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Vyta Corp  
Form 10KSB  
October 14, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-KSB

(Mark one)

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

FOR THE FISCAL YEAR ENDED: JUNE 30, 2008

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

Commission file number: 33-19598

VYTA CORP

-----  
(Exact name of small business issuer as specified in its charter)

NEVADA

84-0992908

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer Identification No.)

370 17TH STREET, SUITE 3640  
DENVER, COLORADO 80202  
(303) 592-1010

-----  
(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is not required to file  
reports pursuant to Section 13 or Section 15(d) of the Act.

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

Check if there is no disclosure of delinquent filers pursuant to Item  
405 of Regulation S-B contained in this form, and no disclosure will be  
contained, to the best of registrant's knowledge, in definitive proxy or  
information statements incorporated by reference in Part III of this Form 10-KSB  
or any amendment to this Form 10-KSB.

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

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As of the close of trading on October 10, 2008, there were 45,013,178 shares outstanding, 32,908,823 of which were held by non-affiliates. The aggregate market value of the common shares held by non-affiliates, based on the average closing bid and asked prices on October 10, 2008, was approximately \$1,809,985.

The registrant's revenue for the fiscal year ended June 30, 2008 was \$0.

Transitional Small Business Disclosure Yes /\_/ No/x/

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#### FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-KSB includes "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We base these forward looking statements on our current expectations

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and projections about future events. These forward looking statements are subject to risks, uncertainties, and assumptions about our company, including:

- O the operations and potential profitability of BioAgra, LLC, a company in which we have a 50% interest;
- O the rate of market development and acceptance of our beta glucan products in the animal and aquatic animal feed industry within which we are concentrating our business activities;
- O the rate of market development and acceptance of our beta glucan products for human consumption;
- O our ability to compete successfully with growth promotion antibiotic manufacturers and other providers of feed additives;
- O the operations and potential profitability of ExypnoTech, GmbH, a company in which we have a 49% interest that is manufacturing and developing inlay components used in the manufacturing of radio frequency identification devices ("RFID"), such as smart labels, smart cards and smart tags;
- O the limited revenues and significant operating losses generated by us to date;
- O the possibility of significant ongoing capital requirements and our ability to secure financing as and when necessary;
- O our ability to retain the services of our key management, and to attract new members to the management team; and
- O our ability to obtain and retain appropriate patent, copyright and trademark protection for our intellectual properties and any of our products.

These forward-looking statements include statements regarding our expectations, beliefs, or intentions about the future, and are based on information available to us at this time. We assume no obligation to update any of these statements and specifically decline any obligation to update or correct any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. Actual events and results could differ materially from our expectations as a result of many factors, including those identified in the section titled "Item 1. Description of Business--Risk Factors" and other sections of this report. We urge you to review and consider those factors, and those identified from time to time in our reports and filings with the Securities and Exchange Commission, for information about risks and uncertainties that may affect our future results. All forward-looking statements we make after the date of this filing are also qualified by this cautionary statement and identified risks.

### PART I

#### ITEM 1. DESCRIPTION OF BUSINESS

##### COMPANY OVERVIEW

We were incorporated on June 22, 1996 as a Nevada corporation. In January 2006, we changed our name from NanoPierce Technologies, Inc. to Vyta Corp. Our corporate offices are located at 370 17th Street, Suite 3640, Denver,

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Colorado 80202, and our telephone number is (303) 592-1010. We maintain a website at [www.vytacorp.com](http://www.vytacorp.com), which is not incorporated in and is not a part of this report.

When used in this report, the terms "we," "our," "us," "the company" and similar expressions refer to Vyta Corp, BioAgra, LLC, ExypnoTech, GmbH and our subsidiaries, unless the context otherwise requires.

### BUSINESS

#### GENERAL

In 2004, we instituted steps to change our principal business from electronics technology to biotechnology. In August 2005, we purchased a 50% equity interest in BioAgra, LLC, a Georgia limited liability company. The remaining 50% was purchased by Xact Resources International and later assigned to Justin Holdings, Inc., both unaffiliated parties. BioAgra is engaged in the production, marketing and sale of Agrastim(R), a natural, non-toxic purified beta-1,3/1,6-D glucan feed additive used to replace growth promotion antibiotics that are currently in use in the animal feed industry. In addition to its use as a feed additive, BioAgra intends to include Agrastim(R) in premixed feeds, such as in EquiForce(TM), a feed targeted for the equine industry that contains Agrastim(R), vitamins and minerals formulated to supply nutrients to meet the physiological needs of equine athletes and to boost their immune systems.

BioAgra is also producing Purestim(TM), a purified beta-1,3/1,6-D glucan intended for use by other companies that manufacture nutraceuticals and dietary supplements for human consumption, and is designing other products for human, animal and aquaculture consumption based on beta glucan and other immunoenhancers. Purestim(TM), together with Agrastim(R), are sometimes referred to herein as "beta glucan products."

Prior to our acquisition of an interest in BioAgra, we were primarily involved in our patented particle interconnect technology. We acquired the particle technology in February 1998 to pursue a more focused, strategic application and development of the particle technology and to commercialize the technology as the NanoPierce Connection System (NCSTM). While we do not plan, at this time, to continue efforts to manufacture or develop products that utilize our particle technology, we have entered into two provisional technology license agreements for the manufacture, development and marketing of products using our particle technology. However, to date, neither agreement has matured into a full-scale commercial license generating royalty and license revenues for us.

#### RECENT DEVELOPMENTS

On December 27, 2007, we sold our 49% interest in ExypnoTech, GmbH ("ExypnoTech") to TagStar Systems, GmbH for \$250,000 cash pursuant to a share purchase agreement. ExypnoTech is a company that manufactures and develops radio frequency identification ("RFID") components used in the production of, among other things, smart labels, smart cards and smart tags. As a result of this sale, we no longer have any interest in ExypnoTech, and TagStar Systems owns 100% of ExypnoTech.

In addition, the United States is experiencing severe instability in the commercial and investment banking systems which is likely to continue to have far-reaching effects on the economic activity in the country for an indeterminable period. The long-term impact on the United States economy and the Company's operating activities and ability to raise capital cannot be predicted at this time, but may be substantial.

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BIOAGRA, LLC

### BUSINESS STRATEGY

Governments are currently urging, and consumers are demanding, producers to remove growth promotion antibiotics from the human food chain supply to reduce the development in humans of increasingly powerful and virulent strains of antibiotic-resistant bacteria, which makes treatment for illnesses and diseases more difficult and expensive. In addition, consumers are demanding more natural, organic, antibiotic-free foods.

Animals in the cattle, dairy, poultry, turkey, duck, equine, and swine industries and aquatic animals, such as shrimp, are currently fed growth promotion antibiotics. BioAgra is targeting the cattle, dairy, poultry, turkey,

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duck and swine industries for the sale of Agrastim(R) as an alternative to growth promotion antibiotics used in feed. BioAgra is targeting the equine industry with a product called EquiForce(TM) that contains Agrastim(R) and has been formulated to supply nutrients to meet the physiological needs of equine athletes and to boost their immune systems.

BioAgra has also begun producing and marketing a new beta glucan product under the name Purestim(TM). This product is sold to companies that manufacture nutraceuticals and dietary supplements for human consumption. BioAgra's beta glucan products may be targeted for other uses in the future.

### BACKGROUND ON BETA GLUCAN PRODUCTS AND THE NEED FOR ALTERNATIVES TO GROWTH PROMOTION ANTIBIOTICS

Agrastim(R) and Purestim(TM) are produced from spent brewer's or distillery yeast. The beta glucan products are a combination of bioactive nutrients and B-glucans that are extracted from the cell walls of yeast using steam injection and a centrifuging extraction process. Beta glucan is a natural, non-toxic product that has been shown to stimulate immune systems in animal, poultry and other organisms. Independent test results were published in an article titled "THE INFLUENCE OF B-GLUCAN ON IMMUNE RESPONSES IN BROILER CHICKENS" ("IMMUNOPHARMACOLOGY AND IMMUNOTOXICOLOGY," Volume 25, 2003 (Marcel Dekker)), demonstrating the stimulation of the broiler chicken's immune systems by the B-glucan. BioAgra's beta glucan products are designed to enhance the immune system and to promote accelerated growth in various organisms.

Antibiotics have been added to animal feed in an effort to produce healthier animals and to promote faster growth. Scientists, however, now believe that this practice may lead to unforeseen and unwanted effects. Some studies and articles indicate that growth promotion antibiotics contained in animal feeds may accumulate in the animal body and can cause harm to humans, including causing allergic and abnormal reactions.

The excessive use of antibiotics, especially growth promotion antibiotics, in animal feed may convert some bacteria into antibiotic-resistant strains of bacteria that can infect humans through the consumption of meat products. When a human develops a resistant strain of bacteria, it becomes difficult and expensive to treat due to the bacteria's resistance to antibiotics. The use of antibiotics in animal feed has already affected many countries in Europe, which have banned the use of growth promotion antibiotics in animal feed. It is expected that the United States may also begin to ban or discourage the use of these antibiotics in animal feed.

Alternatives to antibiotics, including Agrastim(R), are increasingly in

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demand by animal farmers and other producers because they lack the drawbacks of antibiotics and other chemical compounds. Agrastim(R) is a natural, non-toxic product that has been proven to stimulate immune systems, thereby eliminating the usage of antibiotics and growth hormone supplements in animal feeds. Agrastim(R) is designed to enhance the immune system and to promote accelerated growth. We believe Agrastim(R) as a feed additive can help resolve the harmful effects of growth promotion antibiotics that can be toxic to humans and can produce safe and healthy animal feed that may be claimed as "drug-free."

### MANUFACTURING OF THE BETA GLUCAN PRODUCTS

#### RAW MATERIALS

BioAgra produces its beta glucan products from spent brewer's or distillery yeast. Brewer's yeast is used in the production of alcoholic beverages. Currently, yeast and other raw materials utilized in the production of the beta glucan products are purchased from a Brazilian supplier pursuant to invoices documenting each separate purchase. The yeast is consistent with BioAgra's production needs and such arrangements currently are not subject to any volume limitations or import restrictions. Arrangements are being made with additional commercial firms that purchase and distribute these types of yeast. BioAgra believes that there is an adequate supply of these raw materials for the foreseeable future for BioAgra's proposed activities. BioAgra intends to purchase these raw materials from other available worldwide suppliers that can provide a cost efficient source of high quality raw materials that will permit it to produce a purified beta glucan product that is at least 80% pure.

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#### PRODUCTION PLANT

BioAgra's production plant is located at 103 Technology Drive, Hinesville, Georgia 31313. BioAgra has leased the facility from the Liberty County Industrial Authority pursuant to an Industrial Lease Agreement, dated March 1, 2005, for a period of 120 calendar months at \$12,000 per month (of which certain amounts have been paid other than monthly as permitted by the lessor). At the expiration of the lease term, BioAgra has the option to purchase the leased premises (real estate and improvement) for \$500,000. The facility is approximately 30,000 square feet, consisting of both office space and a production area and is also expected to include a research and development laboratory. The production area has enough space to hold three separate production lines in its current configuration, although as of this date, BioAgra only has a single production line. The facility is located on approximately 7.29 acres.

The plant commenced operations in March of 2006. The plant went through a shakedown period in which BioAgra evaluated and better understood the controls and efficiencies of the plant. BioAgra started operating at full-scale capacity in April of 2006. The production line has a designed capacity of producing 10,000 kilograms of Agrastim(R) per month. BioAgra has approximately 2,000 kilograms of packaged and drummed pure Agrastim(R) finished and on the floor for sale and delivery. It has discontinued production at this time until demand is sufficiently strong to justify continued production.

#### PRODUCTION PROCESS

In manufacturing the beta glucan product, the cell walls of the baker's or distillery yeast are exposed to high temperatures using steam injection. The mixture is then separated into solid and liquid portions by a centrifuge, and the liquid portion is discarded. The solid portion is thoroughly washed with water and then exposed to elevated temperatures using steam injection

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extracting a residue. The residue is separated again into solid and liquid portions by a centrifuge and the liquid portion is discarded. Finally, the solid portion is thoroughly washed with water and the residue is spray dried, which results in the beta glucan product.

Agrastim(R) is a concentrate that many farmers or producers will be unable to mix with feed in the required proportions. Therefore, BioAgra expects to produce specialized premixes containing Agrastim(R) and vitamins and/or mannoproteins. Mannoproteins are purified from the yeast during the manufacturing process. BioAgra will be able to sell to a broader array of customers through the production of premixed products. EquiForce(TM), a premixed product designed for and marketed to the racing and sport horse industry, is one of BioAgra's first premixed products and is a combination of vitamins, minerals and Agrastim(R).

Purestim(TM) is a concentrate that is being marketed and sold as an additive to companies that manufacture and sell nutraceuticals and dietary supplements. These companies will purchase the Purestim(TM) as an ingredient for inclusion in existing products. There has been limited sales of Purestim(TM) to customers of AHD International.

### EMPLOYEES

BioAgra has three employees. In addition to its two managers and executive officers, there is one employee employed as Plant Manager, one as Research and Development Director and one as Administrative Assistant. During production cycles, BioAgra hires additional employees consisting of one manager and two crew members for each of two 12 hour shifts. When BioAgra begins full-scale operations, these temporary employees are expected to be hired on a full-time basis.

### MARKETING AND DISTRIBUTION

BioAgra is focusing its initial marketing efforts on the animal feed industry. BioAgra has targeted its efforts in the State of Georgia and those states in which the vast majority of poultry producers in the United States are located. The initial marketing strategy was to penetrate the poultry industry by utilizing existing industry distributors or direct sales on a national and international basis. BioAgra also marketed Agrastim(R) by attendance at various poultry-related conventions. After successful testing of Agrastim(R) with other

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animals, BioAgra has expanded the scope of its marketing to include the cattle, dairy, swine, aquatic animal, equine and dietary supplement industries.

In addition to BioAgra's agreement with AHD International, LLC, BioAgra has one independent distributor, Agra Nutrition, LLC, that is marketing Agrastim(R) on a national basis and in India. Agra Nutrition, LLC is owned by Mr. Warren Robold who also functions as Director of U.S. and International Sales for BioAgra.

### POULTRY AND TURKEY INDUSTRY

Poultry is the largest worldwide source of protein food for human consumption. In addition, poultry can be raised in small geographical areas. In the United States, approximately 8 billion chickens and 275 million turkeys are farmed for "broiler" production and processing each year. Each broiler chicken consumes an average of 10 pounds of feed during its approximately 42 day life span for a total of 40 million tons of feed for all the broiler chickens in the United States each year. Each turkey consumes approximately 110 pounds of feed

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for a total of 13.75 million tons of feed. In addition, there are approximately 450 million egg producing chickens raised in the United States each year, which consume approximately 132 pounds of feed over a period of 1.5 years for a total of 27 million tons of feed.

### CATTLE INDUSTRY

The United States has the largest fed-cattle industry in the world, and is the world's largest producer of beef for domestic and export use. According to the National Cattleman's Beef Association, there are roughly 800,000 beef producers in the United States and approximately 97.1 million cattle in the United States. During the production process, cattle usually spend four to six months in a feedlot, during which time they are fed scientifically formulated rations. Producers and veterinarians take great care to use only the optimal amount of antibiotics needed to maintain an animal in good health. The United States government through the National AntiMicrobial Resistance Monitoring System strictly tracks antibiotic resistance as well as products and interventions to assure the safety of the cattle as well as the beef supply.

### DAIRY INDUSTRY

According to Best Food Nation, a group of associations representing all levels of the food chain, there are approximately 65,000 dairy farms and approximately 9,041,000 dairy cows in the United States. Each year, the United States produces over 1 billion pounds of butter, more than 7 billion pounds of cheese, over 1 billion pounds of nonfat dry milk, 1.5 billion pounds of yogurts, and 1 billion gallons of ice cream. Dairy cows eat roughly 100 pounds of feed each day. Dairy farmers typically employ professional nutritionists to develop scientifically formulated diets for their cows. If a cow is being treated with antibiotics, she is taken out of the milking herd and not put back into the herd until her milk tests free of antibiotics. Applicable regulations require every tank load of milk entering dairy processing plants to be strictly tested for animal drug residues. The United States dairy industry conducts more than 3.5 million tests each year to ensure that antibiotics are kept out of the milk supply. Any tanker that tests positive is disposed of immediately, never reaching the public.

### SWINE INDUSTRY

Another industry where the use of antibiotics among animals is of concern is the swine industry. According to the United States Department of Agriculture, pork is the number one meat consumed in the world and there are approximately 70,000 hog farms in the United States today. Antibiotics may be given to prevent or treat disease in hogs; however, a "withdrawal" period is required from the time antibiotics are administered until it is legal to slaughter the animal. Pigs fed antibiotics are segregated so that residues can exit the animal's system and not be present in the meat. Recently, the pork industry has established programs to encourage producers to implement management practices that reduce the need for antibiotics, and to use antibiotics only when other management practices do not, or will not, succeed in managing a correctly diagnosed problem.

