

U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-KSB

[x] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended September 30, 2005
Commission file number: 000-27503

DYNASIL CORPORATION OF AMERICA	
(Exact name of small business issuer as specified in its charter)	
New Jersey	22-1734088
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
385 Cooper Road, West Berlin, New Jersey (856) 767-4600	08091

Securities registered under Section 12(b) of the Act: none

Securities registered under Section 12(g) of the Act: common stock, \$.0005 par value

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 [x] No []

Check if there is no disclosure of delinquent filers in response to item 405 of Regulation S-B contained in this form, and that no disclosure will be contained, to the best of the 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 []

State issuer's revenues for its most recent fiscal year: \$5,078,436

The Company's common stock is quoted on the NASDAQ OTC Bulletin Board under the symbol "DYSL.OB". The estimated aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of December 12, 2005 was \$2,334,824. The market value is based upon the last sale of the Common Stock on the NASDAQ OTC Bulletin Board of \$0.82 per share as of December 12, 2005.

The Company had 3,759,786 shares of common stock, par value \$.0005 per share, outstanding as of December 12, 2005.

Documents incorporated by reference: none

Transitional Small Business Disclosure: Yes No X

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Dynasil Corporation of America ("Dynasil", "we", or the "Company") was incorporated in the State of New Jersey on October 20, 1960.

We were founded as a manufacturer and fabricator of synthetic fused silica, a high purity, industrial optical material. The manufacturing aspect of the business entails producing synthetic fused silica through a chemical-vapor-deposition process in furnaces. The fabricating aspect deals with precision cutting, coring and shaping to customer specifications, also done at our manufacturing facility. Fabrication occurs on in-house manufactured material as well as material procured from outside vendors. In recent years, we have suspended operations of our glass furnaces and concentrated on expanding our product lines to include the fabrication of optical materials supplied by other manufacturers. This has included fused quartz from General Electric, fused silica from Corning Incorporated, and various optical materials from Schott Glass Technologies Inc., Ohara Corporation, and others.

On March 8, 2005, we acquired the operating assets and assumed certain liabilities of Optometrics LLC, a worldwide supplier of optical components including diffraction gratings, interference filters, laser optics, monochromators, and specialized optical systems. This acquisition approximately doubled our revenues and added significant profitability.

Our products are used primarily as components of optical instruments, lasers, analytical instruments, semiconductor/electronic devices, spacecraft/aircraft components, and in devices for the energy industry. These applications include:

- o Optical components - diffraction gratings, interference filters, lenses, prisms, reflectors, mirrors, filters, optical flats
- o Lasers - Beam Splitters, brewster windows, q switches, medical/industrial lasers, exciter systems, diffraction gratings
- o Analytical Instruments - Spectrometers, fire control devices, reticle substrates, and interferometer plates
- o Semiconductor/Electronic - Microcircuit substrates, microwave devices, photomasks, sputter plates, microlithography optics
- o Spacecraft/Aircraft - Docking light covers, windows, re-entry heat shields, ring laser gyros

We also produce several analytical instruments including an instrument designed to measure the "Sun Protection Factor"("SPF") of sunscreens.

Our products are distributed through direct sales and delivered by commercial carriers. We have five sales and marketing people who handle all sales. We also use manufacturer's representatives in various foreign countries for international sales. Marketing efforts include direct customer contact through sales visits, advertising in trade publications and presentations at trade shows.

We compete for business in the optics industry primarily with fabricators of industrial optical material and other optical components manufacturers. Market share in the optics industry is largely a function of quality, price and speed of delivery. We believe that we compete effectively in all three areas.

Our largest supplier is Corning Incorporated.

We presently have over 400 customers with approximately 72% of our business concentrated in our top 40 customers. Our five largest customers accounted for approximately 6.3%, 5.9%, 5.3%, 4.2% and 3.1%, respectively, of our revenues during fiscal year 2005. The loss of any of these top five customers would likely have a material adverse effect on our business, financial condition and results of operations. Generally, our customers provide purchase orders for a specific part, quantity and quality. Orders are normally filled over a period ranging from one to six weeks. We have blanket orders that call for monthly deliveries of a predetermined amount.

We have no patents or patent applications filed or pending.

Other than federal, state and local environmental and safety laws, our operations are not subject to direct governmental regulation. We do not have any pending notice of environmental violations and are aware of no potential violations. There are no buried storage tanks on our property. Environmental costs for fiscal year 2005 did not exceed \$50,000.

Our research and development activities primarily have involved new product development, changes to our manufacturing process and the introduction of improved methods and equipment. Improvements to our processes are ongoing and related costs are incorporated into our manufacturing expenses.

Our total work force consists of 47 employees: 6 administrative; 5 sales; 4 engineering, and 28 manufacturing personnel. The operations are non-union.

The public may read and copy any materials we have filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically

with the SEC. The address of the internet site is <http://www.sec.gov>. The public can also contact Mr. Craig T. Dunham at Dynasil Corporation of America, 385 Cooper Road, West Berlin, NJ 08091 or through the internet web address <http://www.Dynasil.com>.

ITEM 2. DESCRIPTION OF PROPERTY

Facilities

We own a manufacturing and office facility consisting of a one-story, masonry and steel building containing approximately 15,760 square feet, located at 385 Cooper Road, West Berlin, New Jersey 08091. The building is situated on a 3.686-acre site. It contains eight inactive furnaces with attendant pollution control systems, glass processing equipment, quality control functions and administrative office space. We also lease a 10,000 square foot building in Ayer, MA from a related party with a lease that expires in March 2013. We believe the properties are in satisfactory condition and suitable for our purposes. The New Jersey property is mortgaged as collateral against a note payable to a bank.

ITEM 3. LEGAL PROCEEDINGS

On August 30, 2004, the Company was served with a Summons and Complaint in an action entitled *Torrero v. Alcoa, Inc., et al* filed on August 19, 2004 in the Los Angeles (CA) Superior Court. In that case, the plaintiffs, Lucy Torrero and Juan Pedrosa Torrero, allege that glass blanks manufactured and sold by the Company, along with the products or tools made and sold by approximately twenty other defendants including General Electric, ALCOA, Corning Incorporated and Raytheon, caused plaintiff Lucy Torrero to develop lung cancer and other injuries during her employment as an optical lens grinder and laborer by companies that purchased or used those products or tools. The plaintiffs seek compensatory and punitive damages aggregating approximately \$31,500,000. The lawsuit was refiled as a wrongful death suit following the death of Lucy Torrero on April 11, 2005. To date, Dynasil has not been mentioned in the depositions of the plaintiffs' or her former employer. The Company has referred the matter to its commercial general liability insurance carriers which are defending the Company under a reservation of rights. At this time, the Company does not believe that an adverse outcome on this matter will have any material adverse effect on the Company, its financial condition or prospects.

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

During the Fourth Quarter of the Fiscal Year covered by this report, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR THE COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Registrant's Common Stock is quoted on the NASD-OTC Bulletin Board under the symbol "DYSL.OB". The Company's Common Stock has been traded publicly since April 22, 1981. The "high" and "low" bid quotations for the Company's Common Stock as reported by the OTC Bulletin Board for each quarterly period for the fiscal years ended September 30, 2004 and September 30, 2005 were as follows:

Fiscal Quarter	High Bid Price	Low Bid Price
-----	-----	-----
2004		
First	\$0.30	\$0.21
Second	0.27	0.25
Third	0.30	0.19
Fourth	0.20	0.06
2005		
First	\$0.64	\$0.11
Second	0.82	0.40
Third	0.79	0.40
Fourth	0.85	0.59

The above listed quotes reflect inter-dealer prices without retail mark-up, mark-down, or commissions, and may not represent actual transactions.

The "high" and "low" sale prices for trades of the Company's Common stock on the OTC bulletin board were as follows for each quarterly period:

Fiscal Quarter	High Sale Price	Low Sale Price
-----	-----	-----
2004		
First	\$0.51	\$0.21
Second	0.40	0.25
Third	0.45	0.20
Fourth	0.29	0.07
2005		
First	\$0.75	\$0.13
Second	0.99	0.40
Third	0.83	0.41
Fourth	0.95	0.59

As of September 30, 2005, there were 3,756,784 shares of common stock outstanding held by approximately 500 holders of record of the Common Stock of the Company

(including shareholders whose stock is held in street name and who have declined disclosure of such information).

The Company has paid no cash dividends on common stock since its inception. The Company intends to retain any future earnings for use in its business and does not intend to pay cash dividends on common stock in the foreseeable future. Holders of the Common stock are entitled to share ratably in dividends when and as declared by the Board of Directors out of funds legally available therefore. Preferred Stock dividends of \$39,410 were paid during the year ended September 30, 2005.

