



**TYRATECH, INC.**  
(“TyraTech” or “the Group”)

**Interim Results for the six months ended 30 June 2008**

TyraTech Inc. (AIM: TYR), a leading independent novel pesticide company for human, animal and environmental health, today announces its interim results for the six month period ended 30 June 2008.

**Operational Highlights:**

- Successful launch and encouraging commercial adoption of TyraTech’s Naturals™ Crawling Insect Killer; distribution expanded from two to twelve new regions in the US
- Growing customer pipeline for WasteSolver™ units, with four committed orders and a further four letters of intent from US dairy farmers
- Encouraging progress made in the development of TyraTech’s functional food product, bringing it closer to an expected partner milestone in H1 2009
- Several partnership discussions with new partners progressing well within the consumer, agricultural and animal health markets, with one newly signed letter of intent received from a significant US business; and
- Product launch of TyraTech partner’s insect repellent now expected for H2 2008

**Financial Highlights:**

- Net revenue increased to US\$2.4 million (£1.3 million) for the six month period ended 30 June 2008 (2007: US\$0.3 million)
- Cash balance was US\$14.9 million (£8.1 million) at the end of June 2008 (2007: US\$32.4 million)
- Overall operating expenses grew for the six month period to US\$10.9 million (2007: US\$8.3 million);
- Net loss before and after tax for the period was US\$8.9 million (2007: US\$9.9 million)
- A Trading Update was issued on 22 September 2008 which guided the market that revenues and profits for the full year 2008 are unlikely to meet with then current market expectations

**Post Period highlights:**

- Successful transfer of XL Tech’s 45.69% shareholding in TyraTech to PetroTech Holdings Corporation a Laurus/Valens group company.

**Commenting on the interim results Douglas Armstrong PhD, Chief Executive Officer of TyraTech, said:** “Throughout the period we have made good progress with transitioning our core technologies into revenue generating programmes and products. Sales have been modest but are steadily increasing for our lead institutional product and we have continued to diversify our business model in an attempt to provide access to multiple revenue streams. Our partnerships with both prospective parties and for existing programmes are progressing very well. However, as we have pushed forward successfully to gain entry into certain new markets, we have experienced lower than originally targeted rates of initial return.”

“Although market entry and adoption has been slower than we originally expected, we remain positive that our business strategy of revenue growth as well as new potential partnerships, will now start to show increased traction and strength. We expect to report an improvement in revenues in H2 2008 and strong growth in 2009. In addition, we look forward to updating investors on expected progress from new partnering and licensing deals plus strong additional news flow over the coming months.”

**For further information please contact:**

**TyraTech Inc.**

Douglas Armstrong Ph.D., Chief Executive Officer

[www.tyratech.com](http://www.tyratech.com)

+1 (321) 409 7403

**Nomura Code Securities**

Charles Walker

[www.nomuracode.com](http://www.nomuracode.com)

+44 (0)20 7776 1200

**Buchanan Communications**

Mary-Jane Johnson/Lisa Baderoon/Catherine Breen

[www.buchanan.uk.com](http://www.buchanan.uk.com)

+44 (0) 20 7466 5000

## **Chairman and Chief Executive's Statement**

### **Introduction**

We are pleased to announce TyraTech's interim results for the six months ended 30 June 2008 and to update shareholders on the progress we have made in developing our business and product portfolio. We have an exciting business model with diverse revenue streams, multiple applications and blue chip partners.

TyraTech's core business develops and commercialises naturally derived products for the control of invertebrate pests and pathogens using its core proprietary discovery technology platform. This technology provides the Group with a wide variety of products and business opportunities in multiple markets and geographic regions. Recent concern over the environmental and health impacts of synthetic pesticides has significantly increased the demand for effective alternatives. This positions Tyratech strongly as the differentiating feature of our products is the combination of a high level of potency together with an excellent safety profile, setting the products apart from all other invertebrate control products.

By applying many of the principles of drug discovery and development to the insecticide and parasiticide markets, TyraTech has developed products that harness active compounds derived from natural plant oils. These compounds target specific chemoreceptors that are found in invertebrates, but not in humans and animals, to rapidly control insects and parasites. Accordingly, TyraTech's products are designed to be both environmentally friendly and harmless to humans and animals.

TyraTech is also developing its Sustainable Solutions business unit as an asset of the Company. Its lead product, the WasteSolver, provides an innovative solution for dairy farm waste management which generates an environmentally friendly and effective new product for an ideal potting mix or soil supplement for plant growth.

