services and steering committee participation could not be determined.

(12) Income Taxes

Beginning on May 31, 2007, the Company is subject to both federal and state income taxes. For period prior to May 31, 2007, the Company operated as a pass through entity for tax purposes and tax liability was the responsibility of its members.

The difference between the "expected" tax benefit (computed by applying the federal corporate income tax rate of 34% to the loss before income taxes) and the actual tax benefit is primarily due to the effect of the valuation allowance described below.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts utilized for income tax purposes. The tax effects of temporary differences that give rise to significant portions of deferred taxes at December 31, 2007 are presented below:

		2007
Deferred tax assets:		
Accrued compensation	$	184,024
Deferred revenue		10,229
Net operating loss and charitable contribution carryforward		3,466,894
Basis in intangibles		4,810,014
Property and equipment		34,409
Warrants		1,535,883
Stock compensation		762,385
Total gross deferred tax assets		10,769,428
Less valuation allowance		(10,771,784)
Net deferred tax assets		32,044
Deferred tax liabilities:		
Prepaid expenses		(32,044)
Net deferred tax liability	$	—

At December 31, 2007, the Company had federal and state net operating loss carry forwards of $3.5 million. The federal net operating loss carry forwards begin to expire in 2027 and state net operating loss carry forwards begin to expire in 2027, if not utilized.

Management establishes a valuation allowance for those deductible temporary differences when it is more likely than not that the benefit of such deferred tax assets will not be recognized. The ultimate realization of deferred tax assets is dependent upon the Company's ability to generate taxable income during the periods in which the temporary differences become deductible. Management considers the historical level of taxable income, projections for future taxable income, and tax planning strategies in making this assessment. Management's assessment in the near term is subject to change if estimates of future taxable income during the carry forward period are reduced.

Given the Company does not have a history of taxable income or a basis on which to assess its likelihood of the generation of future taxable income, management has determined that it is most appropriate to reflect a valuation allowance equal to its net deferred tax assets. The total valuation allowance at December 31, 2007 was $10.8 million.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FAS 109" ("FIN 48"). This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company's financial statements. The Company adopted FIN No. 48 on January 1, 2007. The implementation of FIN No. 48 had no material impact on the Company's consolidated financial statements, results of operations or cash flows.

As of December 31, 2007, the Company has yet to file a tax return to which the Company is subject directly to income taxes. Accordingly, no tax returns are open to examination by major taxing jurisdictions which would directly impact the financial position of the Company. The Company recognizes both accrued interest and penalties related to unrecognized benefits in income tax expense. The Company has not recorded any interest and penalties on any unrecognized tax benefits since its inception.

(13) Earnings Per Share

Basic earnings per common share were computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share were determined based on the assumption of the conversion of stock options using the treasury stock method at average market prices for the periods.

		2007	2006
Loss available to common shareholders:			
Net loss	$	(16,537,854)	(11,109,762)
Weighted average shares outstanding		19,756,955	16,195,975
Per share information:			
Basic and diluted loss per share	$	0.84	0.69

Diluted shares outstanding do not assume the conversion of stock appreciation rights or warrants outstanding of 103,939 common shares as it would have an anti-dilutive effect on earnings per share.

(14) Reportable Segment Information

The Company's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different knowledge, skills and marketing strategies.

Information concerning the various segments of the Company for the years December 31, 2007 and 2006 is summarized as follows:

		2007	2006
Revenues:			
Pesticides and insecticides	$	5,257,097	(265,055)
Sustainable solutions		290,000	—
	$	5,547,097	(265,055)
Income(loss)			
Pesticides and insecticides		(15,909,209)	(11,190,762)
Sustainable solutions		(628,645)	—
	$	(16,537,854)	(11,190,762)
Identifiable Assets:			
Pesticides and insecticides	$	30,065,841	2,795,427
Sustainable solutions		319,072	—
	$	30,384,913	2,795,427
Depreciation and amortization			
Pesticides and insecticides	$	227,328	70,337
Sustainable solutions		—	—
	$	227,328	70,337
Capital expeditures			
Pesticides and insecticides	$	851,802	618,301
Sustainable solutions		—	—
	$	851,802	618,301
Interest Income			
Pesticides and insecticides	$	758,004	—
Sustainable solutions		—	—
	$	758,004	—

All significant revenue and identifiable assets of the Company are currently in the United States of America.