



## Edgar Filing: Vyta Corp - Form 10QSB

### PART I - FINANCIAL INFORMATION

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### PART I - FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

VYTA CORP AND SUBSIDIARIES  
Condensed Consolidated Balance Sheet  
December 31, 2006  
(Unaudited)

Assets  
-----

Current assets:

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Cash and cash equivalents	\$	42,438
Prepaid expenses		202,401
		-----
Total current assets		244,839
		-----
Property and equipment:		
Office equipment and furniture		67,108
Less accumulated depreciation		(58,977)
		-----
		8,131
		-----
Other assets:		
Deposits and other		19,509
Notes receivable, equity investee (Note 2)		1,600,394
Investment in equity investee (Note 3)		242,125
		-----
		1,862,028
		-----
Total assets	\$	2,114,998
		=====
Liabilities and Shareholders' Equity		
-----		
Current liabilities:		
Accounts payable	\$	125,470
Advances payable, related parties (Note 4)		582,823
Accrued liabilities		7,063
		-----
Total liabilities (all current)		715,356
		-----
Commitments and contingencies (Notes 4 and 5)		
Shareholders' equity:		
Preferred stock; \$0.0001 par value; 5,000,000 shares authorized; none issued and outstanding		
Common stock; \$0.0001 par value; 200,000,000 shares authorized; 22,643,512 shares issued and outstanding		2,264
Additional paid-in capital		28,390,883
Accumulated other comprehensive income		130,530
Accumulated deficit		(27,124,035)
		-----
Total shareholders' equity		1,399,642
		-----
Total liabilities and shareholders' equity	\$	2,114,998
		=====

See notes to condensed consolidated financial statements.

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(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2006	2005	2006	2005
Revenues	\$ -	-	-	-
General and administrative expenses	(271,352)	(216,188)	(546,766)	(441,027)
Loss from operations	(271,352)	(216,188)	(546,766)	(441,027)
Other income (expense):				
Other income	-	-	-	28,585
Interest income	12	4,419	12	8,350
Equity losses of equity investees (Note 3)	(272,583)	(129,747)	(540,141)	(389,654)
Loss on revaluation of derivative warrant liability	-	(4,158)	-	(4,158)
Interest expense	-	-	-	(235,131)
Interest expense, related party	-	-	-	(219)
	(272,571)	(129,486)	(540,129)	(592,227)
Net loss	\$ (543,923)	(345,674)	(1,086,895)	(1,033,254)
Net loss per share, basic and diluted (Note 1)	\$ (0.02)	(0.05)	(0.05)	(0.16)
Weighted average number of common shares outstanding (Note 1)	22,643,512	6,855,418	22,643,512	6,327,884

See notes to condensed consolidated financial statements.

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VYTA CORP AND SUBSIDIARIES  
Condensed Consolidated Statements of Comprehensive Loss  
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2006	2005	2006	2005
Net loss	\$ (543,923)	(345,674)	(1,086,895)	(1,033,254)
Change in unrealized gain (loss) on				

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securities	136	-	171	( 14)
	-----	-----	-----	-----
Comprehensive loss	\$ (543,787)	(345,674)	(1,086,724)	(1,033,268)
	=====	=====	=====	=====

See notes to condensed consolidated financial statements.

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VYTA CORP AND SUBSIDIARIES  
Condensed Consolidated Statement of Changes in Shareholders' Equity  
Six Months Ended December 31, 2006  
(Unaudited)

	Common stock		Additional	Accumulated other	Accumulated
	Shares	Amount	paid-in	comprehensive	deficit
	-----	-----	-----	-----	-----
Balances, July 1, 2006	22,643,512	\$ 2,264	\$ 28,390,883	\$ 130,359	\$ (26,037,14)
Net loss	-	-	-	-	(1,086,89)
Change in unrealized gain on securities	-	-	-	171	
Balances, December 31, 2006	22,643,512	2,264	28,390,883	130,530	(27,124,03)
	=====	=====	=====	=====	=====

See notes to condensed consolidated financial statements.