The Company adopted Stock Incentive Plans in 1996 and 1999 that permit, among other incentives, grants and options to officers, directors, employees and consultants to purchase up to 2,250,000 shares of the Company's common stock. At September 30, 2005, 1,046,554 shares of common stock are available for issuance under the Plans. Options are generally exercisable at the fair market value on the date of grant over a five-year period. To date, options have been granted at exercise prices ranging from \$.40 to \$4.25 per share. On September 30, 2005, 526,459 options were outstanding.

The securities authorized for issuance under equity compensation plans are set forth in a tabular format in response to Item 11.

The Company adopted an Employee Stock Purchase Plan that permits substantially all employees to purchase common stock. Employees have an opportunity to acquire common stock at a purchase price of 85% of the fair market value of the shares. Under the plan, a total of 450,000 shares had been reserved for issuance. Of these, 146,164 shares have been purchased by employees at purchase prices ranging from \$.06 to \$2.68 per share. During any twelve-month period, employees are limited to a total of \$5,000 of stock purchases.

On September 19, 2000 the Company filed a Form S-8 with the United States Securities and Exchange Commission to register the shares associated with the Stock Incentive Plans and the Employee Stock Purchase Plan. Prior to that date the shares were restricted and subject to the holding periods of Rule 144.

On September 23, 2004, the Company entered into a Subscription Agreement with Mr. Craig T. Dunham pursuant to which Mr. Dunham agreed to acquire 1,000,000 shares of Dynasil's common stock at \$0.15 per share for \$150,000 including a Stock Purchase Warrant pursuant to which Mr. Dunham may acquire, at any time prior to January 31, 2008, up to an additional 1,200,000 shares of the Company's common stock at an exercise price of \$0.225 or \$0.25 per share dependent upon certain conditions. Effective October 1, 2004, the Company signed a three year employment agreement with Mr. Craig T. Dunham to become President and CEO.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis should be read in conjunction with our financial statements and the notes thereto appearing elsewhere in this Form 10-KSB.

General Business Overview

Fiscal year 2005 was a year of major positive change for Dynasil. After several difficult years, we turned around results in our historical optical materials business with a 41% revenue increase as well as profitable results for all four quarters. The acquisition of the assets of Optometrics LLC was completed in March 2005 which approximately doubled revenues, added significant profitability, and added strong people to help our combined businesses. Proforma numbers assuming that Optometrics had been part of the company for the full FY 2005, show revenues of \$6.4 million, net income of \$248,024, and basic earnings per share of \$0.05. The markets for our optical materials and components businesses are currently strong and our businesses appear to be gaining market share. We remain focused on internal growth as well as growing through further acquisitions and strategic alliances. Management is pleased with our progress over the last year after a leadership change on October 1, 2004.

Results of Operations

Revenues for the fiscal year ended September 30, 2005 were \$5,078,436. This represents an increase of 121% over revenues for the fiscal year ended September 30, 2004 of \$2,296,264. The addition of Optometrics more than doubled revenues on an annual basis so just over six months of Optometrics' revenues since the March 8, 2005 acquisition resulted in an 80% revenue increase over FY 2004. We also grew our historical optical materials/ fused silica business by 41% from FY 2004 to FY 2005 by actively pursuing new business and focusing on serving customers more effectively.

Cost of sales for the fiscal year ended September 30, 2005 was \$3,519,845, or 69.3% of sales, versus \$1,759,736 or 76.6% of sales for fiscal year ended September 30, 2004. Gross profit tripled to \$1,558,591, or 30.7% of sales, for fiscal year 2005 from \$536,528 or 23.4% of sales for fiscal year 2004. The gross profit increase was primarily a result of the 121% increase in revenues combined with Optometrics having higher gross profit margins than our historical optical materials business. The gross profit percentage in our historical optical materials business also increased as we controlled and reduced costs while increasing revenues 41%.

Selling, general and administrative ("SG&A") expenses increased to \$1,341,834 or 26.4% of sales for fiscal year 2005 from \$676,972 or 29.5% of sales for fiscal year 2004. The primary reason for the dollar increase was the addition of Optometrics SG&A expenses. The primary reason for the decrease in SG&A expenses as a percentage of sales was that revenues in the optical materials business increased by 41% while SG&A expenses for that business only increased 8%.

Interest Expense-net, increased to \$54,488 or 1.1% of sales for fiscal year 2005 from \$35,433 or 1.5% of sales for fiscal year 2004. The dollar increase was a result of the additional interest costs for the financing of the Optometrics acquisition.

For fiscal year 2005, the Company had an income tax benefit of \$10,750. The Company had a \$13,500 provision for fiscal year 2005 state income taxes, largely related to Optometrics profits in Massachusetts. This was more than offset by a \$24,250 deferred tax asset to recognize that the Company's return to profitability means that the Company's net operating loss carry-forwards are likely to have future value. Current federal and New Jersey state taxes for fiscal year 2005 were offset by utilization of net operating loss carry-forwards. As of September 30, 2005 we have approximately \$1,300,000 of net operating loss carry-forwards to offset future taxable income for federal tax purposes expiring in various years through 2021. In addition, the Company has approximately \$760,000 of net operating loss carry-forwards to offset certain future New Jersey state taxable income, expiring in various years through 2013. The Company had no provisions for income taxes for fiscal year 2004.

The Company had net income of \$173,019 for the year ended September 30, 2005 compared to a loss of \$175,881 for the fiscal year ended September 30, 2004. Our historical optical materials business had positive profitability for all four quarters of fiscal year 2005 and just over half a year of Optometrics results added significant profitability. The recognition of a \$24,250 deferred tax asset added to net income and net income was reduced by \$49,995 of New Jersey inventory reductions based on the lower of cost or market and slow moving inventory reviews.

Liquidity and Capital Resources

The net cash increase for fiscal year 2005 was \$53,302 compared to \$131,587 for fiscal year 2004. Financing through bank loans and preferred stock was completed to fund the Optometrics acquisition.

Net cash provided by operating activities was \$102,444 for fiscal year 2005 versus \$87,794 for fiscal year 2004. The significant growth in revenues during fiscal year 2005 resulted in a \$216,554 increase in accounts receivable requiring cash for additional working capital.

Cash flows from investing activities were (\$865,955) for fiscal year 2005 compared to \$198,091 for fiscal year 2004. Cash paid for the Optometrics acquisition and acquisition costs was \$767,976 during fiscal year 2005. During fiscal year 2004, \$200,000 of cash came from certificates of deposit that matured. Capital expenditures to purchase property, plant and equipment increased to \$97,979 for fiscal year 2005 versus \$5,834 for 2004. The capital expenditure increase primarily relates to capital spending for Optometrics and spending for needed facility and equipment improvements in New Jersey.

Cash flows from financing activities were \$816,813 for fiscal year 2005 and (\$154,298) for fiscal year 2004. Cash from financing activities for fiscal year 2005 came

largely from the sale of \$700,000 of Preferred stock and bank financing which were completed as part of the Optometrics financing. These amounts were offset by bank debt repayments of \$163,882. Dividends on the new preferred stock of \$39,410 were paid during fiscal year 2005.

The Company believes that its current cash and cash equivalent balances, and net cash generated by operations, will be sufficient to meet its anticipated cash needs for working capital for at least the next 12 months. Any business acquisitions or major expansions may require the Company to seek additional debt or equity financing.

Strategic Plan

The strategy for Dynasil is to significantly grow revenues and profits through growth in our optical components and materials businesses as well as through strategic acquisitions. The acquisition of Optometrics represents the first step planned for strategic acquisitions. Continued improvements to the current businesses are planned by enhancing product offerings, increasing value offered to customers, and pursuing new business in order to grow revenues. Here are the key elements of our strategy:

- 1) Grow Optometrics revenues at least 10% per year by concentrating on our core competencies in optical components.
 - a) Pursue additional business from existing OEMs as well as potential new OEM customers.
 - b) Continue to expand products sold through optical catalog companies.
 - c) Review and replace international agents as well as recruiting additional SPF instrument agents
 - d) Expand diffraction gratings capabilities.
 - e) Upgrade filter capability to sustain our market position.
 - f) Focus on yield improvement, process discipline, and cost reduction in manufacturing.

- 2) Run the New Jersey Optical Materials Business to Maximize Cash. Maintain the 41% revenue gains from 2005 FY while moderately increasing gross margins and adding additional revenue growth of 3-5% per year.
 - a) Focus sales and marketing efforts on Fused Silica and Quartz blanks where we have a strong reputation and a competitive offering. Enhance relationships with existing customers as well as pursuing other customers with attractive fused silica business.
 - b) Selectively expand the Company's product line into other high value optical materials if financially attractive.
 - c) Actively manage international sales representatives and add representatives in underserved regions.
 - d) Moderately increase gross margins through improved quoting and selection of business.

