TYRATECH®

PUTTING NATURE TO WORK

Dedicated to making a lasting, positive impact on our ecosystem for the health and well-being of people and animals

ANNUAL REPORT **2017**

ANIMAL HEALTH

TyraTech leverages its patented green technology to provide alternatives to traditional synthetic pesticides. PureScience™ utilizes nature-based actives to control insects and parasites in a way that is safe for use around people and animals within the food supply. Poultry production facilities are the primary target of PureScience products, offering premise treatments to control the pests that decrease productivity and cause loss within food supply operations.

HUMAN HEALTH

TyraTech's portfolio of DEET-Free insect repellents provides a true mosquito and tick repellent alternative to outdoor lovers. Safe, effective, and plant-based, Guardian® is available in two strengths suited to the needs of the adventure. Guardian is field tested and lab tested to EPA standards for a DEET-based repellent. Where other non-DEET or natural repellents are focused on the safety of their solutions, Guardian delivers a repellent that meets not just safe ingredient expectations but also efficacy competitive to DEET.

THE YEAR IN REVIEW

FINANCIAL & OPERATIONAL HIGHLIGHTS

- Sale of Vamousse® brand to Alliance Pharma PLC for initial cash consideration of $13 million and a further $4.5 million conditional on future sales targets.
- Major global consumer products company to commercialise a range of pesticide-free insect control household products with Envance LLC (TyraTech's JV with American Vanguard Corporation).
- Cash at 31 December 2017 $14.4 million.
- Strong growth in total revenue from continuing operations to $1.2 million (2016: $0.7 million).
- Product revenue from continuing operations grow 169% (2017: $0.9 million, 2016: $0.3 million).
- Net loss from continuing operations reduced by $0.6 million (2017: $3.9 million, 2106: $4.5 million).

POST-PERIOD HIGHLIGHTS

- Tender Offer settled for approximately $8.4 million at 3p per share.
- After completion of Tender Offer and transaction related costs, approximately $5.2 million available for continuing operations in 2018.
- Further growth in continuing operations with unit sales of Poultry Mite Dust more than doubling (moving annual total) and plans for expansion into Europe this year.
- Sharp growth in sales of OutSmart® equine fly repellant.
- Encouraging results in first animal studies in the much larger markets for the treatment of internal parasites in food production animals.

CHAIRMAN'S LETTER TO SHAREHOLDERS

JOSÉ BARELLA,
CHAIRMAN

Dear Shareholders,

In 2017, we focused heavily on establishing our strategy for the next 5 years and implementing the decision made by the Board to divest its Vamousse product range, concentrating our efforts in the bigger animal health market.

Consequently, on the 28th of December 2017, TyraTech shareholders approved the sale of the Company's human lice products brand, Vamousse, to Alliance Pharma PLC (AIM: APH) for an initial cash consideration of $13 million, of which $8.4 million was returned to shareholders by way of a tender offer at 3 pence per share. The Company may also be entitled to further payments of up to $4.5 million based on the achievement of agreed sales performance targets for Vamousse in 2019 and 2020. Alliance intends to expand product sales through additional marketing and commercial investment.

This sale, representing a valuation close to three times the discontinued operations Vamousse brand net revenue for 2017, is a strong endorsement of our technology and followed our announcement in July 2017 that one of the largest consumer products companies in the world had entered an agreement with Envance Technologies LLC (our J.V. with American Vanguard Corporation) to commercialise a range of household pest control products based on TyraTech's technology.

We believe that these transactions are a clear validation of our ability to create value through the development of nature-derived products, which are both safe and effective. Our objective is now to reproduce the technology and business success we had in the human health and household products segments, in the larger markets of animal health.

In the aftermath of the Second World War, a fast-growing population needed increased quantities of cheap food. The chemical revolution provided the producers with the necessary tools to reach this goal, using it in raising animals with new generations of antibiotics, hormones and pesticides. The world has changed dramatically in the 21st century. Consumers, particularly millennials and aging baby boomers are asking for better quality and healthier food. Producers of animal protein are facing a new equation: providing food in quantity but without the use of artificial chemicals.

> “TyraTech’s mission, to provide innovation and new products for food producers based on pioneering scientific research, is ideally placed to answer this growing customer demand for clean food without pesticides.”

TyraTech’s mission, to provide innovation and new products for food producers based on pioneering scientific research, is ideally placed to answer this growing customer demand for clean food without pesticides. We are encouraged by the major milestones achieved in early stage development of products for the much larger markets in the treatment of internal parasites, as outlined in the Chief Executive’s statement below, and as highlighted in the shareholder circular of 4th December 2017, we intend to raise funds to pursue these substantial opportunities. To this end, a range of options is being actively pursued.

Finally, I would like to thank our shareholders, our partners, our Board and the members of TyraTech’s team for their support during 2017 for achieving the successful sale of the Vamousse brand and pivoting the Company to a new start in the larger market of animal health and sustainable agriculture. It has been a lot of work and effort, but we are now fully focused on a new chapter for the Company and dedicated to making this journey a success for all stakeholders.

José Barella
Chairman
23 May 2018

CHIEF EXECUTIVE'S
BUSINESS REVIEW

BRUNO JACTEL,
CHIEF EXECUTIVE OFFICER

Operational update

Following the successful sale of our Vamousse® personal care range and the strategic decision to concentrate on animal health markets, our operational goals at the end of 2017 were to expand the penetration of the products already launched and to jump-start our development pipeline, focusing on products targeting the bigger markets of controlling internal parasites in production animals. For the beginning of the year 2018, we can report progress on all these fronts.

Poultry

We are rolling-out our PureScience™ product to control mites on chickens in the USA. Mites are one of the most significant pests in laying chickens, with a prevalence ranging from 60% in the US to 90% in Europe causing close to $1billion in lost productivity to the egg production industry worldwide. With this product, we have already achieved: nationwide distribution in the USA with MWI Animal Health (the biggest distributor of animal health products in the US); high penetration rate (estimated at 60%) with Cal-Maine Foods Inc. (Nasdaq: CALM), the biggest producer of eggs in the US; solid contribution margin for our product; and positive economic return on investment for producers which could recover the cost of the mite treatment in less than a week. Starting from a modest base, unit sales to the producers have more than doubled versus last year on a moving annual total basis and are still growing steadily. This number shows repeat purchase and evolution from treatment to prevention. We expect to grow the business in the US, even if it is a small market segment of less than $5 million, by expanding our market penetration to other major egg producers.

We are in the process of expanding the usage of our PureScience Poultry Mite Dust to Europe where the market is larger, estimated at $40 million. Egg producers in Europe are affected by a different type of mite (the "red mite"), which is more difficult to eradicate and is present more often in egg production facilities. We are pleased to report that our field studies have shown that our product provides up to 90% control of red mites for up to 4 months in layers after one treatment. This positions us very

> "To optimize our existing resources, the operations will stay focused in the short term on generating sales of existing products and reaching the most significant product development milestones."

favorably versus competing products that are either more expensive or less effective. Furthermore, we have already registered our product in France, Germany and the Czech Republic and identified potential distribution partners. We are on track to launch our PureScience poultry mite product in France and Germany by the end of the year.

A major objective of the PureScience business is to set-up our commercial operations and relationships with poultry producers so as to create a streamlined distribution system for the future new products, addressing larger market segments and overcoming the high barriers to entry in the industrial production of chickens and eggs.

Equine

Sales of our equine fly repellent product, OutSmart®, to our partner SmartPak® are up sharply in the first part of 2018 over the same period in 2017. SmartPak is launching a new product this year, a roll-on formulation specifically designed to apply the product on sensitive areas of the horses (around the eyes, on the face). As with Vamousse, we benefit from positive customer feedback that highlights the unique combination of safety and efficacy of OutSmart, that offers a full protection against flies over 5 hours, as well as protection against mosquitoes and ticks. Those are strong differentiators from our chemical pesticide competitors that provide a shorter protection against flies due to resistance and are less effective against ticks, potential vectors of severe diseases. Despite a good start, we do not expect a strong fly season due to the sustained cold weather.

DEET-free Insect Repellent

For Guardian, our DEET-free mosquito and tick repellent, we decided not to invest in the short term in its commercialization but rather dedicate our resources to follow the EPA registration process. The objective is to seek stronger health claims which would allow us to compete more effectively with the major players in the category. We are currently optimizing the formulation to ensure the best possible combination of efficacy, safety and cosmetics before entering the formal preparation of the registration dossier. We are in the lab test phase of these new formulations, before moving to field testing in the summer.

Major milestones in New Products for internal parasites

In parallel to boosting our commercialization efforts, we have focused our R&D team on the development of products to control internal parasites in animals, which represents an addressable worldwide market of $4 billion.

Poultry

We are first focusing our development pipeline on the control of coccidiosis, a protozoan parasite of poultry. Coccidiosis, a parasite of the guts in poultry, is very common. The worldwide market for products to control coccidiosis is estimated at $1 billion annually and current chemical or biological solutions are not satisfactory.

Two independent in-vitro tests conducted by North Carolina State University and Virginia Polytechnic Institute and State University with TyraTech's formulations showed a significant control (up to 98% depending on the dose) of Emeria (the agent of coccidiosis) and Histomonas meleagridis (a similar parasite to coccidiosis). In a further independent study, results showed that, when administered to chicken, our formulation can significantly reduce the severity of the lesions caused by coccidiosis. This is a preliminary probe study that needs further confirmation but represents a significant milestone showing the potential activity of our formulation against coccidiosis in the target animal.

Ruminants

Second, we will direct our development effort on controlling intestinal and stomach worms in ruminants, a worldwide market valued at $3 billion. After multiple in-vitro studies demonstrated that TyraTech's specifically designed formulations controlled several species of intestinal worms, a pivotal in-vivo study was conducted on pigs, independently managed by the University of Georgia (USA). It showed that our product significantly reduced the load of worms in the pigs by 70%. Although more studies will be needed to optimize the formulations and demonstrate that they are also effective in ruminants, it is a significant milestone that shows activity of our formulations when administered to the animal.

> "For 2018, our commercial focus will be to expand to other significant producers our poultry products launched in the US and launch these products in selected countries in Europe."

Financials

The sale of the Vamousse brand represented $6.3 million in 2017 net revenue for discontinued operations. Our product revenue in continuing operations, while modest in 2017, reached $0.9 million, an increase of 169% over 2016, which reflects the traction that our products have with equine owners and poultry producers. We are seeing that this trend continues at the beginning of 2018 in parallel with our focus now on the animal health market.

As of 31 December 2017, the Company had approximately $14.4 million in cash and cash equivalents. Approximately $8.4 million was distributed to shareholders in January 2018 via settlement of a Tender Offer. Expenses associated with the Tender Offer of approximately $0.8 were also settled subsequent to the year end, resulting in approximately $5.2 million being available for continuing operations at the beginning of 2018.

Outlook and Summary

For 2018, our commercial focus will be to expand to other significant producers our poultry products launched in the US and launch these products in selected countries in Europe. Our product development pipeline will follow a traditional stage-gate process, with one of the most critical milestones being confirming that the efficacy demonstrated in-vitro in the lab can be confirmed in-vivo in the animal. This will be our focus for the coming year.

To optimize our existing resources, the operations will stay focused in the short term on generating sales of existing products and reaching the most significant product development milestones.

Bruno Jactel
Chief Executive Officer
23 May 2018

FINANCIAL OVERVIEW

ERICA H. BOISVERT,
CHIEF FINANCIAL OFFICER

Financial Overview

In 2017, the Board implemented a strategic objective to focus efforts in the animal health market, resulting in the divestiture of the Company's Vamousse brand. Consequently, on the 27th of December 2017, TyraTech shareholders approved the sale of the Company's human lice products brand, Vamousse, to Alliance Pharma PLC (AIM: APH) for an initial cash consideration of $13 million, of which $8.4 million was returned to shareholders by way of a tender offer at 3 pence per share. The Company may also be entitled to further payments of up to $4.5 million based on the achievement of agreed sales performance targets for Vamousse in 2019 and 2020.