TyraTech has already achieved direct product sales from its Crawling Insect Spray and from its WasteSolver animal waste recycling product. The Company is also actively developing additional products with its partners, which include Kraft Foods, Arysta Life Sciences, Inc., and India-based AccuDigm.

### **Operational Review**

TyraTech's commercial programmes have progressed well over the period, providing a solid platform for positive upcoming commercial news flow and revenue generation, both of which are anticipated before the end of this year and in 2009.

Our partnership with Kraft Food Inc, to develop a human functional food, is progressing well and it is anticipated that the next related milestone, if successfully reached, will be received in the first half of 2009, allowing the partnership to progress to its next phase.

Product development with the Company's agriculture partner is continuing as planned and it is envisaged that we will be able to announce the commercial plan for lead products in the coming months.

TyraTech's lead insecticide product, Naturals™ Crawling Insect Killer which was released at the end of 2007 is gaining traction in the market principally through TyraTech's distribution channel, SYSCO. During 2008, TyraTech has expanded the number of SYSCO regional divisions that stock its products from two to twelve and TyraTech expects this expansion will continue to extend across the entire United States following the completion of further active negotiations.

In addition to progressing existing partnership and product development, TyraTech's focus this year has been to initiate discussions with new potential partners who are able to access additional markets for product sales. In particular, TyraTech has targeted the consumer, animal health and agriculture markets and is in discussions with major companies in all these segments. Currently, TyraTech has a signed letter of intent with a major US company in one of these markets and expects to complete final negotiations and announce a key alliance in the coming 60 days.

Progress has been made with TyraTech's WasteSolver product for dairy farmers. The WasteSolver converts dairy cow manure into animal bedding and a useful potting soil or plant growing medium as a sustainable alternative to sphagnum peat. Although sales of this product have been slower than initially expected, the Group has a growing customer pipeline and within the last two months has received four signed orders plus a further four signed letters of intent for WasteSolver units in California.

Stephen P. Briggs, Vice President Global Markets, resigned from Tyratech during the period. Due to the strength of TyraTech's expanded commercial team, his position will not be replaced.

## **Outlook**

TyraTech is well positioned to continue the momentum in product development and launches as well as in its new and existing partnership programmes. The revenue development has been adversely impacted by delays and slower than expected penetration rates often typical with the initiation of new businesses and products particularly around certain parts of the globe. However, the Group's overall business model is progressing and the Board is encouraged by the progress the Company is making with current and potential partners, and TyraTech looks forward confidently to the future. TyraTech will continue to take advantage of the expanding global demand for its products and technologies which have an unsurpassed combination of efficacy and safety for humans, animals and the environment.

Finally the Board would like to thank all of TyraTech's staff for their effort and commitment to the Group and its shareholders for their continued support.

Geoffrey Vernon  
Chairman

R. Douglas Armstrong Ph.D.  
Chief Executive Officer

26 September 2008

## **Financial Review**

### **Net Revenue**

Net revenue for the six month period was US\$2.4 million (2007: US\$0.3 million). This resulted from invoices raised in the period of US\$0.8 million (2007: US\$ 0.1 million) for products sold to Indian customers and to institutional customers in the USA. Net revenue includes collaborative revenue recognized in this period of US\$1.6 million (2007: US\$0.2 million) mostly from the Kraft agreement which was invoiced in 2007 and a part recognized in 2008 as earned.

### **Cost of sales and gross profit**

The cost of sales reflects costs associated with product sales and collaborative revenue arrangements includes Research and Development expenses of US\$0.5 million (2007: US\$ nil). The overall gross margin for the six month period was US\$1.1 million (2007: US\$0.2 million).

### **Operating expenses**

Overall operating expenses for the six month period grew to US\$10.9 million (2007: US\$8.3 million) and reflects operating expenses after transferring US\$0.5 million (2007: US\$nil) of R&D costs to cost of sales. The overall expense for the six months included non-cash stock compensation to employees and non-employees of US\$2.5 million (2007: US\$1.7 million), depreciation and amortization of US\$0.2 million (2007: US\$0.7 million), and license maintenance fees of US\$ nil (2007: US\$0.1 million). The overall gross cash spent on operating expenses for the six month period grew to US\$12.3 million (2007: US\$6.3 million). The growth in cash spend was driven by an increase in salaries, the average headcount of full time equivalents for the six months was 47 (2007: 18) and an increase in third party support and consultants of US\$3.0 million (2007: US\$2.0 million) as we increased the amount of resources committed to the exploitation of our technology.