- e) Continue to systematically reduce costs.
- 3) Achieve significant growth through strategic acquisitions and alliances with a target of one per year.
- a) Complete acquisitions that immediately add to financial results. The Optometrics acquisition represents a solid first step in the strategy to grow through acquisition and several other potential acquisition candidates have been identified. Target companies are manufacturers in optics related industries that can be purchased on attractive financial terms. Of particular interest are companies where a combination with Dynasil offers increased customer access, cost savings, or offers the acquired company access to capital required for growth. Also, we may target companies that can benefit from professional management techniques. Target companies will generally have good profitability and a solid leadership team.
 - b) Pursue strategic alliances with strong long term potential. Strategic alliances with companies or universities to commercialize a new/improved technology are of interest. The objective is to enter into attractive markets with a sustainable competitive advantage. Because of the higher risk of these opportunities, a higher anticipated ROI is required.

"Off Balance Sheet" Arrangements

The Company has no "Off Balance Sheet" arrangements.

Critical Accounting Policies and Estimates

There have been no material changes in our critical accounting policies or critical accounting estimates since September 30, 2004, nor have we adopted an accounting policy that has or will have a material impact on our consolidated financial statements. For further discussion of our accounting policies see Footnote 1 "Summary of Significant Accounting Policies" in this Annual Report on Form 10-KSB for the fiscal year ended September 30, 2005.

The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following: valuation of deferred tax assets, estimated current and deferred taxes, and evaluation of other assets, primarily the recoverability of intangible assets. The actual results could differ materially from estimates.

Forward-Looking Statements

The statements contained in this Annual Report on Form 10-KSB which are not historical facts, including, but not limited to, certain statements found under the captions "Business," "Results of Operations," "Strategic Plan," and "Liquidity and Capital Resources" above, are forward-looking statements that involve a number of risks and uncertainties. The actual results of the future events described in such forward-looking statements could differ materially from those stated in such forward-looking statements. Among the factors that could cause actual results to differ materially are the risks and uncertainties discussed in this Annual Report on Form 10-KSB, including, without limitation, the portions of such reports under the captions referenced above, and the uncertainties set forth from time to time in the Company's filings with the Securities and Exchange Commission, and other public statements. Such risks and uncertainties include, without limitation, seasonality, interest in the Company's products, consumer acceptance of new products, general economic conditions, consumer trends, costs and availability of raw materials and management information systems, competition, litigation and the effect of governmental regulation. The Company disclaims any intention or obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 7. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Dynasil Corporation of America and Subsidiaries
Berlin, New Jersey

We have audited the accompanying consolidated balance sheets of DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES as of September 30, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES as of September 30, 2005 and 2004 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

HAEFELE, FLANAGAN & CO., p.c.

Moorestown, New Jersey
November 21, 2005

DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2005 AND 2004

	2005	2004
	-----	-----
Current assets		
Cash and cash equivalents	\$ 308,210	\$ 254,908
Accounts receivable, net of allowance for doubtful accounts of \$7,530 for 2005 and \$5,000 for 2004	877,375	309,276
Inventories	842,149	369,813
Deferred tax asset	24,250	-0-
Prepaid expenses and other current assets	100,298	16,656
	-----	-----
Total current assets	2,152,282	950,653
Property, Plant and Equipment, net	744,764	419,718
Other Assets	87,735	3,321
	-----	-----
Total Assets	\$2,984,781	\$1,373,692
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Note payable to bank	\$ 250,000	\$ -0-
Current portion of long-term debt	184,403	120,000
Accounts payable	322,094	184,214
Accrued expenses and other current liabilities	232,476	114,959
	-----	-----
Total current liabilities	988,973	419,173
Long-term Debt, net	592,712	488,889
Stockholders' Equity		
Common Stock, \$.0005 par value, 25,000,000 shares authorized, 4,566,946 and 4,050,180 shares issued, 3,756,786 and 3,240,020 shares outstanding for 2005 and 2004, respectively	2,283	2,025
Preferred Stock, \$.001 par value, 10,000,000 Shares authorized, 700,000 and -0- shares issued And outstanding for 2004 and 2005 respectively, 10% Cumulative, Convertible	700	-0-
Additional paid in capital	2,042,635	1,239,736
Retained earnings	343,820	210,211
	-----	-----

	2,389,438	1,451,972
Less 810,160 shares of treasury stock, at cost	(986,342)	(986,342)
	-----	-----
Total stockholders' equity	1,403,096	465,630
	-----	-----
Total Liabilities and Stockholders' Equity	\$2,984,781	\$1,373,692
	=====	=====

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

DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	2005	2004
	-----	-----
Net sales	\$5,078,436	\$2,296,264
Cost of sales	3,519,845	1,759,736
	-----	-----
Gross profit	1,558,591	536,528
Selling, general and administrative expenses	1,341,834	676,976
	-----	-----
Income (Loss) from operations	216,757	(140,448)
Interest expense, net	(54,488)	(35,433)
	-----	-----
Income (Loss) before income taxes	162,269	(175,881)
Income tax benefit	10,750	-0-
	-----	-----
Net income (loss)	\$ 173,019	\$(175,881)
	=====	=====
Basic net income (loss) per common share	\$ 0.04	\$ (0.08)
Diluted net income (loss) per common share	\$ 0.03	\$ (0.08)
	=====	=====

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

DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	Common Shares -----	Common Amount -----	Preferred Shares -----	Preferred Amount -----	Additional Paid-in Capital -----
Balance, October 1, 2003	3,047,857	\$1,524	-0-	\$ -0-	\$1,089,718
Issuance of shares of common stock under employee stock purchase plan	2,323	1 -0-	-0-	518	
Issuance of shares of common stock in a negotiated private transaction (Note 7)	1,000,000	500	-0-	-0-	149,500
Net loss	-0-	-0-	-0-	-0-	-0-
Balance, September 30, 2004	4,050,180	\$2,025	-0-	-0-	\$1,239,736
Issuance of shares of common stock under employee stock purchase plan	50,777	25	-0-	-0-	10,566
Issuance of shares of common stock for Directors compensation	165,987	83	-0-	-0-	33,134
Issuance of shares of common stock in conjunction with Optometrics acquisition	300,000	150	-0-	-0-	68,229

Issuance of share of preferred stock net of stock issuance costs of \$10,000	-0-	-0-	700,000	700	689,300
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Stock compensation expense relating to outstanding stock options	-0-	-0-	-0-	-0-	-0-
---	-----	-----	-----	-----	-----

Dividends paid on preferred stock	-0-	-0-	-0-	-0-	-0-
--------------------------------------	-----	-----	-----	-----	-----

Net income	-0-	-0-	-0-	-0-	-0-
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Balance, September 30, 2005	4,566,944	\$2,283	700,000	700	\$2,042,635
	=====	=====	=====	=====	=====

	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total Stockholders' Equity
	-----	-----	-----	-----
Balance, October 1, 2003	\$ 386,092	810,160	\$(986,342)	\$ 490,992

Issuance of shares of common stock under employee stock purchase plan	-0-	-0-	-0-	519
---	-----	-----	-----	-----

Issuance of shares of common stock in a negotiated private transaction (Note 7)	-0-	-0-	-0-	150,000
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Net loss	(\$175,811)	-0-	-0-	(175,881)
----------	-------------	-----	-----	-----------

Balance, September 30, 2004	\$210,211	810,160	\$(986,342)	\$ 465,630
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Issuance of shares of common stock under employee stock purchase plan	-0-	-0-	-0-	10,591
Issuance of shares of common stock for Directors compensation	-0-	-0-	-0-	33,217
Issuance of shares of common stock in conjunction with Optometrics acquisition	-0-	-0-	-0-	68,379
Issuance of share of preferred stock net of stock issuance costs of \$10,000	-0-	-0-	-0-	690,000
Stock compensation expense relating to outstanding stock options	-0-	-0-	-0-	1,670
Dividends paid on preferred stock	(39,410)	-0-	-0-	(39,410)
Net profit	173,019	-0-	-0-	173,019
	-----	-----	-----	-----
Balance, September 30, 2005	343,820	810,160	\$(986,342)	\$1,403,096
	=====	=====	=====	=====

