APPLIED DNA SCIENCES INC
Form 10QSB/A
August 03, 2005

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

FORM 10QSB/A
Amendment No. 2

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

For the Quarterly period ended March 31, 2005

Commission file number 002-90519

APPLIED DNA SCIENCES, INC.
(Exact name of registrant as specified in its charter)

Nevada	59-2262718
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

9229 West Sunset Blvd., Suite 830 Los Angeles, California	90069
(Address of Principal Executive Offices)	(Zip Code)

(310) 860-1362
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the last 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 _____

The number of shares of Common Stock, $0.001 par value, outstanding on April 26, 2005, was 68,371,025 shares, held by approximately 589 shareholders.

Transitional Small Business Disclosure Format (check one):

Yes _______ No ___X___

APPLIED DNA SCIENCES, INC

Quarterly Report on Form 10-QSB for the
Quarterly Period Ending March 31, 2005

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

APPLIED DNA SCIENCES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS

Current assets:	
Cash and Equivalents	$
Total Current Assets	
Property, Plant and Equipment - Net	
Deposits and Prepaid Expenses	
Patent Filing - Net	
Total Assets	$

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts Payable and Accrued Liabilities	$
Accrued Liabilities Due Related Parties	
Due to Related Parties	
Note Payable	
Total Current Liabilities	
Commitments and contingencies	
Stockholders' Equity:	
Preferred Stock, par value $.001 per share; 10,000,000 shares authorized; 60,000 issued and outstanding	
Common Stock, par value $.001 per share; 250,000,000 shares authorized; 66,755,267 shares issued and outstanding	
Common Stock Subscription	
Additional Paid-In-Capital	
Deficit Accumulated During Development Stage	
Total Stockholders' Equity	
Total Liabilities and Stockholders' Equity	$

See accompanying notes to unaudited consolidated financial statements

APPLIED DNA SCIENCES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF LOSSES
(Unaudited)

	For The Three Months Ended March 31		For The Six Months En	
	2005	2004	2005	
Operating expenses:				
Selling, general and administrative	$ 9,041,288	$ 1,909,149	$19,834,209	$
Depreciation and amortization	7,306	351	12,027	
Total operating expenses	9,048,594	1,909,500	19,846,236	
Operating loss	(9,048,594)	(1,909,500)	(19,846,236	
Other Income (expense)	3,100	700	3,415	
Interest (expense)	(7,635,563)	(527,838)	(9,203,372)	
Income (taxes) benefit	-	-	-	
Net loss	$ (16,681,057)	$ (2,436,638)	$ (29,046,193)	$
Loss per common share (basic and assuming dilution)	$ (0.31)	$ (0.12)	$ (0.72	$
Weighted average shares outstanding	53,044,883	20,700,599	40,082,628	

See accompanying notes to unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC
(A development stage company)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE PERIOD SEPTEMBER 16, 2002 (DATE OF INCEPTION) THROUGH
MARCH 31, 2005 (Unaudited)

	Preferred	Preferred Shares	Common	Common Stock	Additional Paid in Capital	Common Stock

	Shares	Amount	Shares	Amount	Amount	Subscribed
Issuance of common stock to Founders in exchange for services on September 16, 2002 at $.01 per share	-	$ -	100,000	$ 10	$ 990	-
Net Loss	-	-	-	-	-	-
Balance at September 30, 2002	-	-	100,000	10	990	-
Issuance of common stock in connection with merger with Prohealth Medical Technologies , Inc on October 1, 2002	-	-	10,178,352	1,015	-	-
Cancellation of Common stock in connection with merger with Prohealth Medical Technologies , Inc on October 21, 2002	-	-	(100,000)	(10)	(1,000)	-
Issuance of common stock in exchange for services in October 2002 at $ 0.65 per share	-	-	602,000	60	39,070	-
Issuance of common stock in exchange for subscription in November and December 2002 at $ 0.065 per share	-	-	876,000	88	56,852	-
Cancellation of common stock in January 2003 previously issued in exchange for consulting services	-	-	(836,000)	(84)	(54,264)	-
Issuance of common stock in exchange for licensing services valued at $ 0.065 per share in January 2003	-	-	1,500,000	150	97,350	-
Issuance of common stock in exchange for consulting services valued at $ 0.13 per share in January 2003	-	-	586,250	58	76,155	-
Issuance of common stock in exchange for consulting services at $ 0.065 per share in February 2003	-	-	9,000	1	584	-
Issuance of common stock to Founders in exchange for services valued at $0.0001 per share in March 2003	-	-	10,140,000	1,014	-	-
Issuance of common stock in exchange for consulting services valued at $2.50 per share in March 2003	-	-	91,060	9	230,625	-

See accompanying notes to unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC
(A development stage company)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE PERIOD SEPTEMBER 16, 2002 (DATE OF INCEPTION) THROUGH
MARCH 31, 2005 (Unaudited)
(Continued)

	Preferred Shares	Preferred Shares Amount	Common Common Shares	Stock Amount	Additional Paid in Capital Amount	Common Stock Subscribed
Issuance of common stock in exchange for consulting services valued at $ 0.065 per share in March 2003	-	-	6,000	1	389	-
Common stock subscribed in exchange for cash at $1 per share in March 2003	-	-	-	-	18,000	-
Common stock issued in exchange for consulting services at $ 0.065 per share on April 1, 2003	-	-	860,000	86	55,814	-
Common stock issued in exchange for cash at $ 1.00 per share on April 9, 2003	-	-	18,000	2	-	-
Common stock issued in exchange for consulting services at $ 0.065 per share on April 9, 2003	-	-	9,000	1	584	-
Common stock issued in exchange for consulting services at $ 2.50 per share on April 23, 2003	-	-	5,000	1	12,499	-
Common stock issued in exchange for consulting services at $ 2.50 per share, on June 12, 2003	-	-	10,000	1	24,999	-
Common stock issued in exchange for cash at $ 1.00 per share on June 17, 2003	-	-	50,000	5	49,995	-
Common stock subscribed in exchange for cash at $ 2.50 per share pursuant to private placement on June 27, 2003		-	-	-	-	24,000

Common stock retired in exchange for note payable at $0.0118 per share, on June 30, 2003	-	-	(7,500,000)	(750)	750	-
Common stock issued in exchange for consulting services at $0.065 per share, on June 30, 2003	-	-	270,000	27	17,523	-
Common stock subscribed in exchange for cash at $ 1.00 per share pursuant to private placement on June 30, 2003	-	-	-	-	-	10,000
Common stock subscribed in exchange for cash at $ 2.50 per share pursuant to private placement on June 30, 2003	-	-	-	-	-	24,000
Common stock issued in exchange for consulting services at approximately $2.01 per share, July 2003	-	-	213,060	21	428,798	-

See accompanying notes to unaudited condensed consolidated financial statements

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APPLIED DNA SCIENCES, INC
(A development stage company)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE PERIOD SEPTEMBER 16, 2002 (DATE OF INCEPTION) THROUGH
MARCH 31, 2005 (Unaudited)
(Continued)

	Preferred Shares	Preferred Shares Amount	Common Shares	Common Stock Amount	Additional Paid in Capital Amount	Common Stock Subscribed
Common stock canceled in July 2003, previously issued for services rendered at $2.50 per share	-	-	(24,000)	(2)	(59,998)	-
Common stock issued in exchange for options exercised at $1.00 in July 2003	-	-	20,000	2	19,998	-
Common stock issued in exchange for exercised of options previously subscribed at $1.00 in July 2003	-	-	10,000	1	9,999	(10,000)

Common stock issued in exchange for consulting services at approximately $2.38 per share, August 2003	-	-	172,500	17	410,915	-
Common stock issued in exchange for options exercised at $1.00 in August 2003	-	-	29,000	3	28,997	-
Common stock issued in exchange for consulting services at approximately $2.42 per share, September 2003	-	-	395,260	40	952,957	-
Common stock issued in exchange for cash at $2.50 per share-subscription payable-September 2003	-	-	19,200	2	47,998	(48,000)
Common stock issued in exchange for cash at $2.50 per share pursuant to private placement September 2003	-	-	6,400	1	15,999	-
Common stock issued in exchange for options exercised at $1.00 in September 2003	-	-	95,000	10	94,991	-
Common stock subscription receivable reclassification adjustment	-	-	-	-	2,600	-
Common Stock subscribed to at $2.50 per share in September 2003	-	-	-	300,000	-	-
Net Loss for the year ended September 30, 2003	-	-	-	-	-	-
Balance at September 30, 2003	-	$ -	17,811,082	$ 1,781	$2,577,568	$300,000

See accompanying notes to unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC
(A development stage company)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE PERIOD SEPTEMBER 16, 2002 (DATE OF INCEPTION) THROUGH
MARCH 31, 2005 (Unaudited)
(Continued)

	Preferred Shares	Preferred Shares Amount	Common Shares	Common Stock Amount	Additional Paid in Capital Amount	Common Stock Subscribed

Preferred shares issues in exchange for services at $25.00 per share, October 2003	15,000	15				
Common stock issued in exchange for consulting services at approximately $2.85 per share, October 2003			287,439	29	820,389	-
Common stock issued in exchange for cash at $2.50 per share-subscription payable-October 2003			120,000	12	299,988	(300,000)
Common stock canceled in October 2003, previously issued for services rendered at $2.50 per share			(100,000)	(10)	(249,990)	-
Common stock issued in exchange for consulting services at approximately $3 per share, November 2003			100,000	10	299,990	-
Common stock subscribed in exchange for cash at $2.50 per share pursuant to private placement, November, 2003			100,000	10	249,990	-
Common stock subscribed in exchange for cash at $2.50 per share pursuant to private placement, December, 2003			6,400	1	15,999	-
Common stock issued in exchange for consulting services at approximately $2.59 per share, December 2003			2,125,500	213	5,504,737	-
Common Stock subscribed to at $2.50 per share in December 2003			-	-	-	104,000
Beneficial conversion feature relating to notes payable			-	-	1,168,474	-
Beneficial conversion feature relating to warrants			-	-	206,526	-
Adjust common stock par value from $0.0001 to $0.50 per share, per amendment of articles dated Dec 2003			-	10,223,166	(10,223,166)	-
Common Stock issued pursuant to subscription at $2.50 share in Jan 2004			41,600	20,800	83,200	(104,000)
Common stock issued in exchange for consulting services at $2.95 per share, Jan 2004			13,040	6,520	31,948	-

