U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-KSB

(Mark One)

[x] ANNUAL REPORT UNDER SECTION 13 0R 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended September 30, 2007.

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT for the transition period from ______________ to ______________

Commission file number: 000-27503

DYNASIL CORPORATION OF AMERICA
(Exact name of small business issuer as specified in its charter)

New Jersey (State or Other Jurisdiction of Incorporation or Organization)	22-1734088 (I.R.S. Employer Identification No.)
385 Cooper Road, West Berlin, New Jersey (Address of Principal Executive Offices)	08091 (Zip Code)

(856) 767-4600
(Issuer's Telephone Number)

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 [x]

State issuer's revenues for its most recent fiscal year: $10,794,650.

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 3, 2007 was $5,464,444. The market value is based upon the last sale of the Common Stock on the NASDAQ OTC Bulletin Board of $1.55 per share as of December 3, 2007.

The Company had 6,118,497 shares of common stock, par value $.0005 per share, outstanding as of December 3, 2007.

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. In recent years, we have suspended operations of our glass furnaces and concentrated on 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 (“Optometrics”), a worldwide supplier of optical components and instruments including diffraction gratings, interference filters, laser optics, monochromators and specialized optical systems. This acquisition approximately doubled our revenues and added significant profitability.

On October 2, 2006, we acquired 100% of the stock of Evaporated Metal Films Corporation (“EMF”) in Ithaca, NY. EMF provides optical thin-film coatings for a broad range of application markets including display systems, optical instruments, satellite communications and lighting. This acquisition increased our fiscal year 2007 revenues by approximately 37%.

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

- Optical components - diffraction gratings, interference filters, lenses, prisms, reflectors, mirrors, filters, optical flats, beam splitters, windows
- Lasers - beam splitters, brewster windows, q-switches, medical/industrial lasers, exciter systems, diffraction gratings
- Analytical Instruments - Spectrometers, fire control devices, reticle substrates, and interferometer plates
- Semiconductor/Electronic - Microcircuit substrates, microwave devices, photomasks, sputter plates, microlithography optics
- 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 nine 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 materials, other optical components manufacturers and other optical coaters. 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 32% of our business concentrated in our top 10 customers. Our five largest customers accounted

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for approximately 6.1%, 4.2%, 3.8%, 3.6% and 3.4%, respectively, of our revenues during fiscal year 2007. 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 as well as ITAR and FDA requirements, our operations are not subject to direct governmental regulation. We do not have any pending notices of environmental violations and are aware of no potential violations. There are no buried storage tanks on our properties. Environmental costs for fiscal year 2007 did not exceed $50,000.

Our research and development activities primarily involve 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 80 employees: 9 administrative; 9 sales; 10 engineering, and 52 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 includes optical materials fabrication and administrative offices and is situated on a 3.686-acre site. We also lease a 10,000 square foot building in Ayer, MA from a related party with a lease that expires in March 2013. As part of the EMF acquisition, we acquired a 44,000 square foot facility in Ithaca, New York. We believe the properties are in satisfactory condition and suitable for our purposes. The New Jersey and New York properties are mortgaged as collateral against notes payable to banks.

ITEM 3. LEGAL PROCEEDINGS

NONE

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, 2006 and September 30, 2007 were as follows:

Fiscal Quarter	High Bid Price	Low Bid Price
2006		
First	$0.89	$0.70
Second	0.91	0.55
Third	0.90	0.52
Fourth	0.85	0.55
2007		
First	$1.85	$0.63
Second	1.71	1.20
Third	1.93	1.27
Fourth	1.70	0.92

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
2006		
First	$0.89	$0.70
Second	0.99	0.55
Third	1.01	0.53
Fourth	0.99	0.60
2007		
First	$1.99	$0.65
Second	1.75	1.20
Third	1.95	1.28
Fourth	1.74	0.92

As of September 30, 2007 there were 6,116,523 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 its 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 its 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 $101,590 and $70,000 were paid during the years ended September 30, 2007 and 2006 respectively.

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, 2007, 1,105,614 shares of common stock are available for issuance under the Plans. Options are generally exercisable at the fair market value or higher on the date of grant over a three to five-year period. To date, options have been granted at exercise prices ranging from $.40 to $4.25 per share. On September 30, 2007, 281,459 options were outstanding.

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

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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, 147,400 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 per share dependent upon certain conditions.

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 2007 was another year of significant progress for Dynasil. Compared to fiscal year 2006, revenues increased by 55.6% to $10.8 million, net income increased by 17.8% to $542,000, and the EMF acquisition was completed on the first business day of fiscal year 2007. Management is pleased with the results compared to a starting point of $2.3 million in revenues and a $176,000 loss for fiscal year 2004. Excluding the impact of the EMF acquisition and $11,366 of stock option expense, fiscal year 2007 revenues for our historical businesses were up 15% and net income was up 100%, from $460,000 to $922,000, compared to fiscal year 2006. Strong revenue growth combined with continued process improvements drove those substantial gains. The EMF acquisition significantly increased our optical coating capabilities, it added 37% to fiscal year 2007 revenues, and EMF also became profitable during the fourth quarter. Transitional and process improvement costs resulted in a loss at EMF for its first three quarters with Dynasil which offset the outstanding improvements in our historical businesses. We have significantly improved manufacturing yields and reduced production downtime as we develop the disciplined processes required for EMF to consistently execute with excellent quality, service, and cost performance. The markets for our optical materials, coatings and components businesses currently appear to be sound and our businesses appear to be gaining market share. We remain focused on continuing to effectively execute our internal growth as well as growing through further acquisitions and strategic alliances.

Results of Operations

Revenues for the fiscal year ended September 30, 2007 were $10,794,650. This represents an increase of 55.6% over revenues for the fiscal year ended September 30, 2006 of $6,936,631. The revenue increases were driven by 15% organic growth in both our optical components and materials businesses as well as inclusion of the EMF acquisition. For organic growth, we continue to focus on retaining our existing customers by consistently meeting their requirements while gaining market share and penetrating adjacent markets.

Cost of sales for the fiscal year ended September 30, 2007 was $7,498,691, or 69.4% of sales, versus $4,500,791 or 64.8% of sales for fiscal year ended September 30, 2006. Gross profit increased to $3,295,959, or 30.6% of sales, for

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fiscal year 2007 from $2,435,840 or 35.2% of sales for fiscal year 2006. The higher cost of sales resulted primarily from the addition of EMF's costs. The gross profit for our historical businesses actually improved by 1.6 percentage points. The Company continues to implement cost reductions such as manufacturing yield improvements. Operational improvements at EMF are key to increasing gross profit in the future.

Selling, general and administrative ("SG&A") expenses increased to $2,708,886 or 25% of sales for fiscal year 2007 from $1,911,283 or 27.5% of sales for fiscal year 2006. The changes in SG&A expenses and percentages resulted primarily from the impact of the acquisition of EMF.

Interest Expense-net, increased to $153,523 or 1.42% of sales for fiscal year 2007 from $64,376 or 0.9% of sales for fiscal year 2006. The increase in combined interest expense is primarily related to the additional interest payments resulting from the indebtedness incurred in connection with the EMF acquisition.