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

DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	2005	2004
	-----	-----
Cash flows from operating activities:		
Net profit (loss)	\$173,019	\$(175,881)
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities		
Stock compensation expense	1,670	-0-
Depreciation and amortization	194,782	147,715
Deferred taxes	(24,250)	-0-
(Increase) decrease in:		
Accounts receivable	(216,554)	(66,357)
Inventories	(43,466)	66,007
Prepaid expenses and other current assets	13,882	22,279
Increase (decrease) in:		
Accounts payable	(3,944)	52,696
Accrued expenses and other current liabilities	7,305	41,335
	-----	-----
Net cash provided by (used in) operating activities	102,444	87,794
	-----	-----
Cash flows from investing activities:		
Purchases of property, plant and equipment	(97,979)	(5,834)
Decrease in certificates of deposit	-0-	200,000
Cash paid for acquisition of Optometrics LLC asset	(700,000)	-0-
Cash paid for acquisition costs of Optometrics	(67,976)	-0-
Other assets	-0-	3,925
	-----	-----
Net cash provided by (used in) investing activities	(865,955)	198,091
	-----	-----
Cash flows from financing activities:		
Issuance of common stock	51,930	150,519
Issuance of preferred stock	690,000	-0-
Proceeds from short-term debt	102,143	-0-

Proceeds from long-term debt	193,305	-0-
Repayments of long-term debt	(163,882)	(304,817)
Deferred financing costs incurred	(17,273)	-0-
Preferred stock dividends paid	(39,410)	-0-
	-----	-----
Net cash provided by (used in) financing activities	816,813	(154,298)
	-----	-----
Net increase (decrease) in cash and cash equivalents	53,302	131,587
Cash and cash equivalents, beginning	254,908	123,321
	-----	-----
Cash and cash equivalents, ending	\$ 308,210	\$ 254,908
	=====	=====

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

DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005 AND 2004

Note 1 - Summary of Significant Policies

Nature of Operations

The Company is primarily engaged in the fabrication and marketing of customized optical components and optical materials. The Company's products and services are used in optical instrument and laser manufacturing industries, as well as in the medical industry. Other applications include usage in the manufacturing of optical lenses and spectrometers.

The Company's products and services are sold throughout the United States and internationally.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Dynasil Corporation of America and its wholly-owned subsidiaries, Optometrics Corporation, Dynasil International Incorporated, and Hibshman Corporation. All significant intercompany transactions have been eliminated.

Business Acquisition

On March 8, 2005, Dynasil Corporation of America, through its newly formed wholly owned subsidiary, Optometrics Corporation, acquired the operating assets and assumed certain liabilities of Optometrics, LLC, a worldwide supplier of optical components. The assets acquired from Optometrics, LLC are operated under the Optometrics Corporation name. The total purchase price for Optometrics, LLC was \$877,946. Cash of \$700,000 was paid by the Company and 300,000 shares of the Company's common stock were issued to the former owners of Optometrics, LLC, valued at \$0.23 per share, or \$68,400. Acquisition costs of \$109,546 were incurred. The business acquisition was recorded under the purchase method of accounting which requires that the total consideration be allocated to the assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over the fair value of the net tangible assets acquired of \$78,414 was allocated to intangibles, specifically to the acquired customer base.

The results of operations of Optometrics Corporation have been included in the consolidated financial statements from March 9, 2005, the effective date of acquisition. The allocation of purchase price is summarized below:

Cash and cash equivalents	\$ 50,585
Accounts receivable	310,461
Inventories	428,871
Prepaid expenses and other current assets	128,150
Property and equipment	410,575
Intangibles- acquired customer base	78,414
Current Liabilities assumed	(242,449)
Long-term debt liabilities assumed	(286,661)

Total purchase price	\$877,946
	=====

The following unaudited pro forma results of operations assume that Optometrics Corporation had been acquired at the beginning of fiscal year 2005.

	Twelve Months Ended
	Ended September 30, 2005
Sales	\$6,421,314
Net income	\$ 248,024
Net income per common share - Basic	\$.05
Net income per common share - Diluted	\$.04

Use of Estimates

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

Revenue Recognition

The Company records sales revenue upon shipment to customers as the terms are generally FOB shipping point at which time title and risk of loss have been transferred to the customer, pricing is fixed or determinable and collection of the resulting receivable is reasonably assured. Returns of products

shipped are and have historically not been material. Optometrics, however, provides an allowance for sales returns based upon historical experience. The Company also provides an allowance for doubtful accounts based on historical experience and a review of its receivables.

Shipping and Handling Costs

The Company includes some shipping and handling fees billed to customers in sales and shipping and handling costs incurred in cost of sales.

Inventories

Inventories are stated at the lower of average cost or market. Cost is determined using the first-in, first-out (FIFO) method. Inventories consist primarily of raw materials, work-in-process and finished goods. The Company evaluates inventory levels and expected usage on a periodic basis and records adjustments for impairments as required.

Property, Plant and Equipment and Depreciation and Amortization

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes over the estimated useful lives of the respective assets.

The estimated useful lives of assets for financial reporting purposes are as follows: building and improvements, 8 to 25 years; machinery and equipment, 5 to 10 years; office furniture and fixtures, 5 to 10 years; transportation equipment 5 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property, plant and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted

future net cash flows to be generated by the assets. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Based on these reviews, no asset impairment charges were made to the carrying value of long-lived assets during the years ended September 30, 2005 and 2004.

Other Assets

Other assets include an intangible asset consisting of the acquired customer base of Optometrics, LLC and are carried at cost less accumulated amortization. Amortization is computed using the straight-line method over the economic life of the respective asset, or seven years. It is the Company's policy to assess periodically the carrying amount of its intangible assets to determine if there has been an impairment to their carrying value. There was no impairment at September 30, 2005. Other assets also includes deferred financing costs which are amortized using the straight-line method over 5 and 7 years.

Advertising

The Company expenses all advertising as incurred. Advertising expense for the years ended September 30, 2005 and 2004 was \$83,868 and \$14,688.

Income Taxes

Dynasil Corporation of America and its wholly-owned subsidiaries file a consolidated federal income tax return.

The Company uses the asset and liability approach to account for income taxes. Under this approach, deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and net operating loss and tax credit carry forwards. The amount of deferred taxes on these temporary differences is determined using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, as applicable, based on tax rates, and tax laws, in the respective tax jurisdiction then in effect. Valuation allowances are provided if it is more likely than not that some or all of the deferred tax assets will not be realized. The provision for income taxes includes taxes currently payable, if

any, plus the net change during the year in deferred tax assets and liabilities recorded by the Company.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing the net income (loss) applicable to common shares after preferred dividend requirements, if applicable, by the weighted average number of common shares outstanding during each period. Diluted net income (loss) per common share adjusts basic net income (loss) for the effects of common stock options, common stock warrants, convertible preferred stock and other potential dilutive common shares outstanding during the periods. For periods with a net loss, diluted net income (loss) per common share exclude the impact of potential shares since they would have resulted in an anti-dilutive effect.

Net Income (Loss) Per Share

Common stock options of 526,459, common stock warrants of 1,200,000 and 700,000 shares of convertible preferred stock as of September 30, 2005 represent common stock equivalents included in the calculation of the diluted net income (loss) per common share. As of September 30, 2004, common stock options of 135,000 and stock warrants of 1,200,000 representing common stock equivalents have been excluded from the calculation of net loss per common share as their effect is anti-dilutive. The computation of basic and diluted net income (loss) per common share is as follows:

	2004	2005
Net income (loss)	\$ 173,019	\$(175,881)
Less: Preferred stock dividends	\$ (39,410)	-0-
	-----	-----
Income (loss) allocable to common shareholders	\$ 133,609	\$(175,881)
	=====	=====

Weighted average shares outstanding

Basic	3,603,315	2,241,617
Effect of dilutive securities		
Stock Options	61,802	-0-
Stock Warrants	606,112	-0-
Convertible Preferred Stock	300,033	-0-
	-----	-----
Dilutive	4,571,262	2,241,617
	=====	=====

Stock Based Compensation

The Company accounts for its stock compensation under the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", ("SFAS No. 123"), as amended by SFAS No. 148, " Accounting for Stock-based Compensation - Transition and Disclosure." As permitted by SFAS No. 123, the Company measures compensation cost in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees", and related interpretations. For stock options and warrants, no compensation expense is reflected in net income, as all stock options and warrants granted had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. In addition, no compensation expense is recognized for common stock purchases under the Employee Stock Purchase Plan. Stock options granted to consultants and other non-employees are reported at fair value in accordance with SFAS No. 123.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123 and has been determined as if the Company had accounted for its stock plans under the fair value method of SFAS No. 123. The following table illustrates the effect on net income (loss) and net income (loss) per common share if the Company had recorded the fair value of stock options and warrants as compensation expense.