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VYTA CORP AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	Six Months Ended December 31,	
	2006	2005
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (1,086,895)	(1,033,254)
	-----	-----
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization expense	234,411	45,370
Depreciation expense	2,694	2,853
Equity losses of equity investees	540,141	389,654
Amortization of discounts on notes payable	-	213,760

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Loss on revaluation of derivative warrant liability	-	4,158
Changes in operating assets and liabilities:		
Decrease in interest receivable	-	2,894
Decrease in prepaid expenses	15,967	960
Increase (decrease) in accounts payable and accrued liabilities	54,879	(53,774)
	-----	-----
Total adjustments	848,092	605,875
	-----	-----
Net cash used in operating activities	(238,803)	(427,379)
	-----	-----
Cash flows from investing activities:		
Increase in notes receivable	(387,118)	(400,000)
Payment on note receivable	-	89,119
Investment in joint venture	-	(500,000)
	-----	-----
Net cash used in investing activities	(387,118)	(810,881)
	-----	-----
Cash flows from financing activities:		
Exercise of warrants, and common stock and warrants issued for cash	-	2,070,500
Proceeds to be applied to preferred stock purchase (Note 4)	476,000	200,000
Payment of notes payable	-	(960,663)
Proceeds from issuance of notes payable and common stock	-	150,000
	-----	-----
Net cash provided by financing activities	476,000	1,459,837
	-----	-----
Net (decrease) increase in cash and cash equivalents	(149,921)	221,577
Cash and cash equivalents, beginning	192,359	25,835
	-----	-----
Cash and cash equivalents, ending	\$ 42,438	247,412
	=====	=====

(Continued)

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VYTA CORP AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)  
Continued

	Six Months Ended December 31,	
	2006	2005
	-----	-----
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ -	1,069

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	=====	=====
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of common stock in connection with notes payable	\$ -	117,886
	=====	=====
Issuance of common stock in exchange for accrued commissions	\$ -	90,000
	=====	=====
Advances receivable applied to equity investment	\$ -	405,000
	=====	=====
Equity investment acquired in exchange for note payable	\$ -	595,000
	=====	=====
Liability recorded for offering costs of common stock issuance	\$ -	800,000
	=====	=====
Forgiveness of accrued payroll owed to officer/shareholder	\$ -	8,750
	=====	=====
Issuance of common stock in exchange for receivable	\$ -	2,000
	=====	=====

See notes to condensed consolidated financial statements.

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VYTA CORP AND SUBSIDIARIES  
Notes to the Condensed Consolidated Financial Statements  
Six Months Ended December 31, 2006 and 2005  
(Unaudited)

1. BASIS OF PRESENTATION, MANAGEMENT'S PLANS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Presentation of Interim Information:

The accompanying condensed consolidated financial statements include the accounts of Vyta Corp, a Nevada corporation (the Company), its wholly-owned subsidiaries, NanoPierce Connection Systems, Inc., a Nevada corporation (NCOS), and ExypnoTech, LLC (ET LLC). All significant intercompany accounts and transactions have been eliminated in consolidation. NCOS and ET LLC had no revenues or operations in 2006 and 2005. The Company has two investments which are accounted for using the equity method of accounting. These equity method investments consist of ExypnoTech, GmbH (EPT) and BioAgra, LLC (BioAgra) (Note 3). The Company's equity investees, EPT and BioAgra, operate in two segments, the RFID industry and the animal feed industry, respectively.

In the opinion of the management of the Company, the accompanying unaudited condensed consolidated financial statements include all material adjustments, including all normal and recurring adjustments, considered necessary to present fairly the financial position and operating results of the Company for the periods presented. The financial statements and notes are presented as permitted by Form 10-QSB, and do not contain certain information included in the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2006. It is management's opinion that when the interim financial statements are read in conjunction with the June 30, 2006 Annual Report on Form 10-KSB, the disclosures are adequate to make the information presented not misleading. Interim results are not necessarily indicative of results for a full year or any future period.

