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

FORM 10-Q

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

☐ TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT

For the transition period from _______ to ________

Commission File number 000-30262

VISUALANT, INCORPORATED

(Exact name of registrant as specified in charter)

Nevada	**91-1948357**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
500 Union Street, Suite 406, Seattle, Washington USA	**98101**
(Address of principal executive offices)	(Zip Code)

206-903-1351
(Registrant's telephone number, including area code)

N/A
(Former name, address, and fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

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

The number of shares of common stock, $.001 par value, issued and outstanding as of May 1, 2012: 61,371,850 shares

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ITEM 1. FINANCIAL STATEMENTS

VISUALANT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2012 (unaudited)	September 30, 2011 (audited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 34,827	$ 92,313
Accounts receivable, net of allowance of $16,750 and $16,750, respectively	714,893	823,724
Prepaid expenses	320,800	283,204
Inventories	414,313	454,588
Refundable tax assets	14,195	9,080
Total current assets	1,499,028	1,662,909
EQUIPMENT, NET	490,180	522,668
OTHER ASSETS		
Intangible assets, net	999,725	1,143,090
Goodwill	983,645	983,645
Other assets	1,091	1,091
TOTAL ASSETS	$ 3,973,669	$ 4,313,403
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable - trade	$ 1,243,721	$ 1,206,100
Accounts payable - related parties	75,689	8,093
Accrued expenses	224,837	155,267
Accrued expenses - related parties	791,578	783,732
Convertible notes payable	975,000	1,175,000
Note payable - current portion of long term debt	1,509,283	1,537,191
Total current liabilities	4,820,108	4,865,383
LONG TERM LIABILITIES:		
Long term debt	1,008,727	1,014,582
STOCKHOLDERS' DEFICIT:		
Preferred stock - $0.001 par value, 50,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock - $0.001 par value, 200,000,000 shares authorized, 60,996,370 and 49,065,669 shares issued and outstanding at 3/31/12 and 9/30/11, respectively	60,996	49,066
Additional paid in capital	10,429,208	9,524,577
Accumulated deficit	(12,374,507)	(11,184,033)
Total stockholders' deficit	(1,884,303)	(1,610,390)
Noncontrolling interest	29,137	43,828
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 3,973,669	$ 4,313,403

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

VISUALANT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended,		Six Months Ended,	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE	$ 1,899,307	$ 2,866,289	$ 3,712,160	$ 4,934,154
COST OF SALES	1,565,874	2,521,396	3,055,479	4,176,056
GROSS PROFIT	333,433	344,893	656,681	758,097
RESEARCH AND DEVELOPMENT EXPENSES	37,000	6,000	76,000	12,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	882,088	831,379	1,677,916	1,477,830
OPERATING LOSS	(585,655)	(492,486)	(1,097,235)	(731,733)
OTHER INCOME (EXPENSE):				
Interest expense	(57,704)	(40,973)	(116,242)	(101,726)
Other income	5,041	14,384	12,345	55,252
Total other expense	(52,663)	(26,589)	(103,897)	(46,474)
LOSS BEFORE INCOME TAXES	(638,318)	(519,075)	(1,201,132)	(778,207)
Income taxes - current benefit	(6,246)	(5,163)	(14,194)	(6,172)
NET LOSS	(632,072)	(513,912)	(1,186,938)	(772,036)
NONCONTROLLING INTEREST	(1,219)	6,089	3,536	7,737
NET LOSS ATTRIBUTABLE TO VISUALANT, INC. AND SUBSIDIARIES COMMON SHAREHOLDERS	$ (630,853)	$ (520,001)	$ (1,190,474)	$ (779,773)
Basic and diluted loss per common share attributable to Visualant, Inc. and subsidiaries common shareholders-				
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted average shares of common stock outstanding- basic and diluted	58,335,337	39,662,497	55,320,764	38,946,072