For fiscal year 2007, the Company had a net income tax benefit of $108,460. After the utilization of current net operating loss carry-forwards, the Company had a $20,240 net current provision for fiscal year 2007 income taxes, largely related to Optometrics' profits in Massachusetts. This was offset by a $128,700 increase in the 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 some New Jersey state taxes for fiscal year 2007 were offset by utilization of net operating loss carry-forwards. As of September 30, 2007 we have approximately $674,000 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 $586,000 of net operating loss carry-forwards to offset certain future New Jersey and New York state taxable income, expiring in various years through 2013.

The Company had net income of $542,010 for the year ended September 30, 2007 compared to net income of $460,156 for the fiscal year ended September 30, 2006. Our historical optical materials business showed significant profitability improvement and the results included a full year of strong Optometrics profitability. Strong gross margin results drove a 100% net income increase for our historical businesses in fiscal year 2007. Losses at EMF offset these improvements the first three quarters and Management was pleased to deliver profitable results for EMF in the fourth quarter. The income tax benefit of $108,460 was also a significant addition to net income.

Liquidity and Capital Resources

The net cash increase for fiscal year 2007 was $144,809 compared to $43,929 for fiscal year 2006.

Net cash provided by operating activities was $324,043 for fiscal year 2007 versus $403,365 for fiscal year 2006. Net income was $542,010, depreciation/amortization added back $368,771, accounts receivable decreased by $156,185, and prepaid expenses decreased by $37,565. A $625,861 inventory increase was the largest factor impacting net cash from operating activities. The inventory increase was due in large part to the elimination of consignment inventory by our largest supplier as well as the addition of EMF.

Cash flows used in investing activities were ($1,056,612) for fiscal year 2007 compared to ($154,233) for fiscal year 2006. Cash paid for the EMF acquisition and acquisition costs was $674,890 during fiscal year 2007. Capital expenditures to purchase property, plant and equipment of $374,491 for fiscal year 2007 compared to $93,140 for 2006.

Cash flows from (used in) financing activities were $877,378 for fiscal year 2007 and ($205,203) for fiscal year 2006. Cash from financing activities for fiscal year 2007 came largely from the net sale of $700,000 of Preferred stock and $386,686 of proceeds from bank financing which were completed as part of the EMF acquisition. Cash used in financing activities for 2007 was primarily used to reduce bank debt by $272,182 and to pay $101,590 of preferred stock dividends.

Cash from 2007 issuance of common stock was $164,464 which came primarily from the exercise of stock options and warrants.

The Company believes that its current cash and cash equivalent balances, along with the net cash generated by operations and credit lines, are sufficient to meet its anticipated cash needs for working capital for at least the next 12 months. There are currently no plans for any major capital expenditures in the next six to nine months. Any major business expansions or acquisitions likely will require the Company to seek additional debt and/or equity financing.

STRATEGIC PLAN

Mission
The mission of Dynasil Corporation is to be recognized as a premier manufacturer of photonic components, materials, and coatings; to achieve financial results which are consistently superior to those of its peers; and to be regarded by its employees as an outstanding place to work. Dynasil strives to achieve the highest level of customer service and product quality and to maximize shareholder value.

Financial Objectives
- Perform in the top 25% of peer group companies with respect to:
  - 4 year compound annual growth rate in diluted earnings per share
  - Return on equity
- Revenues exceeding $100 million by 2016

Ethics Policy
Dynasil has a policy of requiring adherence to the highest ethical standards in all its dealings with customers, vendors, employees and stockholders. Ethical behavior includes the principals of integrity, fairness, respect, openness, and obeying all laws.

Operations Strategy
The Company is organized into highly competitive, semi-autonomous business units which are focused on customers and meeting key business goals. Each business unit is led by a General Manager with overall responsibility for their unit results as well as managing the interfaces with other business units and the corporate staff. The company seeks to foster a high level of employee involvement, motivation, and profit sharing participation.

A small corporate staff will focus on adding value by centralizing a few selected activities and by developing key competencies within the business units including:
- Provide overall corporate leadership and coordination
- Provide cost effective financial reporting, tax compliance, investor relations, SEC compliance, legal support, and fund raising to support growth.
- Identify , structure, and coordinate acquisition activities to support growth objectives.
- Facilitate cooperation and coordination between business units such as working together to maximize overall effectiveness of sales and marketing.
- Identify transferable skills within the business units and use them to help other business units (such as sharing a Laser Safety Officer). Some of the corporate functions may be performed by skilled people within one of the business units.
- Purchase shared items, such as insurance, where consolidated purchasing delivers savings.
- Coordinate Human Resource policies, high level recruiting, and provide business unit assistance with HR issues.
- Implement key corporate competencies in the business units to support organic growth by teaching and consulting to include:
  - Clear focus by defining a few, key business objectives; prioritizing the projects to best meet those objectives; setting individual goals; consistently communicating updates; and sharing in the profits.
  - Disciplined manufacturing and business processes.
  - Market understanding, strategy process, and identification of a few high growth projects.
  - Continuous revenue growth and operations improvements.

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Acquisitions
The Company will aggressively pursue additional acquisitions to enhance growth. A goal of one acquisition per year will be targeted using two sets of criteria:
- Mature photonics companies with moderate growth prospects and strong cash flow potential.
- Photonics acquisitions or strategic alliances with a high upside for growth potential.

"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, 2006. Except for the adoption of SFAS 123(R), we have not 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 the Notes to Consolidated Financial Statements in our Annual Report on Form 10-KSB for the fiscal year ended September 30, 2007.

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:

Revenue Recognition

Revenue from sales of products is recognized at the time title and the risks and rewards of ownership pass. This is when the products are shipped per customers' instructions, the sales price is fixed and determinable, and collections are reasonably assured.

Valuation of Long-Lived Assets

We assess the recoverability of long-lived assets whenever we determine that events or changes in circumstances indicate that their carrying amount may not be recoverable. Our assessment is primarily based upon our estimate of future cash flows associated with these assets. These valuations contain certain assumptions concerning estimated future revenues and future expenses. We have determined that there is no indication of impairment of any of our assets. However, should our operating results deteriorate, we may determine that a portion of our long-lived assets is impaired. Such a determination could result in non-cash charges to income that could materially and adversely affect the Company's financial position or results of operations for that period.

Estimating Allowances for Doubtful Accounts Receivable

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer's current credit worthiness, as determined by our review of their current credit information. We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. While such credit losses have historically been minimal, within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. A significant change in the liquidity or financial position of any of our significant customers could have a material adverse effect on the collectibility of our accounts receivable and our future operating results.

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Valuation of Deferred Tax Assets

We regularly evaluate our ability to recover the reported amount of our deferred income taxes considering several factors, including our estimate of the likelihood of the Company generating sufficient taxable income in future years during the period over which temporary differences reverse. The Company believes that some of these carryforwards will be realized, and has adjusted the valuation allowance accordingly as outlined in the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 2007.

Stock-Based Compensation

Effective October 1, 2006, we adopted SFAS 123(R), "Accounting for Stock Based Compensation." As a result, compensation costs are now recognized for stock options granted to employees and directors. Options and warrants granted to employees and non-employees are recorded as an expense at the date of grant based on the then estimated fair value of the security in question, determined using the Black Scholes option pricing model.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115” (SFAS 159). SFAS No. 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of provisions of SFAS 159 on our results of operations and financial position.

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.