Common stock issued in exchange for consulting services at $2.60 per share, Jan 2004			123,000	61,500	258,300	-
Common stock issued in exchange for consulting services at $3.05 per share, Jan 2004			1,000	500	2,550	-
Common stock issued in exchange for employee services at $3.07 per share, Feb 2004			6,283	3,142	16,147	-
Common stock issued in exchange for consulting services at $3.04 per share, Mar 2004			44,740	22,370	113,640	-
Common Stock issued for options exercised at $1.00 per share in Mar 2004			55,000	27,500	27,500	-
Common stock issued in exchange for employee services at $3.00 per share, Mar 2004			5,443	2,722	13,623	-

See accompanying notes to unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC
(A development stage company)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE PERIOD SEPTEMBER 16, 2002 (DATE OF INCEPTION) THROUGH
MARCH 31, 2005 (Unaudited)
(Continued)

	Preferred Shares	Preferred Shares Amount	Common Shares	Common Stock Amount	Additional Paid in Capital Amount	Common Stock Subscribed
Common stock issued in exchange for employee services at $3.15 per share, Mar 2004			5,769	2,885	15,293	-
Preferred shared converted to common shares for consulting services at $3.00 per share, Mar 2004	(5000)	(5)	125,000	62,500	312,500	-
Common stock issued in exchange for employee services at $3.03 per share, Mar 2004			8,806	4,403	22,236	-

Common Stock issued pursuant to subscription at $2.50 per share in Mar. 2004			22,500	11,250	(9,000)	-
Beneficial Conversion Feature relating to Notes Payable			-	-	122,362	-
Beneficial Conversion Feature relating to Warrants			-	-	177,638	-
Common stock issued in exchange for consulting services at $2.58 per share, Apr 2004			9,860	4,930	20,511	-
Common stock issued in exchange for consulting services at $2.35 per share, Apr 2004			11,712	5,856	21,667	-
Common stock issued in exchange for consulting services at $1.50 per share, Apr 2004			367,500	183,750	367,500	-
Common stock returned to treasury at $0.065 per share, Apr 2004			(50,000)	(25,000)	21,750	-
Preferred stock converted to common stock for consulting services at $1.01 per share in May 2004	(4000)	(4)	100,000	50,000	51,250	-
Common stock issued per subscription May 2004			10,000	5,000	(4,000)	-
Common stock issued in exchange for consulting services at $0.86 per share in May 2004			137,000	68,500	50,913	-
Common stock issued in exchange for consulting services at $1.15 per share in May 2004			26,380	13,190	17,147	-
Common stock returned to treasury at $0.065 per share, Jun 2004			(5,000)	(2,500)	2,175	-

See accompanying notes to unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC
(A development stage company)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE PERIOD SEPTEMBER 16, 2002 (DATE OF INCEPTION) THROUGH
MARCH 31, 2005 (Unaudited)
(Continued)

	Preferred Shares	Preferred Shares Amount	Common Shares	Common Stock Amount	Deficit Additional Paid in Capital Amount	Common Stock Subscribed
Common stock issued in exchange for consulting services at $0.67 per share in June 2004			270,500	135,250	45,310	-
Common stock issued in exchange for consulting services at $0.89 per share in June 2004			8,000	4,000	3,120	-
Common stock issued in exchange for consulting services at $0.65 per share in June 2004			50,000	25,000	7,250	-
Common stock issued pursuant to private placement at $1.00 per share in June 2004			250,000	125,000	125,000	-
Common stock issued in exchange for consulting services at $0.54 per share in July 2004			100,000	50,000	4,000	-
Common stock issued in exchange for consulting services at $0.72 per share in July 2004			5,000	2,500	1,100	-
Common stock issued in exchange for consulting services at $0.47 per share in July 2004			100,000	50,000	(2,749)	-
Common stock issued in exchange for consulting services at $0.39 per share in August 2004			100,000	50,000	(11,000)	-
Preferred stock converted to common stock for consulting services at $0.39 per share in August 2004	(2000)	(2)	50,000	25,000	(5,500)	-

See accompanying notes to unaudited condensed consolidated financial statements

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APPLIED DNA SCIENCES, INC
(A development stage company)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE PERIOD SEPTEMBER 16, 2002 (DATE OF INCEPTION) THROUGH
MARCH 31, 2005 (Unaudited)
(Continued)

	Preferred Shares	Preferred Shares Amount	Common Shares	Common Stock Amount	Deficit Additional Paid in Capital Amount	Common Stock Subscribed
Common stock issued in exchange for consulting services at $0.50 per share in August 2004			100,000	50,000	250	
Common stock issued in exchange for consulting services at $0.56 per share in August 2004			200,000	100,000	12,500	-
Common stock issued in exchange for consulting services at $0.41 per share in August 2004			92,500	46,250	(8,787)	-
Common stock issued in exchange for consulting services at $0.52 per share in September 2004			1,000,000	500,000	17,500	-
Common stock issued in exchange for consulting services at $0.46 per share in September 2004			5,000	2,500	(212)	-
Common stock issued pursuant to subscription at $0.50 per share in September 2004			40,000	20,000	-	-
Preferred shares converted to common stock for consulting services at $0.41 per share in September 2004	(4000)	(4)	100,000	50,000	4,000	-
Preferred shares issued in exchange for service at $25 per share in September 2004	60,000	6			1,499,994	
Warrants issued to consultants in the fourth quarter 2004					2,019,862	
Net Loss			-	-	-	-
September 30, 2004	60,000	6	23,981,054	11,990,527	6,118,993	-

See accompanying notes to unaudited condensed consolidated financial statements

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APPLIED DNA SCIENCES, INC
(A development stage company)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY

FOR THE PERIOD SEPTEMBER 16, 2002 (DATE OF INCEPTION) THROUGH
MARCH 31, 2005 (Unaudited)
(Continued)

	Preferred Shares	Preferred Shares Amount	Common Shares	Common Stock Amount	Additional Paid in Capital Amount	Common Stock Subscribed	S
Common stock issued in exchange for consulting services at $0.68 per share in October 2004	-	-	200,000	100,000	36,000	-	
Common stock returned to treasury at $0.60 per share, Oct 2004	-	-	(1,069,600)	(534,800)	(107,298)	-	
Common stock issued in exchange for consulting services at $0.60 per share in October 2004	-	-	82,500	41,250	8,250	-	
Common Stock issued pursuant to subscription at $0.60 share in October 2004	-	-	500,000	250,000	50,000	(300,000)	
Common stock issued in exchange for consulting services by noteholders at $0.50 per share in October 2004	-	-	532,500	266,250	-	-	
Common Stock issued pursuant to subscription at $0.50 share in October 2004	-	-	500,000	250,000	-	-	
Common Stock issued pursuant to subscription at $0.45 share in October 2004	-	-	1,000,000	500,000	(50,000)	(450,000)	
Common stock issued in exchange for consulting services by noteholders at $0.45 per share in October 2004	-	-	315,000	157,500	(15,750)	-	
Common Stock issued in exchange for consulting services at $0.47 share in November 2004	-	-	100,000	50,000	(3,000)	-	

Common Stock issued in

exchange for consulting services at $0.80 share in November 2004	-	-	300,000	150,000	90,000	-
Common Stock issued in exchange for consulting services at $1.44 share in November 2004	-	-	115,000	57,500	108,100	-
Common Stock issued in exchange for employee services at $1.44 share in November 2004	-	-	5,000	2,500	4,700	-

See accompanying notes to unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC
(A development stage company)
CONDENSED CONSOLIDATED STATEMENT OF DEFICIENCY IN STOCKHOLDER'S EQUITY
FOR THE PERIOD SEPTEMBER 16, 2002 (DATE OF INCEPTION) THROUGH
MARCH 31, 2005 (Unaudited)
(Continued)

	Preferred Shares	Preferred Shares Amount	Common Shares	Common Stock Amount	Additional Paid in Capital Amount	Common Stock Subscribed
Common Stock issued in exchange for employee services at $0.60 share in November 2004	-	-	60,000	30,000	6,000	(4,000)
Beneficial Conversion discount relating to Notes Payable	-	-	-	-	936,541	-
Beneficial Conversion Feature relating to Warrants	-	-	-	-	528,459	-
Common stock issued at $0.016 in exchange for note payable in December 2004			5,500,000	2,750,000	(2,661,500)	
Common Stock issued in exchange for consulting services at $1.44 share in December 2004	-	-	5,796,785	2,898,393	5,418,815	-
Common stock issued pursuant to subscription						

at $0.50 per share in December 2004	-	-	2,930,000	1,465,000	-	(125,000)
Warrants issued to consultants in Dec. 2004	-	-			394,698	
Net Loss	-	-	-	-	-	-
Balance as of December 31, 2004	60,000	6	40,848,239	20,424,120	10,863,008	(879,000)
Warrants exercised at $0.10 share during the three months ended March 31, 2005	-	-	107,500	53,750	(43,000)	-
Common Stock issued in settlement of debt at $0.33 share during the three months ended March 31, 2005	-	-	4,998,551	2,499,276	(843,244)	-
Common Stock issued in settlement of debt at $0.86 share during the three months ended March 31, 2005	-	-	3,000,000	1,500,000	1,065,000	-
Common Stock issued in exchange for consulting services at $1.01 share during the three months ended March 31, 2005	-	-	2,758,977	1,379,489	1,404,732	-
Common stock issued pursuant to subscription at $0.50 per share during the three months ended March 31, 2005	-	-	14,742,000	7,371,000	-	-
Common Stock issued in exchange for consulting services at $1.18 share during the three months ended March 31, 2005	-	-	200,000	100,000	135,000	-
Warrants exercised at $0.60 share during the three months ended March 31, 2005	-	-	100,000	50,000	10,000	-
Adjust common stock par value from $0.50 to $0.001 per share, per amendment of articles dated March 2005	-	-	-	(33,310,879)	33,310,879	-
Beneficial Conversion discount relating to Notes Payable	-	-	-	-	4,179,554	-

Beneficial Conversion Feature relating to Warrants	-	-	-	-	3,191,446	-
Stock options granted to employees in exchange for services rendered, at exercise price below fair value of common stock	-	-	-	-	180,000	-
Net Loss	-	-	-	-	-	-
Balance as of March 31, 2005	60,000	$ 6	66,755,267	$ 66,755	$53,453,375	$ (879,000)

See accompanying notes to unaudited condensed consolidated financial statements

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APPLIED DNA SCIENCES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(Continued)

	For The Six Mon March 2005	
Cash flows from operating activities:		
Net Cash Provided by (Used In) Operating Activities	$(5,312,827)	$(
Cash Flows From Investing Activities:		
Net Cash (Used In) Investing Activities	(28,288)	
Cash Flows From Financing Activities:		
Net Cash (Used In)Provided by Financing Activities.......................	8,314,300	
Net increase (decrease) in cash and cash equivalents	2,973,185	
Cash and cash equivalents at beginning of period	1,832	
Cash and cash equivalents at the end of period..........................	$ 2,975,017	$

See accompanying notes to unaudited condensed consolidated financial statements

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APPLIED DNA SCIENCES, INC
(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION
MARCH 31, 2005
(UNAUDITED)

NOTE A - SUMMARY OF ACCOUNTING POLICIES

General

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-QSB, and therefore, do not include all the information necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended March 31, 2005 is not necessarily indicative of the results that may be expected for the year ended September 30, 2005. The unaudited condensed consolidated financial statements should be read in conjunction with September 30, 2004 financial statements.