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

VISUALANT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended,	
	March 31, 2012	March 31, 2011
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,190,473)	$ (779,773)
Adjustments to reconcile net loss to net cash		
(used in) operating activities		
Depreciation and amortization	171,559	149,997
Issuance of capital stock for services and expenses	214,000	530,827
Issuance of capital stock for accrued liabilities	11,454	-
Stock based compensation	218,166	3,901
(Loss) on sale of assets	(3,345)	(2,671)
Changes in operating assets and liabilities:		
Accounts receivable	108,831	242,030
Prepaid expenses	(37,596)	(50,265)
Inventory	40,275	120,530
Other assets	-	2,409
Accounts payable - trade and accrued expenses	182,632	711,746
Income tax receivable	(5,115)	-
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(289,612)	928,731
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	4,393	(7,129)
Proceeds from sale of equipment	3,246	8,299
NET CASH PROVIDED BY INVESTING ACTIVITIES:	7,639	1,170
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on line of credit	(26,764)	(642,462)
Proceeds from line of credit	-	22,479
Proceeds from the issuance of common stock	272,941	548,852
Repayments of capital leases	(6,999)	(16,379)
Repayment/ proceeds from the issuance of convertible debt	-	100,000
Change in minority interest	(14,691)	(843)
NET CASH PROVIDED BY FINANCING ACTIVITIES	224,487	11,647
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(57,486)	941,548
CASH AND CASH EQUIVALENTS, beginning of period	92,313	83,937
CASH AND CASH EQUIVALENTS, end of period	$ 34,827	$ 1,025,485
Supplemental disclosures of cash flow information:		
Interest paid	$ 27,646	$ 27,441
Taxes paid	$ -	$ -
Non-cash investing and financing activities:		
Debenture converted to common stock	$ 200,000	$ 50,000

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

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Visualant, Inc. (the "Company") was incorporated under the laws of the State of Nevada on October 8, 1998 with authorized common stock of 200,000,000 shares at $0.001 par value. On September 13, 2002, 50,000,000 shares of preferred stock with a par value of $0.001 were authorized by the shareholders. There are no preferred shares issued and the terms have not been determined.

The accompanying unaudited consolidated financial statements of the Company and our subsidiaries have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The financial statements for the periods ended March 31, 2012 and 2011 are unaudited and include all adjustments necessary to a fair statement of the results of operations for the periods then ended. All such adjustments are of a normal, recurring nature. The results of the Company's operations for any interim period are not necessarily indicative of the results of the Company's operations for a full fiscal year. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2011 as filed with the Securities and Exchange Commission (the "SEC") on November 30, 2011.

2. GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred net losses of $2,395,525 and $1,146,796 for the years ended September 30, 2011 and 2010, respectively. Our current liabilities exceeded our current assets by approximately $3.2 million as of September 30, 2011. Our net cash used in operating activities was $1.3 million for the year ended September 30, 2011.

As of March 31, 2012, the Company had $34,827 in cash. The Company needs to obtain additional financing to implement the business plan, service our debt repayments and acquire new businesses. However, there can be no assurance that financing or additional funding will be available to the Company on favorable terms or at all. If the Company raises additional capital through the sale of equity or convertible debt securities, the issuance of such securities may result in dilution to existing stockholders.

The Company anticipates that it will record losses from operations for the foreseeable future. As of March 31, 2012, our accumulated deficit was $12.4 million. The Company has limited capital resources, and operations to date have been funded with the proceeds from private equity and debt financings. These conditions raise substantial doubt about our ability to continue as a going concern. The audit report prepared by our independent registered public accounting firm relating to our financial statements for the year ended September 30, 2011 includes an explanatory paragraph expressing the substantial doubt about our ability to continue as a going concern.

Continuation of the Company as a going concern is dependent upon obtaining additional working capital. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES: ADOPTION OF ACCOUNTING STANDARDS

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries. Inter-Company items and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS - The Company classifies highly liquid temporary investments with an original maturity of three months or less when purchased as cash equivalents. The Company maintains cash balances at various financial institutions. Balances at US banks are insured by the Federal Deposit Insurance Corporation up to $250,000. Beginning December 31, 2010 and through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk for cash on deposit. As of March 31, 2012, the Company had no uninsured cash amounts.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS - Accounts receivable consists primarily of amounts due to the Company from normal business activities. The Company maintains an allowance for doubtful accounts to reflect the expected non-collection of accounts receivable based on past collection history and specific risks identified within the portfolio. If the financial condition of the customers were to deteriorate resulting in an impairment of their ability to make payments, or if payments from customers are significantly delayed, additional allowances might be required.

INVENTORIES - Inventories consist primarily of printers and consumable supplies, including ribbons and cards, badge accessories, capture devices, and access control components held for resale and are stated at the lower of cost or market on the first-in, first-out ("FIFO") method. Inventories are considered available for resale when drop shipped and invoiced directly to a customer from a vendor, or when physically received by TransTech at a warehouse location. The company records a provision for excess and obsolete inventory whenever an impairment has been identified. There is a $10,000 reserve for impaired inventory as of March 31, 2012 and September 30, 2011.

EQUIPMENT - Equipment consists of machinery, leasehold improvements, furniture and fixtures and software, which are stated at cost less accumulated depreciation and amortization. Depreciation is computed by the straight-line method over the estimated useful lives or lease period of the relevant asset, generally 3-10 years, except for leasehold improvements which are depreciated over 20 years.