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### Management's Plans:

In the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2006, the Report of the Independent Registered Public Accounting Firm includes an explanatory paragraph that describes substantial doubt about the Company's ability to continue as a going concern. The Company's interim financial statements for the six months ended December 31, 2006 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company reported a net loss of \$1,086,895 for the six months ended December 31, 2006, and an accumulated deficit of \$27,124,035 as of December 31, 2006. The Company also has a working capital deficiency at December 31, 2006 and the Company has not recognized any revenues from its business operations.

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VYTA CORP AND SUBSIDIARIES  
Notes to the Condensed Consolidated Financial Statements  
Six Months Ended December 31, 2006 and 2005  
(Unaudited)

The Company's ability to continue as a going concern may be dependent on the success of management's plans discussed below. The financial statements do not contain any adjustments relating to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. During the 2007 fiscal year, the Company intends to continue its efforts to assist BioAgra (Note 3) with the continuing development of its sales, nationally and internationally in other animal feed markets, such as the equine and the swine markets. In addition, in January 2007 the Company signed a six-month Technology Agreement to permit a prospective licensee the opportunity to conduct a market survey relating to its NCOS(TM) technology. Management believes that if the market survey is favorable, the Technology Agreement may mature into a royalty paying commercial license, the terms and conditions of which are under negotiation between the Company and the perspective licensee.

The Company also intends to raise funds to support operations of the Company during the 2007 fiscal year through a private offering of preferred stock, the terms of which are being negotiated.

Currently, the Company does not have a revolving loan agreement with any financial institution, nor can the Company provide any assurance it will be able to enter into any such agreement in the future, or be able to raise funds through a further issuance of debt or equity in the Company.

### Deferred Consulting Costs:

In June 2006, the Company entered into a twelve-month consulting services agreement with two third parties, in which the parties agreed to provide lobbying and public relation services. Compensation consisted of 200,000 shares of the Company's common stock with a market value of approximately \$182,000 (based on a closing market price of \$0.91 per share at the date the transaction was entered into) and a warrant to purchase 500,000 shares of the Company's common stock, with an exercise price of \$0.91 per share and a term of 3 years. The warrant was valued at \$283,000 using the Black-Scholes pricing model method. The deferred cost is being amortized on a straight-line basis as earned over the twelve-month period from the date of the agreement. During the six months ended December 31, 2006, \$234,411 was expensed.



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In June 2005, the Company entered into a twelve-month consulting services agreement with a third party, in which this party agreed to provide public and investor relation services and general business services for the twelve-month term of the agreement. Compensation consisted of 1,000,000 shares of the Company's restricted common stock with a market value of approximately \$90,000 (based on the closing market price of \$0.09 per share at the date of the transaction). The deferred cost was amortized on a straight-line basis as earned over the twelve-month period from the date of the agreement and therefore has been fully-amortized. During the six months ended December 31, 2005, \$45,370 was expensed.

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VYTA CORP AND SUBSIDIARIES  
Notes to the Condensed Consolidated Financial Statements  
Six Months Ended December 31, 2006 and 2005  
(Unaudited)

### Loss Per Share:

Basic Earnings Per Share (EPS) excludes dilution. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Loss per share of common stock is computed based on the weighted average number of common shares outstanding during the period. Stock options and warrants are not considered in the calculation, as the impact of the potential common shares (6,519,469 shares at December 31, 2006 and 1,926,877 shares at December 31, 2005) would be to decrease loss per share. Therefore, diluted loss per share is equivalent to basic loss per share.