Business and Basis of Presentation

On September 16, 2002, Applied DNA Sciences, Inc. (the "Company") was incorporated under the laws of the State of Nevada. The Company is in the development stage, as defined by Statement of Financial Accounting Standards No. 7 ("SFAS No. 7") and its efforts have been principally devoted to developing DNA embedded biotechnology security solutions in the United States. To date, the Company has generated nominal sales revenues, has incurred expenses and has sustained losses. Consequently, its operations are subject to all the risks inherent in the establishment of a new business enterprise. For the period from inception through March 31, 2005, the Company has accumulated losses of $51,861,227.

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiary ProHealth Medical Technologies, Inc. Significant inter-company transactions have been eliminated in consolidation.

Reclassification

Certain prior period amounts have been reclassified for comparative purposes.

Stock Based Compensation

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25 and related interpretations. Accordingly, compensation expense for stock options is measured as the excess, if any, of the fair market value of the Company's stock at the date of the grant over the exercise price of the related option. The Company has adopted the annual disclosure provisions of SFAS No. 148 in its financial reports for the year ended September 30, 2003 and for the subsequent periods.

APPLIED DNA SCIENCES, INC
(A development stage company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION
MARCH 31, 2005
(UNAUDITED)

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

Had compensation costs for the Company's stock options been determined based on the fair value at the grant dates for the awards, the Company's net loss and losses per share would have been as follows (transactions involving stock options issued to employees and Black-Scholes model assumptions are presented in Note C):

	For The Three Months ended March 31, 2005	For The Three Months ended March 31, 2004	For the Period September 16, 2002 (Date of Inception) through March 31, 2005
Net loss - as reported	$ (16,681,057)	$(2,436,638)	$ (51,861,227)
Add: Total stock based employee compensation expense as reported under intrinsic value method (APB. No. 25)	-	-	-
Deduct: Total stock based employee compensation expense as reported under fair value based method (SFAS No. 123)	-	-	-
Net loss - Pro Forma	$ (16,681,057)	$(2,436,638)	$ (51,861,227)
Net loss attributable to common stockholders - Pro forma	$ (16,681,057)	$(2,436,638)	$ (51,861,227)
Basic (and assuming dilution) loss per share - as reported	$ (0.31)	$ (0.12)	$ (1.92)
Basic (and assuming dilution) loss per share - Pro forma	$ (0.31)	$ (0.12)	$ (1.92)

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123R (revised 2004), "Share-Based Payment" which is a revision of FASB Statement No. 123, "Accounting for Stock-Based Compensation". Statement 123R supersedes APB opinion No. 25, "Accounting for Stock Issued to Employees", and amends FASB Statement No. 95, "Statement of Cash Flows". Generally, the approach in Statement 123R is similar to the approach described in Statement 123. However, Statement 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro-forma disclosure is no longer an alternative. On April 14, 2005, the SEC amended the effective date of the provisions of this statement. The effect of this amendment by the SEC is that the Company will have to comply with Statement 123R and use the Fair Value based method of accounting no later than the first quarter of 2006. Management has not determined the impact that this statement will have on Company's consolidated financial statements.

NOTE B - CAPITAL STOCK

The Company is authorized to issue 10,000,000 shares of preferred stock with a $.001 par value per share. The Company is authorized to issue 250,000,000 shares of common stock, with a $0.001 par value per share as the result of a shareholder meeting conducted on February 14, 2005. Prior to the February 14, 2005 share increase and par value change, the Company had 100,000,000 authorized shares with a par value of $0.50. In February 2005, the Company passed a resolution authorizing change in the par value per common shares from $0.50 per share to $0.001 per share.

NOTE B - CAPITAL STOCK (continued)

During the period September 16, 2002 through September 30, 2003, the Company issued 100,000 shares of common stock in exchange for reimbursement of services provided by the founders of the Company. The Company valued the shares issued at approximately $1,000, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In October, 2002, the Company issued 10,178,352 shares of common stock in exchange for the previously issued 100,000 shares to the Company's founders in connection with the merger with Prohealth Medical Technologies, Inc (see Note B).

In October, 2002 the Company canceled 100,000 shares of common stock issued to the Company's founders.

In October 2002 the Company issued 602,000 shares of common stock in exchange for services valued at $0.065 per share. In accordance with EITF 96-18 the measurement date to determine fair value was in October 2002. This was the date at which a commitment for performance by the counter party to earn the equity instrument was reached. The Company valued the shares issued at approximately $0.065 per share, which presents the fair value of the services received which did not differ materially from the value of the stock issued.

In November and December 2002, the Company issued 876,000 shares of common stock in exchange for subscription at $ 0.065 per share. In accordance with EITF 96-18 the measurement date to determine fair value was in October 2002. This was the date at which a commitment for performance by the counter party to earn the equity instrument was reached. The Company valued the shares issued at approximately $0.065 per share, which presents the fair value of the services received which did not differ materially from the value of the stock issued.

In January 2003, the Company canceled 836,000 shares of common stock previously issued in exchange for consulting services.

In January 2003, the Company issued 1,500,000 shares of common stock in exchange for a licensing agreement . The Company valued the shares issued at approximately $ .065 per share, which represents the fair value of the license received which did not differ materially from the value of the stock issued. The Company charged the cost of the license to operations.

In January 2003, the Company issued 586,250 shares of common stock in exchange for consulting services. In accordance with EITF 96-18 the measurement date to determine fair value was in October 2002. This was the date at which a commitment for performance by the counter party to earn the equity instrument was reached. The Company valued the shares issued at approximately $0.13 per share, which presents the fair value of the services received which did not differ materially from the value of the stock issued.

In February 2003, the Company issued 9,000 shares of common stock in exchange for consulting services. In accordance with EITF 96-18 the measurement date to determine fair value was in October 2002. This was the date at which a commitment for performance by the counter party to earn the equity instrument was reached. The Company valued the shares issued at approximately $0.065 per share, which presents the fair value of the services received which did not differ materially from the value of the stock issued.

NOTE B - CAPITAL STOCK (continued)

In March 2003, the Company issued 10,140,000 shares of common stock to Company's founders in exchange for services. In accordance with EITF 96-18 the measurement date to determine fair value was in September 2002. This was the date at which a commitment for performance by the counter party to earn the equity instrument was reached. The Company valued the shares issued at approximately $0.0001 per share, which presents the fair value of the services received which did not differ materially from the value of the stock issued.

In March 2003, the Company issued 91,060 shares of common stock in exchange for consulting services. The Company valued the shares issued at approximately $2.53 per share, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In March 2003, the Company issued 6,000 shares of common stock in exchange for consulting services. The Company valued the shares issued at approximately $0.065 per share, which represents the fair value of the services received which did not differ materially from the value of the stock issued. In March 2003, the Company received subscription for 18,000 shares of common stock in exchange for cash at $1 per share.

On April 1, 2003, the Company issued 860,000 shares of common stock in exchange for consulting services provided to the Company. In accordance with EITF 96-18 the measurement date to determine fair value was in October 2002. This was the date at which a commitment for performance by the counter party to earn the equity instrument was reached. The Company valued the shares issued at approximately $0.065 per share, which presents the fair value of the services received which did not differ materially from the value of the stock issued.

On April 9, 2003, the Company issued 18,000 shares of common stock in exchange for previously issued options to purchase the Company's common stock at $1.00 per share.

On April 9, 2003, the Company issued 9,000 shares of common stock in exchange for consulting services provided to the Company. In accordance with EITF 96-18 the measurement date to determine fair value was in October 2002. This was the date at which a commitment for performance by the counter party to earn the equity instrument was reached. The Company valued the shares issued at approximately $0.065 per share, which presents the fair value of the services received which did not differ materially from the value of the stock issued.

On April 23, 2003, the Company issued 5,000 shares of common stock in exchange for consulting services provided to the Company. The Company valued the shares issued at approximately $2.50 per share, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

On June 12, 2003, the Company issued 10,000 shares common stock in exchange for consulting services provided to the Company. The Company valued the shares issued at approximately $ 2.50 per share, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

On June 17 2003, the Company issued 50,000 shares of common stock in exchange for cash at $1.00 per share.

NOTE B - CAPITAL STOCK (continued)

On June 30, 2003, the Company issued 270,000 shares of common stock in exchange for consulting services provided to the Company. In accordance with EITF 96-18 the measurement date to determine fair value was in October 2002. This was the date at which a commitment for performance by the counter party to earn the equity instrument was reached. The Company valued the shares issued at approximately $0.065 per share, which presents the fair value of the services received which did not differ materially from the value of the stock issued.

On June 30, 2003, the Company received $10,000 as subscription for options to purchase the Company's common stock at $1.00 per share.

In June, 2003, the Company received $48,000 in connection with a subscription to purchase the Company's common stock pursuant to a private placement.

In connection with the Company's acquisition of ProHealth, the controlling owner of ProHealth granted the Company an option to acquire up to 8,500,000 shares of the Company's common stock in exchange for $100,000 (see Note B). The option expires on December 10, 2004. On June 30, 2003, the Company exercised its option and acquired 7,500,000 common shares under this agreement in exchange for an $88,500 convertible promissory note payable to the former controlling owner. The Company has an option through December 10, 2004 to acquire the remaining 1,000,000 shares from the former controlling owner in exchange for $11,500. On June 30, 2003, the Company retired the 7,500,000 shares common acquired pursuant to the option agreement.