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ITEM 7. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED 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** (the “Company”) as of September 30, 2007 and 2006, 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, 2007 and 2006 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
December 14, 2007

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DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2007 AND 2006

ASSETS

	2007	2006
Current assets		
Cash and cash equivalents	$ 496,948	$ 352,139
Accounts receivable, net of allowance for doubtful accounts of $98,863 for 2007 and $12,840 for 2006 and sales returns of $30,790 for 2007 and $36,215 for 2006	1,284,844	1,086,394
Inventories	1,832,720	1,131,648
Deferred tax asset	216,100	61,500
Prepaid expenses and other current assets	130,548	128,957
Total current assets	3,961,160	2,760,638
Property, Plant and Equipment, net	2,436,517	626,790
Other Assets, net	88,698	78,812
Total Assets	$6,486,375	$3,466,240

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Note payable to bank	$ 311,870	$ 190,000
Current portion of long-term debt	99,237	72,482
Accounts payable	684,208	390,110
Accrued expenses and other current liabilities	587,872	368,977
Total current liabilities	1,683,187	1,021,569
Long-term Debt, net	1,626,980	593,889
Stockholders' Equity		
Common Stock, $.0005 par value, 25,000,000 shares authorized, 6,926,683 and 4,698,453 shares issued, 6,116,523 and 3,888,293 shares outstanding for 2007 and 2006, respectively	3,464	2,350
Preferred Stock, $.001 par value, 10,000,000 Shares authorized, 710,000 and 700,000 shares issued and outstanding for 2007 and 2006 respectively, 10% Cumulative, Convertible	710	700
Additional paid in capital	2,983,490	2,100,098
Retained earnings	1,174,396	733,976
	4,162,550	2,837,124
Less 810,160 shares of treasury stock, at cost	(986,342)	(986,342)
Total stockholders' equity	3,176,208	1,850,782
Total Liabilities and Stockholders' Equity	$6,486,375	$3,466,240

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

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DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
Net sales	$10,794,650	$6,936,631
Cost of sales	7,498,691	4,500,791
Gross profit	3,295,959	2,435,840
Selling, general and administrative expenses	2,708,886	1,911,283
Income from operations	587,073	524,557
Interest expense, net	(153,523)	(64,376)
Income before income taxes	433,550	460,181
Income tax (expense) benefit	108,460	(25)
Net income	$ 542,010	$ 460,156
Basic net income per common share	$ 0.08	$ 0.10
Diluted net income per common share	$ 0.07	$ 0.07

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

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DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	Common Shares	Common Amount	Preferred Shares	Preferred Amount	Additional Paid-in Capital
Balance, October 1, 2005	4,566,946	$2,283	700,000	700	$2,042,635
Issuance of shares of common stock under employee stock purchase plan	739	1	-0-	-0-	530
Issuance of shares of common stock in lieu of compensation to directors	2,817	1	-0-	-0-	1,999
Issuance of shares of common stock under stock option plan	99,640	51	-0-	-0-	39,805
Stock based compensation	28,311	14	-0-	-0-	15,129
Preferred stock dividends paid	-0-	-0-	-0-	-0-	-0-
Net income	-0-	-0-	-0-	-0-	-0-
Balance, September 30, 2006	4,698,453	$2,350	700,000	$ 700	$2,100,098
Issuance of shares of common stock under employee stock purchase plan	497	-0-	-0-	-0-	529
Issuance of shares of common stock in lieu of compensation to directors	3,289	2	-0-	-0-	4,998
Issuance of shares of common stock under stock option plan	80,000	40	-0-	-0-	31,960
Issuance of shares of common stock under stock warrant plan	586,373	293	-0-	-0-	131,642

Issuance of shares of Series B preferred stock net of issuance costs of $10,000	-0-	-0-	710,000	710	699,290
Issuance of shares of common stock for conversion of Series A preferred stock	1,555,540	778	(700,000)	(700)	(78)
Stock based compensation charged to operations for option based arrangements	-0-	-0-	-0-	-0-	11,366
Stock based compensation	2,531	1	-0-	-0-	4,175
Preferred stock dividends paid	-0-	-0-	-0-	-0-	-0-
Net income	-0-	-0-	-0-	-0-	-0-
Balance, September 30, 2007	6,926,683	$3,464	710,000	$ 710	$2,983,980

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DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006 (continued)

	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total Stockholders' Equity
Balance, October 1, 2005	$343,820	810,160	$(986,342)	$1,403,096
Issuance of shares of common stock under employee stock purchase plan	-0-	-0-	-0-	531
Issuance of shares of common stock in lieu of compensation to directors	-0-	-0-	-0-	2,000
Issuance of shares of common stock under stock option plans	-0-	-0-	-0-	39,856
Stock based compensation	-0-	-0-	-0-	15,143
Preferred stock dividends paid	(70,000)	-0-	-0-	(70,000)
Net income	460,156	-0-	-0-	460,156
Balance, September 30, 2006	733,976	810,160	$(986,342)	$1,850,782
Issuance of shares of common stock under employee stock purchase plan	-0-	-0-	-0-	529
Issuance of shares of common stock in lieu of compensation to Directors	-0-	-0-	-0-	5,000
Issuance of shares of common stock under stock option plan	-0-	-0-	-0-	32,000

Issuance of shares of common stock under stock warrant plan	-0-	-0-	-0-	131,935
Issuance of shares of Series B preferred stock net of issuance costs of $10,000	-0-	-0-	-0-	700,000
Issuance of shares of common stock for conversion of Series A preferred stock	-0-	-0-	-0-	-0-
Stock based compensation charged to operations for option based arrangements	-0-	-0-	-0-	11,366
Stock based compensation	-0-	-0-	-0-	4,176
Preferred stock dividends paid	(101,590)	-0-	-0-	(101,590)
Net income	542,010	-0-	-0-	542,010
Balance, September 30, 2007	1,174,396	810,160	$(986,342)	$3,176,208

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

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DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
Cash flows from operating activities:		
Net income	$ 542,010	$460,156
Adjustments to reconcile net income to net cash provided by operating activities		
Stock compensation expense	20,542	15,143
Provision for doubtful accounts and sales returns	(72,060)	30,044
Depreciation and amortization	368,771	222,185
Deferred taxes	(128,700)	(37,250)
(Gain) Loss on Disposal of assets	(17)	2,098
(Increase) decrease in:		
Accounts receivable	156,185	(239,063)
Inventories	(625,861)	(289,499)
Prepaid expenses and other current assets	37,565	35,034
Increase (decrease) in:		
Accounts payable and accrued expense	25,608	204,517
Net cash provided by operating activities	324,043	403,365
Cash flows from investing activities:		
Purchases of property, plant and equipment	(374,491)	(93,140)
Proceeds from sale of fixed assets	1,825	2,000
Cash paid for acquisition of EMF	(580,000)	-0-
Cash paid for acquisition costs	(94,890)	(63,693)
Other assets	(9,056)	600
Net cash used in investing activities	(1,056,612)	(154,233)
Cash flows from financing activities:		
Issuance of common stock	164,464	42,387
Issuance of preferred stock	700,000	-0-
Proceeds from short-term debt	211,870	-0-
Proceeds from long-term debt	174,816	-0-

Repayment of long-term debt	(97,021)	(110,744)
Repayment of note payable to bank	(175,161)	(60,000)
Deferred financing costs incurred	-0-	(6,846)
Preferred stock dividends paid	(101,590)	(70,000)
Net cash provided by (used in) financing activities	877,378	(205,203)
Net increase in cash and cash equivalents	144,809	43,929
Cash and cash equivalents, beginning	352,139	308,210
Cash and cash equivalents, ending	$ 496,948	$ 352,139

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

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DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006

Note 1 – Summary of Significant Accounting 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, Hibshman Corporation, and Evaporated Metal Films Corp ("EMF"). All significant intercompany transactions have been eliminated.