### Stock-Based Compensation:

Beginning July 1, 2006, the Company adopted the provisions of and accounts for stock-based compensation in accordance with the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards No. 123 - revised 2004 ("SFAS 123R"), "Share-Based Payment", which replaced Statement of Financial Accounting Standards No. 123("SFAS 123"), "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees". Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. The Company elected the modified-prospective method, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new grants and to grants that were outstanding as of the effective date and are subsequently modified. There were no options granted during the six months ended December 31, 2006 and 2005, and all options granted prior to the adoption of SFAS 123R and outstanding during the periods presented were fully-vested.

The Company has two stock option plans which permit the grant of shares to attract, retain and motivate employees, directors and consultants of up to 625,000 shares of common stock. Options are generally granted with an exercise price equal to the Company's market price of its common stock on the date of the grant and with vesting rates, as determined by the Board of Directors. All options outstanding at July 1, 2006 and December 31, 2006 are fully-vested and exercisable. A summary of outstanding balances at July 1, 2006 and December 31, 2006 is as follows:

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	Options	Weighted- average exercise price	Weighted- average remaining life	Aggregate intrinsic value
Outstanding at:				
July 1, 2006	398,127	\$ 22.00	4.61 years	\$ 0
December 31, 2006	398,127	\$ 22.00	4 years	\$ 0

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VYTA CORP AND SUBSIDIARIES  
 Notes to the Condensed Consolidated Financial Statements  
 Six Months Ended December 31, 2006 and 2005  
 (Unaudited)

Recently Issued Accounting Standards:

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for the Company for its fiscal year beginning on July 1, 2008. The Company is currently assessing the impact the adoption of SFAS No. 157 will have on its consolidated financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108 in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements. In SAB 108, the SEC staff established an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the Company's financial statements and the related financial statement disclosures. SAB No. 108 is effective for the Company for its current fiscal year. The adoption of SAB No. 108 did not have an impact on the Company's consolidated financial statements.

2. NOTES RECEIVABLE - EQUITY INVESTEE:

During the year ended June 30, 2006, the Company loaned \$1,726,827 to BioAgra (Note 3) in exchange for a secured, 7.5% promissory note with payments to be made monthly starting October 31, 2006, through October 31, 2007. The funds were loaned to facilitate BioAgra's completion of its first production line and to support operations. The promissory note is collateralized by all of BioAgra's assets. Additionally, the promissory note is to be paid in full prior to any distributions being made to the members of the joint venture. During the six months ended December 31, 2006, the note was reduced by \$513,551, which represents the excess of the BioAgra losses recognized by the Company over the adjusted basis of the Company's equity investment in BioAgra at December 31, 2006 (Note 3).

During the six months ended December 31, 2006, the Company advanced an additional \$387,118 to BioAgra under the same terms as the promissory note, described above. In January 2007, the Company advanced an additional \$53,500 to

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BioAgra under the same terms as the promissory note, described above. The Company has classified these notes receivable as non-current assets on the balance sheet and is not accruing interest on these notes receivable as they are currently in default and non-performing. The scheduled payments under the promissory note have not been made.

### 3. INVESTMENTS IN AFFILIATES:

Investment in EPT:

The carrying amount of the Company's investment in EPT is \$242,125 at December 31, 2006, and is adjusted to recognize the Company's proportionate share of EPT's income (loss) each period.

Unaudited financial information of EPT as of December 31, 2006, and for the three and six-month periods ended December 31, 2006 and 2005 are as follows:

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VYTA CORP AND SUBSIDIARIES  
 Notes to the Condensed Consolidated Financial Statements  
 Six Months Ended December 31, 2006 and 2005  
 (Unaudited)

	December 31, 2006
	-----
<b>Assets:</b>	
Current assets(1)	\$ 673,924
Equipment	47,151
	-----
Total assets	\$ 721,075
	=====
<b>Liabilities and members' equity:</b>	
Current liabilities(2)	\$ 357,087
Members' equity	363,988
	-----
Total liabilities and members' equity	\$ 721,075
	=====

(1) Current assets include receivables of \$641,722 due from the 51% owner of EPT.