In July 2003 the Company issued 213,060 shares of common stock for consulting services provided to the Company. The Company valued the shares issued at approximately $ 2.01 per share, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In July 2003, the Company canceled 24,000 shares of common stock, previously issued for services valued at $2.50 per share.

In July 2003, the Company received $20,000 in exchange for previously issued options to purchase the Company's common stock at $1.00 per share.

In July 2003, the Company issued 10,000 shares of common stock for cash previously subscribed at $1.00 per share.

In August 2003, the Company issued 172,500 shares of common stock in exchange for consulting services provided to the Company. The Company valued the shares issued at approximately $ 2.38 per share, which represents the fair value of the services received which did not differ materially from the value of the stock issued

In August 2003, the Company received $29,000 in exchange for previously issued options to purchase the Company's common stock at $1.00 per share.

NOTE B - CAPITAL STOCK (continued)

In September 2003, the Company issued 395,260 shares of common stock in exchange for consulting services provided to the Company. The Company valued the shares issued at approximately $ 2.42 per share, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In September 2003, the Company issued 19,200 shares of common stock for cash previously subscribed at $2.50 per share.

In September 2003, the Company issued 6,400 shares of common stock issued in exchange for cash at $2.50 per share pursuant to private placement.

In September 2003, the Company received $95,000 in exchange for previously issued options to purchase the Company's common stock at $1.00 per share.

In September 2003, the Company received $2,600 in connection with a subscription to purchase the Company's common stock pursuant to a private placement.

The Company valued the shares issued for consulting services at the rate which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In October 2003, the Company issued 15,000 shares of convertible preferred stock in exchange for services. The Company valued the shares issued at the $15 par value and recorded the value for services when the shares were converted into common shares as identified below.

In October 2003, the Company issued 287,439 shares of common stock in exchange for consulting services. The Company valued the shares issued at approximately $2.85 per share for a total of $820,418, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In October 2003, the Company issued 120,000 shares of common stock for shares previously subscribed at $2.50 per share in September 2003. In October 2003, the Company canceled 100,000 shares of common stock previously issued in exchange for services at $2.50 per share.

In November 2003, the Company issued 100,000 shares of common stock in exchange for consulting services. The Company valued the shares issued at approximately $3.00 per share, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In November 2003, the Company sold 100,000 shares of common stock subscribed for cash at $2.50 per share pursuant to private placement.

In December 2003, the Company sold 6,400 shares of common stock subscribed for cash at $2.50 per share pursuant to private placement.

NOTE B - CAPITAL STOCK (continued)

In December 2003, the Company issued 2,125,500 shares of common stock in exchange for consulting services. . The Company valued the shares issued at approximately $2.59 per share, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In December 2003, the Company received $104,000 in exchange for a common stock subscription at $2.50 per share pursuant to private placement.

In January 2004, the Company issued 41,600 shares of common stock at $2.50 share pursuant to a subscription made on December 2003.

In January 2004, the Company issued 13,040 shares of common stock at $2.95 per share in exchange for consulting services valued at $38,468.

In January 2004, the Company issued 123,000 shares of common stock at $2.60 per share in exchange for consulting services valued at $319,800.

In January 2004, the Company issued 1,000 shares of common stock at $3.05 per share in exchange for consulting services valued at $3,050.

In February 2004, the Company issued 6,283 shares of common stock at $3.07 per share in exchange for employee services valued at $19,288.

In March 2004, the Company issued 44,740 shares of common stock at $3.04 per share in exchange for consulting services valued at $136,010.

In March 2004, the Company issued 55,000 of common stock for options exercised at $1.00 per share.

In March 2004, the Company issued 5,443 shares of common stock at $3.00 per share in exchange for employee services valued at $16,344.

In March 2004, the Company issued 5,769 shares of common stock at $3.15 per share in exchange for employee services valued at $18,177.

In March 2004, the Company converted 5,000 preferred shares into 125,000 shares of common stock at $3.00 per share in exchange for employee services valued at $375,000.

In March 2004, the Company issued 8,806 shares of common stock at $3.03 per share in exchange for employee services valued at $26,639.

In April 2004, the Company issued 22,500 shares of common stock at $0.10 for subscription of warrants to be exercised.

In April 2004, the Company issued 9,860 shares of common stock at $2.58 per share in exchange for employee services valued at $25,441.

NOTE B - CAPITAL STOCK (continued)

In April 2004, the Company issued 11,712 shares of common stock at $2.35 per share in exchange for consulting services valued at $27,523.

In April 2004, the Company issued 367,500 shares of common stock at $1.50 per share in exchange for consulting services valued at $551,250.

In April 2004, the Company retired 50,000 shares of common stock previously issued for consulting services at $0.065 per share or $3,250.

In May 2004, the Company converted 4,000 preferred shares into 100,000 shares of common stock at $1.01 per share in exchange for consulting services valued at $101,250.

In May 2004, the Company issued 10,000 shares of common stock at $0.10 per share in a stock subscription for $1,000.

In May 2004, the Company issued 137,000 shares of common stock at $0.86 per share in exchange for consulting services valued at $119,233.

In May 2004, the Company issued 26,380 shares of common stock at $1.15 per share in exchange for consulting services valued at $30,337.

In June 2004, the Company retired 5,000 shares of common stock previously issued for consulting services at $0.065 per share or $325.

In June 2004, the Company issued 270,500 shares of common stock at $0.67 per share in exchange for consulting services valued at $180,560.

In June 2004, the Company issued 8,000 shares of common stock at $0.89 per share in exchange for consulting services valued at $7,120.

In June 2004, the Company issued 50,000 shares of common stock at $0.645 per share in exchange for consulting services valued at $32,250.

In June 2004, the Company sold 250,000 shares of common stock at $1.00 per share for total proceeds of $250,000 pursuant to private placement.

In July 2004, the Company issued 100,000 shares of common stock at $0.54 per share in exchange for consulting services valued at $54,000.

In July 2004, the Company issued 5,000 shares of common stock at $0.72 per share in exchange for consulting services valued at $3,600.

In July 2004, the Company issued 100,000 shares of common stock at $0.47 per share in exchange for consulting services valued at $47,250.

NOTE B - CAPITAL STOCK (continued)

In August 2004, the Company converted 2,000 preferred shares into 50,000 shares of common stock at $0.39 in exchange for consulting services valued at $19,500.

In August 2004, the Company issued 100,000 shares of common stock at $0.39 in exchange for consulting services valued at $39,000.

In August 2004, the Company issued 100,000 shares of common stock at $0.50 in exchange for consulting services valued at $50,250.

In August 2004, the Company issued 200,000 shares of common stock at $0.56 in exchange for consulting services valued at $112,500.

In August 2004, the Company issued 92,500 shares of common stock at $0.41 in exchange for consulting services valued at $37,645

In September 2004, the Company issued 1,000,000 shares of common stock at $0.52 in exchange for consulting services valued at $517,500.

In September 2004, the Company issued 45,000 shares of common stock at $0.50 in exchange for consulting services valued at $22,288.

In September 2004, the Company converted 4,000 preferred shares into 100,000 shares of common stock at $0.54 in exchange for consulting services valued at $54,000.

In September 2004, the Company issued 60,000 convertible preferred shares at $25.00, in exchange for consulting services valued at $1,500,000.

In October 2004, the Company issued 200,000 shares of common stock in exchange for consulting services. The Company valued the shares issued at approximately $0.68 per share for a total of $136,000, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In October 2004, shareholders returned 1,069,600 shares to treasury issued earlier in exchange for services valued at $642,098.

In October 2004, the Company issued 82,500 shares of common stock in exchange for consulting services. The Company valued the shares issued at approximately $0.60 per share for a total of $49,500, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In October 2004, the Company sold 500,000 shares of common stock subscribed for cash at $0.60 per share pursuant to private placement.

In October 2004, the Company issued 532,500 shares of common stock to existing noteholders. The Company valued the shares issued at approximately $0.50 per share for a total of $266,250.

In October 2004, the Company sold 500,000 shares of common stock subscribed for cash at $0.50 per share pursuant to private placement.

NOTE B - CAPITAL STOCK (continued)

In October 2004, the Company sold 1,000,000 shares of common stock subscribed for cash at $0.45 per share pursuant to private placement.

In October 2004, the Company issued 315,000 shares of common stock in exchange for consulting services. The Company valued the shares issued at approximately $0.45 per share for a total of $141,750, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In November 2004, the Company issued 100,000 shares of common stock in exchange for consulting services. The Company valued the shares issued at approximately $0.47 per share for a total of $47,000, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In November 2004, the Company issued 300,000 shares of common stock in exchange for consulting services. The Company valued the shares issued at approximately $0.80 per share for a total of $240,000, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In November 2004, the Company issued 115,000 shares of common stock in exchange for consulting services. The Company valued the shares issued at approximately $1.44 per share for a total of $165,600, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In November 2004, the Company issued 5,000 shares of common stock in exchange for employee services. The Company valued the shares issued at approximately $1.44 per share for a total of $7,200, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In November 2004, the Company issued 60,000 shares of common stock in exchange for employee services. The Company valued the shares issued at approximately $0.60 per share for a total of $36,000, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In December 2004, the Company issued net 5,500,000 shares of common stock for default as per terms of notes payable for $88,500. Out of total, 3,500,000 shares were retained in escrow on behalf of another party for future deferred compensation.

In December 2004, the Company issued 5,796,785 shares of common stock in exchange for consulting services. The Company valued the shares issued at approximately $1.44 per share for a total of $8,317,207, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

In December 2004, the Company issued 2,930,000 shares of common stock subscribed for cash at $0.50 per share pursuant to the exercise terms of a promissory note payable.

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APPLIED DNA SCIENCES, INC
(A development stage company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION
MARCH 31, 2005
(UNAUDITED)

NOTE B - CAPITAL STOCK (continued)

During the three months ended March 31, 2005, we issued 107,500 shares of common stock for warrants exercised at $0.10 share. This issuance is considered exempt under Regulation D of the Securities Act of 1933 and Rule 506 promulgated thereunder.

During the three months ended March 31, 2005, we retired $1,656,032 of convertible notes payable for 4,998,551 shares of common stock. The Notes are convertible into shares of our common stock at a price of $0.33 per share.

During the three months ended March 31, 2005, we retired $ 2,565,000 of convertible notes payable for 3,000,000 shares of common stock. The Notes are convertible into shares of our common stock at a price of $0.86 per share.