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.

Business Acquisition

On October 2, 2006, the Company completed its acquisition of all of the outstanding capital stock of EMF in a transaction accounted for as a purchase. Total cost of the acquisition was $1,194,890 of which $1.1 million was paid to the seller, and $94,890 represented acquisition costs incurred. From the proceeds of the issuance of 710,000 shares of Preferred Stock, Dynasil paid $580,000 in cash to the seller, incurred stock issuance costs of $10,000 and incurred acquisition related costs of approximately $94,890. Also on October 2, 2006, in a concurrent bank transaction, EMF borrowed $1,050,000 of which $338,161 was used to retire assumed EMF debt, $520,000 was paid directly to the seller at settlement, $17,023 was used to pay transaction costs and the remaining funds of $174,816 were used for working capital purposes. The total purchase price of approximately $1,194,890 has been allocated to the tangible and identifiable intangible assets acquired and liabilities assumed on the basis of their estimated fair values. The results of operations of EMF have been included in the consolidated financial statements from October 2, 2006, the effective date of acquisition. The allocation of purchase price is summarized below:

Purchase price:

Total consideration to seller		$1,100,000
Acquisition costs incurred	$ 94,890	
		$1,194,890

Purchase price allocation:

Cash and cash equivalents	$ 45,457
Accounts receivable	282,575
Inventories	75,211
Prepaid expenses and other current assets	65,057

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Note 1 - Summary of Significant Accounting Policies

Property and equipment	1,789,621
Current Liabilities assumed	(443,158)
Other liabilities assumed	(74,227)
Debt assumed	(545,646)
Net fair value of assets acquired	$1,194,890

The following is the proforma financial information of the Company for the year ended September 30, 2006, assuming the transaction had been consummated at the beginning of the year ended September 30, 2006:

	For the year ended September 30, 2006 (Unaudited)
Statement of Operations:	
Revenues	$9,781,588
Cost of Sales	6,724,079
Gross Profit	$3,057,509
Operating Expenses	2,592,510
Income from Operations	464,999
Interest and other expense	(147,352)
Income before taxes	317,647
Income tax benefit	30,712
Net Income	$ 348,359
Earnings per share:	
Basic	$ 0.09
Diluted	$ 0.06

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 and EMF, however, provide 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.

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Note 1 - Summary of Significant Accounting Policies

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, 2007 and 2006.

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, 2007. Other assets also include deferred financing costs which are amortized using the straight-line method over 5, 7 and 20 years.

Advertising

The Company expenses all advertising as incurred. Advertising expense for the years ended September 30, 2007 and 2006 was $118,713 and $94,960.

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 carryforwards. 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

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Note 1 – Summary of Significant Accounting Policies

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 Per Common Share

Basic net income per common share is computed by dividing the net income 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 per common share adjusts basic net income 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 per common share exclude the impact of potential shares since they would have resulted in an anti-dilutive effect.

Common stock options of 281,459 and 261,459,common stock warrants of 613,627 and 1,200,000 and convertible preferred stock shares of 710,000 and 700,000 as of September 30, 2007 and 2006 represent common stock equivalents included in the calculation of the diluted net income per common share. The computation of basic and diluted net income per common share is as follows:

	2007	2006
Net income	$ 542,010	$460,156
Less: Preferred stock dividends	$(101,590)	(70,000)
Income allocable to common shareholders	$440,420	$ 390,156
Weighted average shares outstanding		
Basic	5,357,285	3,829,198
Effect of dilutive securities		
Stock Options	67,292	43,297
Stock Warrants	531,199	862,500
Convertible Preferred Stock	520,352	680,555
Dilutive	6,479,128	5,415,550

Stock Based Compensation

Prior to October 1, 2006, the Company accounted for stock options issued under the Plan under the recognition and measurements provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, as permitted by FASB Statement No. 123, *Accounting FOR stock Based Compensation* ("SFAS No. 123").

Effective October 1, 2006, the Company adopted the fair value recognition provisions of FASB Statement No. 123 (revised 2004), "*Share-Based Payment*", ("SFAS 123(R)") which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors, including employee stock options, based on estimated fair values. We had previously applied

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Note 1 – Summary of Significant Accounting Policies

Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related Interpretations and provided the required pro forma disclosures of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS 123") which was superceded by SFAS 123(R). The Company has also applied the provisions of Staff Accounting Bulletin No. 107 ("SAB 107") in the adoption of SFAS 123(R).

We elected to adopt the modified prospective application transition method as provided by SFAS 123(R). In accordance with the modified prospective transition method, consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R). Under that transition method, compensation cost recognized in the year ended September 30, 2007 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of September 30, 2007, based on the grant-date fair value estimated in accordance with the original provisions of Statement 123, and (b) compensation cost for all share-based payments granted subsequent to October 1, 2005, based on the grant-dated fair value estimated in accordance with the provisions of Statement 123(R).

The fair value of stock options granted was estimated at the date of grant using the Black-Scholes options pricing model. The proforma disclosures of net income and net income per share for the year ended September 30, 2006, as permitted by SFA8 123(R) are presented below:

	2006
Net income, as reported	$460,156
Add: Stock-based employee compensation expense included in reported net income	-0-
Less: Total stock-based employee compensation expense determined under fair value based method for all options	(4,636)
Pro forma net income	$ 455,520
Net income per common share, as reported	
Basic	$ 0.10
Diluted	$ 0.07
Pro forma net income per common share	
Basic	$ 0.10
Diluted	$ 0.07

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.

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DYNASIL CORPORATION OF AMERICA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006

Note 1 – Summary of Significant Accounting Policies

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, 2007 and 2006, approximately $261,032 and $300,581 or 20% and 28% 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, Massachusetts and New York. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $100,000. At September 30, 2007, the Company's uninsured bank balances totaled $310,925. The Company has not experienced any significant losses on its cash and cash equivalents

Recent Accounting Pronouncements

The following is a summary of recent authoritative pronouncements that affect accounting, reporting, and disclosure of financial information by the Company:

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" (SFAS 159). SFAS No. 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact of the provisions of SFAS 159 on the Company's results of operations and financial position.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

Statement of Cash Flows

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

Note 2 – Inventories

Inventories at September 30, 2007 and 2006 consisted of the following

	2007	2006
Raw Materials	$1,145,249	$600,451
Work-in-Process	336,203	259,425
Finished Goods	351,268	271,772

1,832,720	$1,131,648

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Note 3 – Property, Plant and Equipment

Property, plant and equipment at September 30, 2007 and 2006 consist of the following:

	2007	2006
Land	$ 40,450	$ 261
Building and improvements	1,674,702	1,053,763
Machinery and equipment	4,300,534	2,886,666
Office furniture and fixtures	237,932	209,479
Transportation equipment	53,419	53,419
	6,307,037	4,203,588
Less accumulated depreciation	3,870,520	3,576,798
	$2,436,517	$ 626,790

Included in the cost of machinery and equipment at September 30, 2007 and 2006 is $47,984 representing the cost of assets under capitalized lease obligations. Accumulated depreciation at September 30, 2007 and 2006 for the capitalized leases was $22,338 and $13,691.