(2) Current liabilities include a payable of \$29,473 due to the 51% owner of EPT.

Three Months Ended December 31, 2006	Three Months Ended December 31, 2005	Six Months Ended December 31, 2006	Six Months Ended December 31, 2005
-----	-----	-----	-----

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Revenues (1)	\$	1,271,198	645,460	1,839,740	1,045,196
Expenses (2)		(1,182,660)	(707,287)	(1,674,991)	(1,141,600)
Net income					
(loss)	\$	88,538	(61,827)	164,749	(96,404)

- (1) Revenues for the six months ended December 31, 2006 and 2005 include \$1,839,740 and \$1,045,196, respectively (\$1,271,198 and \$645,460 for the three months ended December 31, 2006 and 2005, respectively) of sales to the 51% owner of EPT for each period presented.
- (2) Expenses for the six months ended December 31, 2006 and 2005 include \$80,677 and \$45,671, respectively (\$42,399 and \$37,756 for the three months ended December 31, 2006 and 2005, respectively) of charges paid to the 51% owner of EPT for each period presented.

### Investment in BioAgra:

On August 15, 2005, the Company entered into a joint venture with Xact Resources, a privately-held company. The Company purchased a 50% equity interest in the joint venture, BioAgra, for \$905,000 in cash (which includes \$405,000 previously advanced to Xact Resources as of June 30, 2005) and a note payable of \$595,000, which was paid in full on September 15, 2005. BioAgra is to manufacture and sell a beta glucan product, YBG-2000 also known as AgraStim™, to be used as a replacement for hormone growth steroids and antibiotics in products such as poultry feed. As of December 31, 2006, BioAgra (a development stage company) has completed construction of a production line and has produced and shipped product in limited quantities.

The terms of the joint venture provide for the Company to share in 50% of joint venture net income, if any, or net losses. Net losses incurred by BioAgra have exceeded the underlying equity attributed to BioAgra's other joint venture investor. As a result, the excess of the losses attributable

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**VYTA CORP AND SUBSIDIARIES**  
 Notes to the Condensed Consolidated Financial Statements  
 Six Months Ended December 31, 2006 and 2005  
 (Unaudited)

to the other joint venture investor have been charged to the Company. BioAgra incurred a net loss of \$620,867 for the six months ended December 31, 2006 (\$315,962 for the three months ended December 31, 2006). At September 30, 2006 the carrying value of the Company's investment in BioAgra was \$0. The losses for the three months ended December 31, 2006 (\$315,962) were applied to reduce the value of the note receivable from BioAgra.

Unaudited financial information of BioAgra as of December 31, 2006 and for the three and six months ended December 31, 2006, and the period from August 15, 2005 (inception) through December 31, 2005 and the three months ended December 31, 2005, is as follows:

December 31, 2006  
-----

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Assets:	
Current assets	\$ 183,514
Land, building and equipment, net (2)	2,859,259
Other assets, net	93,123
	-----
Total assets	\$ 3,135,896
	=====
Liabilities and members' equity:	
Current liabilities (1)	\$ 2,666,080
Obligation under capital lease (2)	983,367
	-----
Total liabilities	3,649,447
Members' deficiency	(513,551)
	-----
Total liabilities and members' deficiency	\$ 3,135,896
	=====

(1) Includes \$2,113,945 owed to the Company.

(2) BioAgra leases land and a building under a ten-year lease expiring in February 2015, which requires a monthly lease payment of \$12,000.

	Three Months Ended December 31, 2006	Three Months Ended December 31, 2005	Six Months Ended December 31, 2006	August 15, 2005 through December 31, 2005
	-----	-----	-----	-----
Revenues \$	-	-	31,642	-
Expenses	(315,962)	(198,902)	(652,509)	(684,832)
	-----	-----	-----	-----
Net loss \$	(315,962)	(198,902)	(620,867)	(684,832)
	=====	=====	=====	=====

4. ADVANCES PAYABLE - RELATED PARTIES:

In June 2006, the Company received an advance of \$100,000 from Arizcan Properties, Ltd. (Arizcan). During the six months ended December 31, 2006, the Company received additional advances of \$476,000 from Arizcan. Total advances at December 31, 2006 are \$576,000. The advances are to be applied to an equity placement that the Company and Arizcan have not yet finalized. The proceeds were used to fund the Company's operations.