	2005	2004
Net income (loss), as reported	\$173,019	(\$ 175,881)
Add: Stock-based employee compensation expense included in reported net income	1,670	-0-
Less: Total stock-based employee compensation expense determined under fair method for all options	(\$33,668)	-0-
	-----	-----
Pro forma net income (loss)	\$141,021	(\$ 175,881)
Net income (loss) per common share, as reported		
Basic	\$ 0.04	(\$ 0.08)
Diluted	\$ 0.03	(\$ 0.08)
Pro forma net income (loss) per common share		
Basic	\$ 0.03	(\$ 0.08)
Diluted	\$ 0.02	(\$ 0.08)

In December 2004, FASB issued SFAS No. 123 (Revised 2004), "Share-Based Payment." SFAS No. 123R is a revision of SFAS No. 123 and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" . SFAS No. 123R requires all share-based payment to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values and the effective date will be as of the beginning of the first fiscal year that begins after December 15, 2005. Management intends to comply with this Statement at the scheduled effective date for the relevant financial statements of the Company. Management believes the effects of adopting this revision to FASB 123, will approximate recording those amounts currently reported as compensation herein on a pro-forma basis as allowed under FASB 123.

Financial Instruments

The carrying amount reported in the balance sheets for cash and cash equivalents, accounts receivable and accounts payable approximates fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount for long-term debt approximates fair value because the underlying instruments are primarily at current market rates.

Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts receivable. In the normal course of business, the Company extends credit to certain customers. Management performs initial and ongoing credit evaluations of their customers and generally does not require collateral.

Concentration of Credit Risk

The Company maintains allowances for potential credit losses and has not experienced any significant losses related to the collection of its accounts receivable. As of September 30, 2005 and 2004, approximately \$269,735 and \$27,028 or 31% and 9% of the Company's accounts receivable are due from foreign sales.

The Company maintains cash and cash equivalents at various financial institutions in New Jersey, Pennsylvania and Massachusetts. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At September 30, 2005, the Company's uninsured bank balances totaled \$97,711. The Company has not experienced any significant losses on its cash and cash equivalents.

Recent Accounting Pronouncements

FASB 151 - Inventory Costs

In November 2004, the FASB issued FASB Statement No. 151, which revised ARB No.43, relating to inventory costs. This revision is to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). This Statement requires that these items be recognized as a current period charge regardless of whether they meet the criterion specified in ARB 43. In addition this Statement requires that the allocation of fixed production overheads to the costs of conversion be based on normal capacity of the production facilities. This Statement is effective for financial statements for fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after the date this Statement is issued. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

FASB 153 - Exchanges of Non-monetary Assets

In December 2004, the FASB issued FASB Statement No. 153. This Statement addresses the measurement of exchanges of non-monetary assets. The guidance in APB Opinion No. 29, Accounting for Non-monetary Transactions, is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange.

This Statement is effective for financial statements for fiscal years beginning after June 15, 2005. Earlier application is permitted for non-monetary asset exchanges incurred during fiscal years beginning after the date this Statement is issued. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

FIN 47 - Accounting for Asset Retirement Obligations

In March 2005, FASB Interpretation No.47 "FIN 47" was

issued, which clarifies certain terminology as used in FASB Statement No. 143, Accounting for Asset Retirement Obligations. In addition it clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Early adoption of FIN 47 is encouraged. Management believes the adoption of FIN 47 will have no impact on the financial statements of the Company, once adopted.

FASB 154 - Accounting Changes and Error Corrections

In May 2005, the FASB issued FASB Statement No. 154, which replaces APB Opinion No.20 and FASB No. 3. This Statement provides guidance on the reporting of accounting changes and error corrections. It established, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements to a newly adopted accounting principle. The Statement also provides guidance when the retrospective application for reporting of a change in accounting principle is impracticable. The reporting of a correction of an error by restating previously issued financial statements is also addressed by this Statement. This Statement is effective for financial statements for fiscal years beginning after December 15, 2005. Earlier application is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date this Statement is issued. Management believes this Statement will have no impact on the financial statements of the Company, once adopted.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company generally considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Note 2 - Inventories

Inventories at September 30, 2005 and 2004 consisted of the following:

	2005	2004
Raw Materials	\$322,902	\$148,278
Work-in-Process	246,921	114,170

Finished Goods	272,326	107,365
	-----	-----
	\$842,149	\$369,813
	=====	=====

Note 3 - Property, Plant and Equipment

Property, plant and equipment at September 30, 2005 and 2004 consist of the following:

	2005	2004
Land	\$ 261	\$ 261
Building and improvements	1,047,758	1,012,966
Machinery and equipment	2,914,224	2,477,540
Office furniture and fixtures	268,326	231,246
Transportation equipment	53,419	53,419
	-----	-----
	4,283,988	3,775,432
Less accumulated depreciation	3,539,224	3,355,714
	-----	-----
	\$ 744,764	\$ 419,718
	=====	=====

Included in the cost of machinery and equipment at September 30, 2005 and 2004 is \$53,981 and \$-0- representing the cost of assets under capitalized lease obligations. Accumulated depreciation at September 30, 2005 and 2004 for the capitalized leases was \$5,744 and \$-0-.

Depreciation expense for the years ended September 30, 2005 and 2004 was \$183,509 and \$144,307 of which \$5,744 and \$-0- represents depreciation of assets under capitalized lease obligations.

Note 4 - Other Assets

Other assets at September 30, 2005 and 2004 consist of the following:

	2005	2004
Deferred financing costs	\$ 41,010	\$ 23,737
Intangible asset - acquired customer base	78,414	-0-
Deposits	600	600
	-----	-----
	120,024	24,337
Less accumulated amortization	32,289	21,016
	-----	-----

\$ 87,735 \$ 3,321

Amortization expense for the years ended September 30, 2005 and 2004 was \$11,273 and \$3,408.

Note 5 - Debt

On March 8, 2005, the Company entered into loan agreements permitting borrowings up to a total of \$700,000 with Citizens Bank of Massachusetts ("Citizens Bank") in connection with the acquisition of Optometrics, LLC of which the initial borrowing was \$550,000. The terms of the Loan Agreements provide the Company with a \$300,000 term loan (the "Term Loan") and a \$400,000 revolving credit facility (the "Line of Credit"). The proceeds were used to payoff the debt of the former Optometrics, LLC, to fund the acquisition, and for general working capital purposes.

Note Payable to Bank

The note payable to bank represents borrowings under the Line of Credit, which bear interest at a variable rate equal to Citizens Bank's prime rate plus 0.5%. The initial borrowing on the Line of Credit was \$250,000 and is the amount outstanding as of September 30, 2005. The performance of this obligation and the Term Loan are secured by the assets of Optometrics Corporation with a corporate guarantee by the Company and a second lien on the Company's New Jersey assets other than real estate

As part of the credit agreement, the Company is required to comply with certain financial covenants for Optometrics Corporation. At September 30, 2005, the Company is in compliance with its financial covenants related to its credit agreement with Citizens Bank.

Long-Term Debt

Long-term debt at September 30, 2005 and 2004 consisted of the following:

	2005	2004
--	------	------

Note payable to bank in monthly installments of \$10,000 plus interest at the Bank's prime rate plus 0.5% (6.75% and 5.0% at September 30, 2005 and 2004), final payment of \$278,889 due July 1, 2007, secured by first mortgage on Berlin, New Jersey property and substantially all of the		
---	--	--

New Jersey assets of the Company	\$488,889	608,889
Capital lease obligations payable in total monthly installments of \$1,409 including interest at rates ranging from 5.5% to 12.9% due and payable through June 2007 secured by related equipment	14,047	-0-
Note payable to bank in monthly installments of \$5,835 including interest at 6.25%, through March 2010, secured by the assets of Optometrics Corporation with a Corporate guarantee by the Company and a second lien on New Jersey assets other than real estate.	\$274,179	-0-
	-----	-----
	\$777,115	\$608,889
Less current portion	(184,403)	(120,000)
	-----	-----
	\$ 592,712	\$488,889
	=====	=====

As of September 30, 2005, the current portion includes \$10,199 payable under capital lease obligations.