Depreciation expense for the years ended September 30, 2007 and 2006 was $352,578 and $207,016 of which $8,647 and $9,846 represents depreciation of assets under capitalized lease obligations.

Note 4 – Other Assets

Other assets at September 30, 2007 and 2006 consist of the following:

	2007	2006
Deferred financing costs	$ 58,034	$ 41,010
Loan origination fees	6,846	6,846
Intangible asset – acquired customer base	78,414	78,414
Other assets	9,055	-0-
	152,349	126,270
Less accumulated amortization	63,651	47,458
	$ 88,698	$ 78,812

Amortization expense for the years ended September 30, 2007 and 2006 was $16,193 and $15,169.

Note 5 – Debt

On January 5, 2006, Dynasil Corporation of America entered into loan agreements permitting borrowings up to a total of $649,345 with Susquehanna Bank (“Susquehanna Bank”). The terms of the Loan Agreements provide the Company with a $449,345 term loan (the "Term Loan") and a $200,000 revolving credit facility (the "Line of Credit"). The proceeds were used to refinance the term note for the New Jersey real estate and for general working capital purposes.

On March 8, 2005, Optometrics Corporation (“Optometrics”) 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 "Citizens Term Loan") and a $400,000 revolving credit facility (the "Citizens 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.

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Note 5 – Debt (continued)

Dynasil Corporation of America has guaranteed the debt of Optometrics to Citizens Bank and those loans are guaranteed and partially collateralized by a second lien position on the Company's operating assets in New Jersey. Citizens Bank has agreed subordinated its second lien position to permit the Susquehanna Bank loan facilities. Susquehanna Bank also has modified the standard terms and conditions of its business loan agreement form to take account of and not conflict with the terms and provisions of Citizen Bank's loans to Optometrics.

On October 2, 2006, in conjunction with the EMF acquisition, EMF entered into Mortgage Note and Line of Credit Note Agreements with Tompkins Trust Company ("TTC") which were guaranteed by Dynasil. The guaranteed loans include (a) a $1,050,000 principal amount commercial mortgage (the "EMF Mortgage") and (b) a $215,000 principal amount line of credit facility (the "EMF Line of Credit"). Proceeds of the EMF Mortgage were used to repay certain EMF debts, to pay for part of the acquisition of EMF and for working capital purposes. Proceeds of the EMF Line of Credit were used for general corporate purposes. The applicable borrowing documents were entered into at arms-length between EMF and Dynasil, on the one hand, and TTC, on the other hand, on commercial lending terms and conditions, including acceleration rights, events of default, TTC'S rights and remedies and silimar provisions that Dynasil believes are customary for commercial loans of this sort. In connection with the loan transactions, EMF and Dynasil executed and delivered to TTC customary forms of notes mortgage, security agreement, assignments of leases and rents, and similar documents. The EMF Mortgage requires repayment over a 20 year period at a fixed annual interest rate of 7.80% for the first 5 years, resetting to a fixed annual interest rate of 2.80 percentage points over the Federal Home Loan Bank of New York Advance Rate for five-year maturities at five year intervals. The EMF Mortgage is secured by a first mortgage on EMF's real estate, equipment, and fixtures, as well as Dynasil's guarantee. The EMF Line of Credit has a term running until December 22, 2010 and carries an annual interest rate of one-half percent over the Wall Street Journal's Prime Rate of interest, which is adjusted monthly. It is secured by EMF's real estate, equipment and fixtures, as well as Dynasil's guarantee.

<u>Notes Payable to Bank</u>

Dynasil has a note payable to Susquehanna Bank that represents borrowings under the Line of Credit, which bears interest at a variable rate equal to Susquehanna Bank's prime rate plus 0.5% (8.25% and 8.75% at September 30, 2007 and 2006). The amount available under this agreement is $200,000. As of September 30, 2007 and 2006, there were no outstanding balances. This note is secured by a second mortgage on the Company's New Jersey real estate and a third lien on the Company's operating assets in New Jersey. As part of the credit agreement, the Company is required to comply with certain financial covenants. At September 30, 2007, the Company is in compliance with its financial covenants related to its credit agreement with Susquehanna Bank. (See Note 12)

Optometrics has a note payable to Citizens Bank that represents borrowings under the Line of Credit, which bears interest at a variable rate equal to Citizens Bank's prime rate plus 0.5% (8.25% and 8.75% at September 30, 2007 and 2006). The amount available under this agreement is $400,000. The outstanding balances at September 30, 2007 and 2006 were $100,000 and $190,000, respectively. The performance of this obligation and the Citizens Term Loan are secured by the assets of Optometrics 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. At September 30, 2007 and 2006, the Company is in compliance with its financial covenants related to its credit agreement with Citizens Bank.

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Note 5 – Debt (continued)

EMF has a note payable to Tompkins Trust Company ("TTC") that represents borrowings under the EMF Line of Credit which has a term running until December 22, 2010 and carries an annual interest rate of one-half percent over the Wall Street Journal's Prime Rate of interest, which is adjusted monthly (8.25% as of September 30, 2007). The amount available under this agreement is $215,000. The outstanding balance at September 30, 2007 was $211,870. It is secured by EMF's real estate, equipment and fixtures, as well as Dynasil's guarantee.

Long-term Debt

Long-term debt at September 30, 2007 and 2006 consisted of the following:

	2007	2006
Note payable to bank in monthly installments of $3,580 including interest at the rate of 7.25% through February 2011 (after February 2011, the interest rate will adjust to the United States Treasury Average Weekly Yield rate plus 3.0%), final payment of $305,181 due January 5, 2016, secured by first mortgage on Berlin, New Jersey property and substantially all of the New Jersey assets of the Company	$ 431,761	$ 442,529
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	-0-	3,848
Note payable to bank in monthly installments of $8,727 including interest of 7.8% through October 2011 (after October 2011, the interest rate will adjust every five years to the Federal Home Loan Bank of NY Advance Rate plus 2.8%), maturing on October 1, 2026, secured by a mortgage on the Ithaca, New York real estate	1,029,306	-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	162,233	219,974
Note payable to Ithaca Urban Renewal Agency for Lease of land in Ithaca, New York for 99 years with the option to purchase said land for $26,640 after May 2008	20,457	-0-
Note payable to former owner of EMF/current officer in connection with EMF acquisition, bears interest at 7.8% with no scheduled date of repayment, unsecured	82,460*	-0-
	$1,726,217	666,371
Less current portion	99,237	72,482
	$1,626,980	593,889

* Interest expense of $4,157 was accrued and included in the outstanding balance as September 30, 2007.