During the three months ended March 31, 2005, the Company issued 2,758,977 shares of common stock in exchange for consulting services. The Company valued the shares issued at approximately $1.01 per share for a total of $ 2,784,221, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

During the three months ended March 31, 2005, the Company issued 200,000 shares of common stock in exchange for consulting services. The Company valued the shares issued at approximately $1.18 per share for a total of $235,000, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

During the three months ended March 31, 2005, the Company issued 14,742,000 shares of common stock subscribed for cash at $0.50 per share for a total of $ 7,371,000 pursuant to the exercise terms of a promissory note payable. This issuance is considered exempt under Regulation D of the Securities Act of 1933 and Rule 506 promulgated thereunder.

In March 2005, the Company issued 100,000 shares of common stock in exchange for services. The Company valued the shares issued at approximately $0.60 per share for a total of $ 60,000, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

The Company recognized an imbedded beneficial conversion feature present in the January/February Offering note ("January/February PPM"). The Company allocated a portion of the proceeds equal to the intrinsic value of that feature to additional paid in capital. The Company recognized and measured an aggregate of 4,179,554 of the proceeds, which is equal to the intrinsic value of the imbedded beneficial conversion feature, to additional paid in capital and a discount against the Bridge Offering. The debt discount attributed to the beneficial conversion feature was fully amortized over the fiscal first quarter period as interest expense.

The Company recognized the value attributable to the warrants in the amount of $3,191,446 to additional paid in capital and a discount against the January/February PPM.

During the three months ended March 31, 2005, the Company granted an aggregate of 300,000 stock options to employees that vested immediately. The exercise prices of the stock options granted were below the fair value of the Company's common stock at the grant date. Compensation expense of $180,000 and $0 was charged to operations during the period ended March 31, 2005 and 2004, respectively.

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APPLIED DNA SCIENCES, INC
(A development stage company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION
MARCH 31, 2005
(UNAUDITED)

NOTE B - CAPITAL STOCK (continued)

In accordance with EITF 96-18 the measurement date to determine fair value was the date at which a commitment for performance by the counter party to earn the equity instrument was reached. The Company valued the shares issued for consulting services at the rate which represents the fair value of the services received which did not differ materially from the value of the stock issued.

NOTE C - RELATED PARTY TRANSACTIONS

At March 31, 2005, notes payable are as follows:

	March 31, 2005 (Unaudited)
Note payable, unsecured, related party, payable from August 1, 2005, right to convert to restricted stock in lieu of cash, rate of interest 4%, 160,000 shares prior to October 31, 2005 or 180,000 shares after that date.	425,000
	425,000
Less; current portiong	425,000
Note Payable - long-term	$ 0

NOTE D - STOCK OPTIONS AND WARRANTS

Warrants

The following table summarizes the changes in warrants outstanding and the related prices for the shares of the Company's common stock issued to non-employees of the Company. These warrants were granted in lieu of cash compensation for services performed or financing expenses in connection with the sale of the Company's common stock.

	Warrants Outstanding				Exe
Exercise Prices	Number Outstanding	Remaining Contractual Life (Years)	Weighted Average Exercise Price	Weighted Average Exercisable	W A Exer
$0.10	105,464	4.29	$0.10	105,464	
$0.50	50,000	4.52	$0.50	50,000	
$0.60	6,222,750	4.04	$0.60	6,222,750	
$0.70	750,000	2.34	$0.70	750,000	
$0.75	17,672,000	4.53	$0.75	17,672,000	
$1.00	386,000	0.54	$1.00	386,000	
$3.00	62,503	0.75	$3.00	62,503	
	25,248,717			25,248,717	

Transactions involving warrants are summarized as follows:

	Number of Shares	Weighted Average Price Per Share
Outstanding at September 30, 2004	4,870,253	$ 0.63
Granted	20,708,000	0.73
Exercised	(329,536)	0.25
Canceled or expired	-	-
Outstanding at March 31, 2005	25,248,717	$ 0.72

The estimated value of the compensatory warrants granted to non-employees in exchange for services and financing expenses was determined using the Black-Scholes pricing model and the following assumptions: contractual term of 2 to 5 years, a risk free interest rate of 4.25%, a dividend yield of 0% and volatility of 22.9%. The amount of the expense charged to operations for compensatory warrants granted in exchange for services was $ 394,698 for the six months ended March 31, 2005.

The following table summarizes the changes in options outstanding and the related prices for the shares of the Company's common stock issued to shareholders at March 31, 2005.

NOTE D - STOCK OPTIONS AND WARRANTS (continued)

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighed Average Exercise Price	Number Exercisable	Weighted Avera Exercise Pric
$ 0.60	300,000	2.00	$ 0.60	300,000	$ 0.60
	300,000	2.00	$ 0.60	300,000	$ 0.60

Transactions involving the Company's options issuance are summarized as follows:

	Number of Shares	Weighted Average Price Per Share
Outstanding at October 1, 2004	-	-
Granted	300,000	0.60
Exercised	-	-
Canceled or expired	--	--
Outstanding at March 31, 2005	300,000	$ 0.60

During the three months ended March 31, 2005, the Company granted an aggregate of 300,000 stock options to employees that vested immediately. The exercise prices of the stock options granted were below the fair value of the Company's common stock at the grant date. Compensation expense of $180,000 and $0 was charged to operations during the period ended March 31, 2005 and 2004, respectively.

On February 14, 2005, the Company established an Employee Stock Ownership Plan (ESOP), authorizing 16 million shares for the future issuance of incentive stock options, non-statutory options and S-8 shares. Incentive options and S-8 shares are issued at fair market value while non-statutory options are issued at 110% of fair market value. 3.660 million shares were granted as incentive stock options and vested as follows; 50% or 1.830 million shares vesting on April 1, 2005, 25% vesting on July 1, 2005 and the remaining 25% vesting on October 1, 2005. No ESOP shares were exercised as of March 31, 2005. ESOP grants must be exercised within seven (7) years.

NOTE E- COMMITMENTS AND CONTINGENCIES

Registration of Securities

In connection with is private placement of convertible debt, the Company was obligated to file a registration statement with the Securities and Exchange Commission registering the underlying the Company's shares of common stock on or before February 15, 2005. In addition, the Company is subject to liquidated damages, payable at the Company's option in cash or common stock of the Company, in an amount equal to Three and a Half Percent (3.5%) or an estimated $257,985 per month or part thereof that the registration is not declared effective within 120 days of February 15, 2005

Consulting Agreements

On August 6, 2004 the Company retained Giuliani Partners, on a non-exclusive basis, to provide advice and assistance to the Company regarding issues associated with Applied DNA's proprietary DNA embedded security. On April 8, 2005 the Company terminated the agreement with Giuliani Partners, whereby both parties agreed to discharge, waive and release one another from all obligations under the consulting agreement. Total compensation paid to Giuliani Partners through March 31, 2005 was $1,250,000.

NOTE E- COMMITMENTS AND CONTINGENCIES (continued)

On March 24, 2005, the Company amended its existing Cooperative Research and Development Agreement ("CRADA") with Battelle Energy Alliance, LLC, the Department of Energy's National Laboratory in Idaho Falls, Idaho (the "Amendment"). The Amendment adds additional joint research projects, including development of marker applications for textiles, inks, gasoline, and explosive materials. Per the Amendment and at the Company's discretion, the Company can spend up to $1,701,216 to further develop and refine selected DNA and related applications.

Litigation

Stern & Co. v. Applied DNA Sciences, Inc., Case No.: 05 CV 00202

Plaintiff Stern & Co. commenced this action against us in the United States District Court for the Southern District of New York on or about January 10, 2005. In this action, Stern & Co. alleges that it entered into a contract with us to perform media and investor relations for a monthly fee of $5,000 and stock options. Stern & Co. claims that we failed to make certain payments pursuant to the contract and seeks damages in the amount of $96,042.00. Although our time to answer the complaint has not expired, we dispute the allegations of the complaint in its entirety and intend on vigorously defending this matter.

Oceanic Consulting, S.A. v. Applied DNA Sciences, Inc., Index No.: 603974/04

Plaintiff Oceanic Consulting, S.A. commenced this action against us in the Supreme Court of the State of New York, County of New York. Oceanic Consulting, S.A. asserts a cause of action for breach of contract based upon the allegation that we failed to make payments pursuant to a consulting agreement. Oceanic Consulting, S.A.also asserts a causes of action in which it seeks reimbursement of its expenses and attorneys' fees. Oceanic Consulting, S.A. seeks damages in the amount of $137,500.00. Oceanic Consulting, S.A. moved for a default judgment, which we have opposed based upon Oceanic Consulting, S.A.'s failure to properly serve the complaint as well as our meritorious defenses. We intend on vigorously defending this matter.

NOTE F- SUBSEQUENT EVENTS

The Company has entered into an agreement as amended with Biowell Technology Inc., a company formed under the laws of Taiwan ("Biowell"), to acquire from Biowell certain intellectual property and other assets in exchange for approximately 36,000,000 shares of the Company's restricted common stock. The consummation of the transaction is subject to a number of terms and conditions, including, but not limited to, approval by Biowell shareholders.

Stern & Co. v. Applied DNA Sciences, Inc., Case No.: 05 CV 00202

Plaintiff Stern & Co. commenced this action against us in the United States District Court for the Southern District of New York on or about January 10, 2005. In this action, Stern & Co. alleges that it entered into a contract with us to perform media and investor relations for a monthly fee of $5,000 and stock options. Stern & Co. claims that we failed to make certain payments pursuant to the contract and seeks damages in the amount of $96,042.00. Although our time to answer the complaint has not expired, we dispute the allegations of the complaint in its entirety and intend on vigorously defending this matter.

Oceanic Consulting, S.A. v. Applied DNA Sciences, Inc., Index No.: 603974/04

Plaintiff Oceanic Consulting, S.A. commenced this action against us in the Supreme Court of the State of New York, County of New York. Oceanic Consulting, S.A. asserts a cause of action for breach of contract based upon the allegation that we failed to make payments pursuant to a consulting agreement. Oceanic Consulting, S.A.also asserts a causes of action in which it seeks reimbursement of its expenses and attorneys' fees. Oceanic Consulting, S.A. seeks damages in the amount of $137,500.00. Oceanic Consulting, S.A. moved for a default judgment, which we have opposed based upon Oceanic Consulting, S.A.'s failure to properly serve the complaint as well as our meritorious defenses. We intend on vigorously defending this matter.