The aggregate maturities of long-term debt, as of September 30, 2005 are as follows:

September 30, 2007	\$430,478
September 30, 2008	61,484
September 30, 2009	65,520
September 30, 2010	35,230

Total	\$592,712

Note 6 - Income Taxes

The Company's income tax expense (benefit) for the years ended September 30, 2005 and 2004 are as follows:

	2005	2004
Current		
Federal	\$34,900	\$ -0-
State	14,600	-0-
Utilization of NOL carryforwards	(36,000)	-0-
	-----	-----
	\$13,500	-0-
	-----	-----

Deferred		
Federal	(22,250)	-0-
State	(2,000)	-0-
	-----	-----
	\$(24,250)	\$ -0-
Income tax benefit	\$(10,750)	\$ -0-
	=====	=====

The reasons for the difference between total tax expense and the amount computed by applying the statutory federal income tax rates to income before income taxes at September 30, 2005 and 2004 are as follows:

	2005	2004
Taxes at statutory rates applied to income (loss) before income taxes	\$54,200	(\$59,800)
Increase (reduction) in tax resulting from:		
Depreciation	(18,400)	(20,000)
Accounts receivable	(8,600)	-0-
Inventories	2,300	(1,600)
Vacation pay	3,900	200
Other	1,700	-0-
State income taxes	14,400	(21,500)
Benefit of net operating loss carryforwards	(36,000)	-0-
Adjustments to valuation allowance	(24,250)	102,700
	-----	-----
	(\$10,750)	\$ -0-
	=====	=====

Deferred income taxes (benefit) reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and the tax effects of net operating losses that are available to offset future taxable income. Significant components of the Company's deferred tax assets (liabilities) at September 30, 2005 and 2004 are as follows:

	2005	2004
	-----	-----
Inventories	\$ 15,300	\$ 19,500
Vacation pay	2,900	6,600
Accounts receivable	2,000	2,000
Depreciation	99,000	124,300
Net operating loss carryforwards	512,300	568,300
Less valuation allowance	(607,250)	(720,700)

----- \$ 24,250 =====	----- \$ 0 =====
-----------------------------	------------------------

Based on the company's history of significant fluctuations in net earnings, the Company established a full valuation allowance as of September 30, 2004 and prior due to the uncertainty as to the realization of certain net operating loss carryforwards. With the asset acquisition of Optometrics LLC in March 2005, the Company now believes that some of these carryforwards will be realized, and has adjusted the valuation allowance accordingly.

At September 30, 2005, the Company has approximately \$1,300,000 of net operating loss carryforwards to offset future taxable income for federal tax purposes expiring in various years through 2021. In addition, the main operating Company has approximately \$760,000 of net operating loss carryforwards to offset certain future state taxable income, expiring in various years through 2013.

Note 7 - Stockholders' Equity

On September 23, 2004, in a privately negotiated transaction, the Company entered into a Subscription Agreement (the "Agreement") with Mr. Craig T. Dunham, an individual, pursuant to which Mr. Dunham agreed to acquire 1,000,000 shares of the Company's common stock at a cash purchase price of \$.15 per share. The aggregate dollar amount of the transaction was \$150,000. In connection with the Agreement, the Company also granted to Mr. Dunham a Stock Purchase Warrant (the "Warrant") pursuant to which he may acquire, at any time prior to January 31, 2008, up to an additional 1,200,000 shares of the Company's common stock at an exercise price per share of either \$.225 or \$.25 dependent upon certain conditions as further described in the Agreement. Effective October 1, 2004, the Company also entered into an Employment Agreement with Mr. Dunham pursuant to which Mr. Dunham became the Company's President and Chief Executive Officer.

Convertible Preferred Stock

On March 8, 2005, the Company completed a private placement of 700,000 shares of Series A 10% Cumulative Convertible preferred stock for cash proceeds of \$700,000. The stock was sold at a price of \$1.00 per share. Total expenses for the

stock placement were \$10,000. Each share of preferred stock carries a 10% per annum cumulative dividend payable quarterly and is convertible to 2.2222 shares of common stock at any time by holders, subject to adjustment for certain subsequent sales of common stock or securities convertible into or exchangeable for common stock, and is callable starting March 9, 2007 by the Company at a redemption price of \$1.00 per share.

Stock Based Compensation

The Company adopted Stock Incentive Plans in 1996 and 1999 which provide for, among other incentives, the granting to officers, directors, employees and consultants options to purchase shares of the Company's common stock. The Company's 1999 Stock Incentive Plan was amended on July 25, 2000, with an effective date of January 1, 1999. Options are generally exercisable at the fair market value on the date of grant over a five year period currently expiring through 2005.

The Plans also allow eligible persons to be issued shares of the Company's common stock either through the purchase of such shares or as a bonus for services rendered to the Company. Shares are generally issued at the fair market value on the date of issuance. The maximum shares of common stock which may be issued under the plans are 2,250,000 shares, of which 1,046,554 shares of common stock are available for future purchases under the plan at September 30, 2005.

A summary of stock option activity for the years ended September 30, 2005 and 2004 is presented below:

	Shares	Exercise Price Per Share

Options outstanding at September 30, 2003	267,000	\$.56 - \$1.50
Granted in 2004	-0-	
Exercised in 2004	-0-	
Cancelled in 2004	(132,000)	\$.56 - \$1.50

Options outstanding at September 30, 2004	135,000	\$1.50
Granted in 2005	436,459	\$.40 - \$0.65
Exercised in 2005	-0-	
Cancelled in 2005	(45,000)	\$1.50

Options outstanding at September 30, 2005	526,459	\$.40 - \$1.50

=====

Options exercisable at September 30, 2005	526,459 \$.40 - 1.50
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=====

During the years ended September 30, 2005, 436,459 stock options were granted at prices ranging from \$0.40 to \$0.65 per share and no options were exercised. During the twelve months ended September 30, 2004, no stock options were granted or exercised. The Company cancelled 45,000 and 132,000 options during the years ended September 30, 2005 and 2004, respectively. Compensation expense relating to non-employee stock options granted during the years ended September 30, 2005 and 2004 were \$1,670 and \$-0-, respectively. During the twelve months ended September 30, 2005, the Company issued 165,987 shares of common stock valued at \$0.14 to \$0.66 per share to the Board of Directors in satisfaction of accrued and 2005 directors' fees totaling \$33,217.

As discussed above, on September 23, 2004, the Company issued warrants to purchase 1,200,000 of the Company's common stock at an exercise price of either \$.225 or \$.25 per share. The warrants will expire January 31, 2008. No warrants were exercised as of September 30, 2005.

The fair value of the stock options granted and warrants issued were estimated on the date of grant using the Black Scholes option-pricing model.

Based on the assumptions presented below, the weighted average fair value of the options granted during the year ended September 30, 2005 was \$.17 per share, and the fair value of the warrants issued during the year ended September 30, 2004 was \$-0- per warrant.

	2005	2004
Expected life in years	5	3.25
Risk-free interest rate	4.80%	4.80%
Expected volatility	16.47%	6.35%
Dividend yield	0.00%	0.00%

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan which permits substantially all employees to purchase common stock at a purchase price of 85% of the fair market value of the shares.

Under the plan, a total of 450,000 shares have been reserved for issuance of which 146,164 shares have been issued as of September 30, 2005.

During any twelve month period, employees may not purchase more than the number of shares for which the total purchase price exceeds \$5,000. During the years ended September 30, 2005 and 2004, 50,777, and 2,323 shares of common stock were issued under the plan for aggregate purchase prices of \$10,570, and \$519, respectively.

Note 8 - Profit Sharing Plan

The Company has two 401(k) Plans for the benefit of its employees. The Company made contributions to the plan during the years ended September 30, 2005 and 2004 of \$20,246 and \$0, respectively.

Note 9 - Related Party Transactions

During the years ended September 30, 2005 and 2004, the Company made sales of \$106,347 and \$83,961, respectively, to a company in which a member of the board of directors is also an officer. As of September 30, 2005 and 2004, amounts due from this customer included in accounts receivable were \$-0- and \$15,310, respectively. During the year ended September 30, 2005, \$65,710 of building lease payments were paid to Optometrics Holdings, LLC in which the Company's Chief Financial Officer has an interest.

Note 10 - Vendor Concentration

The company purchased \$887,898 and \$536,636 of its raw material from one supplier during the years ended September 30, 2005 and 2004. As of September 30, 2005 and 2004, amounts due to that supplier included in accounts payable were \$134,854 and \$101,729.

Note 11 - Supplemental Disclosure of Cash Flow Information:

	2005	2004
Cash paid during the year for:		
Interest	\$51,289	\$41,824
	=====	=====
Income taxes	\$ 5,193	\$ -0-

=====

Non-cash investing and financing activities:

Acquisition of Assets of
Optometrics, LLC on March 8, 2005:

Fair market value of	
current assets acquired	\$918,067
Property, plant and equipment	410,575
Intangible asset -	
acquired customer base	78,414
Fair market value of	
liabilities assumed	(529,110)
Acquisition costs incurred	(109,546)
Issuance of 300,000 shares of	
common stock to sellers	(68,400)

Net cash paid for	
Optometrics, LLC	\$ 700,000

The Company issued 700,000 shares of preferred stock, valued at \$1.00 per share, and received cash of \$700,000. The Company incurred stock issuance costs of \$10,000 for net proceeds of \$690,000, of which \$600,000 was used to fund the Optometrics asset acquisition.