The aggregate maturities of long-term debt, as of September 30, 2007 are as follows:

September 30, 2009	123,836
September 30, 2010	77,086
September 30, 2011	45,195
September 30, 2012	48,800
September 30, 2013	52,693
Thereafter	1,279,370
Total	$1,626,980

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Note 6 - Income Taxes

The Company's income tax expense (benefit) for the years ended September 30, 2007 and 2006 are as follows:

	2007	2006
Current		
Federal	$ 98,700	$150,400
State	57,140	47,375
Utilization of NOL carryforwards	(135,600)	(160,500)
	$ 20,240	$ 37,275
Deferred		
Federal	(91,500)	(37,250)
State	(37,200)	-0-
	$(128,700)	$(37,250)
Income tax expense (benefit)	$(108,460)	$ 25

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, 2007 and 2006 are as follows:

	2007	2006
Taxes at statutory rates applied to income before income taxes	156,800	$156,700
Increase (reduction) in tax resulting from:		
Depreciation	(35,600)	(19,600)
Accounts receivable	29,300	1,800
Inventories	(21,700)	10,700
Vacation pay	(300)	2,400
Unfunded pension liability	(6,200)	-0-
Deferred compensation	(19,200)	-0-
Other	(4,400)	(1,600)
State income taxes	57,140	47,375
Benefit of net operating loss carryforwards	(135,600)	(160,500)
Adjustments to valuation allowance	(128,700)	(37,250)
	$ (108,460)	$ 25

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, 2007 and 2006 are as follows:

	2007	2006
Inventories	$ 122,700	$ 22,700
Vacation pay	10,900	2,800
Unfunded pension liability	23,100	-0-
Deferred compensation	7,100	-0-
Accounts receivable	53,900	2,000
Depreciation	74,500	145,100
Net operating loss carryforwards	276,600	357,600
Less valuation allowance	(352,700)	(468,700)
	$216,100	$ 61,500

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Note 6 - Income Taxes (continued)

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 and operational improvements, the Company now believes that some of these carryforwards will be realized, and has adjusted the valuation allowance accordingly.

At September 30, 2007, the Company has approximately $674,280 of net operating loss carryforwards to offset future taxable income for federal tax purposes expiring in various years through 2021. In addition, the Company has approximately $585,766 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 $.225 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. During the year ended September 30, 2007, Mr. Dunham exercised 586,373 warrants at $.225 per share for $131,935. At September 30, 2007, 613,627 warrants were outstanding. No warrants were exercised during fiscal year 2006. (See Note 12)

<u>Convertible Preferred Stock</u>

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 carried a 10% per annum cumulative dividend payable quarterly and was convertible to 2.2222 shares of common stock at any time by holders, and was callable starting March 9, 2007 by the Company at a redemption price of $1.00 per share. On March 9, 2007, the Company issued an aggregate of 1,555,540 shares of its Common Stock, $.0005 par value per share, as a result of the exercise of the conversion rights by holders of 700,000 shares of Dynasil's Series A 10% Cumulative Convertible Preferred Stock (the "Series A Preferred Shares"). Dynasil had previously called all of the Series A Preferred Shares for redemption on March 9, 2007. All of the shares of the Series A Preferred Shares that were called for redemption were converted to shares of common stock.

On October 2, 2006 the Company sold 710,000 shares of a Series B 10% Cumulative Convertible Preferred Stock in a private placement. The stock was sold at a price of $1.00 per share. Total expenses for the stock placement were $10,000. No underwriting discounts or commissions were paid in connection with the sale. Each share of preferred stock carries a 10% per annum dividend and is convertible to 1.33 shares of common stock at any time by the holders and is callable after two years by Dynasil at a redemption price of $1.00 per share. Proceeds of the preferred stock sale were primarily used to acquire the capital stock of EMF and for related acquisition costs.

<u>Stock Based Compensation</u>

The Company adopted Stock Incentive Plans in 1996 and 1999 which provide for,

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Note 7 – Stockholders Equity (continued)

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 or higher on the date of grant over a five year period currently expiring through 2012.

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 1,105,614 shares of common stock are available for future purchases under the Plan at September 30, 2007.

A summary of stock option activity for the years ended September 30, 2007 and 2006 is presented below:

	Shares	Exercise Price Per Share
Options outstanding at October 1, 2005	526,459	\$.40 - \$1.50
Granted in 2006	130,000	\$.85 - \$1.50
Exercised in 2006	(120,000)	\$.40
Cancelled in 2006	(275,000)	\$.65 - \$1.50
Options outstanding at September 30, 2006	261,459	\$.40- \$1.50
Granted in 2007	100,000	\$1.66 -\$2.00
Exercised in 2007	(80,000)	\$.40
Cancelled in 2007	-0-	
Options outstanding at September 30, 2007	281,459	\$.40- \$2.00
Options exercisable at September 30, 2007	281,459	\$.40- \$2.00

During the year ended September 30, 2007, 100,000 stock options were granted at prices ranging from \$1.66 to \$2.00 per share and 80,000 options were exercised. 20,000 of the granted stock options cannot be exercised until January 2, 2008 and therefore the stock-based compensation expense will be recognized at that time if they become exercisable. The 80,000 options exercised had an exercise price of \$0.40 per share with \$32,000 paid in cash. No options were cancelled during the year ended September 30, 2007.

For the year ended September 30, 2007, total stock-based compensation charged to operations for option-based arrangements amounted to \$11,366. At September 30, 2007, there was approximately \$9,620 of total unrecognized compensation expense related to non-exercisable option-based compensation arrangements under the Plan.

During the year ended September 30, 2006, 130,000 stock options were granted at prices ranging from \$0.85 to \$1.50 per share and 120,000 options were exercised at the price of \$.40 per share totaling \$48,000 of which 20,358 shares totaling \$8,143 were issued to the President in partial satisfaction of his accrued bonus at September 30, 2006.

During the year ended September 30, 2007, the Company issued 3,289 shares of common stock valued at an average of \$1.52 per share to a director in lieu of director’s fees totaling \$5,000. The Company also issued 2,531 shares of common stock valued at \$1.65 per share totaling \$4,176 to an employee as compensation.

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Note 7 - Stockholders Equity (continued)

During the year ended September 30, 2006, the Company issued 2,817 shares of common stock valued at \$0.71 per share to a director in lieu of director’s fees totaling \$2,000 and 7,954 shares of common stock valued at \$0.88 per share totaling \$7,000 to an employee as compensation.

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 values of the options granted during the years ended September 30, 2007 and 2006 is \$.14 and \$.08 per share, respectively.

	2007	2006
Expected life in years	3	5
Risk-free interest rate	4.82%	4.60%
Expected volatility	20.42%	16.00%
Dividend yield	0.00%	0.00%

The expected volatility was determined with reference to the historical volatility of the Company's stock. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury rate in effect at the time of grant.

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 147,400 shares have been issued as of September 30, 2007.

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, 2007 and 2006, 497 shares, and 739 shares of common stock were issued under the Plan for aggregate purchase prices of $529, and $531, respectively.

Note 8 – Retirement Plans

401(k) Plans

The Company has three 401(k) Plans for the benefit of its employees. The Company made contributions to the plans during the years ended September 30, 2007 and 2006 of $49,330 and $36,183, respectively.

Defined Benefit Pension Plan

EMF has a defined benefit pension plan covering hourly employees. The plan provides defined benefits based on years of service and final average salary. As of September 30, 2006, the plan was frozen. The following relates to the Company's defined pension plan as of September 30, 2007:

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Note 8 – Retirement Plans (continued)

	2007
Pension benefit obligation as of September 30	$ 349,493*
Fair value of plan assets as of September 30	(291,644)
Excess of benefit obligation over plan assets	$ 57,849
Amounts recognized on the balance sheet as:	
Accrued benefit costs (in accrued expenses)	$ 57,849

* The current liability was used since the plan is frozen.