As of the effective date of sale, operations of Vamousse are reflected as discontinued operations pursuant to the provisions of Accounting Standards Codification (ASC) 205, *Presentation of Financial Statements,* for all periods presented.

Revenue

Overall, total revenue for 2017 was $1.2 million versus $0.7 million in 2016. Of this, product revenue was $0.9 million compared to $0.3 million in 2016, an increase of 169 percent. This increase in product revenue is primarily a result of the full launch of OutSmart equine fly repellent and expansion of distribution of our PureScience product to control mites.

Cost of Revenue, Gross Profit, and Gross Margin

Overall, cost of revenue for 2017 was $0.8 million versus $0.3 million in 2016. Product cost of revenue was $0.6 million and $0.2 million for 2017 and 2016, respectively; while collaborative cost of revenue was $0.2 and$ 0.1 million respectively.

Gross profit for 2017 was $0.4 million (gross margin 37 percent on revenue) versus $0.3 million (53 percent on revenue) in 2016. Gross margin decreased in 2017 due primarily to a write off of obsolete inventory of approximately $0.2 million.

In 2017, product gross profit was $0.3 million or 34 percent on revenue versus $0.1 million or 45 percent on revenue in 2016.

Operating Performance

Operating costs and expenses for 2017 were $4.8 million versus $4.9 million in 2016. General and Administrative expenses decreased by $0.3 million; however, we invested an additional $0.1 million each in Research and development and Business development, resulting in a year over year decrease of $0.1 million in operating expense.

Net of non-cash and other one-time expenses, operating costs and expenses were approximately $4.5 million and $4.7 million in 2017 and 2016, respectively, a decrease of $0.2 million.

The loss from continuing operations for 2017 was $4.4 million versus $4.5 million in 2016, and the net loss, before and after taxes, from continuing operations for 2017 was $3.9 million versus $4.5 million in 2016. In 2017, the main driver of the approximately $0.5 million difference between loss from continuing operations and net loss, before and after taxes, from continuing operations was the income received from Envance for the sale of the Floorwash IP.

Balance Sheet

At 31 December 2017 and 2016, cash and cash equivalents were $14.4 million and $1.8 million, respectively.

Working capital was $13.2 million at 31 December 2017 versus working capital of $2.3 million at 31 December 2016. The $10.9 million increase is attributable primarily to the sale of the Vamousse brand as of 28 December 2017.

At 31 December 2017 shareholders' equity was approximately $13.7 million versus $2.7 million at 31 December 2016. The $11 million increase was primarily due to the sale of the Vamousse brand as of 28 December 2017.

Discontinued Operations

Net income from discontinued operations comprised the following (in thousands):

	2017	2016
Net Revenue	$6,248	$6,559
Cost of Revenue	(2,026)	(2,086)
Costs and expenses	(1,792)	(2,276)
Income from discontinued operations before income taxes	2,430	2,197
Income tax expense	-	-
Income from discontinued operations, net of income taxes	2,430	2,197
Gain on sale of assets from discontinued operations	12,160	-
Net income from discontinued operations	$ 14,590	$2,197

Net income from discontinued operations includes inventory allowances, broker commissions and other termination costs related to the disposal. On 28 December 2017, the Company completed the sale of the Vamousse brand for a cash payment of $13 million. Additionally, at sale completion, the Company received cash of $0.5 million for inventory sold at cost.

Assets and liabilities related to discontinued operations are as follows (in thousands):

	2017	2016
Inventory, net	$62	$651
Accounts payable	(200)	-
Accrued liabilities	(91)	-
Net (Liabilities) Assets	$(229)	$651

Ongoing costs related to discontinued operations will consist primarily of warehouse and shipping costs for discontinued inventory.

Cash Flow and Liquidity

Net cash used in operations was $0.6 million in 2017 compared to $1.9 million for 2016, an improvement of $1.3 million. This improvement was primarily the result of the sale of the Vamousse brand and the sale of the Floorwash IP to Envance.

Net cash provided by investing in 2017 was approximately $13.2 million representing $0.5 million received for the sale of IP to Envance along with $13.0 million received from the sale the Vamousse brand, netted against the $0.3 million expense for intangible acquisition costs. For 2016, net cash used in investing represents $0.2 million, resulting primarily from the capitalization of intangible assets.

Net cash provided by financing activities was $0.0 million for 2017 (2016: $0.0 million).

As of 31 December 2017, the Company had approximately $14.4 million in cash and cash equivalents. The Company had no indebtedness as of 31 December 2017 but currently has no committed external sources of funds. Under the terms of the Tender Offer as set out in the Shareholder Circular dated 4 December 2017, in January 2018, approximately $8.4 million was distributed to shareholders who had tendered shares. Expenses associated with the Tender Offer of approximately $0.8 were also settled subsequent to the year end, resulting in approximately $5.2 million being available for continuing operations as of 4 January 2018.

Based upon the Company's existing cash and cash equivalents, its current operating plans, anticipated revenues from product sales and other collaborative arrangements, and the ability to control operating costs, the Company's forecast indicates it will have sufficient cash to meet its working capital needs through the next twelve months.

Currency Effects

In 2017, the Company had no material foreign currency risk. Going forward, as the Company pursues current and future growth opportunities in geographic regions outside the US, the foreign currency risk may become material, at which time the Company may evaluate the need to use financial derivatives to mitigate the foreign currency risk.

Erica H. Boisvert

Erica H. Boisvert
Chief Financial Officer
23 May 2018

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of TyraTech, Inc. for the year ended 31 December 2017.

Results and Dividends

The net income for the year, after taxation and net of discontinued operations, was $10.7 million versus a net loss of $2.3 million in 2016. No dividends have been declared or paid.

Principal Activities

The principal activity of the Company is the development and commercialisation of proprietary insect and parasite control products which incorporate unique blends of nature-derived active ingredients.

Business Review

A review of the Company's operations during the year, and the outlook for the future are given in the Chairman's Letter to Shareholders and the CEO's Letter to Shareholders.

Where the Directors' report (including the Chairman's Letter to Shareholders, the CEO's Letter to Shareholders and Financial Highlights) contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of the approval of this report. Consequently, such statements should be treated with caution due to their inherent uncertainties, including both economic and business risk factors, underlying such forward-looking statements or information.

Research and Development

The Directors believe that research and product development play a vital role in the Company's long-term success. Research and development expenditures are expensed when incurred and for 2017 was $1.2 million (2016: $1.1 million).

Intellectual Property

The Company owns intellectual property and has taken steps to protect this through patent applications, where, as of the date of this report, 37 patents have been issued (2016: 33 patents) and 31 patents are pending (2016: 33 patents). The Company's key intellectual property is built around the screening methods for identifying active ingredients for synergistic receptor activation and the active ingredient combinations. The Directors believe that the intellectual property is of significant value to the business.

Supplier Payment Policy

The Company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, or the terms of a continuing trading relationship, ensuring that suppliers are made aware of the terms of payment and abide by these terms whenever possible. The creditor days at the year end were 171 days (2016: 102 days) for the Company.

Equal Opportunity Employer

The Company is committed to a policy that provides all employees and potential employees with equality of opportunity for selection and development regardless of age, gender, nationality, race, creed, disability or sexual orientation. As of 31 December 2017, the Company had 17 employees (2016: 17 employees).

Policy on Employee Involvement

Briefing and consultative procedures exist throughout the Company to keep employees informed of general business issues and other matters of concern.

Safety, health and environment

The Company is committed to maintaining high standards of safety, health and environmental protection by conducting itself in a responsible manner to protect people and the environment.

Principal risks and uncertainties

The management of the business and the nature of the Company's strategy are subject to a number of risks and uncertainties. The Directors have set out below principal risks facing the business:

History of losses

The Company has experienced operating losses in each year since its inception and, as at 31 December 2017, had accumulated losses of approximately $79 million. The Company may incur further losses and there can be no assurance that the Company will ever achieve significant revenues or profitability.

Working capital

As of 31 December 2017, the Company had cash and cash equivalents of $14.4 million. In January 2018, the Company distributed $8.4 million to shareholders who had tendered shares under the Tender Offer. Expenses associated with the Tender Offer of approximately $0.8 million were also settled after the year end. The Directors believe that, based on current forecasts, the Company will have sufficient cash to fund its operations for at least 12 months from the date the financial statements were signed. The achievability of these forecasts is dependent on a number of key assumptions, in particular, the market penetration of the Company's

products. If the Company does not perform in line with these key assumptions underlying the forecasts, the Company's cash resources may be absorbed earlier than forecasted and additional capital may be required.

Product portfolio

On 27 December 2017, shareholders approved the sale of the Vamousse brand, inventory and associated know-how to Alliance Pharmaceuticals PLC. The Company has determined that it will in the future concentrate its efforts in the animal health market. The Company's plan to grow product revenue is based upon its ability to diversify, invest and manage a portfolio of multiple products in multiple markets through the entire product cycle from discovery-to-development-to-commercialisation. This product expansion process could take a lengthy period of time and may not generate significant product revenue.

Customer concentration

The Company has expanded its customer base through i) attracting wholesale and retail customers and ii) expanding geographically, for its recently developed products. Diversification of its customer base will continue and may take a lengthy period of time. If the Company's products do not achieve an adequate level of customer acceptance, the Company may not generate significant product revenue and may not be able to generate a profit.

Manufacturing and supply chain

The Company outsources the supply of raw materials and other key components, such as containers and packaging. Manufacturing, blending and warehousing is also outsourced. The Company's manufacturing volume is currently considered low by certain suppliers and dual sourcing may be uneconomic in some cases. The Company is examining duplication of warehousing sites and alternative production locations with a view to mitigating the risk of losses, but remains exposed to the possibility of interruptions in supply to its customers in the event of catastrophic damage or if suppliers cease trading.

Seasonality

The Company's insect and parasite control products have a seasonal component since insects and parasites are generally more active during the warmer months There is also evidence that the prevalence of insects and parasites can vary from year to year based on climatic variations and other natural cycles.

The Company faces competition, which may result in others discovering, developing or commercialising products before or more successfully than it does.

The development and commercialisation of products is highly competitive. TyraTech faces competition with respect to its currently marketed products, its current product candidates and any products that it will seek to develop or commercialise in the future.

Some or all of the Company's candidates, if approved, will face competition from other branded products used for the same indications. TyraTech's commercial opportunity could be reduced or eliminated if competitors develop and commercialise products that are more effective, safer, are more convenient or are less expensive than any products the Company may develop.

Finally, many of TyraTech's competitors have significantly greater financial, technical and human resources than it has and can employ these greater resources in research and development, manufacturing, testing, obtaining regulatory approvals and marketing products and thus may be better equipped than the Company to discover, develop, manufacture and commercialise products. These competitors also compete with the Company in recruiting and retaining qualified scientific and management personnel and acquiring technologies.

The Company's future operating results will be highly dependent on how well it manages the expansion of its operations.

The Company may experience periods of rapid growth in the number of products it supplies. This, in turn, would likely necessitate an increase in the number of the Company's employees, its operating and financial systems, sub-contract manufacturers, warehouse and logistic facilities and EDI services, and the geographic scope of its operations. This growth and expansion may place a significant strain on the Company's financial, management and other resources. To manage its expanded operations effectively, TyraTech will be required to continually improve its existing operational, financial and management processes and to implement new systems. TyraTech will be reliant upon distribution channels and existing and future distribution partnerships, particularly as it expands its operation and is therefore dependent on such distribution and

partnerships to achieve growth and expansion of its operations.