In connection with the asset acquisition, the Company also obtained total debt proceeds of \$550,000, of which \$100,000 funded the balance of the cash payment to the sellers, \$67,976 funded the acquisition costs, \$264,751 paid off the debt assumed of Optometrics, LLC, \$17,273 paid the deferred financing costs, and \$100,000 was used for general working capital purposes.

Note 12 - Subsequent Events

On October 5, 2005, 2,817 shares of stock were issued for Directors compensation for the quarter ending September 30, 2005.

The Company expects to issue 20,358 shares of stock to the Company's President in partial satisfaction of his accrued bonus for the year ended September 30, 2005 of \$12,214. In accordance with his employment agreement, existing stock options at \$0.40 per share will be utilized to purchase these shares.

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

There were no disputes or disagreements of any nature between the Company or its management and its public auditors with respect to any aspect of accounting or financial disclosure.

ITEM 8A CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and the participation of its management, of the effectiveness of its disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the period covered by this report. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that its disclosure controls and procedures were effective. It should be noted that design of any system controls is based in part upon certain assumptions, and there can be no assurance that any design will succeed in achieving its stated goal.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the date the Company completed its evaluation, including any corrective actions with regard to significant deficiencies and material weakness.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

All of our directors were elected to serve for a one-year term at our Annual meeting of the shareholders held on January 18, 2005. All directors will hold office until their successors are elected at the next annual meeting of the shareholders.

Our executive officers and directors, and their ages at November 30, 2005, are as follows:

Name	Age	Position
-----	---	-----

James Saltzman	62	Chairman of the Board
Craig T. Dunham	49	President, CEO, Director
David Manzi	44	Director
Laura Lunardo	53	CFO, COO Optometrics
Fran Ciancarelli	57	Vice President

None of the above persons is related to any other of the above-named persons by blood or marriage.

The Company's Board of Directors does not have an audit committee financial expert. Although it would like to attract a qualified person to serve in that capacity, the Company's small size and limited resources have precluded it from attracting an appropriate individual.

Based upon a review of filings with the Securities and Exchange Commission and written representations that no other reports were required, the Company believes that all of the Company's directors and executive officers complied during fiscal 2005 with the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934 except for the following: The Form 3 filings for Mr. Saltzman dated November 23, 2004, the Form 3 filing for Ms. Lunardo dated May 13, 2005, and the Form 3 filing for Mr. Ciancarelli dated May 23, 2005 were late due to delays getting Edgar access codes from the SEC. The form 4 filings for stock issued for regular quarterly directors compensation for Mr. Saltzman and Mr. Manzi dated July 13, 2005 were several months late due to an administrative oversight by the Company.

Craig T. Dunham, 49, President and CEO, has been with the Company since October 1, 2004 when he replaced John Kane as a Director. Prior to joining the Company, he spent about one year partnering with a private equity group to pursue acquisitions of mid market manufacturing companies. From 2000 to 2003, he was Vice President/ General Manager of the Tubular Division at Kimble Glass Incorporated. From 1979 to 2000, he held progressively increasing leadership responsibilities at Corning Incorporated in manufacturing, engineering, commercial, and general management positions. At Corning, he delivered results in various glass and ceramics businesses including optics and photonics businesses. Mr. Dunham earned a B.S. in mechanical engineering and an M.B.A. from Cornell University.

James Saltzman, Chairman, 62, has been a member of the

Board since February 1998. From January 1997 to June 2000, Mr. Saltzman served as Vice Chairman of the Board and a director of Madison Monroe, Inc., a private company engaged in investments. He served as a director of Xyvision, Inc., a publicly held company that develops, markets, integrates and supports content management and publishing software, since 1992, and was Chairman of the Board of such company from February 1994 to February 1995. On September 19, 2001, in the matter of Securities and Exchange Commission v. James S. Saltzman, Civil Action No. 00-CV-2468 in the United States District Court for the Eastern District of Pennsylvania, Saltzman consented, without admitting or denying the allegations of the Commission's Complaint, to the entry of a Final Judgment and Order in the case, to an order permanently enjoining him from violating Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 and Section 206(2) of the Investment Advisers Act of 1940 (the "Advisers Act"), and requiring him to pay disgorgement plus prejudgment interest in the amount of \$1,920,340, and a civil penalty in the amount of \$50,000. The Order was entered on September 19, 2001, by the Honorable Anita B. Brody.

Also on January 31, 2001, the Commission instituted and simultaneously settled an Administrative Proceeding against Saltzman pursuant to Section 203(f) of the Advisers Act. Without admitting or denying the Commission's findings, Saltzman consented to the entry of an Order suspending him from association with any investment adviser for a period of twelve months. The basis for the Administrative Proceeding against Saltzman and the Commission's findings was the entry of the Final Judgment and Order in the District Court action. The suspension from association with any investment adviser has been lifted as twelve months have now elapsed.

The Commission's Complaint in the District Court action alleged that from at least 1994 through February 4, 2000, Saltzman, as investment adviser to Saltzman Partners, violated the securities laws at issue by failing to disclose material information relating to loans to him by Saltzman Partners in annual financial statements of Saltzman Partners that were sent to the limited partners, namely, that he had taken out approximately \$1.78 million in loans from Saltzman Partners, that by 1999 the loans amounted to approximately 20% of Saltzman Partners' assets, and that the loans violated specific terms of the loan provisions in the governing Partnership Agreement and Private Placement Memorandum. Prior to the entry of the Final Judgment and Order, Saltzman fully repaid with interest the loans he had

taken from Saltzman Partners, thus satisfying the Order of disgorgement by the District Court.

David Manzi, 44, has been a member of the Board since June 2002. Since November 1999, Mr. Manzi has served as President and CEO of Special Optics Inc., a Wharton New Jersey company that specializes in the design and manufacture of diffraction-limited lens systems used in high resolution imaging and laser applications. Mr. Manzi served as General Manager and as Vice President of Special Optics from 1991 through 1999. Prior to Special Optics he served in various capacities from 1988 through 1991, including Product Manager, for Synoptics, a division of Litton Corporation. Mr. Manzi earned his B.S. degree in Physics from the Pennsylvania State University in 1986.

Laura Lunardo, 53, CFO and Chief Operating Officer of Optometrics Corporation, has been with the Company since the March 2005 Optometrics LLC transaction. Previously, she had been a partner in Optometrics LLC with primary responsibilities for Sales & Marketing, Accounting, Finance and Administration and she was the CFO of Optometrics USA, Inc., the predecessor corporation to Optometrics LLC, since 1984. Ms. Lunardo earned her B.S. degree in Business and Accounting from Boston University in 1976.

Francis M. Ciancarelli, 57, Vice President of Sales and Marketing has been with the organization since April, 2005. Prior to this position he was an owner in a family glass business, Precision Electronic Glass (PEG), where he served on the Board of Directors and as Vice President of Sales and Marketing from April 1987 through May 2004. Mr. Ciancarelli worked for AT&T from June 1972 through March 1987 where he held various responsibilities related to electronics in both supervisory and management roles, with his last assignment as Technical Training Development and Delivery Manager for AT&T. Mr. Ciancarelli served in the US Air Force from June 1966 through May 1969 in top secret electronic counter intelligence equipment maintenance assignment. He left with an honorable discharge as a Vietnam Veteran.

Code of Ethics

The Company has adopted a Code of Ethics for Principal Executives and Senior Financial Officers that applies to its Chief Executive Officer and Chief Financial Officer. The Company will provide a copy to any person without charge upon

request in the manner set forth under item 1 on page 3.

ITEM 10. EXECUTIVE COMPENSATION

Summary Compensation Table

		Annual Compensation		Long Term Compensation			Term Incentive Options (\$)	All other compensation (\$)
		Salary (\$)	Other Bonus (\$)	Restricted Stock Awards (\$)	Long-Term Securities Awards (\$)	Payouts		
Craig Dunham President And CEO	2005	110,000	12,214					
John Kane Former President CEO, CFO, Treasurer	2005	28,590						
	2004	110,000						
	2003	110,000						

Employment Agreements

The employment agreement with John Kane, formerly President, CEO, Chief Financial Officer and Treasurer, commenced on December 1, 2000 and ended on November 30, 2004.

The employment agreement with Craig T. Dunham, President and CEO, commenced on October 1, 2004 and will continue for a three-year period, after which the agreement will automatically renew for one-year terms, unless terminated by either party upon ninety days written notice prior to the end of any term, or for cause. Under the employment agreement, Mr. Dunham has agreed to work for us full time, and receives an annual base salary of \$110,000. Mr. Dunham's agreement also provides for a performance bonus based on a percentage of net income and an additional

annual bonus at the discretion of our Board of Directors. The annual performance bonus is paid one third in cash and the other two thirds is paid in stock where Mr. Dunham has the option to utilize his existing warrants or options to set the share price. The agreement also provides for a 401(k) pension plan, health insurance benefits and a company car (or car allowance).