Item 2. Management's Discussion and Analysis

FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto, included elsewhere within this report. The quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements using terminology such as "can", "may", "believe", "designated to", "will", "expect", "plan", "anticipate", "estimate", "potential" or "continue", or the negative thereof or other comparable terminology regarding beliefs, plans, expectations or intentions regarding the future. Forward looking statements involve risks and uncertainties and actual results could differ materially from those discussed in forward-looking statements. All forward looking statements and risk factors included in this document are made as of the date hereof, based on information available to the Company as of the date thereof, and the Company assumes no obligations to update any forward-looking statement or risk factor, unless the Company is required to do so by law.

Plan of Operation

Revenues

From our inception on September 16, 2002, we have not generated revenues from operations. We believe we will begin generating revenues from operations in the fiscal year as the Company transitions from a development stage enterprise to that of an active growth and acquisition stage company.

Costs and Expenses

From our inception through March 31, 2005, we have incurred losses of $51,861,227. These expenses were associated principally with equity-based compensation to employees and consultants, product development costs and professional services.

Liquidity and Capital Resources

From the Company's inception to March 31, 2005 the Company has incurred a operating cash flow deficit of $8,884,666. Cash flows used in investing activities was $102,705 during the period September 16, 2002 (date of Company's inception) through March 31, 2005. We met our cash requirements through the issuance of capital and other notes payable (net of repayments); private placement of our common stock and advances from Company shareholders and officers of $ 11,962,388.

By adjusting our operations and development to the level of capitalization, we believe we have sufficient capital resources to meet projected cash flow deficits. However, if during that period or thereafter, we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to us, this could have a material adverse effect on our business, results of operations liquidity and financial condition.

The Company presently does not have any available credit, bank financing or other external sources of liquidity. Due to its brief history and historical operating losses, the Company's operations have not been a source of liquidity. The Company will need to obtain additional capital in order to expand operations and become profitable. The Company intends to pursue the building of a re-seller network outside the United States, and if successful, the re-seller agreements would constitute an additional source of liquidity and capital over time. In order to obtain capital, the Company may need to sell additional shares of its common stock or borrow funds from private lenders. There can be no assurance that the Company will be successful in obtaining additional funding and execution of re-seller agreements outside the Unites States.

From the Company's inception, the Company's priorities were to recruit and build its team, organize its new infrastructure and to develop a successful strategy how best to exploit its exclusive Biowell license agreement. No revenues were generated. Although the management of the Company is of the opinion that continuing to develop and finance the Company's present business of providing DNA anti-counterfeit technology may ultimately be successful, management nevertheless expects that the Company will need substantial additional capital before the Company's operations can be fully implemented.

While we have raised capital to meet our working capital and financing needs in the past, additional financing is required in order to meet our current and projected cash flow deficits from operations and development. We are seeking financing in the form of equity through a Private Placement Memorandum in order to provide the necessary working capital. We currently have no commitments for financing. There is no guarantee that we will be successful in raising the funds required.

The effect of inflation on the Company's operating results was not significant. The Company's operations are located in North America and there are no seasonal aspects that would have a material effect on the Company's financial condition or results of operations.

The Company's independent certified public accountant has stated in their report included in the Company's September 30, 2004 Form 10-KSB, that the Company has incurred operating losses from its inception, and that the Company is dependent upon management's ability to develop profitable operations. These factors among others may raise substantial doubt about the Company's ability to continue as a going concern.

To obtain funding for our ongoing operations, we conducted a private placement offering in January and February 2005, in which we sold $7,371,000 of 10% Secured Convertible Promissory Notes to 61 investors. The 10% Secured Convertible Promissory Notes automatically converted into shares of our common stock, at a price of $0.50 per share, upon the filing of the registration statement on February 15, 2005. In connection with the private placement offering, we have issued 14,742,000 warrants. The warrants are exercisable until five years from the date of issuance at a purchase price of $0.75 per share.

Since the conversion price will be less than the market price of the common stock at the time the secured convertible notes are issued, we are recognizing a charge relating to the beneficial conversion feature of the secured convertible notes during the quarter in which they are issued, including this quarter when $7,371,000 of secured convertible notes were issued

We will still need additional investments in order to continue operations to cash flow break even. Additional investments are being sought, but we cannot guarantee that we will be able to obtain such investments. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the trading price of our common stock and the downturn in the U.S. stock and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Further, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

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Product Research and Development

As a result of the recent financings, the Company anticipates expending $555,000 of available cash towards research and development activities during the next twelve (12) months. The anticipated development programs consist of Petro Chemical Marker, Ink/Substraits and Hologram projects with planned spending of $250,000, $150,000 and $155,000, respectively.

Acquisition of Plant and Equipment and Other Assets

We do not anticipate the sale of any material property, plant or equipment during the next 12 months. We do not anticipate the acquisition of any material property, plant or equipment during the next 12 months.

Number of Employees

From our inception through the period ended March 31, 2005, we have relied on the services of outside consultants for services and have no employees. In order for us to attract and retain quality personnel, we anticipate we will have to offer competitive salaries to future employees. We anticipate that it may become desirable to add additional full and or part time employees to discharge certain critical functions during the next 12 months. This projected increase in personnel is dependent upon our ability to generate revenues and obtain sources of financing. There is no guarantee that we will be successful in raising the funds required or generating revenues sufficient to fund the projected increase in the number of employees. As we continue to expand, we will incur additional cost for personnel.

Going Concern

The financial statements included in this filing have been prepared in conformity with generally accepted accounting principles that contemplate the continuance of the Company as a going concern. The Company's cash position may be inadequate to pay all of the costs associated with testing, production and marketing of products. Management intends to use borrowings and security sales to mitigate the effects of its cash position, however no assurance can be given that debt or equity financing, if and when required will be available. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue existence.

Trends, Risks and Uncertainties

We have sought to identify what we believe to be the most significant risks to our business, but we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to the Company's Common Stock.

RISK FACTORS

Much of the information included in this quarterly report includes or is based upon estimates, projections or other "forward-looking statements". Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein.

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Such estimates, projections or other "forward-looking statements" involve various risks and uncertainties as outlined below. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other "forward-looking statements".

Our common shares are considered speculative. Prospective investors should consider carefully the risk factors set out below.

We Have a History Of Losses Which May Continue, Which May Negatively Impact Our Ability to Achieve Our Business Objectives.

We incurred net losses of $19,358,259 for the year ended September 30, 2004 and $3,445,164 for the year ended September 30, 2003. For the six months ended March 31, 2005, we incurred a net loss of $29,046,193.. We cannot assure you that we can achieve or sustain profitability on a quarterly or annual basis in the future. Our operations are subject to the risks and competition inherent in the establishment of a business enterprise. There can be no assurance that future operations will be profitable. Revenues and profits, if any, will depend upon various factors, including whether we will be able to generate revenue. As a result of continuing losses, we may exhaust all of our resources prior to completing the development of our products. Additionally, as we continue to incur losses, our accumulated deficit will continue to increase, which might make it harder for us to obtain financing in the future. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us, which could result in reducing or terminating our operations.

If We Are Unable to Obtain Additional Funding Our Business Operations Will be Harmed and If We Do Obtain Additional Financing Our Then Existing Shareholders May Suffer Substantial Dilution.

We will require additional funds to sustain and expand our research and development activities. We anticipate that we will require up to approximately $555,000 to fund our anticipated research and development operations for the next twelve months, depending on revenue from operations. Additional capital will be required to effectively support the operations and to otherwise implement our overall business strategy. Even if we do receive additional financing, it may not be sufficient to sustain or expand our research and development operations or continue our business operations.

There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. The inability to obtain additional capital will restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will likely be required to curtail our research and development plans. Any additional equity financing may involve substantial dilution to our then existing shareholders.

Our Independent Auditors Have Expressed Substantial Doubt About Our Ability to Continue As a Going Concern, Which May Hinder Our Ability to Obtain Future Financing.

In their report dated January 11, 2005, our independent auditors stated that our financial statements for the year ended September 30, 2004 were prepared assuming that we would continue as a going concern. Our ability to continue as a going concern is an issue raised due to our incurring net losses of $22,815,035 during the period September 16, 2002 through September 30, 2004. We continue to experience net operating losses. Our ability to continue as a going concern is subject to our ability to generate a profit and/or obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, generating sales or obtaining loans and grants from various financial institutions where possible. Our continued net operating losses increases the difficulty in meeting such goals and there can be no assurances that such methods will prove successful.

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Our Research and Development Efforts for New Products May be Unsuccessful.

We will incur significant research and development expenses to develop new products and technologies. There can be no assurance that any of these products or technologies will be successfully developed or that if developed they will be commercially successful. In the event that we are unable to develop commercialized products from our research and development efforts or we are unable or unwilling to allocate amounts beyond our currently anticipated research and development investment, we could lose our entire investment in these new products and this may materially and adversely affect our business operations, which would result in loss of revenues and greater operating expenses.

Failure to License New Technologies Could Impair Our New Product Development.

To generate broad product lines, it is advantageous to sometimes license technologies from third parties rather than depend exclusively on our own employees. As a result, we believe our ability to license new technologies from third parties is and will continue to be important to our ability to offer new products. In addition, from time to time we are notified or become aware of patents held by third parties that are related to technologies we are selling or may sell in the future. After a review of these patents, we may decide to seek a license for these technologies from these third parties or discontinue our products. There can be no assurance that we will be able to continue to successfully identify new technologies developed by others. Even if we are able to identify new technologies of interest, we may not be able to negotiate a license on favorable terms, or at all. If we lose the rights to patented technology, we may need to discontinue selling certain products or redesign our products, and we may lose a competitive advantage. Potential competitors could license technologies that we fail to license and potentially erode our market share for certain products. Our licenses typically subject us to various commercialization, sublicensing, minimum payment, and other obligations. If we fail to comply with these requirements, we could lose important rights under a license. In addition, certain rights granted under the license could be lost for reasons beyond our control. We may not receive significant indemnification from a licensor against third party claims of intellectual property infringement.

We Currently Have no or Limited Manufacturing, Sales, Marketing or Distribution Capabilities.

We currently have no in-house manufacturing capability. We rely on third-party vendors for this service. We do not currently have any arrangements with any distributors and we may not be able to enter into arrangements with qualified distributors on acceptable terms or at all. We currently have a limited sales and marketing team. If we are not able to develop greater sales, marketing or distribution capacity, we may not be able to generate revenue or sufficient revenue to support our operations.