Market penetration rates

The Company's business model assumes that, over time, its products will be adopted by the market. However, it is possible that penetration rates may be slower than the Company's forecasts assume. If Company's products do not achieve an adequate level of market penetration, the Company may not generate significant product revenue and may not be able to generate a profit.

The failure of TyraTech's patents, trade secrets and confidentiality agreements to protect its intellectual property may adversely affect its business.

TyraTech is the owner, or co-owner, of intellectual property rights, including patents, trademarks, designs, copyright, trade secrets and confidential information. While it may apply from time to time to register additional patents, trade-marks, designs and copyrights and take reasonable steps to protect its trade secrets and confidential information, TyraTech's ability to compete effectively with other companies depends, amongst other things, on the adequate protection of intellectual property rights owned by or licensed to it. There can also be no assurance that patents will be issued in connection with any of its applications now pending or which may be applied for in the future, or that the lack of any such patents will not have a material adverse effect on TyraTech's ability to develop and market its proposed products or that third parties will not misappropriate TyraTech's trade secrets and confidential information. There can be no assurance as to the ownership, validity or scope of any patents in which TyraTech has an interest or that claims relating to such patents will not be asserted by other parties or that, if challenged, such patents will not be revoked. Even if patent protection is obtained, no assurance can be given that TyraTech will successfully commercialise the product or technology prior to expiry of the patent protection. It is also not certain that extensions of patent protection (patent term extensions, supplementary protection certificates or their equivalent around the world) will be available at the end of the term of patents currently in existence so as to provide patent protection during the initial period in which products are marketed. TyraTech may be unable to adequately protect its proprietary information and know-how. In addition to its patented technology, TyraTech relies upon unpatented proprietary technology, processes and know-how. TyraTech has confidentiality agreements in place with customers, suppliers and employees who have access to its proprietary information and know-how, but such agreements may be breached and TyraTech may not have adequate remedies for such breaches. In addition, TyraTech's trade secrets may otherwise become known or be independently developed by competitors. If certain parts of TyraTech's proprietary information and know-how were to become public knowledge, then the value of TyraTech's products could be adversely affected which could have a material adverse effect on TyraTech's business, financial condition and results of operations.

TyraTech's ability to introduce certain products to market is dependent on successful completion of the regulatory approval process.

Insecticide, parasiticide and nature-derived insect and parasite control products for humans and animals are subject to a regulatory approval or registration process in the US, Europe and other parts of the world. Failure to obtain or maintain regulatory approval or registration could result in the inability to market and sell such products. The time necessary to obtain regulatory approval or registration varies among products and between the US, Europe and the rest of the world and is affected by numerous factors many of which are beyond TyraTech's control. There can be no assurance that regulatory clearance for the product or, indeed, for trials at each stage and approval for TyraTech's product candidates still in development will be forthcoming without delay or at all.

Regulatory investigations and litigation may lead to fines or other penalties.

There is a risk that TyraTech would face regulatory investigation and potentially litigation if there were data errors in the submission documents or if new data came out that impacted the claims or safety profile of the product.

Directors

The directors who served during 2017 were as follows:

J.G. Barella
B.M. Riley
J. Hills
E. Wintemute
B. Jactel

Biographies of the Directors follow:

José G. Barella (Non-Executive Chairman) was appointed to the Board on 12 April 2016. After working in the chemical industry, Jose joined Rhone Poulenc in Brazil where he held positions across a wide range of functions in engineering, project management and marketing. He was subsequently appointed VP Industrial Operations at the Human Health division of Rhone Polenc Rorer before expanding his career internationally, initially with Rhone Poulenc Agro in France with responsibilities for manufacturing, development and marketing and later in London as commercial manager for the UK and Ireland. When Rhone Polenc and Hoechst merged to form Aventis in 1999, Jose was appointed to head a new division, Aventis Environmental Science, in Frankfurt. During his tenure, the division grew sales at 30% p.a. and EBIT doubled. In 2001, he joined Merial, the Animal Health JV of Merck and Aventis based in Altlanta, USA, to lead the Companion Animal division, becoming Chief Operating Officer in 2005 with responsibility for Companion and Production Animals and CEO of Merial in 2007. When Merial became the Animal Health Division of Sanofi, Jose was appointed senior V.P. Animal Health and CEO. During Jose's twelve years with Merial, sales grew from $1.5 billion to $2.8 billion, becoming the most profitable company in the Animal Health industry. Jose holds a BSc in chemical engineering and is fluent in Portuguese, English and French.

Barry Riley (Non-Executive Director) was appointed on 25 May 2007. After qualifying as a Chartered Accountant, he joined the Bowater Organization, where he had responsibility for the finance function at several operations. From there he moved to FMC Corporation, the U.S. conglomerate where he had finance and general management responsibilities for a specialty chemical operation, and also oversaw the head office finance function for all UK operations. He joined Proteus International PLC in 1995 as Finance Director and was closely involved in the merger with Therapeutic Antibodies Inc. in 1999, which became Protherics PLC where he was Finance Director until 2007. In June 2015, he assumed the position of Acting Chief Financial Officer of TyraTech and relinquished that position in January 2016 with the appointment of Erica Boisvert as Chief Financial Officer and Company Secretary. He was chairman of the Audit Committee until June 2015 and was re-appointed to this position in April 2016 following the relinquishing of his role as Acting C.F.O. He is also a member of the Remuneration Committee.

James Hills (Non-Executive Director) was appointed on 9 July 2010. Mr. Hills spent the early portion of his career with The Gillette Company and Coca Cola US where he held senior positions in both sales and brand management. Later, he was a 50% partner and Chief Executive Officer of Weatherly Consumer Products Inc., a company which developed, branded and marketed specialty fertilizers in North America and Europe, under the Jobe's brand name. Following the sale of that business in 1996, he started Gulfstream Home and Garden, a company which marketed lawn and garden insecticides under the Sevin brand name in the U.S. He sold that business in 2005 following nearly ten years of rapid growth. Mr. Hills is chairman of the Remuneration Committee. He is also a member of the Nomination and Audit Committees.

Bruno Jactel, D.V.M. was appointed as Chief Executive Officer of TyraTech effective 10 January 2013. Dr. Jactel spent 12 years at Merial Limited, the $2.6 billion revenue generating Animal Health subsidiary of the Sanofi Group, most recently serving as combined Chief Strategy Officer and Chief Marketing Officer. As head of commercial operations in Europe, Dr. Jactel developed successful growth strategies in both OTC and professional channels. Prior to working at Merial, Dr. Jactel was Deputy Minister for Economic and Commercial Affairs at the French Embassy in Washington, D.C. He was also a recent founder and board member of Hypercell Technologies LLC, an early-stage biotech company developing therapeutic solutions to serious infectious animal disease. Dr. Jactel is a Doctor of Veterinary Medicine and has a Masters in Economic Sciences from the Sorbonne University in Paris. He graduated from the École Nationale d'Administration, Paris in 1993.

Eric Wintemute was appointed to the Board as a Non-Executive Director on 20 June 2013. Mr. Wintemute was elected to the post of AMVAC's President and American Vanguard Corporation's Chief Executive Officer in mid-1994. Mr. Wintemute had joined AMVAC in January 1994 as Executive Vice President, Chief Operating Officer, and a member of the Board of Directors following American Vanguard's acquisition of GemChem, a national and international chemical distribution company he co-founded in 1991. From 1977 to 1982,

he worked for AMVAC in a variety of sales, purchasing, and production control capacities. Previously, as a Vice President and Director of R.W. Greeff & Co. from 1982 to 1991, Mr. Wintemute oversaw the national and international distribution of key AMVAC chemical products. Mr. Wintemute holds a Bachelor of Arts degree in Economics from the University of California, San Diego.

Directors' Interests

The Directors had beneficial interests in the share capital of the Company, other than with respect to options to acquire ordinary shares (which are detailed in the analysis of options included in the Directors' Remuneration Report) as follows:

	23 May 2018 Common Stock of $0.001 each	9 April 2017 Common Stock of $0.001 each
B.M. Riley	**3,723,413**	3,723,413
J. Hills	**3,029,957**	3,029,957
E. Wintemute	**-**	-
B. Jactel	**2,438,157**	2,438,157
J.G.Barella	**-**	-

Directors Indemnity Insurance

The Company has taken out insurance to indemnify, against third party proceedings, the Directors of the Company whilst serving on the Board of the Company and of any subsidiary, associate or joint venture. This cover indemnifies all employees of the Company who serve on the boards of all subsidiaries. These qualifying third party indemnity policies subsisted throughout the year and remain in place at the date of this report.

Capital Structure

The capital structure of the Company comprises common shares of $0.001 par value each which trade under a restricted line of stock (TYR.L) and an unrestricted line of stock (TYRU.L)

Common shares in the capital of the Company are not registered under the US Securities Act of 1933 (Securities Act), as amended, the US Securities Exchange Act of 1934, as amended, or under any US state securities laws. As such, on issue, common shares are "restricted securities" as defined in Rule 144 under the Securities Act and may not be resold in the United States absent registration under the Securities Act and any applicable securities laws of any U.S. State or pursuant to exemptions under the Securities Act and such laws. With the exception of affiliates of the Company, all common shares now trade in uncertificated form, and a depositary interest facility is available that permits trades in shares in the Company's stock to be settled electronically through CREST rather than by delivery of physical certificates.

Shares are issued initially with an appropriate form of restrictive legend and subject, in the case of shares subscribed and held by non-affiliates of the Company, to a one year distribution compliance period under Regulation S under the Securities Act. During the distribution compliance period such common shares may only be traded outside of the United States in offshore transactions to non-US persons and otherwise in compliance with the Securities Act and any applicable securities laws of any state of the United States. Common shares subscribed and held by non-affiliates of the Company will be eligible to have the restrictive legend removed from their shares following the first anniversary of the issue of such shares, on completion of an appropriate letter of transmittal available from the Company, for migration of such shares to the Company's unrestricted line of stock.

Save as set out above, there are no specific restrictions on the transfer of shares by any shareholder. There are no significant agreements to which the Company is a party that take effect, alter or terminate upon a change in control of the Company following a takeover bid.

Substantial Shareholdings

Prior to the publication of this document, the Company has been advised of the following shareholdings amounting to 3 percent or more of the ordinary share capital of the Company.

	Number	Percentage
American Vanguard Corporation	55,555,000	34.38%
Interactive Investor Trading	11,983,713	7.42%
Hargreaves Lansdown PLC	6,584,293	4.07%
CriSeren	6,176,316	3.82%
Lloyds Banking Group	6,022,268	3.73%
Walker Crips Group	5,895,803	3.65%
A&J Lindsay	5,700,000	3.53%
Vanderbilt University	5,086,799	3.15%

Auditors

A resolution to appoint BDO USA, LLP, a US limited liability partnership, as auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Directors' Statement as to Disclosure of Information to Auditors

The Directors who held office at the date of this report have made enquiries of fellow Directors and of the Company's auditors and each of these Directors confirms that:

- To the best of his knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board
José Barella
Non-Executive Chairman
23 May 2018

CORPORATE GOVERNANCE

The Board supports the principles of good corporate governance set out in the Financial Reporting Council's UK Corporate Governance Code. Although the Company is an AIM listed company and is not required to fully comply with the Corporate Governance Code, the Board is committed to a level of compliance appropriate for a smaller public company. Furthermore, and as announced by AIM in early March 2018, there will be a need for all AIM companies to comply with a recognised corporate governance code ('code') from 28 September 2018 (and from this date we're also required to include on our website details of how it has complied with it, together with reasons for any non-compliance). The board is currently in the process of considering and adopting a code (e.g the QCA Code and the FRC Code) and will confirm in due course the code to be adopted.

During the year ended 31 December 2017, the Board consisted of an Executive Director, a Non-Executive Chairman and three Non-Executive Directors.