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### AQUACULTURE INDUSTRY

Aquaculture is defined as the production of aquatic animals and plants under controlled conditions for all or part of their lifecycle. According to the United States Department of Agriculture's Economic Research Service, during the last two decades, the value of United States aquaculture production rose to nearly \$1 billion and is one of the fastest growing food-producing sectors.



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According to the INTERNATIONAL TRADE REPORT produced in 2005 by the United States Department of Agriculture, U.S. per-capita seafood consumption has remained around 15 pounds through the late 1980s and 1990s, it is expected to increase as farm-raised products become cheaper. Currently, the United States consumes nearly 12 billion pounds of fish a year. By 2025, demand for seafood is projected to grow by another 4.4 billion pounds above what is consumed today. In addition, it is estimated that by 2020, 50 percent of the U.S. seafood supply will come from aquaculture.

### EQUINE INDUSTRY

In addition to the use of Agrastim(R) as an alternative to antibiotics in animal feed, BioAgra has developed a product with Agrastim(R) focused on racing and performance horses. Racing and performance horses are subject to the outbreak of debilitating and deadly diseases, such as the Equine Herpesvirus type 1 that killed six horses in an outbreak in December 2006 in Wellington, Florida. BioAgra's EquiForce(TM) product has been designed to supply vitamins and minerals needed to meet the physiological needs of equine athletes. In addition, EquiForce(TM) contains Agrastim(R) to boost equine immune systems to aid in suppressing bacterial and viral infections and increasing stamina and resistance to stress. A trial of the EquiForce(TM) product was conducted by an equine veterinarian at Fort Valley State University in Fort Valley, Georgia showing positive immune responses in a controlled study. BioAgra expects to obtain its first commercial scale order for the product in the near future.

### NEUTRACEUTICALS AND DIETARY SUPPLEMENT INDUSTRY

Annual sales of supplements, fortified foods and beverages and nutraceuticals for human consumption in the United States, are estimated to be approximately \$100 billion. The vitamins, minerals and supplements market reached its present size due to a number of factors, including (i) interest in healthier lifestyles, living longer and living well, (ii) the publication of research findings supporting the positive health effects of certain nutritional supplements and (iii) the aging of the "baby boom" generation combined with the tendency of consumers to purchase more nutritional supplements and natural foods as they age. BioAgra is considering the sale of Purestim(TM) as a supplement for introduction by outside companies into packaged products for human consumption.

### CUSTOMERS

BioAgra is targeting a broad range of customers consisting of both large and small consumers of animal feed both nationally and internationally to avoid dependency on one or a small number of customers. In addition, BioAgra is beginning to target nutraceutical and dietary supplement producers for the sale of Purestim(TM) as an additive in their existing products for human consumption.

On April 1, 2007, BioAgra and AHD International, LLC signed an agreement whereby AHD International agreed to purchase beta glucan products from BioAgra. The agreement has a term of five years with the right for successive renewals provided minimum sales requirements are met. The agreement provides that AHD International will purchase beta glucan products for resale to various end users in thirteen countries. The agreement grants AHD International the exclusive right to sell the beta glucan products to all users in ten countries, including, Canada, Chile, Brazil, Japan, Vietnam, South Korea, Australia, New Zealand, Germany and Denmark. In addition, the agreement grants the right to sell the beta glucan products in an additional three countries (South Africa, Mexico and the United States), with the exclusivity of such right dependant on the type of end user sold to and the country involved.

Mid South Feeds of Alma, Georgia began adding Agrastim(R) to its top 5 premium lines of dog food and its top 2 premium brands of horse feed in May 2006. In addition, Mid South Feeds has recently begun to add Agrastim(R) to its

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equine vitamin supplement, Equi-Match, which has been designed to be fed as a

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top-dress supplement for horses in training, competition and recovery. Mid South Feeds has over 175 distributors in Florida, Georgia, Alabama, Virginia, Kentucky, North Carolina and South Carolina. Besides manufacturing dog and horse feed, Mid South also manufactures fish and shrimp feed, and starter feed for dairy cattle and swine. To date, sales of Agrastim(R) by MidSouth have been limited.

### MANAGEMENT

#### MANAGERS AND OFFICERS

BioAgra is a manager-managed Georgia limited liability company. The managers and officers of BioAgra are as follows:

NAME	POSITION
----- Neal Bartoletta	----- Manager, President and Chief Executive Officer
Paul H. Metzinger	Manager, Executive Vice President, Chief Financial Officer and Secretary

#### BIOGRAPHICAL INFORMATION

Biographical information regarding Mr. Metzinger is set forth in "Item 9--Directors and Executive Officers of the Company." The following is biographical information about Mr. Bartoletta:

Mr. Bartoletta has served as the President and a Manager of BioAgra, LLC since December 2004. From 1980 to 1991, Mr. Bartoletta served as the President of Bart Warehousing Corp in South Kearny, New Jersey, and from 1978 to 1999, as the President of N.J. Bart Corp, Elizabeth, New Jersey. From 1998 to the present, he has served as the President of Xact Resource International, Inc. of Boca Raton, Florida. In 2006, Mr. Bartoletta was appointed the President of Justin Holdings, Inc. of Boca Raton, Florida. Justin Holdings is the owner of the other 50% equity interest in BioAgra. Mr. Bartoletta is a graduate of the Academy of Advanced Traffic.

#### JOINT VENTURE PARTNER

As described elsewhere in this report, we own a 50% interest in BioAgra. The remaining 50% of BioAgra is owned by Justin Holdings, Inc., a Florida corporation. Justin Holdings, Inc. is a holding company that currently has no other investments and no other substantial business activities other than its ownership interest in BioAgra. All of the outstanding capital stock of Justin Holdings is owned by Neal Bartoletta, who is also the sole officer and director of Justin Holdings and is the manager, president and CEO of BioAgra. Justin Holdings acquired a 50% ownership interest in BioAgra as the result of the assignment by Xact Resources of its membership interest in BioAgra in February 2006.

#### PARTICLE TECHNOLOGY

On February 26, 1998, we acquired the intellectual property rights related to our particle interconnect technology from Particle Interconnect Corporation, a Colorado corporation. We acquired the particle technology to pursue a more focused, strategic application and development of the particle

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technology and to commercialize the technology as the NanoPierce Connection System (NCSTM). NCS is an alternative method of providing temporary or permanent electrical connections between different flexible, rigid, metallic and non-metallic surfaces. Through the use of the particle technology, we can also attach semiconductors directly to various surfaces. While we do not plan, at this time, to continue efforts to manufacture or develop products that utilize our particle technology, we will pursue the licensing of our technology to third parties.

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In January 2007, we signed a separate six-month technology licensing agreement to permit a different prospective licensee the non-exclusive opportunity to conduct a market survey relating to our particle interconnect technology that was extended in July 2007 for an additional six-month period. If either market survey is favorable, that technology licensing agreement may mature into a royalty-paying commercial license.

### RESEARCH AND DEVELOPMENT

Our research and development activities were formerly conducted through NanoPierce Connection, with additional activities occurring at ExypnoTech. For the fiscal years ended June 30, 2008 and 2007, we incurred no research and development expenses.

We anticipate that a substantial amount of research and development activities will occur at BioAgra, LLC. The expected activities include testing Agrastim(R) and Purestim(TM) for quality control and the development of new premixed products containing Agrastim(R) that will allow BioAgra to market and sell to a broader range of customers. BioAgra expects to fund and build an extensive research and development laboratory at its main facility and has adequate space at the facility to build such a laboratory. The laboratory is currently in the design stages.

BioAgra sponsors independent university research projects for Agrastim(R). One past research project was an equine study completed by Fort Valley State University in Fort Valley, Georgia. Another research project was conducted by the University of Georgia relating to the application of Agrastim(R) in chicken feed as an alternative to antibiotics to treat necrotic enteritis, a deadly disease affecting poultry and turkey.

BioAgra and Agra Nutrition, LLC have conducted, in the past, and are currently conducting numerous field trials of Agrastim(R) in all market applications. These trials provide valuable data relating to the benefits of using Agrastim(R) in the feeds of animals. The dairy market is of particular interest to BioAgra and Agra Nutrition, LLC because of the dramatic reduction on somatic cell count in milk after application of Agrastim(R) in the feed of dairy cattle. A reduction in somatic cell count is directly related to an increase in overall milk production and can contribute to longer shelf life of the milk.

### COMPETITION

#### BIOAGRA

Competition for beta glucan products in the markets targeted by BioAgra is currently limited. The United States and many other countries are in the process of eliminating or plan to eliminate the use of growth promotion antibiotics in the feed of animals intended for human consumption. There are a limited number of alternatives to growth promotion antibiotics. Such alternatives include organic acids, plant extracts such as oregano oil, and mannoproteins. These alternatives have not experienced a great success rate to

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date.

Other potential competitors to BioAgra include those companies already producing beta glucan for human consumption. This type of "purified" beta glucan is considered too expensive to use in markets other than for direct human consumption. Other competitors are those producing beta glucan with a 60% or less bioactivity level for the markets addressed by BioAgra. "Bioactivity" is the ability to activate the cells of the immune system, specifically white blood cells that help to kill and digest foreign materials and infectious microorganisms. The greater the bioactivity level, the greater the ability to activate the cells of the immune system. Based upon data provided to us, beta glucan having less than 80% bioactivity is not effective in the animal feed markets chosen by BioAgra. BioAgra intends to produce beta glucan with at least 80% bioactivity and intends to provide a written guarantee to its customers that its beta glucan products will have a bioactivity level of at least 80%.

Competition will also consist of established producers of growth promotion antibiotic products. These are large companies with vast resources allocated to the protection of the brand recognition and market share of their products. Success will require people switching from the artificial antibiotic growth products to beta glucan products.

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We are also aware of one company, Fibona Health Products GmbH, which is promoting yeast beta glucan products in Europe and the United Kingdom. We do not believe its products will compete with BioAgra's beta glucan products.

### INTELLECTUAL PROPERTY

#### BIOAGRA

#### PROGRESSIVE BIOACTIVES LICENSE TERMINATION AGREEMENT

On July 11, 2007, BioAgra, LLC entered into a Termination and Mutual General Release Agreement with Progressive Bioactives, Inc. to terminate the parties' Technology License Agreement dated April 15, 2005 that had granted BioAgra the license to produce and process a yeast beta glucan product. As consideration for termination of the Technology License Agreement, BioAgra agreed to pay to Progressive Bioactives 2.5% of its gross sales of beta glucan products from July 1, 2007 through June 30, 2017. Additionally, for a period of two years beginning on July 1, 2007, BioAgra agreed to use its best efforts not to pursue marketing and sales of its beta glucan products in the field of livestock, companion animal, and aquaculture in Canada, South Africa, Australia, Chile, and South Korea. BioAgra also agreed to indemnify and hold Progressive Bioactives harmless from any third-party claim arising from any sale of beta glucan into the human nutrition and cosmetic markets.

The termination and mutual release agreement further provided that BioAgra has the right to manufacture beta glucan products utilizing its own intellectual property, methods and processes, such methods and processes being independent of and separate from any patent or other intellectual property rights of Progressive Bioactives. BioAgra and Progressive Bioactives (and its affiliates) each acknowledged and agreed that their respective beta glucan technology does not infringe on the technology of the other party and agreed not to sue each other or any agent, customer, affiliate, representative distributor or other person acting on behalf of such party for infringement of any current or future intellectual property rights based on each party's use of its own methods and processes for producing beta glucan or any reasonable modifications thereof.

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Progressive Bioactives and BioAgra each unconditionally released and discharged each other from any and all claims, defenses, demands, causes of action, liability, damages, costs and expenses arising from or related to the subject matter of the license agreement, which they have or may have up through and including the date of execution of the termination and mutual release agreement, whether such claims were known or unknown at the time of the agreement.

### DEVELOPMENT OF BETA GLUCAN PRODUCTS

BioAgra has developed, and continues to work towards new modifications to, its beta glucan manufacturing process. BioAgra may file for patent protection for its beta glucan products or may keep its processes and procedures as a trade secret.

### PARTICLE TECHNOLOGY

We are currently in the process of attempting to license our NCS(TM) technology to third parties. NCS(TM) is a method where metallized, hard, microscopic particles are deposited onto one of two contact surfaces, through electrolytic or electro-less plating methods or other methods. When the two surfaces are pressed together, the conductive particles penetrate the second contact surface and create an electrical connection. Bonding of the contact surfaces can be achieved using nonconductive adhesives or ultrasonic welding. NCS provides advantages to potential users including lower costs through the usage of less expensive materials, the elimination of manufacturing steps, improved thermal and electrical properties, elimination of special environments for application, decreased production time, easy integration into existing production lines, increased design miniaturization, adaptability for specific applications, and RF (radio frequency) performance.

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### OTHER INTELLECTUAL PROPERTY

We currently hold 11 patents with the U.S. Patent and Trademark Office. To reduce expenses, during the fiscal years ended June 30, 2006 and 2005, we abandoned several of our patent applications. We also hold several trademarks with the U.S. Patent and Trademark Office in connection with our former name, logo and services.

### GOVERNMENT REGULATION

BioAgra has self-certified that all components of its beta glucan products are generally recognized as safe or GRAS according to the U.S. Food and Drug Administration regulations. A GRAS designation exempts the beta glucan products from the regulations of the U.S. Department of Agriculture, permitting the sale of the beta glucan products anywhere in the United States without obtaining a license. Should BioAgra determine that the beta glucan products can no longer be recognized as GRAS, it will be required to sell the beta glucan products as food additives by obtaining a license to sell from each individual state in which sales would occur. There is no assurance that BioAgra will be able to successfully obtain or maintain licenses in all states in which sales are expected to be made or that the cost of obtaining and maintaining these licenses will not limit BioAgra's ability to sell the beta glucan products.

We believe that we are in compliance with all federal and state laws and regulations governing our limited operations. Further, we believe that we are in compliance with all German laws and regulations governing our limited operations in Germany. Compliance with federal and state environmental laws and regulations did not have a material effect on our capital expenditures, earnings

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or competitive position during the fiscal years ended June 30, 2008 or 2007.

### EMPLOYEES

As of October 10, 2008, we and our subsidiaries had one employee. Mr. Metzinger is our only executive officer and has a signed employment agreement with us.

### RISK FACTORS

IN ADDITION TO THE OTHER INFORMATION IN THIS REPORT, THE FOLLOWING FACTORS SHOULD BE CONSIDERED IN EVALUATING OUR BUSINESS AND FINANCIAL CONDITION. WE BELIEVE THE RISKS AND UNCERTAINTIES DESCRIBED BELOW MAY MATERIALLY AFFECT OUR LIQUIDITY AND OPERATING RESULTS. THERE ALSO COULD BE ADDITIONAL RISKS AND UNCERTAINTIES THAT WE ARE CURRENTLY UNAWARE OF, OR THAT WE ARE AWARE OF BUT CURRENTLY DO NOT CONSIDER TO BE MATERIAL. THESE COULD BECOME IMPORTANT IN THE FUTURE OR PROVE TO BE MATERIAL AND AFFECT OUR FINANCIAL CONDITION OR RESULTS OF OPERATIONS.

### RISKS RELATING TO OUR BUSINESS AND THE BUSINESS OF OUR UNCONSOLIDATED INVESTEEES

#### WE HAVE A HISTORY OF LOSSES

We expect that BioAgra's manufacturing, developing and marketing of Agrastim(R) as a feed additive in the poultry, equine, cattle, swine and aquaculture industries and Purestim(TM) for human consumption will be expensive. We recently have incurred increased operating expenses without any increase in revenues. We reported a net loss of \$1,930,791 and \$4,460,541 for our fiscal years ended June 30, 2008 and 2007, respectively.

#### WE MAY NOT BE ABLE TO CONTINUE AS A GOING CONCERN

Our independent registered public accounting firm's audit report on our consolidated financial statements as of June 30, 2008 includes an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. As a result of the conditions that gave rise to this going concern modification in our auditor's report on our financial statements, we may have a difficult time obtaining significant additional financing. If we are unable to secure significant additional

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financing, we may be obligated to seek protection under the bankruptcy laws and our stockholders may lose their investment.

#### OUR JOINT VENTURE INVESTMENTS COULD BE ADVERSELY AFFECTED BY OUR LACK OF SOLE DECISION-MAKING AUTHORITY, OUR RELIANCE ON CO-VENTURERS' FINANCIAL CONDITION AND DISPUTES BETWEEN OUR CO-VENTURERS AND US

Our primary business is our 50% interest in BioAgra. Investments in joint ventures involve risks that would not be present were another party not involved, including the possibility that our co-venturer, Justin Holdings, Inc. with respect to BioAgra, LLC (of which is an entity over which we have no control), might become bankrupt, fail to fund their share of required capital contributions or fail to perform their responsibilities under our agreements with them. Our co-venturers' and our licensees also may have economic or other business interests or goals that are inconsistent with our business interests or goals, and they may be in a position to make decisions or to take actions that are contrary to our preferences, policies or objectives.

We do not have sole decision making control regarding the BioAgra joint

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ventures. With respect to BioAgra, in which we have a 50% interest, we have the potential risk of impasses on decisions, such as the business policies, practices and procedures relating to the production and marketing of beta glucan products or a sale of the joint venture, because neither we nor the other 50% owner, Justin Holdings, Inc., has full control over the joint venture. Disputes between us and our co-venturer may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort exclusively on our business. Consequently, actions by or disputes with our co-venturer might result in subjecting properties owned by the joint ventures to additional risk. In addition, we may, in certain circumstances, be liable for the actions of our co-venturer.