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VYTA CORP AND SUBSIDIARIES  
Notes to the Condensed Consolidated Financial Statements  
Six Months Ended December 31, 2006 and 2005  
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During the six months ended December 31, 2006, the Company received an advance of \$6,823 from Paul H. Metzinger, the President and Chief Executive Officer of the Company.

### 5. COMMITMENTS AND CONTINGENCIES:

#### LITIGATION:

##### Depository Trust Suit:

In May 2004, the Company filed suit against the Depository Trust and Clearing Corporation ("DTCC"), the Depository Trust Company ("DTC"), and the National Securities Clearing Corporation ("NSCC") in the Second Judicial District Court of the County of Washoe, State of Nevada. The suit alleges multiple claims under the Nevada Revised Statutes 90.570, 90.580, 90.660 and 598A.060 and on other legal bases. The complaint alleges, among other things, that the DTCC, DTC and NSCC acted in concert to operate the "Stock Borrow Program," originally created to address short term delivery failures by sellers of securities in the stock market. According to the complaint, the DTCC, NSCC and DTC conspired to maintain significant open fail deliver positions of millions of shares of the Company's common stock for extended periods of time by using the Stock Borrow Program to cover these open and unsettled positions. The Company was seeking damages in the amount of \$25,000,000 and treble damages. Responsive pleadings have been filed by the defendants. In April 2005, the court granted a motion to dismiss the lawsuit. The Company filed an appeal to the Supreme Court of the State of Nevada to overturn the motion to dismiss the lawsuit. Oral argument on the appeal was presented before the Nevada State Supreme Court in February 2007. The Company is awaiting a decision on the appeal, at this time.

##### Financing Agreement Suit:

In connection with a financing obtained in October 2000, the Company filed various actions in the United States District Court for the District of Colorado against, among others, Harvest Court, LLC, Southridge Capital Investments, LLC, Daniel Pickett, Patricia Singer and Thomson Kernaghan, Ltd. for violations of federal and state securities laws, conspiracy, aiding and abetting and common law fraud among other claims. As a result of various procedural rulings, in January 2002, the United States District Court for the District of Colorado transferred the case to the United States District Court for the Southern District of New York, New York City, New York. In this litigation, Harvest Court, LLC filed counterclaims against the Company and certain officers and former board members of the Company, and a number of unrelated third parties. The counterclaims allege violations of federal securities laws and other laws. Harvest Court, LLC is seeking various forms of relief including compensatory and punitive damages. Responsive pleadings have been filed and the litigation is currently in the discovery stage.

In May 2001, Harvest Court, LLC filed suit against the Company in the Supreme Court of the State of New York, County of New York. The suit alleges that the Company breached an October 20, 2000 Stock Purchase Agreement, by not issuing 7,418,895 free trading shares of the Company's common stock in connection with the reset provisions of the Purchase Agreement due on the second reset date and approximately 4,500,225 shares due in connection with the third reset date. Harvest Court, LLC is seeking the delivery of such shares or damages in the alternative. In August 2001, the Supreme Court of

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the State of New York, County of New York issued a preliminary injunction ordering the Company to reserve and not transfer the shares allegedly due to Harvest Court, LLC. The Company has filed counterclaims seeking various forms of relief against Harvest Court, LLC.