On joining the Board, all Directors received a full induction and have the opportunity to meet with shareholders at the Annual General Meeting.

Biographies of the Board members appear on prior pages of this report. These indicate the high level and range of experience, which enables the Company to be managed effectively.

The Board has established three committees in relation to Directors' remuneration, audit matters and nominations to the Board.

The membership of all Board Committees is set out below:

- Remuneration Committee: Mr. Hills (Chair), Mr. Riley and Mr. Wintemute.
- Audit Committee: Mr. Riley (Chair), Mr. Hills and Mr. Barella.
- Nomination Committee: Mr. Barella (Chair), Dr. Jactel, Mr. Wintemute and Mr. Hills.

The Board is responsible to the shareholders for the proper management of the Company. The Board has adopted a formal schedule of matters specifically reserved for the Board's decision that covers key areas of the Company's affairs including: overall responsibility for the business and commercial strategy of the Company, policy on corporate governance issues, review of trading performance and forecasts, the approval of major transactions and the approval of the interim management and financial statements, annual report and financial statements and operating and capital expenditure budgets.

The Non-Executive Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Non-Executive Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Non-Executive Chairman facilitates the effective contribution of Non-Executive Directors and constructive relations between Executive and Non-Executive Directors, ensuring Directors receive accurate, timely and clear information. The Non-Executive Chairman provides feedback to the Board on issues raised by major shareholders.

During the year ended 31 December 2017, the Board delegated the day-to-day responsibility for managing the Company to the Chief Executive Officer who is accountable to the Board for the financial and operational performance of the Company.

The Company regarded Mr. Hills and Mr. Riley as Independent Non-Executive Directors during the year ended 31 December 2017. All the Non-Executive Directors constructively challenge and help develop proposals on strategy, and bring strong independent judgment, knowledge and experience to the Board's deliberations. The Independent and other Non-Executive Directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making. Mr. Riley as Senior Non-Executive Director, is available to shareholders if they have concerns where contact through the normal channels of Non-Executive Chairman or Chief Executive Officer has failed to resolve matters or for which such contact would be inappropriate.

The Board has three regularly scheduled meetings annually with additional meetings to discuss strategy and other pertinent issues organised as necessary during the year.

Prior to each meeting, the Board members receive copies of the management accounts and are furnished with information in a form and quality appropriate for it to discharge its duties concerning the state of the business

and performance compared to plan. All directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense in the furtherance of their duties.

The Non-Executive Directors meet after each Board meeting without the Chief Executive Officer being present.

At the forthcoming Annual General Meeting, Barry Riley will offer himself for re-election as a director for a term of three years in accordance with the provisions of the Company's Certificate of Incorporation.

The Board is currently in the process of determining the most convenient date for the Company's 2018 Annual General Meeting and shareholders will be notified, and Notice of Annual General Meeting will be despatched, as soon as that date has been finalised.

Board Committees

The Remuneration Committee is responsible for establishing and monitoring appropriate levels of remuneration and individual remuneration packages for Executive Directors. No director is involved in deciding his own remuneration. The report of the Remuneration Committee is set out on subsequent pages of this report.

The Remuneration Committee meets at least two times per year.

The Company has an Audit Committee, whose responsibilities include reviewing the scope of the audit and audit procedures, the format and content of the audited financial statements and interim reports, including the notes and the accounting principles applied. The Audit Committee also reviews internal control, including internal financial control, in conjunction with the Board. The Audit Committee will also review any proposed change in accounting policies and any recommendations from the Company's auditors regarding improvements to internal controls and the adequacy of resources within the Company's finance function. The Audit Committee advises the Board on the appointment of external auditors and on their remuneration both for audit and non-audit work, and discusses the nature, scope and results of the external audit with the external auditors.

The Audit Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditors. In the final quarter of 2016, the Committee undertook a review of audit and associated services, inviting two firms of significant standing to present and tender for comparison with the proposal from the incumbent auditors. Based on their breadth of capabilities, ease of access to technical advice, number of hours and fees per hour proposed, the Committee recommended and the Board agreed to appoint BDO USA LLP as auditors.

The Audit Committee monitors fees paid to the auditors for non-audit work and evaluates on a case by case basis whether it should put the requirement for non-audit services out to tender. Except for tax advisory services associated with the sale of Vamousse, the Company's auditors, BDO USA, LLP, have not been instructed to carry out non-audit work during the year. Other firms of advisors were employed during the year for tax compliance services.

All Directors may attend Audit Committee meetings. At least twice a year representatives of the Company's auditors have an opportunity to meet the Audit Committee at which time they also have the opportunity to discuss matters without any Executive Director being present.

A "whistle blowing" policy has been implemented whereby employees may contact the Chairman of the Audit Committee on a confidential basis.

The Nomination Committee is responsible for considering and making recommendations concerning the composition of the Board, including proposed appointees to the Board, and whether to fill vacancies that may arise or to change the number of Board members.

Internal Control and Risk Management

The Directors acknowledge that they are responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. The Company is small and the Directors are closely involved in the management of the business. Due to their close involvement, the Directors are aware of risks that may arise within a small company and these risks are discussed. As part of these discussions, the Directors consider the likelihood of the risk occurring and the potential impact on the business. The Board will continue to review its risk management process on an ongoing

basis. In 2017, no significant weaknesses or failings were identified. However, the internal controls are designed to manage rather than eliminate the risk of failure to achieve business objectives and the Board recognises that any system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company's operating procedures include a comprehensive system for reporting financial and non-financial information to the Directors.

Annually, the Directors discuss and review the upcoming year's business objectives and initiatives, which are accompanied by an annual budget, phased monthly. The objectives, initiatives and budget are approved by the Board and forecast updates are prepared periodically. The budget and forecast updates include an income statement, a balance sheet and a statement of cash flows.

The Board reviews the actual financial results versus budget and forecast together with other management reports containing non-financial information.

Schedules of financial authority limits detailing management authority limits for commitments in respect of sales orders, capital and operating expenditure are circulated to relevant employees and updated at least annually.

The Board considers that there have been no weaknesses in internal financial controls that have resulted in any material losses, contingencies or uncertainties requiring disclosure in the financial statements.

The Non-Executive Chairman ensures that Directors may take independent professional advice as required at the Company's expense in appropriate circumstances and all members of the Board have access to the advice of the Company Secretary.

Going Concern

The Company has produced monthly forecasts to the end of 2019, which indicate the Company will have sufficient cash to meet its working capital needs through the next twelve months based upon the following forecast assumptions: existing cash and cash equivalents, its current operating plans, anticipated revenues from product sales and other collaborative arrangements, and the ability to control operating costs. For these reasons the Company continues to adopt the going concern basis.

Internal Audit

The Company does not have an internal audit function. However, the Audit Committee reviews annually the need for such a function and has done so during the year. The current conclusion of the Board is that it is not necessary given the modest scale and lack of complexity of the Company's activities.

Shareholder Communication

It is the Company's policy to involve its shareholders in the affairs of the Company and to give them the opportunity at the Annual General Meeting to ask questions about the Company's activities. This process enables the views of shareholders to be communicated to the Board. In addition, any direct enquiries are dealt with by the Company Secretary and communicated as appropriate to the Board. Other than in exceptional circumstances, all Directors, including those newly appointed, participate in the Annual General Meeting of the Company, and make themselves available for introductions and answering shareholders' questions. Established procedures ensure the timely release of price sensitive information and the publication of financial results and regulatory financial statements. The Company also maintains a website, www.tyratech.com, which incorporates corporate, financial, product information and news.

Directors' Remuneration Report

This report sets out the Company's policy on the remuneration of Executive and Non Executive Directors and details Executive Directors remuneration packages and service contracts.

Remuneration Committee

The Remuneration Committee has the responsibility for determining the Company's overall policy on executive remuneration and for deciding the specific remuneration, benefits and terms of employment for Executive Directors. Fees paid to Non-Executive Directors and to the Non-Executive Chairman are determined by the Board as a whole and no Director is responsible for approving his own remuneration. The Remuneration Committee, in its deliberations on the remuneration policy for the Company's Directors, seeks to give appropriate consideration to the Corporate Governance Code. No external advisors were engaged to provide independent professional advice to the Remuneration Committee.

Remuneration Policy
The policies set by the Remuneration Committee are intended to attract, retain and motivate high calibre executives capable of achieving the Company's objectives, and to ensure that Executive Directors receive remuneration appropriate to their experience, responsibility, geographic location and performance. The Committee's policies aim to align business strategy and corporate objectives with executive remuneration and seek to ensure the appropriate mix between fixed and performance based elements, and between long and short-term goals and rewards.

Executive Directors' remuneration packages are comprised of a basic salary and an annual performance related bonus plan and stock appreciation rights. The Company also provides health care, disability and life insurance and 401(k) matching contribution benefits consistent with all employees of the Company. Total compensation levels for executives are designed to be at least the median level reflecting the levels of performance, experience and responsibility held by each of the Executive Directors.

Basic Salary
The basic salary of Executive Directors is determined by the Remuneration Committee taking into account individual performance and aims to ensure that remuneration remains competitive with similar companies in terms of size and complexity.

Annual Performance Related Bonus
Each Executive Director is eligible for a discretionary annual bonus based upon the achievement of specific performance targets for the year, determined by the Remuneration Committee. In determining the performance targets and related bonus levels, the Remuneration Committee seeks to align the interests of executives with those of shareholders. Performance related remuneration forms a significant amount of Executive Directors' total remuneration. On target bonus amounts for 2017 were set at 100% of basic salary for Dr. Jactel. Dr. Jactel was awarded a bonus of $81,250 in 2017.

Stock Appreciation Rights
All Executive Directors and employees are eligible for grants of stock appreciation rights. Stock appreciation rights are granted at the closing mid market price of the Company's common stock on the day prior to grant and generally vest over either one annual or four annual increments, or 25% first year and 6.25% quarterly through the remaining three-year vesting term. Currently the exercise of stock appreciation rights granted is not dependent upon performance criteria.

Pension and Other Benefits
Executive Directors' basic salaries are set at levels which are deemed to include adequate provision for 401(k) contributions. Each Executive Director is free to determine the amount of pension contribution payable from salary, given the age of the relevant director and other personal circumstances. Executive Directors are entitled to make contributions from salary into the Company's 401(k) (see Directors' Pension Arrangements below). The Company funds the provision of private medical insurance cover for Executive Directors and their immediate family and Executive Directors participate in the Company's life insurance scheme, which has a lump sum payment in the event of death in service.

Executive Directors' Service Contracts
Dr. Jactel entered into an employment agreement with the Company on 1 January 2013, the principal terms of which are that if the Company terminates his employment, other than for good cause, or if he resigns with good reason, he will be eligible for, but not entitled to, a sum equal to six times his then current monthly base salary. If Dr. Jactel's employment is terminated by a change in control in the Company, Dr. Jactel will be entitled to a lump sum payment equal to 12 times his then current monthly base salary plus other benefits. Dr. Jactel will not be eligible for any kind of severance payment if he resigns from the Company.