IF OUR PRODUCTS INFRINGE THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS, WE MAY PAY UNEXPECTED LITIGATION COSTS OR DAMAGES FOR SELLING OUR PRODUCTS

We intend to avoid infringing (and to cause entities in which we hold equity interests to avoid infringing) the intellectual property rights of others; however, no assurances can be given that the manufacture and sale of our products (or products of entities in which we hold an equity interest) may not infringe or otherwise violate the intellectual property rights of others. If this were to be the case, we (or the entities in which we hold equity interests) may be subject to legal proceedings and claims, including claims of alleged infringement by us (or the entities in which we hold equity interests) of the patents and other intellectual property rights of third parties. Intellectual property litigation is expensive and time-consuming, regardless of the merits of any claim.

If it were to be found that our products (or the products of an entity in which we hold an equity interest) potentially infringe or violate the intellectual property rights of others, we may need to obtain licenses from these parties, substantially re-engineer products in order to avoid infringement or renegotiate existing licenses to avoid future infringement. We (or the applicable entity in which we hold an equity interest) might not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to re-engineer products successfully. Moreover, if we are (or an entity in which we hold an equity interest is) sued for infringement and lose the suit, we (or such entity) could be required to pay substantial damages and/or be enjoined from using or selling the infringing products. Any of the foregoing could cause us to incur significant costs and prevent us (or such entity) from selling the products subject to any legal action.

BioAgra entered into a Termination and Mutual General Release Agreement with Progressive Bioactives. Pursuant to the termination agreement, BioAgra and Progressive Bioactives agreed not to sue each other for infringement of any current or future intellectual property rights based on each party's use of its own methods and processes or any reasonable modifications thereof, for the development and manufacture of beta glucan products. However, we can provide no assurance that Progressive Bioactives will not allege that BioAgra has violated its intellectual property rights through the production and sale of the beta glucan product, which could result in substantial monetary damages or injunctions prohibiting the production of the beta glucan products.

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IF BIOAGRA'S BETA GLUCAN PRODUCTS DO NOT SATISFY CERTAIN GOVERNMENTAL REGULATIONS, BIOAGRA MAY BE UNABLE TO OBTAIN REGULATORY APPROVAL OR MAY BE REQUIRED TO OBTAIN MULTIPLE LICENSES TO SELL OUR BETA GLUCAN PRODUCTS

BioAgra has self-certified that all components of its beta glucan products are generally recognized as safe or GRAS according to the U.S. Food and Drug Administration regulations. A GRAS designation exempts the beta glucan

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products from the regulations of the U.S. Department of Agriculture, permitting the sale of the beta glucan products anywhere in the United States without obtaining a license. Should the beta glucan products lose their GRAS designation, BioAgra will be required to sell the beta glucan products as feed additives by obtaining a license to sell from each individual state in which sales would occur. There is no assurance that BioAgra would be able to successfully obtain or maintain licenses in all states in which sales are expected to be made or that the cost of obtaining and maintaining these licenses would not limit its ability to sell the beta glucan products.

### OPERATIONS OF BIOAGRA MAY BE DELAYED OR COST MORE THAN WE ANTICIPATE

Operations at the beta glucan production plant commenced in March of 2006. BioAgra produced approximately 7,600 kilograms of finished product, of which 5,600 kilograms remains in inventory, and has halted production pending the sale of at least 50% of the existing inventory. Once production is recommenced, there can be no assurances that there will not be future delays in operations or that the average cost to operate the plant will not be higher than anticipated.

### WE CANNOT GUARANTEE THE QUALITY, PERFORMANCE OR RELIABILITY OF BIOAGRA'S PRODUCTS

Except as described in the prior risk factor, we have no prior experience manufacturing or producing beta glucan products or any other products. We are relying upon the skill and experience of BioAgra's managers and our co-joint venturer to timely and cost effectively manufacture the beta glucan product. We expect that BioAgra's customers will demand quality, performance and reliability. We cannot assure you that we or our co-joint venturer will be able to meet the quality control standards that may be established by various industries for feed additives. BioAgra intends to provide a written guarantee or other assurance to its customers that its beta glucan products will have a bioactivity level of at least 80%. "Bioactivity" is the ability to activate the cells of the immune system, specifically white blood cells that help to kill and digest foreign materials and infectious microorganisms. The greater the bioactivity level, the greater the ability to activate the cells of the immune system. However, BioAgra cannot guarantee that all batches of the beta glucan products produced for inclusion in various animal feed products will meet that bioactivity level. Should BioAgra be unable to meet the standard, it may lose existing customers and be unable to acquire new customers.

### THERE MAY BE INSUFFICIENT DEMAND FOR BIOAGRA'S BETA GLUCAN PRODUCTS

Sales of the beta glucan products have been limited to date. The market acceptance of new products and technologies, including the beta glucan products, is subject to a number of factors, including the ability of the product to more effectively and efficiently meet potential customers' needs than current products. Antibiotics and growth hormone supplements are widely used in animal feed. BioAgra must convince potential customers that Agrastim(R) is safe and effective as a feed additive and can be manufactured efficiently and cost effectively before animal producers will be willing to use the product rather than existing products such as antibiotics and growth hormone supplements. In addition, BioAgra must convince potential customers that Purestim(TM) is safe for human consumption. To create this consumer demand, BioAgra will have to successfully market and sell its products. BioAgra has been conducting independent research studies and field trials as part of its overall marketing efforts, which has delayed market acceptance of Agrastim(R) and Purestim(TM). While results in such research studies and field trials have been favorable, the beta glucan products may not be viewed by consumers as an improvement over existing products and may not achieve commercial acceptance.



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### WE MAY BE UNABLE TO MEET OUR ONGOING NEEDS FOR ADDITIONAL CAPITAL

We cannot accurately predict how much funding we will need to implement our strategic business plan or to continue operations. Our future capital requirements, the likelihood that we can obtain money and the terms of any financing will be influenced by many different factors, including:

- O our revenues and the revenues of our joint ventures;
- O the status of competing products in the marketplace;
- O our performance in the marketplace;
- O our overall financial condition;
- O our business prospects;
- O the perception of our growth potential by the public, including potential lenders;
- O our ability to enter into joint venture or licensing relationships to achieve a market presence; and
- O our progress in developing, marketing and selling the beta glucan products.

If we cannot obtain adequate financing or if the terms on which we are able to acquire financing are unfavorable, our business and financial condition could be negatively affected. We may have to delay, scale back or eliminate some or all of our development and marketing programs, if any. We may also have to go to third parties to seek financing and, in exchange, we may have to give up rights to some of our technologies, patents, patent applications, potential products or other assets.

In addition, the United States is experiencing severe instability in the commercial and investment banking systems which is likely to continue to have far-reaching effects on the economic activity in the country for an indeterminable period. The long-term impact on the United States economy and the Company's operating activities and ability to raise capital cannot be predicted at this time, but may be substantial.

### WE MAY BE UNABLE TO HIRE AND RETAIN KEY PERSONNEL

Our future success depends on our ability to attract qualified personnel. We may be unable to attract or retain these necessary personnel. If we fail to attract or retain skilled employees, or if our key employee fails to perform in his current position, we may be unable to assist in bringing the beta glucan products to the marketplace and to generate sufficient revenues to offset operating costs.

### BIOAGRA MAY BE UNABLE TO HIRE AND RETAIN INDEPENDENT DISTRIBUTORS

BioAgra's future success depends on its ability to attract qualified independent distributors for the beta glucan products. It may be unable to attract or retain these independent distributors. If BioAgra fails to attract or retain independent distributors, or if its existing independent distributors fail to find end users for the beta glucan products, it may be unable to successfully bring the beta glucan products to the marketplace and to generate sufficient revenues to offset operating costs.

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WE MAY BE UNABLE TO OBTAIN AND RETAIN APPROPRIATE PATENT, COPYRIGHT AND TRADEMARK PROTECTION OF OUR PRODUCTS OR MANUFACTURING PROCESS

We protect our intellectual property rights through patents, trademarks, trade names, trade secrets and a variety of other measures. However, these measures may be inadequate to protect our intellectual property or other proprietary information. Should we encounter any of the following issues with our intellectual property, our business and financial condition could be negatively affected.

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- O TRADE SECRETS MAY BECOME KNOWN BY THIRD PARTIES. Our trade secrets or proprietary information may become known or be independently developed by competitors.
- O RIGHTS TO PATENTS AND TRADE SECRETS MAY BE INVALIDATED. Disputes may arise with third parties over the ownership of our intellectual property rights. Our patents may be invalidated, circumvented or challenged, and the rights granted under those patents that provide us with a competitive advantage may be nullified.
- O PROBLEMS WITH FUTURE PATENT APPLICATIONS. Our pending or future patent applications may not be approved, or the scope of the granted patent may be less than the coverage sought.
- O THIRD PARTIES MAY DEVELOP SIMILAR PRODUCTS OR MANUFACTURING PROCESS. Competitors may develop similar products, duplicate our products or may design around the patents that are owned by us. Competitors may develop a similar manufacturing process, duplicate our manufacturing process or may design around any patents that are owned by us in relation to the manufacturing process.
- O LAWS IN OTHER COUNTRIES MAY INSUFFICIENTLY PROTECT INTELLECTUAL PROPERTY RIGHTS ABROAD. Foreign intellectual property laws may not adequately protect our intellectual property rights abroad. Our failure to protect these rights could adversely affect our business and financial condition.
- O LITIGATION MAY BE REQUIRED TO PROTECT INTELLECTUAL PROPERTY RIGHTS. Litigation may be necessary to protect our intellectual property rights and trade secrets, to determine the validity of and scope of the rights of third parties or to defend against claims of infringement or invalidity by third parties. This litigation could be expensive, divert resources and management's time from our sales and marketing efforts, and could have a materially adverse effect on our business, financial condition and results of operations and on our ability to enter into joint ventures or partnerships with others.

ECONOMIC FACTORS OUTSIDE OUR CONTROL MAY HAVE AN ADVERSE EFFECT ON OUR REVENUES AND INCOME

BioAgra's income may be impacted by economic factors that are beyond its control such as fluctuations in the price of animal feed and human dietary supplements, outbreaks of diseases in animals, and demand for products related to cattle, dairy, poultry, equine, swine, aquatic animals and human

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neutraceuticals and dietary supplements. Rising animal feed prices and increases in production costs for livestock producers may cause a reduction in overall production, which, in turn, could adversely impact BioAgra's revenues. An outbreak of disease, such as avian influenza or mad cow disease, could result in increased government regulation of the livestock industry, a serious drop in demand for livestock products, and adverse publicity materially affecting the animal producers for a significant period of time, which could adversely impact BioAgra's business, revenues, prospects, financial condition, and results of operation.

In addition, the United States is experiencing severe instability in the commercial and investment banking systems which is likely to continue to have far-reaching effects on the economic activity in the country for an indeterminable period. The long-term impact on the United States economy and BioAgra's business, revenues, financial condition, and results of operations cannot be predicted at this time, but may be substantial.

### THE MARKET FOR FEED ADDITIVES IS COMPETITIVE

The feed additive market is competitive. BioAgra will compete with producers of growth promotion antibiotic products, many of which are large companies with vast resources allocated to the protection of brand recognition and market share of their products. BioAgra may also compete with companies producing beta glucan for other purposes, and companies that produce existing alternatives to growth promotion antibiotic products, such as organic acids, plant extracts, and mannoproteins. BioAgra has a competitive disadvantage against many of these competitors in several different areas, including:

- O financial resources;
- O manufacturing capabilities;
- O diversity of revenue sources and business opportunities;
- O personnel and human resources; and
- O research and development capabilities.

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Larger companies have long-term advantages over BioAgra in research and new product development and have a greater ability to withstand periodic downturns in the feed additive market because they have diverse product lines that can provide revenue even when there is a downturn in the feed additive market.

### IF BIOAGRA BECOMES UNABLE TO USE ITS MANUFACTURING FACILITY, IT MAY BE UNABLE TO MANUFACTURE ITS BETA GLUCAN PRODUCTS FOR AN EXTENDED PERIOD OF TIME

BioAgra manufactures at a single location in Georgia, which currently runs a single production line. Manufacturing products at a single site presents risks because a disaster, such as a fire or hurricane, may interrupt manufacturing capability. In such an event, BioAgra will have to resort to alternative sources of manufacturing that could increase costs, as well as result in significant delays. Any increase in costs of manufacturing, slowdowns or shutdowns by BioAgra could have a material adverse affect on our future business, financial condition and results of operations.

### BIOAGRA'S USE OF A SINGLE MANUFACTURING FACILITY MAY RESTRICT ITS ABILITY TO ATTRACT CUSTOMERS

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BioAgra will fulfill the needs of varied livestock producers, human dietary supplement producers and horse owners based on the use of a single manufacturing plant and a single production line. BioAgra's manufacturing limitations may restrict its ability to attract large customers who require certainty in the production process. If BioAgra is successful, it anticipates expanding manufacturing operations. However, while our production area has enough space for three separate production lines, there is no assurance that BioAgra will have the financial resources required to expand its production facilities beyond the single production line currently existing at the Georgia manufacturing facility.

### MANUFACTURING CAPACITY RESTRAINTS AND LIMITED EXPERIENCE MAY HAVE AN ADVERSE AFFECT ON BIOAGRA

BioAgra has limited manufacturing capacity and experience. BioAgra may encounter some difficulties, such as significant unexpected costs and delays, in scaling up the manufacturing operations of BioAgra to produce quantities required for it to achieve profitability. The failure to scale-up BioAgra's manufacturing operations in a timely and cost-effective manner may adversely affect our income. We believe that we have adequate capacity to meet anticipated demand for 2007. However, in the event the demand for the beta glucan products rapidly increases or spikes in a certain period, BioAgra may not have the manufacturing ability to fulfill demand, either in its own facilities or through agreements with third parties. A potential lack of manufacturing capacity may materially affect BioAgra's and our reputation, prospects, revenue, income and results of operation.

### AN INCREASE IN THE COST OR A DISRUPTION IN THE FLOW OF BIOAGRA'S IMPORTED YEAST PRODUCT MAY DECREASE ITS SALES AND PROFITS

BioAgra obtains its entire supply of spent yeast product, which is used to manufacture the beta glucan products, from a Brazilian supplier. Risks associated with BioAgra's use of imported spent yeast include: disruptions in the flow of imported goods because of factors such as electricity or raw material shortages, work stoppages, strikes and political unrest; problems with oceanic shipping, including shipping container shortages; economic crises and international disputes; increases in the cost of purchasing or shipping foreign merchandise resulting from the failure to maintain normal trade relations with source countries; adverse fluctuations in currency exchange rates; and import duties, import quotas, trade embargoes and other trade sanctions. A disruption

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in the flow of spent yeast from the Brazilian supplier or an increase in the cost of the spent yeast may limit or decrease BioAgra's sales and profits.

### REPLACING BIOAGRA'S SOLE SUPPLIER OF KEY MATERIALS COULD RESULT IN UNEXPECTED DELAYS AND EXPENSES

BioAgra obtains key materials and services for the beta glucan products from sole source suppliers, primarily with respect to spent brewer's or distillery yeast. Specifically, BioAgra obtains its spent yeast product from a sole source in Brazil. Should the Brazilian supplier become unable to supply BioAgra with the spent yeast product, BioAgra will be forced to purchase substitute products. All of these materials are commercially available elsewhere. However, if BioAgra is required to locate a new supplier, the substitute or replacement materials may need to be tested for equivalency. The process of locating a new supplier and any testing of materials, if necessary, may cause a delay in production of the beta glucan products and may cause BioAgra to incur additional expense.

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### RISKS RELATING TO THE OWNERSHIP OF OUR EQUITY SECURITIES

WE HAVE A SINGLE CONTROLLING SHAREHOLDER, WHO HAS THE POWER TO ELECT A MAJORITY OF OUR BOARD OF DIRECTORS AND CONTROL OUR STRATEGIC DIRECTION

As of October 10, 2008, Arizcan Properties Ltd. owned approximately 26% of our outstanding common stock assuming all securities held by Arizcan Properties and other holders that are convertible into common stock or exercisable for common stock were converted or exercised. In addition, as a result of our March 2007 private placement transaction, we issued to Arizcan Properties warrants and shares of series A nonconvertible preferred stock. As a result, Arizcan Properties acquired approximately 51% of our voting power, and, on a fully diluted basis, Arizcan Properties would hold approximately 80% of our voting power if they exercise the warrant. These shares give Arizcan Properties Ltd. the power to elect a majority of our board of directors and, through that board control, control our operations. The ability of other shareholders to influence our direction (for example, through the election of directors) is therefore limited or not available.

SALES OF COMMON STOCK BY OUR CONTROLLING SHAREHOLDER MAY RESULT IN A CHANGE OF CONTROL

As of October 10, 2008, Arizcan Properties, Ltd. is our controlling shareholder. Arizcan Properties, Ltd. may cause us to have a change of control if they sell enough of our common stock. We are not aware of any present intention of Arizcan Properties, Ltd. to cause us to have a change of control and we are not aware of any other arrangements that may result in a change of control.