### **Other income and costs**

Net finance income for the six month period was US\$0.3 million (2007: expense of US\$0.9 million). The interest expense for 2007 includes US\$0.6 million of deferred loan cost written off. Changes in the fair value of warrants amounted to an income of US\$0.5 million (2007: expense of US\$0.4 million) and relates to warrants issued to underwriters of the IPO. The charge in 2007 also includes amounts relating to warrants issued to an affiliate and a commercial partner. In 2007 an arrangement to accelerate payment of the Vanderbilt University licensing agreement resulted in a US\$0.5 million loss on extinguishment of the discounted Vanderbilt license liability. Payment of the liability was made through a combination of cash (US\$470,000) and 65,457 shares of TyraTech, Inc. common stock.

### **Balance Sheet**

Property and equipment increased by US\$0.3 million (2007: US\$0.0 million) with the continued upgrade of our information technology infrastructure to an amount of US\$1.4 million (2007: US\$0.6 million) offset by the depreciation charge of US\$0.2 million

(2007: US\$0.1 million). Current assets decreased to US\$17.9 million (2007: US\$33.0 million). Cash and cash equivalents reduced to US\$14.9 million (2007: US\$32.4 million) as a result of funding the establishment of the business. Accounts receivables and prepaid expenses increased to US\$1.9 million (2007: US\$0.4 million) and inventories grew to US\$1.1 million (2007: US\$0.3 million) with the increase in commercial activities during the period.

Total liabilities decreased to US\$1.8 million (2007: US\$5.8 million). The accounts payable and accrued liabilities have reduced to US\$1.3 million (2007: US\$2.6 million) as the previous period's liabilities included outstanding costs from the IPO. The deferred revenue has reduced to US\$0.0 million (2007: US\$1.8 million) due to the timing and size of milestone payments and when they are recognized as revenue. The warrant liability of US\$0.5 million (2007: US\$1.4 million) relates to warrants issued to the underwriters of the IPO.

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

### **Liquidity and Cash Flow**

Net loss before and after tax for the period was US\$8.9 million (2007: US\$9.9 million) including non-cash expenses such as amortization of employee stock awards of US\$2.5 million (2007: US\$1.7 million), depreciation and amortization of US\$0.2 million (2007 US\$0.7 million), warrants issued and changes in the value of existing warrants of US\$(0.5) million (2007: US\$0.4 million) and deferred revenue recognized in the period of US\$1.6million (2007: US\$0.2 million). The increased operational activity including sales and product development has increased accounts receivable, prepaid expenses and inventory by US\$1.6 million (2007: US\$0.4 million). Payables and accruals decreased by US\$2.5 million (2007: increase of US\$0.8 million) with a reduction in payables from the end of the year. All this together has resulted in a net cash outflow from operating activities in the period of US\$12.3 million (2007: US\$6.3 million).

Cash invested in property, plant and equipment increased to US\$0.3 million (2007: US\$0.0 million). This was largely for the upgrade of our information technology infrastructure and laboratory facilities.

During the period, the Group received treasury stock in settlement of a loan, of US\$0.5 million, which was made to cover an unanticipated tax liability of Dr Armstrong resulting from the conversion of units in TyraTech LLC to common shares in TyraTech, Inc. These common shares were subject to a lock up agreement until 1 June 2008. Once

the lock-in agreement expired, the shares were subsequently sold in the open market. In 2007 the Group issued 5,000,000 shares with the admission of the Group to trading on the AIM market of the London Stock Exchange, for net proceeds of \$43.7 million. Part of the proceeds from the issue was used to repay the notes payable to XL TechGroup, Inc.

Cash and cash equivalents were US\$14.9 million (2007: US\$32.4 million). We invest our cash resources in deposits with banks with the highest credit ratings, putting security before absolute levels of return.