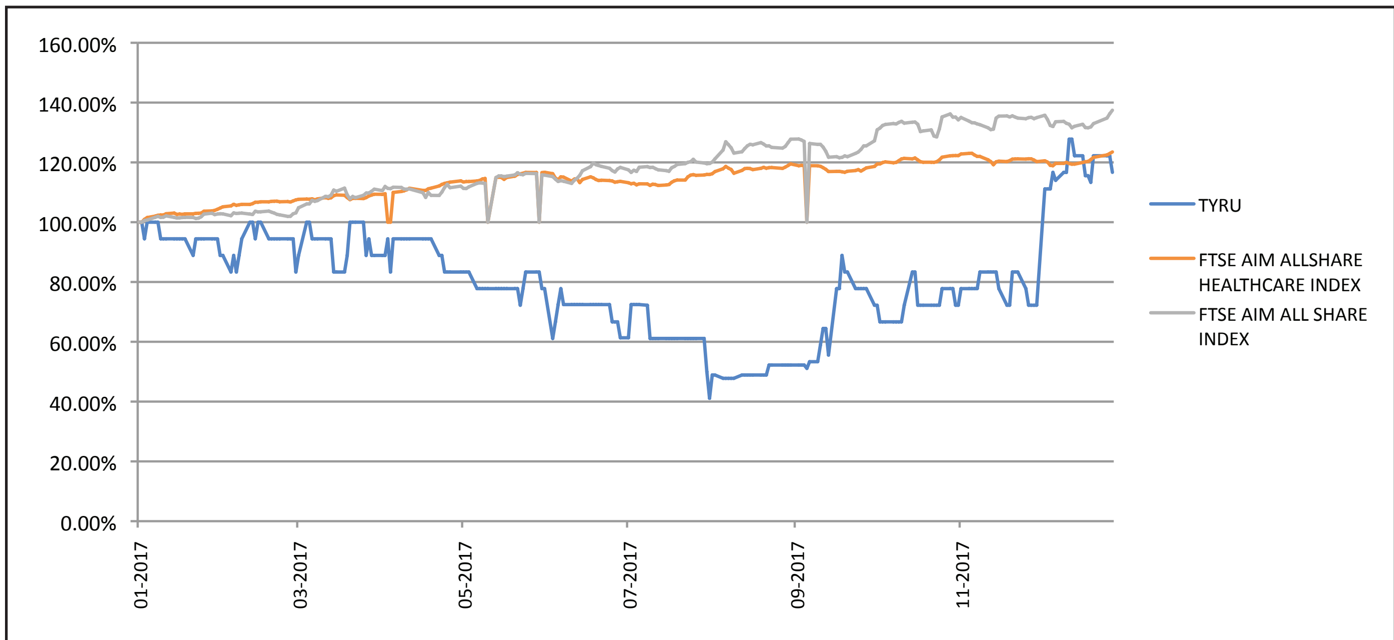
Non-Executive Directors' Letters of Appointment
Mr. Riley entered into an agreement with the Company on 25 May 2007, which govern the terms and conditions of his appointment as a Non-Executive Director of the Company. Mr. Riley received fees of £35,000 per year until 12 April 2016 and $60,000 per year from that date. Following his appointment on 20 June 2013, as Non-Executive Chairman, Mr. Reade was entitled to fees totalling £70,000 per year. On 12 April 2016 Mr. Read stepped down from the position of Chairman and was remunerated at a rate of $60,000 per year until he left the Board on 8 June 2016. Mr. Hills entered into an agreement with the Company on 9 July 2010 which governs his term and conditions of his appointment as a Non-Executive Director of the Company. Mr.

Hills is entitled to fees totalling $60,000 per year. Mr. Wintemute, who was appointed as a Non-Executive Director 20 June 2013, received no fees during 2016 or 2017.

In addition to fees, the Company reimburses the Independent Non-Executive Directors for all reasonable out-of-pocket expenses incurred.

Performance Graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE AIM All Share Healthcare Index and the FTSE AIM All Share Index.



The Directors consider the FTSE AIM All Share Healthcare Index and FTSE AIM All Share Index to be an appropriate choices.

Aggregate Directors' Remuneration

Directors' Emoluments in $

	Year	Salary and fees[1]	Benefits[1]	Bonus	Total
Executives:					
B. Jactel	**2017**	**325,000**	**72,586**	**81,250**	**478,836**
	2016	337,500	84,568	25,000	447,068
Non-executives:					
J.Barella	**2017**	**120,000**	-	-	**120,000**
	2016	85,918	-	-	85,918
A.J. Reade	**2017**	-	-	-	-
	2016	35,796	-	-	35,796
B.M. Riley	**2017**	**60,000**	-	-	**60,000**
	2016	57,116	-	-	57,116
J. Hills	**2017**	**60,000**	-	-	**60,000**
	2016	58,517	-	-	58,517
E. Wintemute	**2017**	-	-	-	-
	2016	-	-	-	-
Total	**2017**	**$565,000**	**$72,586**	**$81,250**	**$718,836**
	2016	$574,847	$84,568	$25,000	$684,415

(1) Payments to Messrs. Reade and Riley were made in Pounds Sterling, In 2017, exchange rates to the US Dollar ranged from 1.3547 to 1.20489.

Benefits represent contributions to medical insurance schemes, life insurance, the 401(k) defined contribution plan and cost of living allowance payments. The share based payment charge for restricted stock grants and SARS were $87,271 (2016: $138,761). These amounts have been included within administrative costs. The total Directors' total cash and non-cash compensation is $806,107 (2016: $823,176).

Directors' Pension Arrangements

The Executive Directors can participate in the Company's 401(k) plan and the Company will match any contributions into the plan up to 4% of salary not to exceed $10,800 in 2017 and $10,600 in 2016 with a tax deferral limit of $18,000 and additional tax deferral provisions for employees age 50 and over.

Directors' Stock Based Compensation

At 31 December 2016, the Directors had options to subscribe for Ordinary Shares under the Company's share options scheme as follows:

	Options held at 1 January 2017	Options granted in the year	Options held at 31 December 2017	Strike Price	Grant Date
Directors:					
A.J.Reade	550,000	Nil	550,000	10.5p	4 Feb 2010
(resigned 8 June 2016)	995,125	Nil	995,125	12.0p	20 Oct 2010
	100,570	Nil	100,570	12.0p	6 Mar 2012
	1,000,000	Nil	1,000,000	6.0p	25 Apr 2012
	500,000	Nil	500,000	12.5p	4 Mar 2014
J. R. Hills	200,000	Nil	200,000	12.0p	20 Oct 2010
	350,000	Nil	350,000	6.0p	25 Apr 2012
	250,000	Nil	250,000	12.5p	4 Mar 2014
B. M. Riley	200,000	Nil	200,000	12.0p	20 Oct 2010
	350,000	Nil	350,000	6.0p	25 Apr 2012
	250,000	Nil	250,000	12.5p	4 Mar 2014
B. Jactel	500,000	Nil	500,000	6.0p	1 Jan 2013
	500,000	Nil	500,000	12.0p	1 Jan 2013
	500,000	Nil	500,000	15.0p	1 Jan 2013
	1,500,000	Nil	1,500,000	12.5p	4 Mar 2014
	500,000	Nil	500,000	3.75p	12 Apr 2016
	500,000	Nil	500,000	5.0p	12 Apr 2016
	500,000	Nil	500,000	7.0p	12 Apr 2016
J. Barella	500,000	Nil	500,000	3.75p	12 Apr 2016
	9,745,695	Nil	9,745,695		

The aggregate fair value of the options included in the above table was $588,348 (2016: $588,348). All share options expire 10 years after Grant Date.

The market price of the TYRU shares at 31 December 2017 was £0.02625 (2016 – £0.020) and the range during the year was £0.00925 to £0.02875.

Approval

The report was approved by the Board of Directors on 23 May 2018 and signed on its behalf by:

James Hills
Chairman, Remuneration Committee
23 May 2018

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and TyraTech, Inc. and its Subsidiaries' (the "Company's") financial statements. The Directors are required to prepare the Company's financial statements for each financial year which present fairly the financial position of the Company and the financial performance and cash flows of the Company for that period. In preparing those Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable US GAAP have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Provide additional disclosures to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company. They have a general responsibility for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Erica H. Boisvert

Erica H. Boisvert
Company Secretary
23 May 2018

The Board of Directors
TyraTech, Inc.

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of TyraTech, Inc. and its Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TyraTech, Inc. and its Subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP
Raleigh, North Carolina
23 May 2018

CONSOLIDATED BALANCE SHEETS

in $000's, except for share data 31 December	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$14,392	$1,755
Accounts receivable	1,036	985
Inventory	154	337
Prepaid expenses	84	162
Assets of discontinued operations	62	651
Total current assets	15,728	3,890
Property and equipment, net of accumulated depreciation	17	23
Intangible assets, net of accumulated amortisation	452	300
Long term deposits	69	69
Total assets	$16,266	$4,282
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$757	$742
Accrued liabilities	1,492	501
Deferred revenue	37	298
Liabilities of discontinued operations	291	-
Total current liabilities	2,577	1,541
Other long-term liabilities	20	20
Total liabilities	2,597	1,561
Commitments and contingencies (Note 8)		
Shareholders' equity		
Common stock, at $0.001 par authorized 480 million; 367.7 million shares shares issued, 366.6 million shares outstanding as of 31 December 2017 and 2016	367	367
Additional paid in capital	92,263	92,053
Accumulated deficit	(78,766)	(89,460)
Accumulated other comprehensive loss	(82)	(126)
Treasury stock of 1.1 million shares as of 31 December 2017 and 2016	(108)	(108)
Total shareholders' equity	13,674	2,726
Non-controlling interest	(5)	(5)
Total shareholders' equity	13,669	2,721
Total liabilities and shareholders' equity	$16,266	$4,282

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

FINANCIAL REPORTS

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

in $000's, except for share data Year Ended 31 December	2017	2016
Revenue:		
Product	$872	$325
Collaborative	315	333
Total revenue	1,187	658
Cost of revenue:		
Product	573	180
Collaborative	180	129
Total cost of revenue	753	309
Gross profit	434	349
Costs and expenses:		
General and administrative	2,787	3,045
Business development	762	735
Research and development	1,239	1,075
Total costs and expenses	4,788	4,855
Loss from operations	(4,354)	(4,506)
Other income:		
Other income	2	30
Gain on related party sale of intangible assets	456	-
Total other income	458	30
Loss from continuing operations before income taxes	(3,896)	(4,476)
Income tax expense	-	-
Net loss from continuing operations	(3,896)	(4,476)
Discontinued Operations:		
Income from discontinued operations, net of taxes	2,430	2,197
Gain on sale of assets from discontinued operations	12,160	-
Net income from discontinued operations	14,590	-
Net income (loss)	$10,694	$(2,279)
Other comprehensive income (loss):		
Foreign currency translation adjustments	44	(121)
Comprehensive income (loss)	$10,738	$(2,400)
Net (loss) income per common stock – basic and diluted		
Net loss from continuing operations	$(0.01)	$(0.01)
Net income from discontinued operations	$0.04	$0.01
Net Income	$0.03	$0.00
Weighted average number of common stock (000's)		
Basic and diluted	366,582	366,582

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

in $000's	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Non-Controlling Interest	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance as of 31 December 2015	$367	$91,896	$(87,181)	$(108)	$(5)	$(5)	$4,964
Stock based compensation - SARS	-	157	-	-	-	-	157
Foreign currency translation	-	-	-	-	-	(121)	(121)
Consolidated net loss	-	-	(2,279)	-	-	-	(2,279)
Balance as of 31 December 2016	$367	$92,053	$(89,460)	$(108)	$(5)	$(126)	$2,721
Stock based compensation - SARS	-	210	-	-	-	-	210
Foreign currency translation	-	-	-	-	-	44	44
Consolidated net income	-	-	10,694	-	-	-	10,694
Balance as of 31 December 2017	**$367**	**$92,263**	**$(78,766)**	**$(108)**	**$(5)**	**$(82)**	**$13,669**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

in $000's Year Ended 31 December	2017	2016
Cash flows from operating activities:		
Net income (loss)	$10,694	$(2,279)
Net income from discontinued operations	14,590	2,197
Net loss from continuing operations	(3,896)	(4,476)
Adjustments to reconcile net loss to net cash used in operating activities of continuing operations:		
Depreciation	9	17
Amortisation of intangible assets	58	56
Stock based compensation	210	157
Gain on related party sale of intangible assets	(456)	-
Changes in operating assets and liabilities:		
Accounts receivable	(24)	31
Inventory	216	(77)
Prepaid expenses and long-term deposits	78	56
Accounts payable and accrued liabilities	959	33
Deferred revenue and other long-term liabilities	(261)	229
Net cash used in operating activities of continuing operations	(3,107)	(3,975)
Net cash provided by activities of discontinued operations	2,460	2,081
Net cash used in operating activities	(647)	(1,894)
Cash flows from investing activities:		
Purchases of intangible assets	(255)	(227)
Purchases of property and equipment	(2)	(8)
Proceeds from related party sale of intangible assets	500	-
Net cash provided by (used in) operating activities of continuing operations	243	(235)
Net cash provided by investing activities of discontinued operations	13,000	-
Net cash provided by (used in) investing activities	13,243	(235)
Change in cash and cash equivalents	12,596	(2,129)
Cash and cash equivalents, beginning of year	1,755	3,955
Effect of exchange rate changes on cash and cash equivalents	41	(71)
Cash and cash equivalents, end of year	$14,392	$1,755

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies and Practices

(a) Description of Business

TyraTech, Inc., a Delaware corporation, and its subsidiaries (the Company or Tyratech) is engaged in the development, manufacturing, marketing and sale of proprietary insect and parasite control products that are created by enhancing the well-known natural insecticidal properties of plants to design formulas that are rooted in safety and efficacy.