We Rely on Our License Agreement With Biowell Technology for the Development of Our Products, and the Termination of the License Would Have a Material Adverse Impact on Our Business.

We have executed a licensing agreement with Biowell Technology and we intend to focus our business on the products developed under this licensing agreement. We will rely upon Biowell Technology to develop, test and produce products under this licensing agreement. As a result of the license agreement, we will not incur expenses with developing products for sale, however, we will be responsible for marketing the product and building brand recognition in our licensed territories. Our license could terminate if we fail to perform any material term or covenant under the license agreement. The termination of our license agreement would have a material adverse impact on our business, such as the loss of products and services, which would reduce or eliminate most of our potential revenue source.

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If We Fail to Introduce New Products, or Our existing Products are not Accepted by Potential Customers, We May Not Gain or May Lose Market Share.

Rapid technological changes and frequent new product introductions are typical for the markets we serve. Our future success will depend in part on continuous, timely development and introduction of new products that address evolving market requirements. We believe successful new product introductions provide a significant competitive advantage because customers invest their time in selecting and learning to use new products, and are often reluctant to switch products. To the extent we fail to introduce new and innovative products, we may lose market share to our competitors, which will be difficult or impossible to regain. Any inability, for technological or other reasons, to successfully develop and introduce new products could reduce our growth rate or damage our business.

We may experience delays in the development and introduction of products. We cannot assure that we will keep pace with the rapid rate of change in life sciences research or that our new products will adequately meet the requirements of the marketplace or achieve market acceptance. Some of the factors affecting market acceptance of new products include:

- Availability, quality and price relative to competitive products; o The timing of introduction of the product relative to competitive products; o Customers' opinions of the products' utility; o Ease of use;
- Consistency with prior practices; o Scientists' opinions of the products' usefulness;
- Citation of the product in published research; and o General trends in life sciences research.

We have not experienced any difficulties with the preceding factors, however, there can be no assurance that we will not experience difficulties in the future. The expenses or losses associated with unsuccessful product development or lack of market acceptance of our new products could materially adversely affect our business, operating results and financial condition.

A Manufacturer's Inability to Produce Our Goods on Time and to Our Specifications Could Result in Lost Revenue and Net Losses

We do not own or operate any manufacturing facilities and therefore depend upon independent third parties for the manufacture of all of our products. Our products are manufactured to our specifications. The inability of a manufacturer to ship orders of our products in a timely manner or to meet our quality standards could cause us to miss the delivery date requirements of our customers for those items, which could result in cancellation of orders, refusal to accept deliveries or a reduction in purchase prices, any of which could have a material adverse effect as our revenues would decrease and we would incur net losses as a result of sales of the product, if any sales could be made. Because of our business, the dates on which customers need and require shipments of our security products from us are critical.

If We Need to Replace Manufacturers, Our Expenses Could Increase Resulting in Smaller Profit Margins

We compete with other companies for the production capacity of our manufacturers and import quota capacity. Some of these competitors have greater financial and other resources than we have, and thus may have an advantage in the competition for production and import quota capacity. If we experience a significant increase in demand, or if an existing manufacturer of ours must be replaced, we may have to expand our third-party manufacturing capacity. We cannot assure you that this additional capacity will be available when required

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on terms that are acceptable to us or similar to existing terms which we have with our manufacturers, either from a production standpoint or a financial standpoint. We do not have long-term contracts with any manufacturer. None of the manufacturers we use produces our products exclusively.

Should we be forced to replace one or more of our manufacturers, we may experience an adverse financial impact, or an adverse operational impact, such as being forced to pay increased costs for such replacement manufacturing or delays upon distribution and delivery of our products to our customers, which could cause us to lose customers or lose revenues because of late shipments.

If a Manufacturer of Ours Fails to Use Acceptable Labor Practices, We Might Have Delays in Shipments or Face Joint Liability for Violations, Resulting in Decreased Revenue and Increased Expenses

While we require our independent manufacturers to operate in compliance with applicable laws and regulations, we have no control over the ultimate actions of our independent manufacturers. While our internal and vendor operating guidelines promote ethical business practices and our staff and buying agents periodically visit and monitor the operations of our independent manufacturers, we do not control these manufacturers or their labor practices. The violation of labor or other laws by an independent manufacturer of ours, or by one of our licensing partners, or the divergence of an independent manufacturer's or licensing partner's labor practices from those generally accepted as ethical in the United States, could interrupt, or otherwise disrupt the shipment of finished products to us or damage our reputation. Any of these, in turn, could have a material adverse effect on our financial condition and results of operations, such as the loss of potential revenue and incurring additional expenses.

The Failure To Manage Our Growth In Operations And Acquisitions Of New Product Lines And New Businesses Could Have A Material Adverse Effect On Us.

The expected growth of our operations (as to which no representation can be made) will place a significant strain on our current management resources. To manage this expected growth, we will need to improve our: o operations and financial systems; o procedures and controls; and o training and management of our employees.

Our future growth may be attributable to acquisitions of and new product lines and new businesses. We expect that future acquisitions, if successfully consummated, will create increased working capital requirements, which will likely precede by several months any material contribution of an acquisition to our net income.

Our failure to manage growth or future acquisitions successfully could seriously harm our operating results. Also, acquisition costs could cause our quarterly operating results to vary significantly. Furthermore, our stockholders would be diluted if we financed the acquisitions by incurring convertible debt or issuing securities.

Although we currently only have operations within the United States, if we were to acquire an international operation; we will face additional risks, including:

- difficulties in staffing, managing and integrating international operations due to language, cultural or other differences;
- Different or conflicting regulatory or legal requirements;
- foreign currency fluctuations; and
- diversion of significant time and attention of our management.

If We Are Unable to Retain the Services of Messrs. Hutchison, Brocklesby, Botash or Klemm, or If We Are Unable to Successfully Recruit Qualified Managerial and Sales Personnel Having Experience in Business, We May Not Be Able to Continue Our Operations.

Our success depends to a significant extent upon the continued service of Mr. Rob Hutchison, our Chief Executive Officer, Mr. Peter Brocklesby, our President, Mr. Adrian Botash, our Chief Marketing Officer and Ms. Karin Klemm, our Chief Operating Officer and Interim Chief Financial Officer. We do not have employment agreements with Messrs. Hutchison, Brocklesby, Botash or Klemm. Loss of the services of Messrs. Hutchison, Brocklesby, Botash or Klemm could have a material adverse effect on our growth, revenues, and prospective business. We do not maintain key-man insurance on the life of Messrs. Hutchison, Brocklesby, Botash or Klemm. Besides Mr. Hutchison's desire to retire within the next few months, we are not aware of any other named executive officer or director who has plans to leave us or retire. In addition, in order to successfully implement and manage our business plan, we will be dependent upon, among other things, successfully recruiting qualified managerial and sales personnel having experience in business. Competition for qualified individuals is intense. There can be no assurance that we will be able to find, attract and retain existing employees or that we will be able to find, attract and retain qualified personnel on acceptable terms.

Failure to Attract and Retain Qualified Scientific or Production Personnel Could Have a Material Adverse Effect On Us.

Recruiting and retaining qualified scientific and production personnel to perform research and development work and product manufacturing is critical to our success. Because the industry in which we compete is very competitive, we face significant challenges attracting and retaining a qualified personnel base. Although we believe we have been and will be able to attract and retain these personnel, there is no assurance that we will be able to continue to successfully attract qualified personnel. In addition, our anticipated growth and expansion into areas and activities requiring additional expertise, such as clinical testing, government approvals, production, and marketing will require the addition of new management personnel and the development of additional expertise by existing management personnel. The failure to attract and retain these personnel or, alternatively, to develop this expertise internally would adversely affect our business as our ability to conduct research and development will be reduced or eliminated, resulting in fewer or no products for sale and lower revenues. We generally do not enter into employment agreements requiring these employees to continue in our employment for any period of time.

We Need to Expand Our Sales and Support Organizations to Increase Market Acceptance of Our Products.

We currently have a small customer service and support organization and will need to increase our staff to support new customers and the expanding needs of existing customers. The employment market for sales personnel, and customer service and support personnel in this industry is very competitive, and we may not be able to hire the kind and number of sales personnel, customer service and support personnel we are targeting. Our inability to hire qualified sales, customer service and support personnel may materially adversely affect our business, operating results and financial condition.

The Biomedical Research Products Industry is Very Competitive, and We may be Unable to Continue to Compete Effectively in this Industry in the Future.

We are engaged in a segment of the biomedical research products industry that is highly competitive. We compete with many other suppliers and new competitors continue to enter the market. Many of our competitors, both in the United States and elsewhere, are major pharmaceutical, chemical and biotechnology companies, and many of them have substantially greater capital resources, marketing experience, research and development staff, and facilities

than we do. Any of these companies could succeed in developing products that are more effective than the products that we have or may develop and may be more successful than us in producing and marketing their products. It is impossible to quantify the number of competitors since they include both the companies we attempt to sell our products and services to through their use of internal security and various other security product companies. Also, it is also impossible to determine market size and market data information because companies are secretive about what security methods they utilize and how much they spend on such measures. Some of the anti-counterfeiting and fraud protection competitors that we are aware of include: Authentix, InkSure, DNA Technologies, Inc., Art Guard International, Theft Protection Systems, Tracetag and November AG.

We expect this competition to continue and intensify in the future. Competition in our markets is primarily driven by:

- o Product performance, features and liability;
- o Price;
- o Timing of product introductions;
- o Ability to develop, maintain and protect proprietary products and technologies;
- o Sales and distribution capabilities; o Technical support and service; o Brand loyalty; o Applications support; and o Breadth of product line.

If a competitor develops superior technology or cost-effective alternatives to our products, our business, financial condition and results of operations could be materially adversely affected.

Our Trademark and Other Intellectual Property Rights May not be Adequately Protected Outside the United States, Resulting in Loss of Revenue.

We believe that our trademarks, whether licensed or owned by us, and other proprietary rights are important to our success and our competitive position. In the course of our international expansion, we may, however, experience conflict with various third parties who acquire or claim ownership rights in certain trademarks. We cannot assure that the actions we have taken to establish and protect these trademarks and other proprietary rights will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as a violation of the trademarks and proprietary rights of others. Also, we cannot assure you that others will not assert rights in, or ownership of, trademarks and other proprietary rights of ours or that we will be able to successfully resolve these types of conflicts to our satisfaction. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent, as do the laws of the United States.

Intellectual Property Litigation Could Harm Our Business.