INTANGIBLE ASSETS / INTELLECTUAL PROPERTY - The Company amortizes the intangible assets and intellectual property acquired in connection with the acquisition of TransTech, over sixty months on a straight - line basis, which was the time frame that the management of the Company was able to project forward for future revenue, either under agreement or through expected continued business activities. Intangible assets and intellectual property acquired from RATLab are recorded likewise.

GOODWILL – Goodwill is the excess of cost of an acquired entity over the fair value of amounts assigned to assets acquired and liabilities assumed in a business combination. With the adoption of ASC 350, goodwill is not amortized, rather it is tested for impairment annually, and will be tested for impairment between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Impairment testing for goodwill is done at a reporting unit level. Reporting units are one level below the business segment level, but are combined when reporting units within the same segment have similar economic characteristics. Under the criteria set forth by ASC 350, the Company has one reporting unit based on the current structure. An impairment loss generally would be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. The Company performs annual assessments and has determined that no impairment is necessary.

LONG-LIVED ASSETS - The Company reviews its long-lived assets for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets under certain circumstances are reported at the lower of carrying amount or fair value. Assets to be disposed of and assets not expected to provide any future service potential to the Company are recorded at the lower of carrying amount or fair value (less the projected cost associated with selling the asset). To the extent carrying values exceed fair values, an impairment loss is recognized in operating results.

FAIR VALUE OF FINANCIAL INSTRUMENTS - The Company has adopted FASB Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements", for assets and liabilities measured at fair value on a recurring basis. Topic 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, Topic 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

All cash and cash equivalents include money market securities and commercial paper that are considered to be highly liquid and easily tradable as of March 31, 2012. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

The carrying amounts of the Company's financial assets and liabilities, such as cash, accounts receivable, inventory, accounts payable, taxes payable, accrued expenses and other current liabilities, approximate their fair values because of the short maturity of these instruments. The Company's notes payable approximates the fair value of such instruments based upon management's best estimate of interest rates that would be available to the Company for a similar financial arrangement at March 31, 2012.

In addition, Topic 820 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value option for any of its qualifying financial instruments.

REVENUE RECOGNITION – TransTech revenue is derived from other products and services. Revenue is considered realized when the services have been provided to the customer, the work has been accepted by the customer and collectability is reasonably assured. Furthermore, if an actual measurement of revenue cannot be determined, we defer all revenue recognition until such time that an actual measurement can be determined. If during the course of a contract management determines that losses are expected to be incurred, such costs are charged to operations in the period such losses are determined. Revenues are deferred when cash has been received from the customer but the revenue has not been earned. The Company recorded deferred revenue of $0 as of March 31, 2012 and 2011, respectively.

STOCK BASED COMPENSATION - The Company has share-based compensation plans under which employees, consultants, suppliers and directors may be granted restricted stock, as well as options to purchase shares of Company common stock at the fair market value at the time of grant. Stock-based compensation cost is measured by the Company at the grant date, based on the fair value of the award, over the requisite service period. For options issued to employees, the Company recognizes stock compensation costs utilizing the fair value methodology over the related period of benefit. Grants of stock options and stock to non-employees and other parties are accounted for in accordance with the ASC 505.

INCOME TAXES - Income tax benefit is based on reported loss before income taxes. Deferred income taxes reflect the effect of temporary differences between asset and liability amounts that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes. These deferred taxes are measured by applying currently enacted tax laws where that company operates out of. The Company recognizes refundable and deferred assets to the extent that management has determined their realization. As of March 31, 2012 and September 30, 2011, the Company had refundable tax assets related to TransTech of $14,195 and $9,080, respectively.

NET LOSS PER SHARE – Under the provisions of ASC 260, “Earnings Per Share,” basic loss per common share is computed by dividing net loss available to common shareholders by the weighted average number of shares of common stock outstanding for the periods presented. Diluted net loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the income of the Company, subject to anti-dilution limitations. The common stock equivalents have not been included as they are anti-dilutive. As of March 31, 2012, there were options outstanding for the purchase of 6,020,000 common shares, warrants for the purchase of 4,977,050 common shares, and an undetermined number shares of common stock related to convertible debt, which could potentially dilute future earnings per share. As of March 31, 2011, there were options outstanding for the purchase of 4,955,000 common shares, warrants for the purchase of 833,333 common shares, and 1,666,667 shares of common stock related to convertible debt, which could potentially dilute future earnings per share.

DIVIDEND POLICY - The Company has never paid any cash dividends and intends, for the foreseeable future, to retain any future earnings for the development of our business. Our future dividend policy will be determined by the board of directors on the basis of various factors, including our results of operations, financial condition, capital requirements and investment opportunities.