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

For the periods presented in this report, the Company's product sales markets include personal care product sales and animal health insect and parasite control product sales within the United States (US) and the United Kingdom (UK) and other EU countries.

During the normal course of business of research, product development, and product commercialisation, the Company has entered several third party agreements for licensing its intellectual property, certain products, and product market channels. These agreements have involved reimbursement of research, development and intellectual property expenses, as well as payment of licensing fees to the Company. The revenue and expenses resulting from these agreements are reflected as collaborative revenue and cost of revenue in the accompanying consolidated statements of operations and, where appropriate, as deferred revenue in the accompanying consolidated balance sheets.

(b) Principles of consolidation

The accompanying consolidated financial statements of the Company are presented in US Dollars ($) and have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and include the accounts of TyraTech, Inc. and its subsidiaries listed below. Non-controlling interests are accounted for based upon the value or cost attributed to their investment adjusted for the share of income or loss that relates to their percentage ownership of the entity. Non-controlling interests are considered to be immaterial to the financial statements taken as a whole.

Company name	Country of incorporation	Percentage holding
TyraTech Sustainable Solutions, LLC	US	100%
TyraChem LLC	US	50%

All intercompany balances and transactions have been eliminated in consolidation. Current year and prior year consolidated financial statements have been recast in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 205, Financial Statement Presentation, to recognize the Vamousse brand sale, along with certain assets and liabilities, as discontinued operations. Results of the discontinued operations are excluded from the accompanying notes to the consolidated financial statements for all periods presented, unless otherwise noted. See Note 9 for additional information.

The Company made a $0.4M investment for a 40% share of a new enterprise (Envance Technologies, LLC or Envance) in late 2012 and a $0.3 million capital contribution in October 2014. Envance is jointly owned with AMVAC Chemical Corporation (AMVAC), a wholly owned subsidiary of American Vanguard Corporation. This unconsolidated entity is accounted for under the equity method of accounting.

In April 2015, the Company and AMVAC announced that they had updated their commercial relationship and amended the Limited Liability Company Agreement (the "Amendment") relating to Envance. As a result, TyraTech received approximately $0.5 million in cash in repayment of loans and consideration.

Under the terms of the Amendment, TyraTech and AMVAC agreed that Covering Capital Contributions made subsequent to the formation of Envance would be converted to Membership Interests. With this conversion, the Membership Percentage Interests in Envance were adjusted from AMVAC owning 60 percent and TyraTech owning 40 percent to AMVAC owning 83.77 percent and TyraTech owning 16.23 percent.

Contemporaneous with the Amendment, AMVAC offered to purchase, and TyraTech agreed to sell, approximately 3 percent of its remaining ownership interest in Envance resulting in a gain on sale of $0.1 million included in other income during 2015. Subsequent to this transaction, AMVAC owns a Membership Percentage Interest of 86.67 percent, and TyraTech owns a Membership Percentage Interest of 13.33 percent. The AMVAC

investment is accounted for as an equity method investment, in accordance with ASC 323-30, Partnerships, Joint Ventures, and Limited Liability Entities. See Note 13 for additional information.

(c) Segment information
The Company's chief operating decision maker reviews the financial information presented on a consolidated basis for purposes of allocating resources and evaluating the Company's financial performance. Accordingly, the Company has determined that it operates in a single operating segment.

(d) Use of Estimates
The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Significant estimates and assumptions made by management are used for but not limited to, revenue recognition, inventory reserve, useful lives of property and equipment, volatility used in the valuation of the Company's stock appreciation rights and warrants, accrued expenses, and valuation allowance on deferred tax assets. 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.

(e) Fair Value of Financial Instruments
As a basis for determining the fair value of certain of the Company's financial instruments, the Company utilizes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level I – Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level II – Observable inputs, other than Level I prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level III – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate their fair values at 31 December 2017 and 2016 due to their short-term nature and management's belief that their carrying amounts approximate the amount for which the assets could be sold or the liabilities could be settled.

(f) Cash and Cash Equivalents
The Company considers all highly liquid securities with maturities of three months or less when acquired to be cash equivalents.

The Company maintains cash balances at both US and UK financial institutions and invests in unsecured money market funds. In the US, the accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. At times during the year, balances in these accounts exceeded the federally insured limits; however, the Company has not experienced any losses in such accounts.

(g) Accounts Receivable
Accounts receivable are recorded at the invoiced amount and do not bear interest. A specific allowance is made when a receivable is not considered collectable. This determination results from an analysis of the specific creditor, the age of the receivable, and payment history of the creditor. After evaluating its accounts receivable balances, the Company determined an allowance for uncollectible accounts was not required as of 31 December 2017 and 2016. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the accompanying consolidated statements of cash flows. The Company does not have any off balance sheet credit exposure related to its customers.

(h) Inventory
Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first in, first out method (FIFO). The Company has recorded a reserve of approximately $0.2 million for obsolete and slow-moving inventory as of 31 December 2017. An inventory reserve was not required as of 31 December 2016.

On July 22, 2015, the FASB issued ASU 2015-11, Inventory (Topic 330). The amendments in ASU 2015-11 require an entity to measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling

prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. The amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. A reporting entity should apply the amendments prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company adopted this standard on January 1, 2017. The adoption of this ASU did not have a material impact on the accompanying consolidated financial statements.

(i) Cost of Revenue

Cost of revenue is comprised of the product cost of goods sold and the cost of freight to customers. Cost of revenue is deducted from net revenue to arrive at gross profit.

(j) Treasury Stock

Treasury stock is recorded using the cost method. Management has not made any decisions as to whether the reacquired shares will be retired, held indefinitely, or reissued.

(k) Shareholders' Equity

As of 31 December 2017 and 2016, the Company's authorised shares remained at 480,000,000. No additional shares were issued in either of the respective periods.

(l) Warrants

The Company accounts for stock warrants as either equity instruments or derivative liabilities depending on specific terms of the warrant agreement. Stock warrants are accounted for as a derivative in accordance with ASC 815, Derivatives and Hedging, if the stock warrants contain terms that could potentially require "net cash settlement" and therefore, do not meet the scope exception for treatment as a derivative. Stock warrants that do not meet the criteria required to be classified as a derivative liability are treated as equity awards.

(m) Property and Equipment

Purchased property and equipment is recorded at cost. Depreciation is provided on the straight line method over the estimated useful lives of the related assets as follows:

Leasehold improvements	Initial term of the lease or life of the improvement, whichever is shorter
Furniture, fixtures and equipment	4-7 years
Computer equipment and software	5 years

Management periodically reviews long-lived assets to be held and used in operations for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. For the years ended 31 December 2017 and 2016 no impairment losses have been recognised.

(n) Revenue Recognition

The Company's business strategy includes selling its commercial products through various distribution channels and entering into collaborative license and development agreements.

Product Revenue

Revenue is recognised as product revenue when persuasive evidence of an arrangement exists, delivery has occurred, 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 revenues are subject to customer acceptance, revenue is not recognised until customer acceptance occurs. Sales and use tax, when required, is included in customer invoices recorded as sales tax payable, and remitted monthly to the appropriate state revenue departments.

Collaborative Revenue

Non-refundable license fees are recognised as collaborative 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 analysed 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. The Company recognises 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 recognised 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 recognised. Revenue will be recognised using a proportional performance method. Revenue is limited to the lesser of the cumulative amount of non-refundable payments received or the cumulative amount of revenue earned, as determined using the proportional performance method, as of each reporting period.

If the Company cannot reasonably determine 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.

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 recognised during the year ending 31 December 2017 are classified in long term liabilities. As of 31 December 2017, the Company has short-term deferred revenue of $0.04 million, (2016: $0.3 million).

Customer Concentrations

The Company had $0.9 million of gross product revenue during the year ended 31 December 2017 (2016: $0.3 million). Three customers represented 98% of gross product revenue. These customers represented 100% of trade accounts receivable at 31 December 2017 and 2016.

Intangible Assets

Legal costs related to the registration and maintenance of the Company's patents and trademarks are capitalised when incurred and amortised straight-line over the estimated useful lives up to 20 years. Amortisation begins when a patent has been granted or when a trademark has been registered.

The Company evaluates the impairment of patents and trademarks annually considering events or changes in circumstances that indicate the carrying value of an asset may not be recoverable. This analysis is performed by comparing the carrying value of the intangible asset being reviewed for impairment to the current and expected future cash flows expected to be generated from such asset on an undiscounted basis, including eventual disposition. An impairment loss would be measured for the amount by which the carrying amount of the intangible asset exceeds its fair value. In 2017, the Company recognised an impairment loss of $0.0 million related to patents and trademarks (2016: $0.0). See Note 6 for further discussion.

(o) Equity Based Compensation

The Company measures all share-based payments using a fair value method in accordance with ASC Topic 718, *Compensation – Stock Compensation*. Subsequent to 1 January 2006 stock based compensation cost is measured at the grant date based on the fair value of the award and is recognised as an expense on a straight-line basis over the vesting period. Compensation expense is recognised only for those shares expected to vest, with forfeitures based upon future expectations.

Stock-based compensation costs are based on the fair value of the underlying option calculated using the Black-Scholes option-pricing model on the date of grant for stock options and recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. Determining the appropriate fair value model and related assumptions requires judgment, including estimating stock price volatility, forfeiture rates and expected term. The expected volatility rates are estimated based on the average long-term historical volatilities of peer companies over the expected term. The expected term for the year ended 31 December 2017 represents the average time that options are expected to be outstanding based on the mid-point between the vesting date and the end of the contractual term of the award. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company has not paid dividends and does not anticipate paying a cash dividend in the foreseeable future and, accordingly, uses an expected dividend yield of zero. The risk-free interest rate is based on the rate of U.K. Government securities with maturities consistent with the estimated expected term of the awards using the simplified method.

(p) Research and Development

Research and development costs and expenses are expensed as incurred. Research and development costs and expenses for the year ended 31 December 2017 amounted to $1.2 million (2016: $1.1 million) after charging $0.2 million (2016: $0.1 million) to cost of revenue.

(q) Advertising Costs

Advertising costs are expensed as incurred. During the years ended 2017 and 2016, there were no advertising expenses incurred.

(r) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognised 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 recognised in income in the period that includes the enactment date. Valuation allowances are recorded when necessary to reduce deferred tax assets to the amount expected to be realised.

The Company adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*, on 1 January 2009. As required by the uncertain tax position guidance of ASC 740, the Company recognises the financial statement benefit of a tax position only after determining that the relative tax authority would more-likely-than-not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognised in the financial statements is the largest benefit that has a greater than fifty percent likelihood of being realised upon ultimate settlement with the relevant tax authority. As of 31 December 2017 and 2016, the Company did not record any assets for unrecognised tax benefits.