Keith Bigsby  
Chief Financial Officer  
26 September 2008

Consolidated Statements of Operations

in \$'000

	Notes	<b>(Unaudited) Six months ended 30 June 2008</b>	<b>(Unaudited) Six months ended 30 June 2007</b>	<b>(Audited) Year ended 31 December 2007</b>
Revenues:	3			
Product sales	\$	823	—	405
License and royalty revenue		25	63	100
Collaborative revenue		1,589	270	5,525
Gross revenues		2,437	333	6,030
Contra-revenues from sales incentives provided in warrants		—	—	(483)
Net revenue		2,437	333	5,547
Costs and expenses related to products sales and collaboration revenue		1,304	93	2,439
Gross profit (loss)		1,133	240	3,108
Costs and expenses:				
General and administrative		4,523	2,943	8,139
Business development		3,479	1,098	6,207
Research and technical development		2,911	4,277	4,517
Total costs and expenses		10,913	8,318	18,863
Loss from operations		(9,780)	(8,078)	(15,755)
Other income (expense):				
Interest income		337	68	758
Interest expense		(20)	(1,030)	(1,033)
Change in fair value of warrant liabilities		528	(374)	11
Loss on extinguishment of liability		—	(518)	(519)
Total other income (expense)		845	(1,854)	(783)
Loss before income taxes		8,935	9,932	16,538
Income taxes		—	—	—
Net loss	\$	8,935	9,932	16,538
Net loss per common share:	4			
Basic and diluted	\$	(0.41)	(0.57)	(0.84)
Weighted average number of common shares:				
Basic and diluted		21,933,175	17,372,681	19,756,955

Consolidated Balance Sheets

in \$'000

<b>Assets</b>	Notes	<b>(Unaudited) 30 June 2008</b>	<b>(Unaudited) 30 June 2007</b>	<b>(Audited) 31 December 2007</b>
<b>Current assets:</b>				
Cash and cash equivalents	\$	14,889	32,398	27,522
Accounts receivable	5	1,557	57	485
Inventory		1,059	261	765
Prepaid expenses		357	299	283
Total current assets		17,862	33,015	29,055
Property and equipment, net of accumulated depreciation		1,405	640	1,330
Total assets	\$	19,267	33,655	30,385
<b>Liabilities and Shareholders' Equity</b>				
<b>Current liabilities:</b>				
Accounts payable	\$	371	1,605	975
Accrued liabilities		905	982	2,830
Deferred revenue		19	1,792	1,606
Current installments of obligation under				
capital lease		18	18	18
Liability for warrants		469	1,396	998
Total current liabilities		1,782	5,793	6,427
Capital lease obligation, excluding current installments		30	46	37
Total liabilities		1,812	5,839	6,464
Common stock, \$0.001 par, Authorized				
and issued 22 million in 2008 and 2007	6	22	22	22
Additional paid-in capital		58,292	53,108	55,819
Retained deficit		(40,854)	(25,313)	(31,919)
Treasury stock		(5)	(1)	(1)
Shareholders' equity		17,455	27,816	23,921
Total liabilities and shareholders' equity	\$	19,267	33,655	30,385

Consolidated Statements of Cash Flows

in \$'000

	<b>(Unaudited) Six months ended 30 June 2008</b>	<b>(Unaudited) Six months ended 30 June 2007</b>	<b>(Audited) Year ended 31 December 2007</b>
Cash flows from operating activities:			
Net loss	\$ (8,935)	(9,932)	(16,538)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	231	745	871
Write-off of inventory	162	93	219
License maintenance fee	—	100	101
Change in fair value of warrants	(529)	389	472
Amortization of stock awards	2,507	1,670	3,972
Loss on extinguishment of liability	—	518	519
Changes in operating assets and liabilities:			
Accounts receivable	(1,072)	(300)	(449)
Inventory	(456)	(135)	(765)
Prepaid expenses	(74)	—	(263)
Accounts payable and accrued liabilities	(2,528)	779	1,994
Deferred revenue	(1,587)	(238)	(424)
Net cash used for operating activities	<u>(12,281)</u>	<u>(6,311)</u>	<u>(10,291)</u>
Cash flows used for investing activities:			
Purchases of property and equipment	(306)	(36)	(852)
Loan to employee	(497)	—	—
Net cash used for investing activities	<u>(803)</u>	<u>(36)</u>	<u>(852)</u>
Cash flows from financing activities:			
Net payments on notes payable to affiliate	—	(6,663)	(6,663)
Payments made under capital lease	(8)	(8)	(16)
Net proceeds from sale of common stock	—	43,760	43,688
Treasury stock purchase	—	(1)	(1)
Proceeds from sale of treasury stock	459	—	—
Net cash provided by financing activities	<u>451</u>	<u>37,088</u>	<u>37,008</u>
Net (decrease) increase in cash	<u>(12,633)</u>	<u>30,741</u>	<u>25,865</u>
Cash, beginning of period	<u>27,522</u>	<u>1,657</u>	<u>1,657</u>
Cash, end of period	<u>\$ 14,889</u>	<u>32,398</u>	<u>27,522</u>
Supplemental disclosures:			
Cash paid for interest	<u>\$ —</u>	<u>429</u>	<u>1,033</u>
Cash paid for income taxes	<u>\$ —</u>	<u>—</u>	<u>—</u>