Litigation regarding patents and other intellectual property rights is extensive in the biotechnology industry. In the event of an intellectual property dispute, we may be forced to litigate. This litigation could involve proceedings instituted by the U.S. Patent and Trademark Office or the International Trade Commission, as well as proceedings brought directly by affected third parties. Intellectual property litigation can be extremely expensive, and these expenses, as well as the consequences should we not prevail, could seriously harm our business.

If a third party claims an intellectual property right to technology we use, we might need to discontinue an important product or product line, alter our products and processes, pay license fees or cease our affected business activities. Although we might under these circumstances attempt to obtain a license to this intellectual property, we may not be able to do so on favorable terms, or at all. We are currently not aware of any intellectual property rights that are being infringed nor have we received notice from a third party that we may be infringing on any of their patents.

Furthermore, a third party may claim that we are using inventions covered by the third party's patent rights and may go to court to stop us from engaging in our normal operations and activities, including making or selling our product candidates. These lawsuits are costly and could affect our results of operations and divert the attention of managerial and technical personnel. There is a risk that a court would decide that we are infringing the third party's patents and would order us to stop the activities covered by the patents. In addition, there is a risk that a court will order us to pay the other party damages for having violated the other party's patents. The biotechnology industry has produced a proliferation of patents, and it is not always clear to industry participants, including us, which patents cover various types of products or methods of use. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. If we are sued for patent infringement, we would need to demonstrate that our products or methods of use either do not infringe the patent claims of the relevant patent and/or that the patent claims are invalid, and we may not be able to do this. Proving invalidity, in particular, is difficult since it requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents.

Because some patent applications in the United States may be maintained in secrecy until the patents are issued, because patent applications in the United States and many foreign jurisdictions are typically not published until eighteen months after filing, and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for technology covered by our licensors' issued patents or our pending applications or our licensors' pending applications or that we or our licensors were the first to invent the technology. Our competitors may have filed, and may in the future file, patent applications covering technology similar to ours. Any such patent application may have priority over our or our licensors' patent applications and could further require us to obtain rights to issued patents covering such technologies. If another party has filed a United States patent application on inventions similar to ours, we may have to participate in an interference proceeding declared by the United States Patent and Trademark Office to determine priority of invention in the United States. The costs of these proceedings could be substantial, and it is possible that such efforts would be unsuccessful, resulting in a loss of our United States patent position with respect to such inventions.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

Accidents Related to Hazardous Materials Could Adversely Affect Our Business.

Some of our operations require the controlled use of hazardous materials. Although we believe our safety procedures comply with the standards prescribed by federal, state, local and foreign regulations, the risk of accidental contamination of property or injury to individuals from these materials cannot be completely eliminated. In the event of an accident, we could be liable for any damages that result, which could seriously damage our business and results of operations.

Potential Product Liability Claims Could Affect Our Earnings and Financial Condition.

We face a potential risk of liability claims based on our products and services, and we have faced such claims in the past. We currently do not have any product liability coverage but are attempting to obtain coverage which we will believe to be adequate. We cannot assure, however, that we will be able to obtain or maintain this insurance at reasonable cost and on reasonable terms. We also cannot assure that this insurance, if obtained, will be adequate to protect

us against a product liability claim, should one arise. In the event that a product liability claim is successfully brought against us, it could result in a significant decrease in our liquidity or assets, which could result in the reduction or termination of our business.

There Are a Large Number of Shares Underlying Our Warrants That May be Available for Future Sale and the Sale of These Shares May Depress the Market Price of Our Common Stock and Will Cause Immediate and Substantial Dilution to Our Existing Stockholders.

As of April 26, 2005, we had 68,371,025 shares of common stock issued and outstanding and outstanding warrants to purchase 25,248,717 shares of common stock. All of the shares issuable upon exercise of our warrants may be sold without restriction. The sale of these shares may adversely affect the market price of our common stock. The issuance of shares upon exercise of warrants will cause immediate and substantial dilution to the interests of other stockholders since the selling stockholders may convert and sell the full amount issuable on exercise.

If We Fail to Remain Current on Our Reporting Requirements, We Could be Removed From the OTC Bulletin Board Which Would Limit the Ability of Broker-Dealers to Sell Our Securities and the Ability of Stockholders to Sell Their Securities in the Secondary Market.

Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market. Prior to May 2001 and new management, we were delinquent in our reporting requirements, having failed to file our quarterly and annual reports for the years ended 1998 - 2000 (except the quarterly reports for the first two quarters of 1999). We have been current in our reporting requirements for the last three years, however, there can be no assurance that in the future we will always be current in our reporting requirements.

Our Common Stock is Subject to the "Penny Stock" Rules of the SEC and the Trading Market in Our Securities is Limited, Which Makes Transactions in Our Stock Cumbersome and May Reduce the Value of an Investment in Our Stock.

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

o that a broker or dealer approve a person's account for transactions in penny stocks; and

- the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and
- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

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The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

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Item 3. Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures. As of March 31, 2005, the Company's management carried out an evaluation, under the supervision of the Company's Chief Executive Officer and the Chief Financial Officer of the effectiveness of the design and operation of the Company's system of disclosure controls and procedures pursuant to the Securities and Exchange Act, Rule 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective, as of the date of their evaluation, for the purposes of recording, processing, summarizing and timely reporting material information required to be disclosed in reports filed by the Company under the Securities Exchange Act of 1934.

b) Changes in internal controls. There were no changes in internal controls over financial reporting, known to the Chief Executive Officer or Chief Financial Officer that occurred during the period covered by this report that has materially affected, or is likely to materially effect, the Company's internal control over financial reporting.

PART II--OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Except as described below, we are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse affect on our business, financial condition or operating results.

Stern & Co. v. Applied DNA Sciences, Inc., Case No.: 05 CV 00202

Plaintiff Stern & Co. commenced this action against us in the United States District Court for the Southern District of New York on or about January 10, 2005. In this action, Stern & Co. alleges that it entered into a contract with us to perform media and investor relations for a monthly fee of $5,000 and stock options. Stern & Co. claims that we failed to make certain payments pursuant to the contract and seeks damages in the amount of $96,042.00. Although our time to answer the complaint has not expired, we dispute the allegations of the complaint in its entirety and intend on vigorously defending this matter.

Oceanic Consulting, S.A. v. Applied DNA Sciences, Inc., Index No.: 603974/04

Plaintiff Oceanic Consulting, S.A. commenced this action against us in the Supreme Court of the State of New York, County of New York. Oceanic Consulting, S.A. asserts a cause of action for breach of contract based upon the allegation that we failed to make payments pursuant to a consulting agreement. Oceanic Consulting, S.A.also asserts a causes of action in which it seeks reimbursement of its expenses and attorneys' fees. Oceanic Consulting, S.A. seeks damages in the amount of $137,500.00. Oceanic Consulting, S.A. moved for a default judgment, which we have opposed based upon Oceanic Consulting, S.A.'s failure to properly serve the complaint as well as our meritorious defenses. We intend on vigorously defending this matter.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On January 4, 2005 we issued 25,000 shares related to warrant exercises for which we received $2,500. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On January 10, 2005, we issued 1,628,789 shares in exchange for debt valued at $537,500. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On January 10, 2005, we issued 17,500 shares related to warrant exercises for which we received $1,750. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On January 21, 2005, we issued 2,399,012 shares in exchange for debt valued at $791,674. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On January 21, 2005, we issued 315,636 shares in exchange for legal services valued at $410,327. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On February 1, 2005, we issued 75,757 shares in exchange for debt valued at $25,000. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On February 3, 2005 we issued 20,000 shares related to warrant exercises for which we received $2,000. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On February 4, 2005, we issued 606,060 shares in exchange for debt valued at $200,000. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On February 4, 2005 we issued 45,000 shares related to warrant exercises for which we received $4,500. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On February 4, 2005, we issued 1,500,000 shares in exchange for debt valued at $1,965,000. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On February 10, 2005, we issued 278,433 shares in exchange for debt valued at$91,883. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On February 10, 2005, we issued 17,236 shares in exchange for financial advisory services valued at $20,166. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On February 10, 2005, we issued 300,000 shares related to the January/February PPM subscription for which we received $150,000. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On February 22, 2005, we issued 716,500 shares in exchange for financial advisory services valued at $680,675. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On February 22, 2005, we issued 10,500 shares related to the repricing of a previous financing valued at $9,975. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On March 1, 2005, we issued 13,202,000 shares related to the January/February PPM subscription for which we received $6,601,000. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On March 3, 2005, we issued 185,000 shares in exchange for employee services valued at $220,150. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On March 8, 2005 we issued 100,000 shares related to warrant exercises for which we received $60,000. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On March 14, 2005, we issued 1,675,272 shares in exchange for financial advisory services valued at $1,641,767. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On March 18, 2005, we issued 24,333 shares in exchange for legal services valued at $22,386. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On March 29, 2005, we issued 15,000 shares in exchange for employee services valued at $14,850. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On March 31, 2005, we issued 1,240,000 shares related to the January/February PPM subscription for which we received $620,000. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On March 31, 2005, we issued 1,500,000 shares related to the January/February PPM subscription for which we received $600,000. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

On March 31, 2005, we issued 10,000 shares in exchange for financial advisory services valued at $8,900. Such issuances were considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

Pursuant to a written consent of a majority of stockholders dated February 15, 2005 in lieu of a special meeting of the stockholders, the majority of stockholders approved the following actions:

1. To Amend the Company's Articles of Incorporation, as amended, to increase the number of authorized shares of common stock, par value $.50 per share (the "Common Stock"), of the Company from 100,000,000 shares to 250,000,000 shares;

2. To Amend the Company's Articles of Incorporation, as amended, to the par value of the Common Stock of the Company from $.50 per share to $.001 per share;

3. To ratify the selection of Russell Bedford Stefanou Mirchandani as independent registered public accounting firm of the Company for the year ending September 30, 2005;

4. To elect five directors to the Company's Board of Directors, to hold office until their successors are elected and qualified or until their earlier resignation or removal; and

5. To adopt the Company's 2005 Incentive Stock Plan.

Item 5. Other Information

None.

Item 6. Exhibits

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended

31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)

SIGNATURES

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

APPLIED DNA SCIENCES, INC.

Date: August 3, 2005

By: /s/ PETER BROCKLESBY

Peter Brocklesby
President
(Principal Executive Officer)

Date: August 3, 2005

By: /s/ KARIN KLEMM

Karin Klemm
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)