WE HAVE A THINLY-TRADED STOCK AND PUBLIC SALE OF SHARES BY OUR CONTROLLING SHAREHOLDER COULD CAUSE THE MARKET PRICE OF OUR SHARES TO DROP SIGNIFICANTLY

As of October 10, 2008, Arizcan Properties, Ltd. owned approximately 26% of our outstanding common stock assuming all securities held by Arizcan Properties, Ltd. and other holders that are convertible into common stock or exercisable for common stock were converted or exercised. If Arizcan Properties, Ltd. were to begin selling shares in the market rather than holding all of those shares over a longer term, the added available supply of shares could cause the market price of our shares to drop. Furthermore, in light of the large number of shares that it holds and its generally lower acquisition cost of those shares, Arizcan Properties, Ltd. could be willing to sell its shares at a price lower than the currently-prevailing market price, thereby depressing that price.

THE SALE OF SECURITIES BY CURRENT STOCKHOLDERS COULD CAUSE DILUTION OF EXISTING HOLDERS OF OUR COMMON STOCK BY DECREASING THE PRICE OF OUR COMMON STOCK

The market price of our common stock could be adversely affected by sales of substantial amounts of common stock in the public market, by investor perception that substantial amounts of common stock could be sold or by the fact or perception of other events that could have a dilutive effect on the market for our common stock. As of October 10, 2008, we had 45,013,178 shares of our common stock outstanding. If all of our outstanding options and warrants were exercised and all of our reserved shares of common stock were issued, we could

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have up to 54,600,312 shares of common stock outstanding. Future transactions with other investors could further depress the price of our common stock because of additional dilution.

THE PRICE OF OUR COMMON STOCK COULD BE AFFECTED BY THE ABILITY OF HOLDERS OF OUR

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### COMMON STOCK TO SELL THEIR STOCK

The market price of our common stock will be influenced by the ability of common stockholders to sell their stock. As of October 10, 2008, approximately 22,064,326 shares of our common stock were freely transferable and constitute the "float" in the public market for our common stock. If all of our outstanding options and warrants were exercised and all of our reserved shares were issued, the "float" for our common stock could increase to a total of 54,600,312 shares. As of October 10, 2008, approximately 22,948,852 shares of our common stock were "restricted" or "control" securities within the meaning of Rule 144 under the Securities Act of 1933. These restricted securities cannot be sold unless they are registered under the Securities Act of 1933, or unless an exemption from registration is otherwise available, including the exemption that is contained in Rule 144. If all of our outstanding options and warrants were exercised and all of our reserved shares were issued, the number of "restricted" or "control" shares of our common stock could increase to a total of 8,754,844 shares.

### WE COULD ISSUE PREFERRED STOCK THAT COULD ADVERSELY AFFECT THE RIGHTS OF OUR COMMON STOCKHOLDERS

We are authorized to issue up to 5,000,000 shares of preferred stock, \$.0001 par value per share. Our articles of incorporation give our board of directors the authority to issue preferred stock without the approval of our common stockholders. We may issue preferred stock to finance our operations. We may authorize the issuance of our preferred stock in one or more series. In addition, we may set several of the terms of the preferred stock, including:

- O dividend and liquidation preferences;
- O voting rights;
- O conversion privileges;
- O redemption terms; and
- O other privileges and rights of the shares of each authorized series.

The issuance of large blocks of preferred stock could have a dilutive effect on our existing stockholders and could negatively impact our existing stockholders' liquidation preferences. In addition, while we include preferred stock in our capitalization to improve our financial flexibility, we could possibly issue our preferred stock to third parties as a method of discouraging, delaying or preventing a change in control in our present management.

### THE RESALE OF OUR COMMON STOCK BY YOU MAY BE LIMITED BECAUSE OF ITS LOW PRICE, WHICH COULD MAKE IT MORE DIFFICULT FOR BROKER/DEALERS TO SELL OUR COMMON STOCK

The Securities Enforcement and Penny Stock Reform Act of 1990, as amended, requires additional disclosure relating to the market for penny stocks in connection with trades in any stock defined as a penny stock. Regulations enacted by the SEC generally define a penny stock as an equity security that has a market price of less than \$5.00 per share, subject to some exceptions. Unless an exception applies, a disclosure schedule explaining the penny stock market and the risks associated with investing in penny stocks must be delivered before any transaction in penny stock can occur.

Our common stock is not a reported security and is currently subject to the Securities and Exchange Commission's "penny stock" rules. It is anticipated that trading in our common stock will continue to be subject to the penny stock rules for the foreseeable future.

Until such time as our common stock meets an exception to the penny stock regulations cited above, trading in our securities is covered by Rule 15g-2 and Rule 15g-9 promulgated under the Securities Exchange Act of 1934. Under Rule 15g-2, before a broker/dealer can consummate a trade in penny stock, the broker/dealer must send an additional disclosure, receive a written acknowledgement of such disclosure from the purchaser of the penny stock, and wait two business days from the date the additional disclosure was sent. Under Rule 15g-9, broker/dealers who recommend penny stocks to persons who are not established customers or accredited investors must make a special determination in writing for the purchaser that the investment is suitable, and must also obtain the purchaser's written agreement to a transaction before the sale.

The penny stock regulations could limit the ability of broker/dealers to sell our securities and, thus, the ability of purchasers of our securities to sell their securities in the secondary market for so long as our common stock has a market price of less than \$5.00 per share.

WE DO NOT EXPECT TO PAY DIVIDENDS IN THE FORESEEABLE FUTURE

We have never paid cash dividends on our common stock. We do not expect to pay cash dividends on our common stock at any time in the foreseeable future. The future payment of dividends directly depends upon our future earnings, capital requirements, financial requirements and other factors that our board of directors will consider. Since we do not anticipate paying cash dividends on our common stock, return on your investment, if any, will depend solely on an increase, if any, in the market value of our common stock.

ITEM 2. DESCRIPTION OF PROPERTY

Our corporate headquarters are located at 370 17th Street, Suite 3640, Denver, Colorado 80202. We moved into our current office space on June 27, 2001 and had a five-year lease on the property, which expired September 2006 and was extended for a five-year term expiring December 2011. The base rent is approximately \$3,110 per month for the first year of the lease, with annual increases of approximately \$100 per month for each successive year of the lease, plus certain occupancy costs.

ITEM 3. LEGAL PROCEEDINGS

HARVEST COURT LITIGATION

FINANCING AGREEMENT SUIT:

The Company is a plaintiff and counter-claim defendant in a suit pending in the United States District Court for the Southern District of New York (the "District Court"). In this suit, the Company filed claims for securities fraud, common-law fraud, and breach of contract against the defendants. One defendant, Harvest Court, LLC ("Harvest Court"), has counterclaimed for alleged violations of the federal securities laws. In January 2008 the Court granted summary judgment against the Company on all of its claims, which the Company intends to appeal when the judgment becomes final. The Court also dismissed certain counterclaims against the Company. The Company intends to vigorously defend itself against the remaining claims. In a disclosure statement filed by Harvest Court, it set forth a damage computation of approximately \$4.1 million, as well as other categories of damages, such as out-of-pocket, statutory, punitive, and other for unspecified amounts.

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Harvest Court has also sued the Company in New York state court (the "State Court") for breach of contract relating to its failure to issue certain shares of stock allegedly due under a pre-2007 financing agreement. The Company has counterclaimed in this case for fraud. The State Court issued an injunction requiring the company to reserve and set aside a certain amount of stock, which the Company has done. The Company intends to vigorously defend itself and prosecute its counterclaims.

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If management believes that a loss arising from these matters is probable and can reasonably be estimated, the Company records the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations. However, litigation is subject to inherent uncertainties, and an unfavorable ruling could result in a material adverse impact on the financial position and results of operations of the period in which the outcome is determined.

### DEPOSITORY TRUST LAWSUIT

In May 2004, we 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 our common stock for extended periods of time by using the Stock Borrow Program to cover these open and unsettled positions. We were seeking damages in the amount of \$25,000,000 and treble damages. Responsive pleadings were filed by the defendants. In April 2005, the court granted a motion to dismiss the lawsuit. We 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. In September 2007, the Nevada Supreme Court ruled that all of our claims were preempted by federal law and affirmed the district court's dismissal of our complaint. We subsequently filed a Petition For Writ of Certiorari with the U.S. Supreme Court. The Petition was denied before the end of the term in June 2008.

### OTHER LITIGATION

On September 15, 2008, the Company filed collection and foreclosure proceedings against BioAgra in the City and County Court of Denver, Colorado. The collection and foreclosure proceedings are directly related to principal and accrued interest of approximately \$4 million in loans advanced to BioAgra, including the \$3,963,982 loaned through a series of secured promissory notes, and an additional \$37,788 for open advances not represented by a promissory note.

Upon the successful conclusion of the litigation, the Company intends to be the sole holder of the assets of BioAgra and plans to continue the operations of BioAgra, and the manufacturing and the marketing of the AgraStrim



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product.

Other than the above mentioned lawsuits, to the knowledge of our management, there are no material legal proceedings pending or threatened (other than routine litigation incidental to business) to which we (or any officer, director, affiliate of beneficial owner of more than 5% of our voting securities) are party, or to which our property is subject.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to security holders during the fourth quarter of the fiscal year covered by this report.

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## PART II

### ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is presently quoted on the over-the-counter bulletin board maintained by the Financial Industry Regulatory Authority (formerly known as the National Association of Securities Dealers) ("FINRA") under the symbol "VYTC.OB." Our common stock is also traded on the Berlin Stock Exchange, the Frankfurt Stock Exchange, the Munich Stock Exchange and the Xetra Stock Exchange under the symbols indicated in the table below:

FOREIGN EXCHANGE	TRADING SYMBOL
Berlin Stock Exchange	NPI1.BE
Frankfurt Stock Exchange	NPI1.F
Munich Stock Exchange	NPI1.MU
Xetra Stock Exchange	NPI1.DE

The following table sets forth the range of high and low quotations for our common stock on the over-the-counter bulletin board for each full quarterly period during the fiscal year or equivalent period for the fiscal periods ending on the dates indicated below after giving effect to the reverse stock split of our common stock that occurred on January 31, 2006 that is described elsewhere in this report. The quotations were obtained from information published by FINRA and reflect interdealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

2008 FISCAL YEAR	HIGH	LOW
September 30, 2007	\$ 0.42	\$ 0.428
December 31, 2007	0.23	0.165
March 31, 2008	0.24	0.20
June 30, 2008	0.17	0.17
<div style="text-align: center; border-bottom: 1px dashed black;">2007 FISCAL YEAR</div>		
September 30, 2006	\$ 0.49	\$ 0.41
December 31, 2006	0.41	0.41
March 31, 2007	0.32	0.32
June 30, 2007	0.42	0.35

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As of June 30, 2008, there were approximately 557 holders of record of our common stock.

### DIVIDENDS

Our board of directors determines any payment of dividends. We have not paid any cash dividends on our common stock in the past, and we do not anticipate paying any dividends in the foreseeable future. Earnings, if any, are expected to be retained to fund our future operations. There can be no assurance that we will pay dividends at any time in the future.

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### RECENT SALES OF UNREGISTERED SECURITIES

We made the following unregistered sales of its securities from April 1, 2008 through June 30, 2008.

DATE OF SALE	TITLE OF SECURITIES	NO. OF SHARES	CONSIDERATION	CLA
7/1/07 - 6/30/08	Common Stock	6,168,333	\$930,125	Contr

### EXEMPTION FROM REGISTRATION CLAIMED

All of the sales by us of our unregistered securities were made in reliance upon Section 4(2) of the Securities Act of 1933, as amended (the "1933 Act"). The entity listed above that purchased the unregistered securities was an existing shareholder, known to us and our management, through pre-existing business relationships, as a long standing business associate. The entity was provided access to all material information, which it requested, and all information necessary to verify such information and was afforded access to our management in connection with the purchases. The purchaser of the unregistered securities acquired such securities for investment and not with a view toward distribution, acknowledging such intent to us. All certificates or agreements representing such securities that were issued contained restrictive legends, prohibiting further transfer of the certificates or agreements representing such securities, without such securities either being first registered or otherwise exempt from registration in any further resale or disposition.

### PURCHASES OF EQUITY SECURITIES BY THE SMALL BUSINESS ISSUER AND AFFILIATED PURCHASERS

Not applicable.

### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

This Annual Report on Form 10-KSB includes "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We base these forward looking statements on our current expectations and projections about future events. These forward looking statements are subject to risks, uncertainties, and assumptions about us, including:

0 the operations and potential profitability of BioAgra, LLC, a

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company in which we have a 50% interest;

- O the rate of market development and acceptance of our beta glucan products in the animal and aquatic animal feed industry within which we are concentrating our business activities;
- O the rate of market development and acceptance of our beta glucan products for human consumption;
- O our ability to compete successfully with growth promotion antibiotic manufacturers and other providers of feed additives;
- O the operations and potential profitability of ExypnoTech, GmbH, a company in which we have a 49% interest that is manufacturing and developing inlay components used in the manufacturing of radio frequency identification devices ("RFID"), such as smart labels, smart cards and smart tags;

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- O the limited revenues and significant operating losses generated by us to date;
- O the possibility of significant ongoing capital requirements and our ability to secure financing as and when necessary;
- O our ability to retain the services of our key management, and to attract new members to the management team; and
- O our ability to obtain and retain appropriate patent, copyright and trademark protection for our intellectual properties and any of our products.

These forward-looking statements include statements regarding our expectations, beliefs, or intentions about the future, and are based on information available to us at this time. We assume no obligation to update any of these statements and specifically decline any obligation to update or correct any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. Actual events and results could differ materially from our expectations as a result of many factors, including those identified in the section titled "Item 1. Business--Risk Factors" and other sections of this report. We urge you to review and consider those factors, and those identified from time to time in our reports and filings with the Securities and Exchange Commission, for information about risks and uncertainties that may affect our future results. All forward-looking statements we make after the date of this filing are also qualified by this cautionary statement and identified risks.

Our registered public accounting firm's audit report on our consolidated financial statements as of June 30, 2008, and for each of the years in the two-year period then ended, includes a "going concern" explanatory paragraph that describes substantial doubt about our 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 2 to Notes to the Consolidated Financial Statements included in this report.

### PLAN OF OPERATIONS

At June 30, 2008, we had cash on hand of \$54,550, which we do not believe is sufficient to fund our operations for the next twelve months. We

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intend to use our cash funds to continue to support operations. We intend to continue to develop the business opportunity presented by our investment in an unconsolidated investee, BioAgra and the Agrastim(R) product. The development of the business opportunity includes continued marketing efforts and product testing over the next twelve months.

In the continuance of our business operations, we do not intend to purchase or sell any significant assets and we do not expect a significant change in the number of employees.

We are dependent on raising additional equity and/or, debt to fund any negotiated settlements with our outstanding creditors and meet our ongoing operating expenses. There is no assurance that we will be able to raise the necessary equity and/or debt that we will need to be able to negotiate acceptable settlements with our outstanding creditors or fund our ongoing operating expenses. We cannot make any assurances that we will be able to raise funds through such activities.

### RESULTS OF OPERATIONS

During the fiscal years ended June 30, 2008 and 2007, we did not have any revenues from operations.

General and administrative expenses during the fiscal year ended June 30, 2008 were \$663,270 compared to \$1,835,973 for the fiscal year ended June 30, 2007. The decrease of \$1,172,703 is mainly attributable to a decrease in stock-based compensation expense of \$743,750 and the \$440,612 decrease in consulting expenses.

During the fiscal year ended June 30, 2008, we recognized a net loss of \$1,930,791 compared to a net loss of \$4,460,541 during the fiscal year ended June 30, 2007. The decrease of \$2,529,750 primarily resulted from the decrease

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of \$1,172,703 in general and administrative expenses, discussed above and the \$1,198,000 provision for loss on the note receivable owed by BioAgra, which was recorded in 2007.

We recorded a net loss applicable to common shareholders of \$1,970,901 during the year ended June 30, 2008 compared to \$4,473,691 during the fiscal year ended June 30, 2007. The decrease of \$2,502,790 was a result of the decrease of \$1,172,703 in general and administrative expenses combined with the \$1,198,000 provision for loss on the note receivable owed by BioAgra, which was recorded in 2007. We recognized a \$40,110 deemed dividend on preferred stock issued during the fiscal year ended June 30, 2008 compared to \$13,150 during the year ended June 30, 2007.

### LIQUIDITY AND FINANCIAL CONDITION

Net cash used in operating activities in 2008 was \$598,599, compared to net cash used in operating activities in 2007 of \$612,724. In 2008, the net cash used represented a net loss of \$1,930,791, adjusted for certain non-cash items consisting of depreciation expense of \$4,612, equity in net loss of unconsolidated investees of \$1,431,774 and a gain on the sale of investment in unconsolidated investee of \$164,234.