The Company intends to vigorously prosecute this litigation and does not believe the outcome of this litigation will have a material adverse effect on the financial condition, results of operations or liquidity of the Company. However, it is too early at this time to determine the ultimate outcome of these matters.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

Certain statements contained in this Form 10-QSB contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties that could cause actual results to differ materially from the results, financial or otherwise, or other expectations described in such forward-looking statements. Any forward-looking statement or statements speak only as of the date on which such statements were made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statements are made or reflect the occurrence of unanticipated events. Therefore, forward-looking statements should not be relied upon as prediction of actual future results.

The independent registered public accounting firm's report on the Company's consolidated financial statements as of June 30, 2006, and for each of the years in the two-year period then ended, includes a "going concern" explanatory paragraph, that describes substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to the factors prompting the explanatory paragraph are discussed below and also in Note 1 to the unaudited quarterly financial statements.

## RESULTS OF OPERATIONS

The Company had no revenues during the six months ended December 31, 2006 and 2005.

Total general and administrative expenses during the six months ended December 31, 2006 were \$546,766 compared to \$441,027 for the six months ended December 31, 2005 (\$271,352 and \$216,188 for the three months ended December 31, 2006 and 2005, respectively). The six-month increase of \$105,739, is primarily attributable as set forth on the table below.

General and Administrative Expense	\$ Increase or (Decrease)
Consulting expenses	\$ 204,596
Accounting expenses	20,768
Commission fees	(68,210)
Rent expense	(24,868)
Public relations	(23,339)

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The Company recognized \$8,350 in interest income during the six months ended December 31, 2005 (\$4,419 during the three months ended December 31, 2005). During the six months ended December 31, 2005, the Company recognized \$28,585 in other income, which represented a gain on the extinguishment of certain liabilities.

No interest expense was recorded during the six months ended December 31, 2006, as no debt was outstanding during the period. The Company recognized interest expense of \$235,350 for the six months ended December 31, 2005 (\$0 for the three months ended December 31, 2005). Of the \$235,350 in interest expense, \$219 represented related party interest. The remaining \$235,131 was incurred in connection with the issuance of promissory notes, which were discounted for the fair value of warrants included with debt at the time of issuance. The resulting discounts (\$213,760) were amortized over

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the term of the promissory notes. The promissory notes were paid in full during the three months ended September 30, 2005, and at that time the discounts were fully amortized.

During the six months ended December 31, 2006, the Company recognized a net loss of \$1,086,895 compared to a net loss of \$1,033,254 during the six months ended December 31, 2005 (\$543,923 and \$345,674 for the three months ended December 31, 2006 and 2005, respectively). The increase of \$53,641, during the six months ended December 31, 2006, is primarily attributable to the decrease of \$235,350 in interest expenses, offset by the increase of \$105,739 in general and administrative expenses.

### LIQUIDITY AND FINANCIAL CONDITION

During the six months ended December 31, 2006, the Company used \$238,803 in operating activities. Net cash provided by financing activities was \$476,000, which is a prepayment on a series of preferred stock the terms of which are being negotiated. Net cash used in investing activities was \$387,118, which was advanced to BioAgra to be used to support its operations. The Company had \$42,438 of cash and cash equivalents at December 31, 2006, which is being used to support operations. During the six months ended December 31, 2005, the Company used \$427,379 in operating activities. During the six months ended December 31, 2005, net cash provided by financing activities was \$1,459,837; of which \$2,070,500 was from the exercise of warrants, \$200,000 were proceeds from the prepayment on the sale of a preferred stock, \$150,000 were proceeds from the issuance of notes payable and common stock and \$960,663 was used to pay notes payable.

In August 2005, the Company purchased a 50% equity interest in BioAgra (a Georgia limited liability company) for \$905,000 cash (which includes the \$405,000 advanced to Xact Resources during the fiscal year ended June 30, 2005) and a note payable of \$595,000 which was paid in full in September 2005. BioAgra is to manufacture and sell a beta glucan product, YBG-2000 marketed as AgriStim, to be used as a replacement for hormone growth steroids and antibiotics in animal feed products. BioAgra has completed the construction of its production line, and during the six months ended December 31, 2006, BioAgra had limited sales of its product. During the six months ended December 31, 2006, BioAgra has been working with potential customers on field testing trials of the AgriStim product.