(s) Accounting Pronouncements Not Yet Adopted

In July 2017, the Financial Accounting and Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-11, *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. This ASU is effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Earlier adoption is permitted for all entities as of the beginning of an interim period for which financial statements (interim or annual) have not been issued or have not been made available for issuance. These amendments simplify the accounting for certain financial instruments with down round features. The amendments require to disregard the down round feature when assessing whether the instrument is indexed to its own stock, for purposes of determining liability or equity classification. Companies that provide EPS data will adjust their basic EPS calculation for the effect of the feature when triggered (i.e., when the exercise price of the related equity-linked financial instrument is adjusted downward because of the down round feature) and will also recognize the effect of the trigger within equity. The Company is currently evaluating

the impact of adopting this ASU on the consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation* (Topic 718). The amendments in this ASU provide clarity about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. This pronouncement is effective for reporting periods beginning after December 15, 2017, including interim periods within those fiscal years with early adoption permitted. The adoption of ASU 2017-09 is not expected to have a material effect on the Company's consolidated financial statements and related disclosures.

In October 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. The ASU eliminates the deferral of the tax effects of intra-entity asset transfers other than inventory. As a result, the tax expense from the intercompany sale of assets, other than inventory, and associated changes to deferred taxes will be recognized when the sale occurs even though the pre-tax effects of the transaction have not been recognized. This pronouncement is effective for reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of adopting this ASU on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* which clarifies how certain cash receipts and cash payments—including, among others debt prepayment and debt extinguishment costs, settlements of zero-coupon debt instruments, and distributions received from equity method investees—are presented and classified in the statement of cash flows. The ASU should be applied using a retrospective transition method to each period presented. This pronouncement will be effective for reporting periods beginning after December 15, 2017, although early adoption is permitted. The Company is currently evaluating the impact of adopting this ASU on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. ASU 2016-02 is effective for annual periods beginning after December 15, 2019. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The Company is currently evaluating the impact of adopting this ASU on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), which simplifies several aspects of the accounting for share-based payment award transactions, including (a) income tax consequents; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The amendments also simplify the accounting for private companies. Private companies can apply a practical expedient to estimate the expected term for all awards with performance or service conditions that have certain characteristics. In addition, private companies can now make a one-time election to switch from measuring all liability-classified awards at fair value to measuring them at intrinsic value. The amendments are effective for private companies for annual periods beginning after December 31, 2017, however early adoption is permitted. The Company is currently evaluating the impact of ASU 2016-09 on the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). The amendments in ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the

transfer of nonfinancial assets unless those contracts are within the scope of other standards. This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates a Topic 606, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised 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. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date ("ASU 2015-14"), which defers the effective date of ASU 2014-09 for all entities by one year. ASU 2014-09 is now effective for financial statements issued for annual reporting periods beginning after December 15, 2017. The Company is reviewing its significant contracts and continues to assess the impact of this accounting standard as well as the transition approach that will be used upon adoption.

(t) Foreign Currency Translation and Comprehensive Income (Loss)

The assets and liabilities of the Company's foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at month end exchange rates. Resulting translation adjustments are reflected as a separate component of shareholders' equity. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the consolidated statements of operations and comprehensive income (loss).

(2) Liquidity and Capital Resources

The Company's operations have been funded through a combination of common stock issuances, product sales, collaborative arrangements, and proceeds from technology licensing agreements.

The Company's future capital requirements will depend on many factors. For example, i) the level of product sales of the Company's currently marketed products and any additional products that may be marketed in the future; ii) the scope, progress, results, and costs of development activities for current product candidates; iii) the costs of commercialisation activities including product marketing, sales, and distribution; and iv) the costs of preparing, filing, and prosecuting patent applications and maintaining, enforcing, and defending claims to intellectual property.

As of 31 December 2017, the Company has approximately $14.4 million in cash and cash equivalents. The Company has no indebtedness as of 31 December 2017.

The Company has produced monthly forecasts to the end of 2019, which indicate the Company will have sufficient cash to meet its working capital needs through the next twelve months from the date these financial statements are issued based upon the following forecast assumptions: existing cash and cash equivalents, its current operating plans, anticipated revenues from product sales and other collaborative arrangements, and the and the ability to control operating costs.

(3) Accounts Receivable

Accounts receivable as of 31 December 2017 and 2016 consist of:

	2017 in $000's	2016 in $000's
Trade	$1,011	$962
Other	25	23
Total accounts receivable	$1,036	$985

(4) Inventories, net

Inventories, net as of 31 December 2017 and 2016 consist of:

	2017 in $000's	2016 in $000's
Raw Materials	$76	$115
Finished Goods	206	222
Gross Inventory	282	337
Less: Inventory reserves	(128)	-
Total inventory, net	$154	$337

(5) Property and Equipment, net

Property and equipment as of 31 December 2017 and 2016 consist of:

	2017 in $000's	2016 in $000's
Furniture, fixtures and equipment	557	557
Computer equipment and software	259	257
	816	814
Less: Accumulated depreciation	(799)	(791)
Property and equipment, net	$17	$23

Depreciation expense in 2017 of $0.01 million (2016: $0.0 million) is reflected in general and administrative expense in the accompanying consolidated statements of operations.

(6) Intangible Assets

The Company began the capitalisation of its patent and trademark cost in 2015 as products associated with these costs have proved to be commercially viable. Intangible assets as of 31 December 2017 consist of:

in $000's	Carrying Amount	Accumulated Amortisation	Impairment Write-off	Net Balance	Weighted Average Life in Years
Trademarks and Patents in process	$347	-	6	341	N/A
Amortisable Intangibles:					
Trademarks and Patents	$147	54	-	93	7.28
Maintenance of Patents	$54	36	-	18	1
Amortisable Intangibles	$201	90	-	111	6.27
Total Intangibles	$548	90	6	452	

Intangible assets as of 31 December 2016 consist of:

in $000's	Carrying Amount	Accumulated Amortisation	Impairment Write-off	Net Balance	Weighted Average Life in Years
Trademarks and Patents in process	$249	-	23	226	N/A
Amortisable Intangibles:					
Trademarks and Patents	$82	22	-	60	8.13
Maintenance of Patents	$24	11	-	13	1
Amortisable Intangibles	$106	33	-	73	6.91
Total Intangibles	$355	33	23	299	

In July 2017, the Company entered into a patent acquisition agreement ("Patent Sale") with a related party buyer, in which the buyer acquired the license rights to use and commercialize certain intellectual property owned by the Company for $0.5 million. The related party gain on sale, net of carrying costs of $0.04 million, is reflected within the accompanying consolidated statement of operations and comprehensive income (loss), as gain on related party sale of IP.

Amortization expense in 2017 of $0.06 million (2016: $0.06 million) is reflected in general and administrative expense in the accompanying consolidated statements of operations. During the year ended 2017, the Company recognised an impairment loss of $0.0 million as a result of expired patents. This loss is reflected in general and administrative expenses on the accompanying consolidated statement of operations and comprehensive loss.

The Company estimates the following amortisation expense related to the amortisation of intangible assets based on the balance as of 31 December 2017:

Year ending 31 December	In $000's
2018	$25
2019	7
2020	7
2021	7
2022	7
Thereafter	58
Total future amortization expense	$111

(7) Accrued liabilities

Accrued liabilities as of 31 December 2017 and 2016 consist of:

Year ending 31 December	2017	2016
Accrued compensation	$683	$63
Professional fees	54	31
Merchandising fees	188	186
Deferred rent	110	133
Other	457	88
Total accrued liabilities	$1,492	$501

(8) Commitments and Contingencies

Leases

On 17 February 2011, the Company signed a ten-year lease on an office and laboratory facility in Morrisville, North Carolina. This lease includes escalating rental payments which are recognised on a straight-line basis under US GAAP. Related to this facility lease, the Company maintains a stand-by-letter-of-credit, which was $0.1M at 31 December 2017 and 2016.

Future minimum lease payments under non-cancellable operating leases (with initial or remaining lease terms in excess of one year) as of 31 December 2017 are as follows:

Year ending 31 December	In $000's
2018	$154
2019	156
2020	159
2021	81
Total future minimum lease payments	$550

Rental expense for operating leases included in general and administrative expenses in the consolidated statement of operations during the year ended 31 December 2017 was $0.1 million (2016 $0.2 million).

(9) Discontinued Operations

In February 2017, the Board implemented a strategic review to determine the most effective way to unlock the future growth potential of the Company's assets and maximise shareholder value and determined the following: the Company lacked the necessary resources from operating cash flow alone to fully extract value from both its human and animal health businesses; in the medium term, more value could be realised by focusing on the larger animal health segment with its unmet needs; and because Vamousse is an established brand, its divestment could release value for Shareholders and realign the Shareholder base towards investors more interested in the agriculture and animal health markets.

On December 28, 2017 subsequent to shareholder approval, the Company granted the exclusive license to the rights of the Vamousse brand to Alliance Pharmaceutical Limited ("APL"), in accordance with the Asset Purchase Agreement ("APA"), dated December 1, 2017. Under the terms of the APA, the Company also sold certain assets and liabilities constituting the Vamousse business, being researching developing, manufacturing, marketing, and commercializing human lice products, including a line of pesticide-free lice treatment, prevention and control products for human health in topical mousse, powder, shampoo, spray and lotion form, under the brand name Vamousse. The exclusive license granted to APL began on the effective date of the APA through the remaining patent's useful life, until all patent rights have expired, been abandoned, or finally adjudicated as invalid. In accordance with ASC 605, Revenue Recognition, the exclusive license is considered to be accounted for under the completed performance method as an outright product sale as the term of the exclusive license exceeds the patent license.

As consideration under the APA, APL paid a purchase price consisting of cash in the amount of $13 million, and $0.5 million of inventory. The Company may also be entitled to further payments of up to $4.5 million based on the achievement of agreed sales performance targets for Vamousse in 2019 and 2020. Up to $2.0 million of this may be payable in 2019, and up to $2.5 million may be payable in 2020.

As of the effective date of the APA, operations of Vamousse are reflected as discontinued operations pursuant to the provisions of Accounting Standards Codification (ASC) 205, *Financial Statement Presentation,* for all periods presented.

Net income from discontinued operations, net of taxes, comprised the following (in thousands):

	2017	2016
Net revenue	$6,248	$6,559
Cost of revenue	(2,026)	(2,086)
Costs and expenses	(1,792)	(2,276)
Income from discontinued operations before income taxes	2,430	2,197
Income tax expense	-	-
Income from discontinued operations, net of tax	2,430	2,197
Gain on sale of Vamousse brand from discontinued operations, net of $0.8 million transaction fees	12,160	-
Net income from discontinued operations	$ 14,590	$ 2,197

Net income from discontinued operations includes inventory allowances, broker commissions and other termination costs related to the disposal. No income tax is recognized on Discontinued Operations due to the use of legacy loss carryforwards. On 28 December 2017, the Company completed the sale of the Vamousse brand for a cash payment of $13 million and $0.5 million for inventory sold at cost.

Assets and liabilities related to discontinued operations are as follows (in thousands):

	2017	2016
Inventory, net	$62	$651
Accounts payable	(200)	-
Accrued liabilities	(91)	-
Net (Liabilities) Assets	$(229)	$651

Ongoing costs related to discontinued operations will consist primarily of warehouse and shipping costs for discontinued inventory.

Transaction Services Agreement

On 28 December, 2017, in connection with the APA, the Company entered into a transaction services agreement ("TSA") with APL, in which the Company shall provide specific transition services for a six month period, beginning January 2018, for fixed fee per month.