In 2007, the net cash used represented a net loss of \$4,460,541, adjusted for certain non-cash items consisting of non cash consulting expense and depreciation expense of \$441,584, equity in net losses of unconsolidated investees of \$1,426,590, a provision for loss on a note receivable of

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\$1,198,000, and \$743,750 in options issued for compensation.

During the fiscal year ended June 30, 2008, we raised \$930,125 cash through the sale of 6,168,333 shares of its restricted common stock to our controlling shareholder, Arizcan.

During the fiscal year ended June 30, 2007, we raised \$1,255,950 cash through the sale of 8,373,000 shares of its restricted common stock.

During the fiscal year ended June 30, 2007, we raised \$251,900 through the sale of a warrant to purchase 6,000,000 shares of restricted common stock. The warrant has an exercise price of \$0.50 per share and provides for a cashless exercise.

During the fiscal year ended June 30, 2007, we raised \$500,000 through the sale of 500,000 shares of its Series A nonconvertible preferred stock to Arizcan. The shares provide that when voting as a single class, the shares have the votes and voting power that at all times is greater by 1% than the combined voting power of all other classes of securities entitled to vote on any matter. As a result of the issuance, Arizcan acquired approximately 51% of the voting power of the Company. We have a right, solely at the Company's discretion, to redeem the shares in ten years at 130% of deemed par value.

During the fiscal year ended June 30, 2008, we raised \$89,500 through advances from our majority shareholder, Arizcan. These funds are unsecured and due on demand. During the year ended June 30, 2008, we repaid \$50,000 of the advances and currently owe \$39,500.

During the fiscal year ended June 30, 2007, we raised \$50,000 through an unsecured, 8% promissory note, due in March 2008. In June 2007, the holder of the note agreed to accept 333,333 shares of our common stock as payment on the note.

During the year ended June 30, 2006, we loaned \$1,686,570 to BioAgra through a series of secured, 7.5% promissory notes, which were due over the period from June 30 through October 31, 2006. On June 26, 2006, we agreed to combine all of the promissory notes and accrued interest of \$40,257 into a \$1,726,827 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 BioAgra 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 year

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ended June 30, 2007, the note was reduced by \$1,371,269, which represents the excess of the BioAgra losses recognized by us over the adjusted basis of our equity investment in BioAgra remaining at June 30, 2007.

During the year ended June 30, 2007, we advanced \$1,182,784 to BioAgra at 7.5% interest. During the year ended June 30, 2008, we advanced \$921,237 to BioAgra at 7.5% interest. We have classified these notes receivable as non-current assets on the balance sheet and are not accruing interest on these notes receivable, as they are currently in default and non-performing. In September 2008, we filed foreclosure proceedings in connection with the failure to make payment on the notes.

During the fourth quarter of the year ended June 30, 2007, we made a decision to provide for a loss on the value of the note receivable. This decision was based on factors including our evaluation of past and current

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operating results, failure of BioAgra to make scheduled payments and our continuing support of the operational efforts of BioAgra. We also considered the estimated fair value of BioAgra's assets and liabilities in making the decision. As a result of this decision, we recorded a charge of \$1,198,000 in the fourth quarter ended June 30, 2007.

During the year ended June 30, 2008, we did not have any significant operations, and our management spent a majority of the fiscal year, raising additional funds for the BioAgra investment and supporting its marketing and sales efforts. During the 2009 fiscal year we intend to continue our 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.

To the extent our operations are not sufficient to fund our capital requirements, we 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 we do not have a revolving loan agreement with any financial institution nor can we provide any assurance that we 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 addition, the United States is experiencing severe instability in the commercial and investment banking systems which is likely to continue to have far-reaching effects on the economic activity in the country for an indeterminate period. The long-term impact on the United States economy and the Company's operating activities and ability to raise capital cannot be predicted at this time, but may be substantial.

### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 141 (Revised 2007), BUSINESS COMBINATIONS, ("SFAS No. 141R"). SFAS No. 141R will change the accounting for business combinations. Under SFAS No. 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141R will also change the accounting treatment and disclosure for certain specific items in a business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Accordingly, any business combinations the Company engages in will be recorded and disclosed following existing GAAP until July 1, 2009. The Company's management expects SFAS No. 141R will have an impact on accounting for business combinations once adopted, but the effect is dependent upon acquisitions at that time.

In December 2007, the FASB issued SFAS No. 160, NONCONTROLLING INTERESTS IN CONSOLIDATED FINANCIAL STATEMENTS--AN AMENDMENT OF ARB NO. 51, OR SFAS NO. 160. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. Management believes that SFAS 160 will not have a material impact on the Company's financial position or results of operations.

In May 2008, the FASB issued FASB Staff Position (FSP) No. APB 14-1 "ACCOUNTING FOR CONVERTIBLE DEBT INSTRUMENTS THAT MAY BE SETTLED IN CASH UPON CONVERSION (INCLUDING PARTIAL CASH SETTLEMENT)" (FSP APB 14-1). FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 on a retroactive

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basis and will be adopted by the Company in the first quarter of fiscal 2009. The Company does not expect the adoption of FSP APB 14-1 to have a material effect on its results of operations and financial condition.

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### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to deferred revenues; depreciation or property and equipment, intangible assets such as our intellectual property, financing operations, currency valuations and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the following are some of the more critical accounting policies and estimates (that is those that require the application of significant judgments by management as to their selection and valuation) used by us:

- O stock based compensation;
- O long-lived assets;
- O investments in and notes and advances receivable from unconsolidated investees;
- O international operations;
- O revenue recognition and deferred revenue;
- O litigation; and
- O contractual obligations.

### STOCK-BASED COMPENSATION

Beginning July 1, 2006, we adopted the provisions of and account for stock-based compensation in accordance with 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. We 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. All options granted prior to the adoption of SFAS 123R and outstanding during the periods presented were fully-vested.

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### LONG-LIVED ASSETS

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important that could trigger an impairment review include negative projected operating performance by us and significant negative industry or economic trends. We do not believe that there has been any impairment to long-lived assets as of June 30, 2008.

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### INVESTMENTS IN AND NOTES AND ADVANCES RECEIVABLE FROM UNCONSOLIDATED INVESTEEES

Entities where we can exercise significant influence, but not control, are accounted for under the equity method of accounting. Whether or not we exercise significant influence with respect to a company depends on an evaluation of several factors including, among others, representation on the company's board of directors and ownership level, generally 20% to 50% interest in the voting securities of the company including voting rights associated with our holdings in common, preferred and other convertible instruments in the company. Under the equity method of accounting, our share of the earnings or losses of these companies is included in the equity income (loss) section of the consolidated statements of operations.

A loss in value of an investment in or in the expected reliability of notes and advances receivable from an unconsolidated investee that is other than a temporary decline is recognized as a charge to operations. Evidence of a loss in value might include, but would not necessarily be limited to, absence of an ability to recover the carrying amount of the investment or notes and advances receivable or inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment or notes and advances receivable.

### NOTES AND ADVANCES RECEIVABLE

Notes and advances receivable consist of promissory notes and advances made to our unconsolidated investee, BioAgra. Notes and advances receivable are recorded net of an allowance for uncollectible receivables. Allowances for estimated losses from uncollectible loans are recorded when it is probable that the counterparty (BioAgra) will be unable to pay all amounts due according to the terms of the promissory notes and advances receivable.

The Company stops accruing interest on a loan when the borrower's ability to meet contractual payments is in doubt. For notes which are on nonaccrual status, it is the Company's policy to reverse interest previously accrued on the loan against interest income. Interest on such loans is thereafter recorded on a cash basis and is included in earnings only when actually received in cash and when full payment of principal is no longer doubtful.

A receivable is considered impaired when it is probable that all amounts will not be collected as they become due according to the terms of the loan. Generally, impaired loans are accounted for on a nonaccrual basis. The extent of impairment is measured based upon a comparison of the recorded investment in the loan with either the expected cash flows discounted using the loan's original effective interest rate or the fair value of the underlying collateral if the loan is collateral dependent.

### INTERNATIONAL OPERATIONS

Our previously held foreign equity investee (ExypnoTech) operations are



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located in Germany. ExypnoTech transactions are conducted in currencies other than the U.S. dollar, (the currency into which the subsidiaries' historical financial statements have been translated) primarily the Euro. As a result, we are exposed to adverse movements in foreign currency exchange rates. In addition, foreign political and economic environment, trade barriers, managing foreign operations and potentially adverse tax consequences. Any of these factors could have a material adverse effect on our financial condition or results of operations in the future.

### REVENUE RECOGNITION AND DEFERRED REVENUE

Our revenue recognition policy is significant because future revenue could be a key component of our results or operations. Revenue results are difficult to predict, and any shortfall in revenue or delay in recognizing revenue could cause operating results to vary significantly.

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### LITIGATION

We are involved in certain legal proceedings, as described in Item 3 of this report and Note 9 to the consolidated financial statements included in this report.

We intend to vigorously prosecute these legal proceedings and does not believe the outcome of these proceedings will have a material adverse effect on the financial condition, results of operations or our liquidity. However, it is too early at this time to determine the ultimate outcome of these matters or to estimate the minimum losses, if any, to be incurred in these matters.

### CONTRACTUAL OBLIGATIONS

For more information on our contractual obligations on operating leases, refer to Note 9 of the consolidated financial statements included in this report. At June 30, 2008, our commitments under these obligations were as follows:

YEAR ENDING JUNE 30,	OPERATING LEASES
2009	\$ 39,415
2010	40,618
2011	41,822
2012	10,531
	-----
	\$ 132,386
	=====

### OFF-BALANCE SHEET ARRANGEMENTS

We do not maintain any off-balance sheet arrangements that have, or that are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### ITEM 7. FINANCIAL STATEMENTS

The consolidated financial statements and related financial information required to be filed with this report are indexed on page F-1 and are incorporated herein.

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### ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

### ITEM 8A. CONTROLS AND PROCEDURES

#### DISCLOSURE CONTROLS AND PROCEDURES

The Company, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer/Acting Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2008. Based on that evaluation, the Chief Executive Officer/Acting Chief Financial Officer concluded that, because of the material weakness in internal control over financial reporting described below, the Company's disclosure controls and procedures were not effective as of June 30, 2008.

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### ITEM 8(A)T. INTERNAL CONTROLS AND PROCEDURES

#### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Our Chief Executive Officer/Acting Chief Financial Officer conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework").

Based on this evaluation, management has concluded that our internal control over financial reporting was not effective as of June 30, 2008. Our principal Chief Executive Officer/Acting Chief Financial Officer concluded we have a material weakness in our ability to produce financial statements free from material misstatements. Management reported a material weakness resulting from the combination of the following significant deficiencies:

- a lack of segregation of duties in accounting and financial reporting activities; and
- a lack of a sufficient number of qualified accounting personnel; and
- a lack of documentation and review of financial information by accounting personnel with direct oversight responsibility.

Our Chief Executive Officer has also served as our Chief Financial Officer since February 2007. We believe that the lack of a full-time Chief Financial Officer has resulted in a significant deficiency in internal controls over financial reporting due to the lack of qualified accounting personnel with sufficient time to regularly and adequately review complex, nonrecurring transactions. In addition, the Company employs only one individual that is responsible for the processing of all recurring transactions. While management is actively involved in the daily activities of the Company, including the review of transactions, it is difficult to adequately segregate accounting duties within the Company in a manner to prevent a material weakness in internal controls over financial reporting.

Subsequent to the discovery of the material weakness in internal

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control over financial reporting described above and beginning in the fiscal quarter ending September 30, 2007, we initiated and plan to undertake changes to our internal control over financial reporting to remediate the aforementioned deficiency and to strengthen our internal control processes, including the seeking of additional accounting staff and/or the consultation with outside resources as we deem appropriate. While the costs of remediation are unknown at this time, we expect that the costs may exceed \$300,000, which would include the hiring of a new Chief Financial Officer and, in the interim, the contracting of accounting staff and/or the consultation with outside resources. Our ability to initiate and undertake changes is confined by our financial resources.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report on internal control in this annual report.

### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in internal control over financial reporting that occurred during the last fiscal quarter covered by this report that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

### ITEM 8B. OTHER INFORMATION

None.

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## PART III

### ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Our executive officers and directors are as follows:

NAME, AGE AND YEAR FIRST ELECTED OR APPOINTED	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE
----- Paul H. Metzinger Age: 69 1998	----- Mr. Metzinger was our President and Chief Executive Officer from February 26, 1998 to May 6, 1998 and has served in that same capacity from December 1, 1998 to present. In addition, Mr. Metzinger has been serving as acting Chief Financial Officer since February of 2007. He has been a director since February 26, 1998. He has served as a Manager and Vice President of BioAgra since August 15, 2005. He served as the General Manager of NanoPierce Card from January 2000 to June 2003. Prior to becoming a director, Mr. Metzinger practiced securities law in Denver, Colorado for over 32 years. Mr. Metzinger received his J.D. degree in 1967 from Creighton University Law School and his L.L.M. from Georgetown University in 1969.
Herbert J. Neuhaus Age: 47 1999	Dr. Neuhaus has been a director since January 1, 1999. Since January 1999, he has been our Executive Vice President of Marketing and Technology. He was

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the President and Chief Executive Officer of NanoPierce Connection from January 2002 to September 2003. Dr. Neuhaus previously served as the Managing Director of Particle Interconnect Corporation from August 18, 1997 to November 1, 1997. From August 1989 to August 1997, he was associated with the Electronic Material Venture Group in the New Business Development Department of Amoco Chemical Company, Naperville, Illinois. While associated with Amoco Chemical Company he held among other positions: Business Development Manager/Team Leader; Project Manager--High Density Interconnect; Product Manager MCM Products and as a research scientist. Dr. Neuhaus received his Ph.D. degree in Physics from the Massachusetts Institute of Technology, Cambridge, Massachusetts in 1989 and his BS in Physics from Clemson University, Clemson, South Carolina in 1980.

Robert Shaw, Ph.D.  
Age: 69  
2000

Dr. Shaw has been our director since October 31, 2000. Dr. Shaw currently is an Assistant Professor of Physics at Farleigh Dickinson University where he has served on the faculty since September 1988. Dr. Shaw also performs professional research in his academic areas of specialty, and has held, among others, the positions of Research Chemist at the American Cyanamid Research Laboratories, Stamford; Senior Research Physicist at Exxon Research and Engineering Company; Manager of New Business Development at Exxon Enterprises, Exxon Corporation, New York, NY; and President of Robert Shaw Associates, Inc., Chatham, NJ. Dr. Shaw received his Ph.D. in Solid State Physics from Cambridge University, Cambridge, England. He was among the first to conduct academic research on electronic conduction mechanisms in amorphous semiconductors. He received a B.S. in Inorganic Chemistry with a minor in Nuclear Physics from North Carolina State University, Raleigh, NC.

John Hoback  
Age: 69  
2002

Mr. Hoback has been our director since April 2002. Mr. Hoback currently serves as the President of Z&H Enterprises Solutions, Ltd., which position he has held since 2000. Among other positions, Mr. Hoback was the Director of Marketing and Sales of CTS from 1999 to 2000 and was the Venture Manager of Electronics with Amoco Chemical from 1988 to 1999.

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There are no family relationships that exist between any director or executive officer.

### CODE OF ETHICS

Vyta Corp has adopted a Code of Ethics that applies to the Chief Executive Officer, Chief Financial Officer, Controller, Principal Accounting Officer and those employees performing similar functions. A copy of the Company's Code of Ethics is available on the Company's website ([www.vytacorp.com](http://www.vytacorp.com)). We intend to disclose amendments to, or waivers from, provisions of the Code of Ethics by posting such information on its website. The contents of our website are not part of this Annual Report on Form 10-KSB.

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### CHANGES IN DIRECTOR NOMINATION

There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors.

### AUDIT COMMITTEE AND FINANCIAL EXPERT

Since the Company is not required to have, and does not have an audit committee, our board of directors perform the responsibilities of an audit committee, providing oversight of our accounting and financial reporting functions and internal controls. Our board of directors is likewise not required to designate and has not designated a Financial Expert, as defined by the SEC.

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### ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth information with respect to the compensation paid or earned during the fiscal year ended June 30, 2008 and 2007 by our Chief Executive Officer (Principal Executive Officer and Principal Financial Officer) who served in such capacity during the fiscal year ended June 30, 2008 ("Named Executive Officers"), in all capacities in which they served.

2008 SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	BONUS (\$)	STOCK AWARDS (\$)	OPTION AWARDS (\$)	NON-EQUITY INCENTIVE PLAN COMPENSATION (\$)	CHANGE IN PENSION VALUE AND NON-QUALIFIED DEFERRED COMPENSATION EARNINGS (\$)	ALL O COMPENS (\$)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Paul	2008	\$ 96,250	--	--	\$ --	--	--	
Metzinger	2007	105,000	--	--	305,000	--	--	

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CEO,  
 President,  
 Acting CFO

2008 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

NAME	OPTION AWARDS				STOCK		
	EXERCISABLE	UNEXERCISABLE	EQUITY INCENTIVE PLAN AWARDS: NUMBER OF UNDERLYING UNEXERCISED UNEARNED OPTIONS (#)	OPTION EXERCISE PRICE (\$)	OPTION EXPIRATION DATE	NUMBER OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (#)	MARKET VALUE OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (\$)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Paul Metzinger	15,000	--	--	10.40	3/12/99 3/12/09	--	--
Paul Metzinger	1,000,000	--	--	0.32	3/17/07 3/17/17	--	--

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2008 GRANTS OF PLAN-BASED AWARDS

There were no grants of plan-based awards to any of the Named Executive Officers during the fiscal year ended June 30, 2008.