Consolidated Statements of Cash Flows (continued)

in \$'000

	<b>(Unaudited)</b> <b>six months</b> <b>ended 30</b> <b>June 2008</b>	<b>(Unaudited)</b> <b>six months</b> <b>ended 30</b> <b>June 2007</b>	<b>(Audited)</b> <b>Year ended</b> <b>31</b> <b>December</b> <b>2007</b>
Noncash investing and financing activities:			
The Company received treasury stock in settlement of a loan with an employee	\$ 497	—	—
The Company incurred IPO costs which were incurred and included in accounts payable at period end	\$ —	900	—
The Company issued shares in connection with the settlement of a license liability	\$ —	—	651
The Company issued warrants in connection with a research and development agreement	\$ —	—	483
The Company recorded a receivable and deferred revenue transaction with a related party	\$ —	158	—
The Company recorded and subsequently wrote-off a revenue related transaction with an affiliate	\$ —	—	158
The Company reclassified warrants issued to a vendor and an affiliate to equity	\$ —	5,037	5,037
The Company issued warrants in satisfaction of costs incurred to advisors	\$ —	1,391	1,391

## Notes to the Interim Consolidated Financial Statements

### 1. Basis of Preparation

The financial statements of TyraTech, Inc. (the “Group”) have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

The results for the year ended 31 December 2007 have been extracted from the statutory consolidated financial statements of TyraTech Inc. for the year ended 31 December 2007 which are prepared in accordance with US GAAP.

The unaudited interim financial statements for the six months ended 30 June 2008 and 2007 have been prepared on the basis of the accounting policies set out in the most recently published financial statements of the Group for the year ended 31 December 2007.

### 2. Segments

The Group considers itself to have two strategic business units that offer different products. They are managed separately because each business requires different knowledge, skills and marketing strategies. As at 30 June 2008 the Group’s segments are pesticides and insecticides and sustainable solutions.

### 3. Net Revenue (in \$’000)

	<b>(Unaudited) Six months ended 30 June 2008</b>	<b>(Unaudited) Six months ended 30 June 2007</b>	<b>(Audited) Year ended 31 December 2007</b>
Opening deferred revenue	\$ 1,606	2,187	2,187
Written off receivables	—	(158)	(158)
Closing deferred revenue	19	1,791	1,606
Movement in deferred revenue	1,587	238	423
Invoices raised	850	110	5,607
Gross revenue	2,437	348	6,030
Warrants issued as sales incentives	—	(15)	(483)
Net Revenue	\$ 2,437	333	5,547

#### 4. Earnings per Common Stock

The calculation of the basic and diluted earnings per ordinary share is based on the Company's loss of \$8,934,600 for the six months ended 30 June 2008 (six months ended 30 June 2007: loss of \$9,932,000; year ended 31 December 2007: loss of \$16,537,854), and on 21,933,175 weighted average shares outstanding during the six month period ended 30 June 2008 (30 June 2007: 17,372,681; 31 December 2007: 19,756,955). There is no impact considered on the conversion of stock options or warrants as the effect would be anti-dilutive.

#### 5. Accounts Receivable (in \$'000)

	<b>(Unaudited)</b> <b>30 June 2008</b>	<b>(Unaudited)</b> <b>30 June 2007</b>	<b>(Audited)</b> <b>31 December</b> <b>2007</b>
Trade receivables and other	\$ 1,527	—	393
Interest receivables	30	57	92
	<u>\$ 1,557</u>	<u>57</u>	<u>485</u>

#### 6. Movement in Stockholders' Equity during the six months ended 30 June 2008 (in \$'000)

	<b>Common stock \$'000</b>	<b>Additional paid-in capital \$'000</b>	<b>Retained earnings \$'000</b>	<b>Treasury stock \$'000</b>	<b>Total stockholders' equity \$'000</b>
Balances as of December 31, 2007	\$ 22	55,819	(31,919)	(1)	23,921
Exchange of note for treasury stock	—	—	—	(497)	(497)
Proceeds from sale of treasury stock	—	(34)	—	493	459
Stock based compensation	—	2,507	—	—	2,507
Net loss	—	—	(8,935)	—	(8,935)
Balances as of June 30, 2008	<u>\$ 22</u>	<u>58,292</u>	<u>(40,854)</u>	<u>(5)</u>	<u>17,455</u>