Discount rate on the benefit obligation	5.79%
Rate of expected return on the plan assets	5.50%
Pension expense	$ 8,806

Company contributions	$26,946

Note 9 – Related Party Transactions

During the years ended September 30, 2007 and 2006, the Company made sales of $9,968 and $21,572, respectively, to a company in which a former member of the board of directors is also an officer. As of September 30, 2007 and 2006, amounts due from this customer included in accounts receivable were $1,199 and $1,612, respectively. During the years ended September 30, 2007 and 2006, building lease payments of $114,000, were paid to Optometrics Holdings, LLC in which the Company's Chief Financial Officer has an interest.

Note 10 – Vendor Concentration

The Company purchased $1,557,846 and $1,228,021 of its raw materials from one supplier during the years ended September 30, 2007 and 2006. As of September 30, 2007 and 2006, amounts due to that supplier included in accounts payable were $379,940 and $192,071.

Note 11 – Supplemental Disclosure of Cash Flow Information:

	2007	2006
Cash paid during the year for:		
Interest	$150,253	70,592
	========	=======
Income taxes	$72,951	$23,667
	========	=======

Non-cash investing and financing activities:

In January 2006, the Company refinanced its mortgage note payable in the amount of $449,346 with another bank.

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Note 11 – Supplemental Disclosure of Cash Flow Information: (continued)

Acquisition of Assets of EMF Corporation on October 2, 2006:

Fair market value of current assets acquired	$ 468,300
Property, plant and equipment	1,789,621
Fair market value of liabilities assumed	(1,063,031)
Total cost of acquisition	1,194,890
Debt incurred to pay seller	(520,000)
Net cash paid for EMF Corporation	$ 674,890

To partially fund the acquisition of EMF Corporation, the Company issued 710,000 shares of Series B preferred stock, valued at $1.00 per share, incurred stock issuance costs of $10,000 and received net proceeds of $700,000.

On October 2, 2006, concurrently with the acquisition of EMF Corporation, EMF borrowed $1,050,000. The proceeds were used as follows: (1) repayment of assumed liabilities of $338,161 at closing, (2) payment of the balance due seller of $520,000 directly by the bank at closing, (3) payment of transaction costs of $17,023 at closing, and (4) remaining balance of $174,816 was used for working capital purposes.

Note 12 – Subsequent Events

On December 13, 2007, Dynasil's available line of credit with Susquehanna Patriot Bank was increased to $475,000. The interest charged on advances was reduced to the prime rate. All other terms, remained unchanged. (See Note 5)

On December 14, 2007, Mr. Dunham communicated his intention to exercise his remaining warrants prior to their expiration on January 31, 2008. (See Note 7)

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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

As required by Rule 13a-15(e) under the Exchange Act, our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures as of the end of the period covered by the report and have determined that such disclosure controls and procedures are effective.

There has been no change in our internal control over financial reporting in connection with this evaluation that occurred during our last fiscal quarter that materially affected, or it is reasonably likely to materially affect, our internal control over financial reporting.

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 February 1, 2007. 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, 2007, are as follows:

Name	Age	Position
James Saltzman	64	Chairman of the Board
Craig T. Dunham	51	President, CEO, Director
Cecil Ursprung	63	Director
Laura Lunardo	55	CFO, COO Optometrics
Bruce Leonetti	53	Vice President
Megan Shay	42	Vice President
Paul Schulz	47	President EMF

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 2007 with the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934.

Craig T. Dunham, 51, 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.

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James Saltzman, Chairman, 64, has been a member of the Board since February 1998. Mr. Saltzman has been involved in the investment community since October 1969. He has invested in both public and private corporations. He was on the Board of Directors of IMCS Partmaker which was recently sold to Delcam, a public corporation specializing in software for the machine tool industry. 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.

Cecil Ursprung, 63, has been a member of the Board since February 1, 2007. Mr. Ursprung is the former Chairman and CEO of Reflexite Corporation in Avon, Connecticut, a manufacturer of reflective products to enhance safety and optical films used to manage light in LCD displays. He has been with Reflexite since 1983 and led the revenue growth of that company from $2.5 million to approximately $100 million. His past experience includes marketing and management positions with Marketing Displays, Inc., Container Corporation of America and Anheuser Busch. He is currently on the Board of Directors of Lewis Tree Service in Rochester, New York. He is a frequent speaker on topics such as business strategy development, employee motivation, business ethics, executive compensation, employee ownership and the effective use of outside boards. His education includes a degree in Economics and Finance from Baylor University, an MBA from Washington University in St. Louis and post-graduate work at the University of Michigan.

Laura Lunardo, 55, CFO and Chief Operating Officer of Optometrics Corporation, has been with the Company since the March 2005 Optometrics acquisition. 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.

Bruce Leonetti, 53, Vice President of Sales and Marketing has been with the Company since January 23, 2006. He was previously with the Company for 14 years prior to 1993, and again from 1999 to 2002. In the interim periods, he worked as a development officer with the University of Pennsylvania and was owner/operator of a restaurant on the New Jersey shore. He graduated from the University of Pennsylvania.

Megan Shay, 42, Corporate Vice President joined the Company as of the October 2, 2006 acquisition of EMF. She joined EMF in 1995 to lead a business turn-around and has been owner and CEO since 1998. She was Administrator for the Andy Warhol museum in Pittsburgh from 1991-1995. She has a BA in Ceramics from Wells College and an MFA in Sculpture from Carnegie Mellon University.

Paul Schulz, 47, President of EMF, joined the Company on November 19, 2007 succeeding Marcela Backer in that role. He had previous General Management experience at Midland Materials and Electro-Tech Machining. He delivered results for a total of 15 years at Morgan AM&T in Pennsylvania as Global Vice President of Operations, Vice President/ General Manager of Pure Carbon Company, Plant Manager, and Engineering Manager. Mr. Schulz has a B.S. in Chemical Engineering from Bucknell University.

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.

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ITEM 10. EXECUTIVE COMPENSATION

Summary Compensation Table

Name and Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	All Other Compensation($)	Total ($)
Craig Dunham	2007	110,000	86,711				196,711
President	2006	110,000	82,881				192,881
And CEO							
Laura Lunardo	2007	97,693	31,266			14,393	143,352
CFO, COO-	2006	92,689	16,514			14,209	123,412
Optometrics							
Megan Shay	2007	95,400				25,000	120,400

Executive Compensation

The employment agreement with Craig T. Dunham, President and CEO, commenced on October 1, 2004 for a three-year period, after which the agreement automatically renews 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 agreed to work for us full time, and received an annual base salary of $110,000. Mr. Dunham's agreement also provides for a performance bonus of 20% of the Company net income above $100,000 and an additional bonuses or stock options 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 standard Dynasil N.J. benefits and a company car (or car allowance). Effective October 1, 2007, the Board of Directors increased Mr. Dunham’s base salary to $150,000, eliminated the company car benefit, and reduced Mr. Dunham's bonus percentage for fiscal 2008 to 47% of a "Core Bonus" pool comprised of 15% of Dynasil's net profits before taxes after subtracting an amount equal to an 8% annual return on Dynasil's shareholders' equity.