(10) Related Party Transactions

The Company established a shared services agreement to provide general and administrative, production support, and research and development services to Envance (a joint venture with AMVAC, which owned at 31 December 2017 approximately 15.15 percent of the Company) for a monthly fee based primarily on the percentage of time Company employees devote to supporting Envance business activities and the employee's salary expense. During the year ended 31 December 2017, the Company charged Envance $0.2 million which was recorded in collaborative revenue (2016: $0.1 million). Envance represented $0.02 million of the Company's accounts receivable balance at year end. There were no amounts due to Envance.

(11) Warrants

During 2014, the Company issued equity method warrants to certain service providers in consideration for expenses incurred with the Company's stock issuances over a 3 year exercise period, with an exercise price of $0.001 per share. Approximately 3.1 million warrants were issued with a fair market value at the date of issuance of approximately $0.2 million. The warrants expired on 31 January 2017, with all shares remaining under these warrants unexercised.

During 2015, the Company issued equity method warrants to certain service providers in consideration for expenses incurred with the Company's stock issuances over a 3 year exercise period, with exercise prices ranging from $0.001 to $0.05 per share. Approximately 4.1 million warrants were issued with a fair market value at the date of issuance of approximately $0.1 million. The warrants will expire on 3 November 2018.

The fair market value of the warrants at the date of issuance was estimated using the Black-Scholes option-pricing model with the following valuation assumptions:

	December 31, 2015
Expected volatility	65.29%
Expected term (years)	3.0
Risk-free interest rate	1.10%

(12) Stock Based Compensation

Compensation Plan

On 23 May 2007, the Board of Directors approved the TyraTech, Inc.

2007 Equity Compensation Plan (the Plan), as amended, which authorises up to a maximum of ten percent of the issued share capital of the Company (36,766,644 shares at 31 December 2017) to 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, 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 the Plan.

Stock Appreciation Rights

During the year ended 31 December 2017, the Company granted zero (2016: 5,345,000) SARs. 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 common stock to the employee upon exercise of the SAR. The SARs have ten year terms and vest and become fully exercisable over varying periods between one to four years from the date of grant.

The fair value of each SAR was estimated on the grant date using the Black Scholes option pricing model that used the assumptions in the following table. The fair value is amortised to compensation expense on a straight-line basis over the expected term using the simplified approach. Using this approach, the Company assigned an expected term for grants with cliff and three to four year graded vesting. The expected stock price volatility was determined by examining the historical volatilities for 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 analyse 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.K. Government securities issued with similar life terms to the expected life of the grant. The expected dividend assumption is based on the Company's history and expectation of dividend payouts.

The fair market value of the options at the date of grant was estimated using the Black-Scholes- option-pricing model with the following valuation assumptions:

	2017*	2016
Expected dividend yield	-	0.00%
Expected volatility	-	79.38%
Expected term (years)	-	5.5 - 6.3
Risk-free interest rate	-	1.27% - 1.89%

**No new grants issued in 2017.*

SAR activity during the period indicated is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance at 31 December 2015	14,536,909	$0.20	8.80	-
Granted	5,345,000	0.06	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Forfeited	(645,000)	0.19	-	-
Balance at 31 December 2016	19,236,909	$0.34	8.53	-
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	(125,000)	9.78	-	-
Forfeited	(30,000)	0.04	-	-
Balance at 31 December 2017	**19,081,909**	**$0.12**	**7.17**	**-**
Exercisable at 31 December 2016	11,667,742	$0.23	7.83	-
Exercisable at 31 December 2017	**15,321,076**	**$0.20**	**7.70**	**-**

The weighted average grant date fair value of SARs granted during the year ended 31 December 2017 was $0.0 million (2016: $0.1 million). During the year ended 31 December 2017 3,778,333 SARS vested (2016: 1,729,583) with a fair value of $0.2 million (2016: $0.2 million). During 2017, no SARS were exercised (2016: 0) with a fair value of $0 (2016: $0). The SARs issued through 31 December 2017 have a maximum contract term of ten years.

As of 31 December 2017, there was $0.2 million (2016: $0.4 million) of total unrecognised compensation cost related to non-vested SAR arrangements granted under the plan. That cost is expected to be recognised over a weighted average period of 1.94 years. The total fair value of shares vested during 2017 was $0.2 million (2016: $0.2 million). The compensation recognised in operating expenses for SARS for the year ended 31 December 2017, was $0.2 million (2016: $0.1 million). As of the year ended 31 December, 2017, the Company estimated a 4% forfeiture rate for SARs vesting over a four year term.

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

(13) Research and Development Collaborations

The Company has the following significant research and development collaborative agreements outstanding at 31 December 2017 and 2016:

American Chemical Corporation ("AMVAC")

The Company completed an Intellectual Property License Agreement ("AMVAC Agreement") with AMVAC in November 2012. The AMVAC Agreement granted AMVAC irrevocable rights to license, sub-license, develop, manufacture, commercialise, use, market, and sell selected products within selected market channels related to the licensed intellectual property. The Company received and recognised $2.4 million in revenue during 2012 upon signing the AMVAC Agreement and AMVAC will pay an additional $1.3 million ratably over a ten-year period. During each of the years ended 2017 and 2016, the Company recognised $0.1 million in revenue, which is reflected as collaborative revenue in the accompanying consolidated statements of operations and comprehensive income.

Envance Technologies, LLC

TyraTech entered a Shared Services Agreement with Envance in December 2012 to provide general and administrative, marketing, supply chain and manufacturing, and research/ development services on a cost plus basis to support Envance's business activities. The Company applies ASC 605 in determining whether it is appropriate to record the gross amount of collaborative revenue and related costs or the net amount earned. The Company records and presents revenue from these transactions on a gross basis. As described previously, for the year ended 31 December 2017, TyraTech recognized revenue of $0.2 million for these services (2016: $0.1 million).

TyraTech accounts for its investment in Envance using the equity method of accounting. In 2013, TyraTech's investment in Envance was reduced from $0.4 million to zero and the equity method was suspended. In October 2014, the Company made a Covering Capital Contribution of $0.3 million which was recognized as a loss in the Company's 2014 Consolidated Statement of Operations. As of 31 December 2017, TyraTech's inception-to-date investment loss in Envance is $1.3 million. If Envance subsequently reports net income, the Company will resume applying the equity method only after its share of that net income equals the share of net losses not recognised during the period the equity method was suspended. As of 31 December 2017, the Company's share of Envance net losses not recognised was $0.7 million (2016: $0.7 million).

Mondelez Global, LLC

On 5 December 2006, the Company entered into a technology sublicense agreement with Mondelez Global, LLC ("Mondelez" – formally Kraft Foods, Inc.). Pursuant to this agreement, Mondelez was granted a 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. During the year ended 31 December 2016 Mondelez funded the joint project $0.01 million. At 31 December 2016, the Company had a receivable from Mondelez for $0.01 million. The project expenses in 2016 relate primarily to expenditures for pursuing joint patent applications related to the project. During the second half of 2012 the Company and Mondelez agreed to discontinue the functional food development project and jointly pursue third party companies to monetise the project's intellectual property. The parties agreed to terminate their monetisation efforts if no monetisation agreements have

been entered into within two (2) years and if Mondelez does not wish to further pursue commercialisation or sublicensing independently. The parties are continuing to pursue monetization efforts in the first half of 2018.

The Company considers its arrangement with Mondelez 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 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 Mondelez 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. Upon execution of the revised monetization agreement, the Company extended revenue recognition of the final exclusivity payment of $1.0 million to the end of the original exclusivity term of the technology sublicense agreement, ended 5 December 2016. For the year ended 31 December 2016, TyraTech recognised the remaining collaborative revenue of $0.1 million and deferred revenue decreased to $0.0 million.

(14) 401(k) Plan

The Company maintains a defined contribution 401(k) plan. The 401(k) plan is designed in accordance with the applicable sections of the Internal Revenue Code, and is subject to minimum 3% funding requirements as required for a safe harbor plan. The 401(k) plan covers all eligible employees of the Company and its subsidiaries upon completion of three months of service. Employees may elect to contribute up to a maximum of 60% of their salary, subject to Internal Revenue Service limitations. The Company has a matching policy in which the Company matches 100% of the first 4% of each employee's compensation contributed to the 401(k) plan. For the years ended 31 December 2017 and 2016, the Company's contribution, including administrative expenses, amounted to $0.03 million and $0.1 million and is charged to general and administrative, business development, and research and development expenses in the consolidated statements of operations.

(15) Income Taxes

Beginning on 24 May 2007, the Company is subject to both federal and state income taxes. For the period prior to 24 May 2007, the Company operated as a pass through entity for tax purposes and any tax liability was the responsibility of its members.

The difference between the "expected" tax benefit (computed by applying the federal corporate income tax rate 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 utilised for income tax purposes. The tax effects of temporary differences that give rise to significant portions of deferred taxes at 31 December 2017 and 2016 are presented to the right:

	2017	2016
Deferred tax assets:		
Accrued compensation	$24,233	$19,320
Accrued expenses	117,863	2,016
Deferred revenue	8,437	-
Deferred rent	25,178	48,046
Reserves – Inventory and bad debt	37,092	-
Net operating loss and charitable contribution carry forward	14,715,696	26,333,491
Basis in intangibles	768,483	1,578,142
Basis in partnership	44,870	-
Stock compensation	1,307,319	1,986,344
Total gross deferred tax assets	17,049,171	29,967,359
Less valuation allowance	(17,027,535)	(29,906,922)
Net deferred tax assets	21,636	60,437
Deferred tax liabilities		
Prepaid expenses	(19,204)	(55,066)
Property and equipment	(2,432)	(5,371)
Net deferred tax liabilities	(21,636)	(60,437)
Net deferred tax asset	$-	$-

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Legislation") was enacted into law, which reduced the US federal corporate income tax rate to 21% for tax years beginning after December 31, 2017. As a result of the new enacted tax rate, the Company adjusted its US deferred tax assets as of December 31, 2017 by applying the new 21% rate, which resulted in a decrease to the deferred tax asset and a corresponding decrease to the valuation allowance. At 31 December 2017, the Company had federal and state net operating loss ("NOL") carry forwards of $57.3 million (2016: $68.2 million). These federal and state NOL carry forwards will expire from 2028 to 2036, if not utilised.

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 recognised. The ultimate realisation 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 or increased.

The Company is subject to the "ownership change" rules of Section 382 of the Internal Revenue Code. Under these rules, our use of NOLs could be limited in tax periods following the date of an ownership change. The Company had qualifying ownership changes during 2011 and 2013 that triggered these limitations and will have a $0.351 million limitation on NOL utilisation per year plus any unrecognised built-in gains as of the ownership change date that are recognised in the five years after the date of Section 382 ownership change. Ownership changes occurring after 2013, if any, may affect the annual limitation on the use of NOLs in the future and may limit the use of NOLs arising subsequent to the 2013 ownership change date.

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 31 December 2017 was $17 million (2016: $30 million). Tax years 2014, 2015, and 2016 are still subject to examination by the IRS. The Company's policy is to include interest and penalties related to unrecognised tax benefits in income tax expense. As of 31 December 2017 and 2016, the Company had no unrecognised tax benefits and accordingly, no accrued interest and penalties.

(16) Earnings Per Share

Basic earnings per common stock were computed by dividing net income by the weighted average number of shares of common stock outstanding during the year.

The 2017 diluted shares outstanding do not assume the conversion of stock appreciation rights or warrants outstanding of 4,098,001 (2016: 7,169,526) common stock as it would have an anti-dilutive effect on earnings per share.

(17) Subsequent Events

Under the terms of the Tender Offer as set out in the Shareholder Circular dated 4 December 2017, in January 2018, approximately $8.4 million was distributed to shareholders who had tendered shares.

Management has evaluated subsequent events through 23 May 2018, the date the consolidated financial statements were available for issuance.

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