2008 OPTION EXERCISES AND STOCK VESTED

There were no exercises of options or vesting of stock awards by any of the Named Executive Officers during the fiscal year ended June 30, 2008.

2008 PENSION BENEFITS

We do not have a benefit pension plan.

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### 2008 NON-QUALIFIED DEFERRED COMPENSATION

We do not have a nonqualified defined contribution or other nonqualified deferred compensation plans.

### EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

On March 15, 2004, we entered into an employment agreement with Paul H. Metzinger to serve as our President and Chief Executive Officer. The employment agreement with Mr. Metzinger expires March 14, 2008. The employment agreement was renewed for an additional five (5) years ended March 13, 2013. Pursuant to his employment agreement, we agreed to pay Mr. Metzinger an annual salary of \$150,000. In March 2005, Mr. Metzinger took a salary cut to receive an annual salary of \$105,000.

In connection with the employment agreements, generally, we or the employee may terminate the employment agreement at any time with or without cause. In the event we terminate an employment agreement for cause or the employee terminates his or her employee agreement without cause, all of such employee's rights to compensation would cease upon the date of such termination. If we terminate an employment agreement without cause, then such employee terminates his or her employment agreement for cause, or in the event of a change in control, we are required to pay to such employee all compensation and other benefits that would have accrued and/or been payable to that employee during the full term of the employment agreement.

A change of control is considered to have occurred when, as a result of any type of corporate reorganization, execution of proxies, voting trusts or similar arrangements, a person or group of persons (other than incumbent officers, directors and our principal stockholders) acquires sufficient control to elect more than a majority of our board of directors, acquires 50% or more of our voting shares, or we adopt a plan of dissolution or liquidation. The employment agreement also include a non-compete and nondisclosure provisions in which each employee agrees not to compete with or disclose confidential information regarding us and our business during the term of the employment agreement and for a period of one year thereafter.

On March 15, 2004, we entered into an employment agreement with Kristi Kampmann to serve as our Chief Financial Officer. Ms. Kampmann resigned on February 28, 2007 and we have no further obligations under the agreement. However, pursuant to the agreement, Ms. Kampmann agreed to a twelve month non-compete clause that prohibits working in certain industries, as well as requires confidentiality.

### STOCK OPTION PLANS

We have two Stock Option Plans. As of October 10, 2008, 206,127 options are outstanding under the 1998 Compensatory Stock Option Plan and 2,437,000 options are outstanding under the 2000 Compensatory Stock Option Plan, for a total of 2,643,127 options outstanding. A total of 2,643,127 options are exercisable at October 10, 2008, under these plans. During the year ended June 30, 2008, we did not issue or grant any options.

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During the year ended June 30, 2007, we issued 2,350,000 options under the 2000 Compensatory Stock Option Plan to officers, directors and one employee. We have reserved 375,000 shares of common stock for issuance under the 1998 Compensatory Stock Option Plan. In January 2002, our board of directors passed a resolution closing the 1998 Compensatory Stock Option Plan for issuance of new

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options. We have reserved 2,480,000 shares of common stock for issuance under the 2000 Compensatory Stock Option Plan. During the fiscal years ended June 30, 2008 and 2006, there was no action taken to reprice any options held by any officers, directors or employees.

### DIRECTOR COMPENSATION

We hold quarterly meetings of the board of directors. Although we do not have any standard arrangements pursuant to which our directors are compensated for any services provided as a director or for attendance at meetings of the board of directors, if our financial situation is adequate, we compensate directors \$1,000 per meeting, plus reasonable travel expenses. During the fiscal year ended June 30, 2008, our officers and directors were not compensated for attendance at board meetings.

### DIRECTOR COMPENSATION IN FISCAL 2008

NAME (A)	FEES EARNED OR PAID IN		STOCK AWARDS (C)	OPTION AWARDS (D)	NON-EQUITY INCENTIVE PLAN COMPENSATION (E)	CHANGE IN PENSION VALUE AND NONQUALIFIED DEFERRED COMPENSATION EARNINGS (F)		ALL OTHER COMPENSATION (G)
	CASH (\$) (B)	(\$)				(\$)	(\$)	
Paul Metzinger	\$	--	--	\$	--	--	--	\$ 96
Herbert Neuhaus		--	--	--	--	--	--	
Robert Shaw		--	--	--	--	--	--	
John Hoback		--	--	--	--	--	--	

### COMPENSATION DISCUSSION AND ANALYSIS

#### GENERAL PHILOSOPHY AND OBJECTIVES

In 2004, we began changing our principal business and investments from electronics technology to biotechnology. Through our 50% interest in BioAgra, LLC, we and BioAgra hope to generate revenue through the production and sale of Agrastim(R) and Purestim(TM). While BioAgra has recently signed its first agreement for the distribution of Agrastim(R), BioAgra has generated no revenue and is currently incurring net losses in each quarter. Due to our lack of revenue and continuing net losses, the board of directors has not established a general philosophy pertaining to the compensation of our executive officers. However, should we begin to generate revenue in the future, the board will establish formal objectives and policies for the compensation of our executives that is tied to the generation of value for our stockholders.

#### BASE SALARIES

We believe that the base salary level of our executive officer is reasonably related to our current revenue levels. Base salaries are reviewed annually, and any increases in base salary take into account such factors as individual past performance, changes in responsibilities, changes in pay levels of companies deemed comparable by us, inflation and our overall financial



position. The annual base salary for Mr. Metzinger was \$150,000 as required by the terms of his employment agreement with us. However, due to our net losses, Mr. Metzinger has voluntarily chosen to reduce his annual salary to \$105,000 until such time as we begin generating revenues.

#### ANNUAL CASH BONUSES

At this time, we do not pay annual cash bonuses to our Named Executive Officers.

#### LONG-TERM INCENTIVE COMPENSATION

At this time, we do not award equity compensation to our Named Executive Officers.

#### PARTICIPATION OF NAMED EXECUTIVE OFFICERS IN COMPENSATION DECISIONS RELATING TO THEM

Compensation decisions for the Named Executive Officers are made by the board of directors. To the extent that a Named Executive Officer is a member of the board, they recuse themselves from the discussions and do not participate in compensation decisions that relate to them.

#### TAX DEDUCTIBILITY OF EXECUTIVE COMPENSATION

Section 162(m) of the Code disallows a tax deduction for any publicly held corporation for individual compensation of more than \$1.0 million in any taxable year to any named executive officers, other than compensation that is performance-based under a plan that is approved by the Stockholders and that meets certain other technical requirements. Our policy with respect to Section 162(m) is to make every reasonable effort to ensure that compensation is deductible to the extent permitted while simultaneously providing our executives with appropriate rewards for their performance. In the appropriate circumstances, however, we are prepared to exceed the limit on deductibility under Section 162(m) to the extent necessary to ensure our executive officers are compensated in a manner consistent with our best interests and those of our Stockholders.

#### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding the beneficial ownership of outstanding shares of our common stock as of October 10, 2008 on a fully diluted basis, by (a) each person known by us to own beneficially 5% or more of the outstanding shares of common stock, (b) our directors, Named Executive Officers, and (c) all our directors and executive officers as a group.

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NAME, ADDRESS & NATURE OF BENEFICIAL OWNER	AMOUNT	PERCENT OF CLASS(7)
----- Arizcan Properties, Ltd. 625 South Alten Way, Suite 3A Denver, CO 80247	12,002,770 (1)	26%
The Paul H. Metzinger Trust Paul H. Metzinger President, CEO & CFO, Director 370 Seventeenth Street Suite 3640 Denver, CO 80202	1,186,585 (2)	2.64
The Cheri L. Metzinger Trust Cheri L. Metzinger Wife of Paul H. Metzinger 3236 Jellison Street Wheatridge, CO 80033	1,186,585 (3)	2.64
Dr. Herbert J. Neuhaus Director 770 Maroonglen Court Colorado Springs, CO 80906	317,500 (4)	0.71
Dr. Robert E. Shaw, Director 8 Nicklaus Court Florham Park, NJ 07932	270,000 (5)	0.60
John Hoback, Director 20 White Heron Lake East Stroudsburg, PA 18301	270,000 (6)	0.60
All Officers & Directors as a Group (4 persons) -----	2,044,085	4.54

\*Less than 0.01%.

(1) Arizcan Properties is wholly-owned by Triumphant Partners, LLC, a Colorado limited liability company, which is owned by Stan Richards. Includes 11,995,000 common shares held directly and beneficially and 7,770 common shares that are held by Stan Richards.

(2) Includes 53,697 common shares held directly and beneficially; 47,888 common shares that Mr. Metzinger owns beneficially though his wife and options held by Mr. Metzinger consisting of options to purchase 10,000 shares exercisable at \$10.40 per share, options to purchase 75,000 shares exercisable at \$6.50 per share and options to purchase 1,000,000 shares exercisable at \$0.32 per share.

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(3) Cheri L. Metzinger is the wife of Mr. Paul H. Metzinger, our Chief Executive Officer, Chief Financial Officer and President. This includes 47,888 shares held directly and beneficially and 53,697 common shares, 1,085,000 common shares subject to options owned beneficially by her husband.

(4) Based on options to purchase 25,000 shares exercisable at \$42.50 per share, options to purchase 5,000 shares exercisable at \$55.00 per share, options to purchase 12,500 shares exercisable at \$10.40 per

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share, options to purchase 25,000 shares exercisable at \$4.00 per share and options to purchase 250,000 shares exercisable at \$0.32 per share.

- (5) Based on options to purchase 12,500 shares exercisable at \$19.40 per share, options to purchase 2,500 shares exercisable at \$13.40 per share, options to purchase 5,000 shares exercisable at \$40.00 per share and options to purchase 250,000 shares exercisable at \$0.32 per share.
- (6) Based on options to purchase 15,000 shares exercisable at \$14.00 per share, options to purchase 5,000 shares exercisable at \$14.00 per share and options to purchase 250,000 shares exercisable at \$0.32 per share.
- (7) Shares of our common stock subject to options and warrants currently exercisable or convertible, or exercisable or convertible within 60 days of October 10, 2008, are deemed outstanding for purposes of computing the percentage beneficially owned by the person or entity holding those securities, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person or entity. Percentage of beneficial ownership is based on 45,013,178 shares of our common stock outstanding as of the close of business on October 10, 2008.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of June 30, 2008 regarding compensation plans (including individual compensation arrangements) under which shares of our common stock are authorized for issuance. No class of our securities other than our common stock or options to purchase our common stock is authorized for issuance under any of our equity compensation plans.

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (A)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (B)
Equity compensation plans approved by security holders	0	--
Equity compensation plans not approved by security holders(1)	2,643,127	\$ 3.00
Total	2,643,127	\$ 3.00

(1) The material features of the plans not approved by the security holders are described herein under "ITEM 10--EXECUTIVE COMPENSATION--Stock Option Plans."

### CHANGE IN CONTROL

As of October 10, 2008, Arizcan Properties, Ltd. is our controlling shareholder. Arizcan Properties Ltd. may cause us to have a change of control if they sell enough of our common stock. We are not aware of any present intention

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of Arizcan Properties, Ltd. to cause us to have a change of control and we are not aware of any other arrangements that may result in a change of control.

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### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

#### TRANSACTIONS WITH RELATED PERSONS

During the year ended June 30, 2008, we issued to Arizcan Properties a total of 6,168,333 shares of restricted common stock in exchange for \$930,125 cash.

During the year ended June 30, 2008, Arizcan Properties advanced us cash of \$39,500. We have repaid \$5,000 at October 10, 2008.

On March 2, 2007, in a private placement transaction, we issued to Arizcan Properties a total of 500,000 shares of our newly-designated series A nonconvertible preferred stock for a total purchase price of \$500,000, in cash. In addition to the purchase of the series A nonconvertible preferred stock, Arizcan Properties purchased for a purchase price of \$251,900 a warrant exercisable for 6,000,000 shares of common stock. This warrant has an exercise price of \$0.50 per share and provides for cashless exercise. As a result, Arizcan Properties acquired approximately 51% of our voting power, and, on a fully diluted basis, Arizcan Properties would have approximately 89% of our voting power if they exercise the warrant.

Mr. Metzinger, an officer and director, during the year ended June 30, 2007, advanced us a total of \$25,203. We have repaid these funds.

During the year ended June 30, 2007, we issued options to purchase 2,350,000 shares of common stock to our officer and directors. The options are fully vested, have a term of 10 years and an exercise price of \$0.41 per share. The options were determined to have a value of \$743,750 using the Black-Scholes Model of valuation and certain assumptions considered appropriate by management.

#### RELATED PARTY TRANSACTION POLICY

The board of directors recognizes that related party transactions can present conflicts of interest and questions as to whether the transactions are in our best interests. Accordingly, effective in September 2007, the board of directors adopted a written policy formalizing the policy for the review, approval and ratification of transactions with related persons. For the purposes of this policy, a "related party transaction" is a transaction or relationship involving a director, executive officer or 5% stockholder or their immediate family members that is reportable under the SEC's rules regarding such transactions.

Under our policy, a related party transaction should be approved or ratified based upon a determination that the transaction is in, or not opposed to, our best interests and on terms no less favorable to us than those available with other parties. The policy provides for the board of directors to review and approve all related party transactions, other than transactions involving amounts less than \$100,000 in aggregate. Pursuant to the policy, management shall recommend any related party transaction, including the proposed aggregate value of the transaction, if applicable. After review, the board of directors shall approve or disapprove of such transaction.

#### DIRECTOR INDEPENDENCE

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We have voluntarily adopted the NASDAQ Marketplace Rules for determining whether a director is independent and our board of directors has determined that three of our four directors, Messrs. Neuhaus, Shaw and Hoback, are "independent" within the meaning of Rule 4200(a)(15) of the NASDAQ Manual. Mr. Metzinger is not independent under those standards.

### ITEM 13. EXHIBITS

The following documents are filed as a part of this report.

(i) FINANCIAL STATEMENTS. See Index to Financial Statements on page F-1 of this report.

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

EXHIBIT NO.	DESCRIPTION
3.01*	Certificate of Designation of Series A Nonconvertible Preferred Stock (Incorporated to the company's Current Report on Form 8-K, dated March 6, 2007)
10.01*	Termination and Mutual General Release Agreement dated July 11, 2007 by and between P Bioactives, Inc. and BioAgra LLC (Incorporated by reference to the company's Current Report on Form 8-K, dated July 11, 2007)
10.02*	Agreement, dated April 1, 2007 by and between AHD International, Inc. and BioAgra LLC (Incorporated by reference to the company's Current Report on Form 8-K, dated April 18, 2007)
10.04*	Operating Agreement, dated August 15, 2005, between the company and Xact Resources Justin Holdings, Inc. as a result of the assignment by Xact Resources in February 2005 to BioAgra, LLC (Incorporated by reference to the company's Current Report on Form 8-K, dated July 11, 2007)
21#	Subsidiaries of the Company
23#	Consent of Independent Registered Public Accounting Firm, GHP Horwath, P.C.
31.1#	Certification of Chief Executive Officer Pursuant to Rule 13A-14(a)/15d-14 Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2#	Certification of Chief Financial Officer Pursuant to Rule 13A-14(a)/15d-14 Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1#	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2#	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Indicates a management contract or compensatory plan or arrangement.  
# Filed herewith.

### ITEM 14. PRINCIPAL ACCOUNTANTS' FEES AND SERVICES

The aggregate fees billed and expected to be billed by GHP Horwath,

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P.C., our independent registered public accounting firm, for professional services for the fiscal years ended June 30, 2008 and 2007 are as follows:

SERVICES RENDERED	2008	2007
Audit Fees	\$ 75,000	\$ 90,000
Audit Related Fees	0	0
All Other Fees	0	0

The engagement of our independent registered public accounting firm was approved by our board of directors functioning as our audit committee prior to the start of the audit of our consolidated financial statements for the fiscal year ended June 30, 2008.

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### SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VYTA CORP

Date: October 13, 2008

By: /s/ Paul H. Metzinger

-----  
Paul H. Metzinger, Chief Executive Officer, President and acting Chief Financial Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: October 13, 2008

By: /s/ Paul H. Metzinger

-----  
Paul H. Metzinger, Director, Chief Executive Officer, President and acting Chief Financial Officer (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

Date: October 13, 2008

By: /s/ Herbert J. Neuhaus

-----  
Herbert J. Neuhaus, Director

Date: October 13, 2008

By: /s/ Robert Shaw

-----  
Robert Shaw, Director

Date: October 13, 2008

By: /s/ John Hoback

-----  
John Hoback, Director

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SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(D) OF THE EXCHANGE ACT BY NON-REPORTING ISSUERS

Neither an annual report covering our fiscal year ended June 30, 2008, nor any proxy material, has been sent to our security holders.