An employment agreement with Frank Denton, President Optometrics, commenced on March 9, 2005 and ended following his death on March 23, 2005.

The employment agreement with Laura Lunardo, CFO and COO Optometrics, commenced on March 9, 2005 and will continue for a two year period, after which the agreement is subject to renewal for one year terms. Under the employment agreement, Ms. Lunardo has agreed to work for us full time, and receives an annual base salary of \$90,000 for the first twelve months and \$95,000 for the second twelve months. Ms. Lunardo's agreement also provides for performance bonuses, and an additional annual bonus at the discretion of our Board of Directors. The agreement also provides for a 401(k) pension plan, health insurance benefits and a company car (or car allowance).

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of the Common Stock of the Company as of September 30, 2005 by each person who was known by the Company to beneficially own more than 5% of the common stock, by each director and executive officer who owns shares of common stock and by all directors and executive officers as a group:

Title of Class	Name and Address of Beneficial Owner	No. of Shares and nature of Beneficial Ownership(1)	Percent of Class
Common	Craig Dunham (1)(4) 385 Cooper Road West Berlin, NJ 08091	2,864,438	50.9%
Common	Saltzman Partners (1)(2) 4 Tower Bridge Suite 100 West Conshohocken, PA 19428	367,009	9.8%

Common	James Saltzman (1)(2)(3) 777 Germantown Pike Plymouth Meeting, PA 19437	312,012	7.9%
Common	David Manzi (1)(5) c/o Special Optics 315 Richard Mine Road Wharton, NJ 07885	124,761	3.3%
Common	Laura Lunardo 8 Nemco Way Ayer, MA 01432	150,000	4.0%
Common	Francis Ciancarelli (1)(6) 385 Cooper Road West Berlin, NJ 08091	185,000	4.7%
All Officers and Directors as a Group (1)			
		3,636,211	60.0%

(1)The numbers and percentages shown include shares of common stock issuable to the identified person pursuant to stock options that may be exercised within 60 days. In calculating the percentage of ownership, such shares are deemed to be outstanding for the purpose of computing the percentage of shares of common stock owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of share of common stock owned by any other stockholders. The number of shares outstanding on September 30, 2005 was 3,756,784.

(2)James Saltzman disclaims beneficial ownership of the 367,009 shares owned by Saltzman Partners.

(3)Includes options to purchase 90,000 shares of the Company's common stock at \$1.50 per share and options to purchase 80,000 shares of the companies common stock at \$0.40 per share.

(4)Includes warrants to purchase 1,200,000 shares of the Company's common stock at an exercise price of \$0.225 per share, options to purchase 80,000 shares at \$0.40 per share, and preferred stock convertible to 584,438 shares.

(5)Includes options to purchase 80,000 shares of the Company's stock at \$0.40 per share.

(6)Includes options to purchase 185,000 shares of the Company's stock at \$0.65 per share.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

NONE.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are filed pursuant to Item 601 of Regulation S-B:

Exhibit

No. Description of Document

- 2.01* Asset purchase agreement, dated as of February 17, 2005 between Dynasil Corporation of America, Optometrics LLC, Frank Denton, and Laura Lunardo filed on Form 8-K/A dated May 24, 2005.
- 2.02* Lease agreement, dated March 8, 2005 between Dynasil Corporation of America, Optometrics Corporation, and Optometrics Holdings LLC filed on Form 8-K/A dated May 24, 2005.
- 3.01* By-laws of Registrant, filed as an exhibit to Registrant's Registration Statement on Form 10-SB, filed October 1, 1999
- 3.02* Restated Certificate of Incorporation of Dynasil Corporation of America dated May 6, 2005, filed as an exhibit to Form 10-QSB dated May 16, 2005.
- 10.01* 1996 Stock Incentive Plan, filed as an exhibit to Registrant's Registration Statement on Form 10-SB, filed October 1, 1999
- 10.02* 1999 Stock Incentive Plan, filed as an exhibit to Registrant's Registration Statement on Form 10-SB, filed October 1, 1999
- 10.03* Employee Stock Purchase Plan, filed as an exhibit to Registrant's Registration Statement on Form 10-SB, filed October 1, 1999
- 10.04* Audit Committee Charter filed as an exhibit on Form 10-KSB dated September 30, 2001.

- 10.05* Loan Agreement and associated documents dated April 15, 2004 with Premier Bank, for a \$708,889 term loan, filed as an exhibit to Registrant's Registration Statement on Form 10-SB, filed May 14, 2004.
- 10.06* Employment Agreement of Craig T. Dunham dated October 1, 2004, filed on form 10-KSB on December 21, 2004.
- 10.07* Employment Agreement of Laura Lunardo effective March 8, 2005, filed on Form 10-QSB dated May 16, 2005.
- 10.08* Loan agreement dated March 8, 2005 with Citizen's Bank for a \$400,000 revolving line of credit, filed on Form 10-QSB dated May 16, 2005.
- 10.09* Loan agreement dated March 8, 2005 with Citizen's Bank for a \$300,000 term loan, filed on Form 10-QSB dated May 16, 2005.
- 21.01* List of Subsidiaries of Registrant, filed as an exhibit to Registrant's Registration Statement on Form 10-SB, filed October 1, 1999.
- 99.1 Press release, dated December 19, 2005, issued by Dynasil Corporation of America announcing its financial results for the fourth quarter ending September 30, 2005.

* Incorporated herein by reference

- (b) Reports on Form 8-K: The following reports on Form 8-K were filed during the last quarter of the period covered by this report:
- None

ITEM 14. Principal Accountant Fees and Services

(a) Audit Fees

The aggregate fees billed or to be billed for professional services rendered by the Company's principal accountant for the audit of the Company's annual financial statements for the fiscal years ended September 30, 2005 and 2004 and the reviews of the financial statements included in the Company's Forms 10-QSB during those fiscal years are \$38,100 and \$33,780, respectively.

(b) Audit Related Fees

The aggregate fees billed or to be billed for professional services rendered by the Company's principal accountant for audit related fees for the fiscal years ended September 30, 2005 and 2004 were \$15,000 and \$-0-, respectively. The fiscal year 2005 fees related to due diligence for the Optometrics acquisition.

(c) Tax Fees

The Company incurred fees of \$ 12,600 and \$ 3,600 during the last two fiscal years for professional services rendered by the Company's principal accountant for tax compliance, tax advice and tax planning. The fiscal year 2005 fees included tax analysis relating to the Optometrics acquisition.

(d) All Other Fees

Company incurred no other fees during the last two fiscal years for products and services by the Company's principal accountant.

(e) Pre-approval Policies and Procedures

The Board of Directors has adopted a pre-approval policy requiring that the Audit Committee pre-approve the audit and non-audit services performed by the independent auditor in order to assure that the provision of such services do not impair the auditor's independence.

SIGNATURES

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

DYNASIL CORPORATION OF AMERICA

BY: /s/ Craig Dunham

Craig Dunham, President, CEO

DATED: December 19, 2005

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 date indicated.

Signature	Title	Date
-----	-----	----
BY: /s/ James Saltzman -----	Chairman of the Board of Directors	December 19, 2005
BY: /s/ David Manzi -----	Director	December 19, 2005
BY: /s/ Craig T. Dunham -----	President and CEO	December 19, 2005
BY: /s/ Laura Lunardo -----	CFO and Principal Accounting Officer	December 19, 2005

EXHIBIT 31.1 (a)

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15D-14(a) and
SECTION 302 OF THE SARBANES-OXLEY ACT

I, Craig T. Dunham, the President and Chief Executive Officer of Dynasil Corporation of America, certify that:

1. I have reviewed this annual report on Form 10-KSB of Dynasil Corporation of America;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this annual report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting

principles;

c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: December 19, 2005 /s/ Craig Dunham

President and Chief Executive Officer

EXHIBIT 31.1 (b)

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15D-14(a) and
SECTION 302 OF THE SARBANES-OXLEY ACT

I, Laura Lunardo, Chief Financial Officer of Dynasil Corporation of America, certify that:

1. I have reviewed this annual report on Form 10-KSB of Dynasil Corporation of America;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this annual report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: December 19, 2005 /s/ Laura Lunardo

Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of DYNASIL CORPORATION OF AMERICA (the "Company") on Form 10KSB for the year ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Craig T. Dunham, President and Chief Executive Officer and Laura Lunardo, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Craig Dunham

Craig Dunham
President, Chief Executive
Officer

/s/ Laura Lunardo

Laura Lunardo
Chief Financial Officer

December 19, 2005

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