As of December 31, 2006, if all existing outstanding warrants issued in a January 2004 private placement were exercised, the Company will be required to issue an additional 1,342,500 shares of common stock and would receive \$192,125,



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and the Company, on a fully diluted basis (including the reservation of 832,029 shares as required by the court in the Financing Agreement Litigation), would have 29,995,271 shares of common stock issued and outstanding.

However, no assurance can be given that any of these warrants will be exercised. If the warrants are exercised, the Company has decided that it may use the additional funds received from the exercise of these warrants to support the operations of the Company and its investments.

During the 2007 fiscal year, the Company intends to continue its efforts to aid BioAgra with the continuing development of its sales, nationally and internationally in other animal feed markets, such as the equine and the swine markets. In addition, in January 2007 the Company signed a six-month

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Technology Agreement to permit a prospective licensee the opportunity to conduct a market survey relating to its NCOS(TM) technology. We believe that if the market survey is favorable the Technology Agreement may mature into a royalty paying commercial license the terms and conditions of which are under negotiation between the Company and the perspective licensee.

The Company intends to raise additional funds to support operations of the Company during the 2007 fiscal year. Such funds are to be raised through an offering of a preferred stock, the terms of which are in the process of being finalized.

To the extent the Company's operations are not sufficient to fund the Company's capital requirements the Company may enter into a revolving loan agreement with financial institutions or attempt to raise capital through the sale of additional capital stock or through the issuance of debt. At the present time the Company does not have a revolving loan agreement with any financial institution nor can the Company provide any assurance that it will be able to enter into any such agreement in the future or be able to raise funds through the further issuance of debt or equity in the Company.

### RECENTLY ISSUED ACCOUNTING STANDARDS:

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for the Company for its fiscal year beginning on July 1, 2008. The Company is currently assessing the impact the adoption of SFAS No. 157 will have on its consolidated financial statements.

In September 2006, the SEC issued SAB No. 108 in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements. In SAB 108, the SEC staff established an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the Company's financial statements and the related financial statement disclosures. SAB No. 108 is effective for the Company for its current fiscal year. The adoption of SAB No. 108 did not have an impact on the Company's consolidated financial statements.

### ITEM 3. CONTROLS AND PROCEDURES

As of the end of the period covered by this Quarterly Report on Form 10-QSB, the Company carried out an evaluation, under the supervision and with the participation of the Company's President and Chief Financial Officer, of the

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effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon such evaluation, such officers have concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this quarterly report on Form 10-QSB in alerting them, on a timely basis, to material information relating to the Company required to be included in the Company's periodic SEC filings and to ensure that information required to be disclosed in the Company's periodic SEC filings is accumulated and communicated to the Company's management, including its

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President and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There was no change to the Company's internal controls over financial reporting during the fiscal quarter ended September 30, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

### PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS - NO CHANGE.

### PART II - OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS - NONE.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES - NONE.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - NONE.

ITEM 5. OTHER INFORMATION - NONE.

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ITEM 6. EXHIBITS

EXHIBITS. The following is a complete list of exhibits filed as part of this Form 10-QSB. Exhibit numbers correspond to the numbers in the Exhibit Table of Item 601 of Regulation S-B.

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act

Exhibit 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act

Exhibit 32.1 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act

Exhibit 32.2 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act

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SIGNATURES

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

VYTA CORP  
(REGISTRANT)

Date: February 20, 2007

/s/ Paul H. Metzinger  
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Paul H. Metzinger,  
President & CEO  
(Principle Executive Officer)

Date: February 20, 2007

/s/ Kristi J. Kampmann  
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Kristi J. Kampmann,  
Chief Financial Officer  
(Principle Financial Officer)

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