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### VYTA CORP AND SUBSIDIARIES INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Statements of Operations - Years ended June 30, 2008 and 2007	F-3
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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
Vyta Corp  
Denver, Colorado

We have audited the accompanying consolidated balance sheet of Vyta Corp and subsidiaries (the "Company") as of June 30, 2008, and the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity deficiency and cash flows for each of the years in the two-year period ended June 30, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vyta Corp and subsidiaries as of June 30, 2008, and the results of their operations and their cash flows for each of the years in the two-year period ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company reported a net loss applicable to common shareholders of approximately \$1,971,000, substantially all derived from its equity in development stage net losses of its principal investee, a 50%-owned joint venture, whose ability to continue as a going concern also is in substantial doubt, and significant cash outflows from operations for the year ended June 30, 2008, and a deficit of approximately \$32,428,000 as of June 30, 2008. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters, which do not include any direct revenue-producing activities in the foreseeable future, are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ GHP HORWATH, P.C.

-----  
Denver, Colorado  
October 14, 2008



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VYTA CORP AND SUBSIDIARIES  
Consolidated Balance Sheet  
June 30, 2008

## ASSETS

### Current assets:

Cash and cash equivalents  
Prepaid expenses and other

Total current assets

### Property and equipment:

Office equipment and furniture  
Less accumulated depreciation

### Other assets:

Deposit

Total assets

## LIABILITIES AND SHAREHOLDERS' EQUITY DEFICIENCY

### Current liabilities:

Accounts payable  
Advances payable, related party (Note 5)  
Accrued expenses  
Obligation to unconsolidated investee (Note 4)

Total liabilities (all current)

### Commitments and contingencies (Note 7)

### Shareholders' equity deficiency (Note 6):

Preferred stock; \$0.0001 par value; 5,000,000 shares authorized; Series A, 8%;  
deemed par value \$1.00 per share; 500,000 shares  
issued and outstanding; liquidation preference of \$553,260  
Common stock; \$0.0001 par value; 200,000,000 shares authorized;  
37,518,178 shares issued and outstanding  
Additional paid-in capital  
Deficit

Total shareholders' equity deficiency

Total liabilities and shareholders' equity deficiency

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See notes to consolidated financial statements.

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## VYTA CORP AND SUBSIDIARIES Consolidated Statements of Operations Years Ended June 30, 2008 and 2007

	2008 -----	2007 -----
General and administrative expense	\$( 663,270) -----	(1,835,973) -----
Loss from operations	( 663,270) -----	(1,835,973) -----
Other income (expense):		
Interest income	19	22
Gain on sale of investment in unconsolidated investee (Note 4)	164,234	-
Equity losses of unconsolidated investees (Note 4)	(1,431,774)	(1,426,590)
Provision for loss on note receivable, unconsolidated investee (Note 3)	- -----	(1,198,000) -----
	(1,267,521) -----	(2,624,568) -----
Net loss	(1,930,791) -----	(4,460,541) -----
Accumulated dividends on preferred stock (Note 6)	( 40,110) -----	( 13,150) -----
Net loss applicable to common shareholders	\$(1,970,901) =====	(4,473,691) =====
Net loss per common share, basic (Note 1)	\$( 0.06) =====	( 0.19) =====
Weighted average number of common shares outstanding (Note 1)	34,526,402 =====	23,884,955 =====

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See notes to consolidated financial statements.

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VYTA CORP AND SUBSIDIARIES  
 Consolidated Statements of Comprehensive Loss  
 Years Ended June 30, 2008 and 2007

	2008	2007
	-----	-----
Net loss	\$(1,930,791)	( 4,460,541)
Change in unrealized gain on securities	-	( 619)
Change in foreign currency translation adjustments, net of reclassification adjustment for gain included in net loss (Note 4)	( 10,340)	( 8,197)
	-----	-----
Comprehensive loss	\$(1,941,131)	( 4,469,357)
	=====	=====

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See notes to consolidated financial statements.

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VYTA CORP AND SUBSIDIARIES  
 Consolidated Statement of Changes in Shareholders' Equity Deficiency  
 Years Ended June 30, 2008 and 2007

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL	ACCUMULATED
	SHARES	DOLLARS	SHARES	DOLLARS	PAID IN	COMPREHENSIVE
	-----	-----	-----	-----	-----	-----
Balances, July 1, 2006	-	\$ -	22,643,512	\$ 2,264	\$28,390,883	\$ 130,000
Series A preferred stock issued in exchange for advance payable related party and cash	500,000	500,000	-	-	-	-
Warrant issued for cash	-	-	-	-	251,900	-
Common stock issued for cash	-	-	8,373,000	838	1,255,112	-
Common stock issued in settlement of note payable, stockholder	-	-	333,333	33	49,967	-
Options issued for compensation	-	-	-	-	743,750	-
Net loss	-	-	-	-	-	-
Accumulated dividends on Series A preferred stock	-	13,150	-	-	( 13,150)	-
Other comprehensive loss:						
Unrealized gain on securities	-	-	-	-	-	( 8,000)
Foreign currency translation adjustments	-	-	-	-	-	( 8,000)
Balances, June 30, 2007	500,000	\$ 513,150	31,349,845	\$ 3,135	\$30,678,462	\$ 121,000

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(Continued)  
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VYTA CORP AND SUBSIDIARIES  
Consolidated Statement of Changes in Shareholders' Equity Deficiency  
Years Ended June 30, 2008 and 2007  
(Continued)

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID IN CAPITAL	ACCUMULA COMPREH INCOM
	SHARES	DOLLARS	SHARES	DOLLARS		
Balances, July 1, 2007	500,000	\$513,150	31,349,845	\$ 3,135	\$30,678,462	\$ 121
Common stock issued for cash	-	-	6,168,333	617	929,508	
Net loss	-	-	-	-	-	
Accumulated dividends on Series A preferred stock	-	40,110	-	-	( 40,110)	
Other comprehensive loss:						
Foreign currency translation adjustment (Note 4)	-	-	-	-	-	( 121
Balances, June 30, 2008	500,000	\$553,260	37,518,178	\$ 3,752	\$31,567,860	\$

See notes to consolidated financial statements.

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VYTA CORP AND SUBSIDIARIES  
 Consolidated Statements of Cash Flows  
 Years Ended June 30, 2008 and 2007

Cash flows from operating activities:	
Net loss	\$ (1
Adjustments to reconcile net loss to net cash used in operating activities:	
Noncash consulting expense	
Depreciation expense	
Provision for loss on note receivable, unconsolidated equity investee	
Equity in net losses of unconsolidated investees	1
Gain on sale of investment in unconsolidated investee	(
Options issued for compensation	
Changes in operating assets and liabilities:	
Decrease in prepaid expenses and other	
Increase in accounts payable and accrued expenses	
Total adjustments	1
Net cash used in operating activities	(
Cash flows from investing activities:	
Sale of investment securities	
Increase in notes and advances receivable, unconsolidated investee	(
Sale of investment in unconsolidated investee	
Net cash used in investing activities	(
Cash flows from financing activities:	
Exercise of warrants, and common stock and warrants issued	

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for cash  
Proceeds applied to preferred stock and  
warrant purchase  
Proceeds from advance and note payable  
Payment of advance and note payable  
  
Net cash provided by financing activities  
  
Net (decrease) increase in cash and cash equivalents  
  
Cash and cash equivalents, beginning  
  
Cash and cash equivalents, ending

(  
--  
--  
--  
\$  
==

(Continued)

See notes to consolidated financial statements.

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VYTA CORP AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
Years Ended June 30, 2007 and 2006  
Continued

Supplemental disclosure of non-cash investing and financing activities:  
Advances, related party converted to preferred stock  
  
Issuance of common stock for payment of note payable

See notes to consolidated financial statements.

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VYTA CORP AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2008 AND 2007

1. BASIS OF PRESENTATION, BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION:

The accompanying consolidated financial statements include the accounts of Vyta Corp, a Nevada corporation, its wholly-owned subsidiaries, NanoPierce Connection Systems, Inc., a Nevada corporation (NCOS), and ExypnoTech, LLC (ET LLC), a Colorado limited liability company (collectively referred to as the "Company"). The Company has two investments which are accounted for using the equity method of accounting. These equity method investments consist of BioAgra, LLC (BioAgra) and through December 27, 2007, ExypnoTech, GmbH (EPT) (Note 4). All significant intercompany accounts and transactions have been eliminated in consolidation.

BUSINESS:

NCOS and ET LLC had no revenues or business activities of its own in 2008 and 2007. The Company has two unconsolidated investees which are accounted for using the equity method of accounting, ExypnoTech, GmbH (EPT), and BioAgra, LLC (BioAgra), which operate in two segments, the RFID industry and the animal feed



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industry, respectively. EPT's activities primarily consist of manufacturing inlay components used in, among other things, Smart Labels, which is a paper sheet holding a chip-containing module that is capable of memory storage and/or processing. BioAgra (a development stage enterprise) manufactures and plans to sell a beta glucan product, Agrastim(R), to be used as a replacement for hormone growth steroids and antibiotics in products such as poultry feed.

On December 27, 2007, the Company sold its 49% equity interest in EPT to TagStar, GmbH (TagStar), the 51% equity interest owner of EPT, for cash of \$250,000 (Note 4).

On September 15, 2008, the Company filed collection and foreclosure proceedings against BioAgra in connection with the secured promissory notes it holds from BioAgra (Notes 3 and 4).

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### USE OF ESTIMATES IN THE FINANCIAL STATEMENTS:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS:

The fair values of the Company's cash and cash equivalents and accounts payable approximate their carrying amounts due to the short maturities of these instruments. The fair values of the notes and advances receivable from the unconsolidated equity investee, the advances receivable from an officer of the Company and advances payable, related party, are not subject to reasonable estimation, based upon the related party nature of the underlying transactions.

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### VYTA CORP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2008 AND 2007

#### CASH AND CASH EQUIVALENTS:

The Company considers all highly liquid investments with an original maturity of three months or less and money market instruments to be cash equivalents.

#### DEFERRED CONSULTING COSTS:

In June 2006, the Company entered into a one-year consulting services agreement with two unrelated parties, in which the parties agreed to provide lobbying and public relations 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. The deferred cost was amortized on a straight-line basis as earned over the one-year period from the date of the agreement. During the year ended June 30, 2007, the value of the shares and warrant was amortized in full, and the Company recognized the remaining expense of \$436,197.

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### AVAILABLE FOR SALE SECURITIES:

Available for sale securities consist of 1,180 shares of common stock of Intercell International Corporation (Intercell). These securities were carried at no value, which was their estimated fair value based upon the absence of quoted market prices or any other objective basis for estimation. During the year ended June 30, 2008, the Company sold all of the 1,180 shares of available for sale securities for cash of \$59.

### NOTES AND ADVANCES RECEIVABLE

Notes and advances receivable consist of promissory notes and advances made to the Company's unconsolidated investee, BioAgra. Notes and advances receivable are recorded net of an allowance for uncollectible receivables. Allowances for estimated losses from uncollectible loans are recorded when it is probable that the counterparty (BioAgra) will be unable to pay all amounts due according to the terms of the promissory notes and advances receivable.

The Company stops accruing interest on a loan when the borrower's ability to meet contractual payments is in doubt. For notes which are on nonaccrual status, it is the Company's policy to reverse interest previously accrued on the loan against interest income. Interest on such loans is thereafter recorded on a cash basis and is included in earnings only when actually received in cash and when full payment of principal is no longer doubtful.

A receivable is considered impaired when it is probable that all amounts will not be collected as they become due according to the terms of the loan. Generally, impaired loans are accounted for on a nonaccrual basis. The extent of impairment is measured based upon a comparison of the recorded investment in the loan with either the expected cash flows discounted using the loan's original effective interest rate or the fair value of the underlying collateral if the loan is collateral dependent.

### EQUITY METHOD INVESTMENTS:

Investee entities in which the Company can exercise significant influence, but not control, are accounted for under the equity method of accounting. Whether the Company exercises significant influence with respect to an investee depends on an evaluation of several factors including, among others, representation on

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### VYTA CORP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2008 AND 2007

the company's board of directors and ownership level, generally 20% to 50% interest in the voting securities of the company including voting rights associated with the Company's holdings in common, preferred and other convertible instruments in the company. Under the equity method of accounting, the Company's share of the earnings or losses of these companies is included in the equity income (loss) section of the consolidated statements of operations.

A loss in value of an investment that is other than a temporary decline is recognized as a charge to operations. Evidence of a loss in value might include, but would not necessarily be limited to, absence of an ability to recover the carrying amount of the investment or inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment.

### PROPERTY AND EQUIPMENT:

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Property and equipment are stated at cost. Depreciation expense is provided by use of accelerated and straight-line methods over the estimated useful lives of the assets, which range from five to seven years.

### INCOME TAXES

On July 1, 2007, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES, AN INTERPRETATION OF FASB STATEMENT 109 ("FIN 48"). Based on management's evaluation, the Company did not have any unrecognized tax benefits, and there was no effect on the Company's opening deficit, current operations or cash flows, or its net operating loss carryforwards and related deferred tax valuation allowance as a result of implementing FIN 48. The Company is no longer subject to tax examinations for years before 2006. The Company will recognize any tax-related interest and penalties as a component of income tax expense.

### LEGAL DEFENSE COSTS:

The Company does not accrue for estimated future legal and related defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters (Note 7), but rather records such as period costs when the services are rendered.

### STOCK-BASED COMPENSATION:

Beginning July 1, 2006, the Company adopted the provisions of and accounts for stock-based compensation in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123 - revised 2004 ("SFAS 123R"), SHARE-BASED PAYMENT. 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 were 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. All options granted prior to the adoption of SFAS 123R and outstanding during the periods presented were fully-vested. The Company did not grant any options during the year ended June 30, 2008. The Company granted 2,350,000 options during the year ended June 30, 2007 (Note 6). As a result of the adoption of SFAS No. 123R, the net loss for the year ended June 30, 2007 increased by \$743,750 (\$0.03 per share).

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VYTA CORP AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2008 AND 2007

The Company used the following assumptions to determine the fair value of stock option grants during the year ended June 30, 2007, (and did not grant any options during the year ended June 30, 2008):

Expected term	5 years
Volatility	172% - 183%
Risk-free interest rate	4.82% - 4.94%
Dividend yield	0

The expected term of stock options represents the period of time that the stock options granted are expected to be outstanding based on historical exercise trends. The expected volatility is based on the historical price volatility of the Company's common stock. The risk-free interest rate represents the U.S.

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Treasury bill rate for the expected term of the related stock options. The dividend yield represents our anticipated cash dividend over the expected term of the stock options.

### FOREIGN CURRENCY TRANSLATION:

The financial statements of the Company's foreign equity investment (EPT) were measured using the local currency (the Euro) as the functional currency. Assets and liabilities of EPT were translated at exchange rates as of the balance sheet date. Revenues and expenses were translated at average rates of exchange in effect during the period. The resulting cumulative translation adjustments have been recorded as a component of comprehensive income (loss), included as a separate item in shareholders' equity.

### LOSS PER SHARE:

Basic loss per share of common stock is computed based on the average number of common shares outstanding during the year. Stock options and warrants are not considered in the calculation, as the impact of the potential common shares (14,754,844 shares at June 30, 2008 and 14,859,844 shares at June 30, 2007) would be to decrease loss per share (anti-dilutive). Therefore, diluted loss per share is not presented.

### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), BUSINESS COMBINATIONS, ("SFAS No. 141R"). SFAS No. 141R will change the accounting for business combinations. Under SFAS No. 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141R will also change the accounting treatment and disclosure for certain specific items in a business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Accordingly, any business combinations the Company engages in will be recorded and disclosed following existing GAAP until July 1, 2009. The Company's management expects SFAS No. 141R will have an impact on accounting for business combinations once adopted, but the effect is dependent upon acquisitions at that time.

In December 2007, the FASB issued SFAS No. 160, NONCONTROLLING INTERESTS IN CONSOLIDATED FINANCIAL STATEMENTS--AN AMENDMENT OF ARB NO. 51, OR SFAS NO. 160. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning on or after

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### VYTA CORP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2008 AND 2007

December 15, 2008. Management believes that SFAS 160 will not have a material impact on the Company's financial position or results of operations.

In May 2008, the FASB issued SFAS No. 162, "THE HIERARCHY OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES" (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (the GAAP hierarchy). SFAS 162 will become effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411,

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"The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." The Company does not expect the adoption of SFAS 162 to have a material effect on its results of operations and financial condition.

In May 2008, the FASB issued FASB Staff Position (FSP) No. APB 14-1 "ACCOUNTING FOR CONVERTIBLE DEBT INSTRUMENTS THAT MAY BE SETTLED IN CASH UPON CONVERSION (INCLUDING PARTIAL CASH SETTLEMENT)" (FSP APB 14-1). FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 on a retroactive basis and will be adopted by the Company in the first quarter of fiscal year 2009. The Company does not expect the adoption of FSP APB 14-1 to have a material effect on its results of operations and financial condition.