The employment agreement with Laura Lunardo, CFO and COO Optometrics, commenced on March 9, 2007 and continues for a one year period, after which the agreement is subject to renewal. Under the employment agreement, Ms. Lunardo has agreed to work for us full time, and receives an annual base salary of $100,000. Ms. Lunardo's agreement also provides for an annual performance bonus equal to 5% of Optometrics net profit before tax, and additional bonuses or stock options at the discretion of our Board of Directors. The agreement also provides for a 9% contribution to her 401(k) pension plan and a company car (or car allowance) in addition to standard Optometrics benefits.

The employment agreement with Megan Shay, former CEO of EMF, commenced on October 2, 2006 for a one year period, and amended on June 15, 2007. Under the amended agreement, Ms. Shay has agreed to work full time and receives an annual base salary of $95,400, an annual incentive bonus based on 10% of EMF Net Income, and standard EMF benefits, as well as additional $25,000 for the Full Time Extension Period of April 1, 2007 to September 30, 2007. Ms. Shay’s became an employee at will effective October 1, 2007 in her new role as Corporate Vice President at the same base salary and a bonus equal to 16.8% of a "Core Bonus" pool comprised of 15% of Dynasil's net profits before taxes after subtracting an amount equal to an 8% annual return on Dynasil's shareholders' equity.

Director Compensation

Name	Fees earned or Paid in cash($)	Stock awards($)	Option awards($)	All other compensation($)	Total ($)
James Saltzman	15,000				15,000
Cecil Ursprung(1)		8,000	11,366		19,366
David Manzi	4,000				4,000

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(1) Mr. Ursprung elected to receive 100% of his Directors fees in stock which was issued at each quarter ending market price which ranged from $1.27 to $1.75 per share. A total of 5164 shares were issued with a value of $8,000 and an average price per share of $1.55 per share. Mr. Ursprung was issued 80,000 stock options on December 19, 2006 which were contingent upon him being elected as a Director. The most recent market price was $1.53, the option price is $2.00 per share, the options have a three year period, and were valued at $11,366.

Members of the Board have the option to split their compensation between the Company’s common stock and cash. Stock payments are made at the end of each quarter based on the ending market price for that quarter. Fiscal year 2007 for serving on the Board is: Chairman of the Board, $1,250 per month and all other non-employee directors, $1,000 per month. In addition, all reasonable expenses incurred in attending meetings are reimbursed by the Company and Directors are eligible for stock options and grants. Effective quarter 1 fiscal year 2008, Director compensation has been increased to: Chairman of the Board, $1,500 per month and all other non-employee directors, $1,250 per month

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, 2007 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	Name and Address	No. of Shares and nature of	Percent of

of Class	of Beneficial Owner	Beneficial Ownership(1)	Class
Common	Craig Dunham (1)(4) 385 Cooper Road West Berlin, NJ 08091	3,095,194	44.5%
Common	Saltzman Partners (1)(2) 4 Tower Bridge Suite 100 West Conshohocken, PA 19428	243,206	4.0%
Common	James Saltzman (1)(2)(3) 777 Germantown Pike Plymouth Meeting, PA 19437	331,962	5.3%
Common	Laura Lunardo 8 Nemco Way Ayer, MA 01432	152,531	2.5%
Common	Cecil Ursprung (1)(5) 120 Darling Drive Avon, CT 06001	80,000	1.3%
Common	Megan Shay (1)(6) 239 Cherry Street Ithaca, NY 14850	79,800	1.3%
Common	Bruce Leonetti (1) 385 Cooper Road West Berlin, NJ 08091	8,254	0.2%
All Officers and Directors as a Group (1)		3,747,741	53.4%

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(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, 2007 was 6,116,523.

(2)James Saltzman disclaims beneficial ownership of the 243,206 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 40,000 shares of the Company’s common stock at $0.40 per share.

(4)Includes warrants to purchase 613,627 shares of the Company's common stock at an exercise price of $0.225 per share and Series B preferred stock which is convertible to 230,755 shares of common stock.

(5)Includes options to purchase 80,000 shares of the Company's stock at $2.00 per share.

(6)Includes Series B preferred stock which is convertible to 79,800 shares of common stock.

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.

2.03* Stock purchase agreement dated August 21, 2006, between Dynasil, Megan Shay, and Evaporated Metal Films Corporation, filed on Form 8-K on August 22, 2006.

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.

3.03* Restated Certificate of Incorporation of Dynasil Corporation of America dated October 13, 2006, filed on Form 8-K dated October 19, 2006.

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

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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.

10.10* Loan agreements dated January 5, 2006 with Susquehanna Patriot Bank for a $449,346 term loan and $200,000 line of credit, filed on Form 8-K dated January 10, 2006.

10.11* Employment agreement of Bruce Leonetti, dated January 16, 2006, filed on Form 8-K on January 19, 2006.

10.12* Employment agreement of Megan Shay, filed on Form 8-K on August 22, 2006.

10.13* Loan documents for loan entered into with Tompkins Trust Company on October 2, 2006 by Evaporated Metals Film Corporation and guaranteed by Dynasil, filed on Form 8-K on October 6, 2006.

10.14 Indemnification agreement with new Dynasil Director, Cecil Ursprung, dated 2/1/07.

10.15 Offer letter to Marcella Backer as EMF President effective July 10, 2007.

10.16 Amendment to Margaret Shay employment agreement dated June 15, 2007.

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, 2007, issued by Dynasil Corporation of America announcing its financial results for the fourth quarter ending September 30, 2007.

* Incorporated herein by reference

(b) Reports on Form 8-K: There were not any reports on Form 8-K filed during the last quarter of the period covered by this report.

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

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Company's annual financial statements for the fiscal years ended September 30, 2007 and 2006 and the reviews of the financial statements included in the Company's Forms 10-QSB during those fiscal years are $67,750 and $54,000, 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, 2007 and 2006 were $-0- and $33,000, respectively. The fiscal year 2006 fees related to due diligence fees of $13,500 for the EMF acquisition and EMF audit fees of $19,500.

(c) Tax Fees

The Company incurred fees of $6,500 and $4,700 during the last two fiscal years for professional services rendered by the Company's principal accountant for tax compliance, tax advice and tax planning.

(d) All Other Fees

The 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, 2007

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 James Saltzman	Chairman of the Board of Directors	December 19, 2007
BY: /s/ Cecil Ursprung Cecil Ursprung	Director	December 19, 2007

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BY: /s/ Craig T. Dunham Craig T. Dunham	President and CEO	December 19, 2007
BY: /s/ Laura Lunardo Laura Lunardo	CFO and Principal Accounting Officer	December 19, 2007

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EXHIBIT 31.1 (a)

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

I, Craig Dunham, certify that:

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

2. Based on my knowledge, this 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 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 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)) 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) 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

c) 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, 2007 /s/ Craig T Dunham

Craig T Dunham
President and Chief Executive Officer

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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, certify that:

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

2. Based on my knowledge, this 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 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 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)) 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) 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

c) 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, 2007

/s/ Laura S. Lunardo

Laura S. Lunardo
Chief Financial Officer

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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 period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Craig T Dunham, President and Chief Executive Officer of the Company and Laura S. 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 T Dunham

Craig T Dunham
President and Chief Executive Officer

/s/ Laura S. Lunardo

Laura S. Lunardo
Chief Financial Officer

December 19, 2007

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