### 2. GOING CONCERN UNCERTAINTY AND MANAGEMENT'S PLANS:

The Company's financial statements for the year ended June 30, 2008 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 \$1,930,971 (net loss applicable to common shareholders of \$1,970,901) for the year ended June 30, 2008, and an accumulated deficit of \$32,428,472 as of June 30, 2008. The Company had negative working capital of \$323,697 at year end and the Company had no revenues from its activities during the year ended June 30, 2008.

The Company's ability to continue as a going concern may be dependent on the success of management's plan discussed below. The financial statements do not include 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 2009 fiscal year, the Company intends to continue its efforts in connection with the Agristim product (Note 4) with the continuing development of its sales, nationally and internationally in other animal feed markets, such as the equine and the swine markets. Management intends to continue to raise funds to support the efforts through the sale of its equity securities.

To the extent the Company's operations are not sufficient to fund the Company's capital requirements, the Company may attempt to 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, particularly in light of current economic conditions, or be able to raise funds through the further issuance of debt or equity in the Company.

In addition, the United States is experiencing severe instability in the commercial and investment banking systems which is likely to continue to have far-reaching effects on the economic activity in the country for an indeterminable period. The long-term impact on the United States economy and the Company's operating activities and ability to raise capital cannot be predicted at this time, but may be substantial.

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VYTA CORP AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2008 AND 2007

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### 3. NOTES AND ADVANCES RECEIVABLE - UNCONSOLIDATED INVESTEE:

During the year ended June 30, 2006, the Company loaned \$1,686,570 to BioAgra through a series of secured, 7.5% promissory notes, which were due over the period from June 30 through October 31, 2006. On June 26, 2006, the Company agreed to combine all of the promissory notes and accrued interest of \$40,257 into a \$1,726,827 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 BioAgra 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 year ended June 30, 2007, the note was reduced by \$1,371,269, which represents the excess of the BioAgra losses recognized by the Company over the adjusted basis of the Company's equity investment in BioAgra.

During the year ended June 30, 2007, the Company advanced an additional \$1,182,784 to BioAgra. In October 2007, the Company executed a second, 7.5% promissory note for \$1,182,784 with BioAgra with the same terms as the note above, but the note did not provide for scheduled payments.

During the year ended June 30, 2007, the Company made a decision to provide for a loss on the value of the note receivable. This decision was based on factors including the Company's evaluation of past and current operating results, failure of BioAgra to make scheduled payments and the Company's continuing support of the development stage activities of BioAgra. The Company also considered the estimated fair value of BioAgra's assets and liabilities in making the decision. As a result of this decision, the Company recorded a provision for loss of \$1,198,000 in the quarter ended June 30, 2007.

During the year ended June 30, 2008, the Company advanced an additional \$921,237 to BioAgra at 7.5% interest. On March 31, 2008, the Company executed a third, 7.5% promissory note for \$486,939 with BioAgra with the same terms as the note above, but did not provide for scheduled payments. On July 14, 2008, BioAgra executed a fourth 7.5% promissory note for \$195,164, with BioAgra with the same terms as above, but the note did not provide for scheduled payments.

The Company is not accruing interest on these notes receivable, as they are currently in default and non-performing.

The notes and advances receivable were reduced to \$0 at June 30, 2008 by applying the losses of BioAgra (Note 4). The losses of BioAgra for the year ended June 30, 2008 were in excess of the carrying value of the notes by \$173,153. This amount has been recorded as a current liability by the Company, as the Company was committed to provide further financial support to BioAgra as of June 30, 2008.

### 4. INVESTMENTS IN UNCONSOLIDATED INVESTEES:

#### INVESTMENT IN EPT:

On December 27, 2007, the Company executed a Share Purchase Agreement with TagStar, GmbH, the holder of the 51% equity interest in EPT, pursuant to which the Company sold its 49% equity interest to TagStar for cash of \$250,000. The Company recorded a gain of \$164,234 in connection with the sale of its equity interest in EPT.

At December 27, 2007, the Company's investment in EPT was \$217,649. The Company's proportionate share of its net income was approximately \$3,000 and \$43,800 for the years ended June 30, 2008 and 2007, respectively. The cumulative translation adjustment was \$121,543 and \$131,883 at July 1, 2007 and December

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VYTA CORP AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2008 AND 2007

27, 2007, respectively. On December 27, 2007, a \$131,883 reduction to other comprehensive income was recorded by the Company and recognized as a component of the gain on the sale of EPT. Summarized financial information of EPT for the period from July 1, 2007 through December 27, 2007, and the year ended June 30, 2007 is as follows:

	PERIOD FROM JULY 1, 2007 THROUGH DECEMBER 27, 2007	YEAR ENDED JUNE 30, 2007
	-----	-----
Revenues (1)	\$ 2,158,689	\$ 3,714,845
Expenses (2)	( 2,152,831)	( 3,625,463)
	-----	-----
Net income	\$ 5,858	\$ 89,382
	=====	=====

- (1) Revenues include \$2,155,669 and \$1,842,199 for the period from July 1, 2007 through December 27, 2007 and the year ended June 30, 2007, respectively, of sales to the 51% owner of EPT.
- (2) Expenses include \$211,508 and \$229,754 for the period from July 1, 2007 through December 27, 2007 and the year ended June 30, 2007, respectively, of charges paid to the 51% owner of EPT.

#### INVESTMENT IN BIOAGRA

The Company has a 50% equity interest in the joint venture, BioAgra, which manufactures and sells a beta glucan product, YBG-2000 also known as AgraStim(TM), which can be used as a replacement for hormone growth steroids and antibiotics in animal feed products such as poultry feed. As of June 30, 2008, BioAgra (a development stage company) has completed construction of a production line; however BioAgra has not yet recognized any significant revenues from product sales. At each reporting period, management makes an assessment to determine if the investment in BioAgra represents a variable interest entity subject to consolidation. Through June 30, 2008, management has determined that BioAgra was not subject to consolidation.

On September 15, 2008, the Company filed collection and foreclosure proceedings against BioAgra in the City and County Court of Denver, Colorado. The collection and foreclosure proceedings are directly related to principal and accrued interest of approximately \$4 million in loans advanced to BioAgra, including the \$3,963,982 loaned through a series of secured promissory notes, and an additional \$37,788 for advances not represented by a promissory note.

Upon the successful conclusion of the litigation, the Company intends to become the sole holder of the assets of BioAgra and plans to continue the operations of BioAgra, and the manufacturing and marketing of the AgraStrim product.

The terms of the joint venture provide for the Company to share in 50% of joint venture net income, if any, or net losses. The Company is accounting for its investment in BioAgra as an equity method investment. Net losses incurred by

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BioAgra have exceeded the underlying equity attributed to BioAgra's other joint venture investor. As a result, the excess of the losses attributable to the other joint venture investor have been charged to the Company. Since September 30, 2006 and through June 30, 2008, the carrying value of the Company's investment in BioAgra was \$0. BioAgra losses for the years ended June 30, 2008

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VYTA CORP AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2008 AND 2007

and 2007 were \$1,434,742 and \$1,478,585, respectively. Losses of \$1,261,589 and \$1,371,269, respectively, were applied to reduce the value of the notes receivable from BioAgra.

Summarized financial information of BioAgra as of June 30, 2008 and for the years ended June 30, 2008 and 2007, is as follows:

Assets:	
Current assets	\$ 113,069
Land, building and equipment, net(2)	1,229,019
	-----
Total assets	\$ 1,342,088
	=====
Liabilities and members' deficiency:	
Current liabilities(1)	\$ 4,424,757
Obligation under capital lease(2)	909,796
	-----
Total liabilities	5,334,553
Members' deficiency	( 3,992,465)
	-----
Total liabilities and members' deficiency	\$ 1,342,088
	=====

(1) Includes \$3,830,850 owed to the Company. The Company has classified this amount as notes receivable in 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 notes and advances receivable on the Company's balance sheet were reduced to \$0 at June 30, 2008 by applying the losses of BioAgra.

(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.

	YEAR ENDED JUNE 30, 2008	YEAR ENDED JUNE 30, 2007
	-----	-----
Revenues	\$ 114,545	\$ 68,754
Expenses	(1,549,287)	(1,547,339)
	-----	-----
Net loss	\$ (1,434,742)	\$ (1,478,585)
	=====	=====



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### 5. ADVANCES PAYABLE, RELATED PARTY

At June 30, 2008, the Company owes its majority shareholder \$39,500 for advances. This amount is unsecured, non-interest bearing and is due on demand. In September 2008, the Company made a payment of \$5,000 against the advances payable.

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### VYTA CORP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2008 AND 2007

### 6. SHAREHOLDERS' EQUITY DEFICIENCY:

#### PREFERRED STOCK:

In February 2007, the Company sold 500,000 shares of Series A nonconvertible preferred stock for \$500,000 cash to Arizcan Properties, Ltd. (Arizcan), the majority shareholder of the Company. Arizcan had advanced the funds to the Company, prior to the issuance of the shares. The shares provide that when voting as a single class, the shares have the votes and the voting power that at all times is greater by 1% than the combined votes and voting power of all other classes of securities entitled to vote on any matter. As a result of the issuance, Arizcan acquired approximately 51% of the voting power of the Company. The Company has a right, solely at the Company's discretion, to redeem the shares in 2017 at 130% of deemed par value.

The holder of the Series A is entitled to a dividend equal to 8% per annum of the deemed par value (\$1.00 per share). Accumulated dividends for the period from Series A issuance (February 2007) through June 30, 2008, were \$53,260 (\$40,110 and \$13,150 during the years ended June 30, 2008 and 2007, respectively) which have been recorded as an increase to net loss per common shareholder. Also, the holder is entitled to a liquidation preference of the deemed par value for each outstanding share and any accrued but unpaid dividends upon the liquidation of the Company.

#### COMMON STOCK:

##### 2008 FISCAL YEAR

Between July 1, 2007 and June 30, 2008, the Company issued an aggregate of 6,168,333 shares of its restricted common stock to Arizcan Properties for \$930,125 cash. The shares were sold for \$0.15 per share (based upon an approximate 55% discount from the closing market price at the time of sale, ranging from \$0.39-\$0.40 per share on the dates of the transactions).

##### 2007 FISCAL YEAR

Between March and June 2007, the Company issued an aggregate of 8,373,000 shares of its restricted common stock to Arizcan Properties for cash proceeds of \$1,255,950. The shares were sold for \$0.15 per share (based upon an approximate 38% discount from the closing market price, ranging from \$0.37-\$0.46 per share on the dates of the transactions).

In June 2007, the Company issued 333,333 shares of its restricted common stock to a non-related party shareholder as payment on a \$50,000 promissory note. The shares were issued for \$0.15 per share, based on the cash proceeds per share in the transactions noted above.

#### STOCK OPTIONS:

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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 2,863,000 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, 2007 and June 30, 2008 are fully-vested and exercisable. The aggregate intrinsic value of outstanding fully-vested options as of June 30, 2008 was approximately \$155.

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VYTA CORP AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2008 AND 2007

The Company did not grant any options during the year ended June 30, 2008. During the year ended June 30, 2007, the Company granted 2,350,000 stock options to an officer, directors and an employee at an exercise prices ranging from \$0.32 to \$0.41 per share. The fair value of stock options at the date of grant was \$743,750 and was recorded as compensation expense.

The expected term of stock options represents the period of time that the stock options granted are expected to be outstanding based on historical exercise trends. The expected volatility is based on the historical price volatility of the Company's common stock. The risk-free interest rate represents the U.S. Treasury bill rate for the expected term of the related stock options. The dividend yield represents our anticipated cash dividend over the expected term of the stock options.

A summary of the stock option activity for the year ended June 30, 2008 is as follows:

	Shares Under Option	Weighted Average Exercise Price	Weighted Remaining Contractual Life (Years)
Outstanding at July 1, 2007	2,748,127	\$ 3.00	
Granted	-	-	
Exercised	-	-	
Expired	(105,000)	( 6.50)	
<hr/>			
Outstanding at June 30, 2008	2,643,127	\$ 3.00	
<hr/>			
Exercisable at June 30, 2008	2,643,127	\$ 3.00	
<hr/>			

A summary of the stock option plans at June 30, 2008 is as follows:

OPTIONS OUTSTANDING				OPTION
RANGE OF EXERCISE PRICES	NUMBER OF OPTIONS	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS

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\$ 0.32- 0.41	2,350,000	8.85	\$ 0.33	2,350,000
4.00- 10.00	57,750	0.06	6.25	57,750
10.20- 20.00	114,777	3.57	13.65	114,777
20.01- 40.00	43,000	2.77	30.39	43,000
40.20- 60.00	77,100	1.53	62.21	77,100
100.20-120.00	500	1.67	120.00	500
	2,643,127	2.86	\$ 3.00	2,643,127

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VYTA CORP AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2008 AND 2007

WARRANTS:

At June 30, 2008, the following warrants to purchase common stock were outstanding:

NUMBER OF COMMON SHARES COVERED BY WARRANTS	EXERCISE PRICE	EXPIRATION DATE
22,500	12.00	January 2010
1,250,000	3.00	January 2009
92,500	1.00	January 2009
4,246,717	1.00	February 2009
6,000,000	0.50	March 2012
500,000	0.91	June 2009
12,111,717		

FISCAL YEAR 2008:

During the year ended June 30, 2008, the Company did not issue or cancel any warrants. During the year ended June 30, 2008, no warrants were exercised.

FISCAL YEAR 2007:

In February 2007, the Company sold to Arizcan, a warrant exercisable immediately for up to 6,000,000 shares of restricted common stock for \$251,900. The warrant has an exercise price of \$0.50 per share and provides for cashless exercise. The warrant has a term of 5 years.

In January 2007, warrants to purchase 9,625 shares of common stock expired.

7. COMMITMENTS AND CONTINGENCIES

LITIGATION:

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### FINANCING AGREEMENT SUIT:

The Company is a plaintiff and counter-claim defendant in a suit pending in the United States District Court for the Southern District of New York (the "District Court"). In this suit, the Company filed claims for securities fraud, common-law fraud, and breach of contract against the defendants. One defendant, Harvest Court, LLC ("Harvest Court"), has counterclaimed for alleged violations of the federal securities laws. In January 2008 the Court granted summary judgment against the Company on all of its claims, which the Company intends to appeal when the judgment becomes final. The Court also dismissed certain counterclaims against the Company. The Company intends to vigorously defend itself against the remaining claims. In a disclosure statement filed by Harvest Court, it set forth a damage computation of approximately \$4.1 million, as well as other categories of damages, such as out-of-pocket, statutory, punitive, and other for unspecified amounts.

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### VYTA CORP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2008 AND 2007

Harvest Court has also sued the Company in New York state court (the "State Court") for breach of contract relating to its failure to issue certain shares of stock allegedly due under a pre-2007 financing agreement. The Company has counterclaimed in this case for fraud. The State Court issued an injunction requiring the company to reserve and set aside a certain amount of stock, which the Company has done. The Company intends to vigorously defend itself and prosecute its counterclaims.

If management believes that a loss arising from these matters is probable and can reasonably be estimated, the Company records the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management does not believe that a loss from the matters described above is probable, and therefore has not accrued for any asserted damages. Management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations. However, litigation is subject to inherent uncertainties, and an unfavorable ruling could result in a material adverse impact on the financial position and results of operations of the period in which the outcome is determined.

### LEASES:

The Company has entered into certain facilities and equipment leases. The leases are non-cancelable operating leases that expire through December 31, 2011. Future minimum lease payments under these operating leases are as follows:

YEAR ENDING JUNE 30,	AMOUNT
-----	-----
2009	\$ 39,415
2010	40,618
2011	41,822
2012	10,531
	-----
	\$132,386

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Rental expense for all operation leases was \$68,208 and \$54,396 for the years ended June 30, 2008 and 2007, respectively.

8. INCOME TAXES:

As of June 30, 2008, the Company has net operating loss carryforwards of approximately \$15,823,000, which expire between 2013 and 2028. The Company's net operating loss carry forwards may be subject to annual limitations, which could reduce or defer the utilization of the losses as a result of an ownership change as defined in Section 382 of the Internal Revenue Code.

The tax effects of temporary differences that would give rise to substantially all deferred tax assets subject to the valuation allowance at June 30, 2008 are as follows:

Deferred tax asset, non-current amount:	
Net operating loss carryforwards	\$ 5,380,000
Losses in unconsolidated investees	488,000
	-----
	5,868,000
Less valuation allowance	(5,868,000)
	-----
Net deferred tax assets	\$ -
	=====

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VYTA CORP AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2008 AND 2007

The Company and its subsidiaries did not incur income tax expense for the years ended June 30, 2008 and 2007. The reconciliation between income taxes computed at the statutory federal tax rate of 34% and the effective tax rate for the years ended June 30, 2008 and 2007 is as follows:

	2008	2007
	-----	-----
Expected income tax benefit	\$ ( 656,000)	(1,517,000)
Increase in valuation allowance	656,000	1,517,000
	-----	-----
	\$ -	-
	=====	=====

9. SUBSEQUENT EVENTS:

In July 2008, Arizcan Properties was issued 6,000,000 shares of the Company's common stock in connection with the exercise of the warrant it held.

Between July 1, 2008 and September 30, 2008, the Company issued 1,495,000 shares of its restricted common stock to Arizcan Properties for cash of \$204,000.

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