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

RECLASSIFICATION - Certain reclassifications have been made to the Company’s financial statements for prior periods to conform to the current presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

RECENT ACCOUNTING PRONOUNCEMENTS

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to our consolidated financial statements.

4. DEVELOPMENT OF SPECTRUM PATTERN MATCHING TECHNOLOGY

The Company develops low-cost, high speed, light-based security and quality control solutions for use in homeland security, anti-counterfeiting, forgery/fraud prevention, brand protection, process control applications, and diagnostics. The Company’s patented and patent-pending technology uses controlled illumination with specific bands of light, to establish a unique spectral signature for both individual and classes of items. When matched against existing databases, these spectral signatures allow precise identification and authentication or diagnostics of any item or substance. This breakthrough optical sensing and data capture technology is called Spectral Pattern Matching (SPM). SPM technology lends itself to flexible form factors and can be miniaturized, and is easily integrated into a variety of hand-held or fixed mount configurations, and can be a stand-alone device or combined in the same package as a bar-code or biometric scanner.

On September 6, 2011, the Company announced that it was issued US Patent No. 7,996,173, entitled "Method, Apparatus and Article to Facilitate Distributed Evaluation of Objects Using Electromagnetic Energy," by the United States Office of Patents and Trademarks.

On January 19, 2012, the Company announced that it was issued US Patent No. 8,081,304, entitled "Method, Apparatus and Article to Facilitate Evaluation of Objects Using Electromagnetic Energy" by the United States Office of Patents and Trademarks.

On March 20, 2012, the Company announced that it was issued US Patent No. 8,076,630, entitled "System and Method of Evaluating an Object Using Electromagnetic Energy" by the United States Office of Patents and Trademarks.

The Company is pursuing an aggressive patent strategy to expand our unique intellectual property in the United States and Japan.

Through our wholly owned subsidiary, TransTech based in Aurora, Oregon, the Company provides value added security and authentication solutions to corporate and government security and law enforcement markets throughout the United States.

LICENSE AGREEMENT WITH JAVELIN LLC ("Javelin")

On January 3, 2011, the Company signed a Commercial License Agreement ("License Agreement") with Seattle based Javelin for development of environmental diagnostic applications of our SPM technology.

The License Agreement, which is exclusive for environmental applications, is perpetual and lasts until the Visualant IP expires. It provides for payments of 5% of Javelin's revenues, a royalty of $15,000 in year one (paid), a royalty of $20,000 in year two (paid) and increasing to $47,407 in year five and profit sharing of 25% of license or transfer of technology. Javelin has certain performance milestones by year 3. The License Agreement can be terminated by Visualant for failure of Javelin to meet the performance milestones and by Javelin with thirty days' notice.

On February 14, 2012, the Company signed a Letter of Intent with Javelin ("Javelin LOI"). Under the Javelin LOI, the Company agreed to acquire 10% of Javelin's stock on a fully diluted basis in exchange for 860,000 shares of the Company's unrestricted common stock. In addition, the Company may invest, at its option, between $100,000 and $120,000 in Javelin for 10% to 12% of Javelin's fully diluted units. Javelin is to receive 5% of any royalties received by the Company in exchange for a cross license in their field of use. On April 12, 2012 the expiration of the LOI was extended to June 30, 2012. The Javelin LOI is not binding and is subject to the completion of due diligence and entry into contracts.

ACQUISITION OF RATLab LLC ("RATLab")

On June 7, 2011, the Company closed the acquisition of all Visualant related assets of the RATLab LLC.

The RATLab is a Seattle based research and development laboratory created by Dr. Tom Furness, founder and Director of the HITLab International, with labs at Seattle, University of Canterbury in New Zealand, and the University of Tasmania in Australia.

The RATLab is guided by Dr. Tom Furness and Dr. Brian Schowengerdt, a research scientist in the field of optics and vision science, who developed the Spectral Pattern Matching ("SPM") technology under contract for Visualant.

With this acquisition, the Company consolidated all intellectual property relating to the SPM technology. In addition to its current authentication and security applications of SPM, the Company now owns all other applications, including the important fields of medicine, agriculture, and the environment, and has begun the creation of the Visualant Laboratory.

Following the closing of this asset acquisition transaction, Dr. Tom Furness and Dr. Brian Schowengerdt have continued to provide technology leadership to the Company.

The Company acquired the Visualant related assets of the RATLab for the following consideration:

a. One million shares (1,000,000) of our common stock at closing valued at twenty cents ($0.20) per share, the price during the negotiation of this agreement.

b. Two hundred and fifty thousand dollars ($250,000), with one hundred thousand dollars ($100,000) paid at closing and one hundred and fifty thousand dollars ($150,000) to be paid no later than the first anniversary of closing.

c. The outstanding promissory note owing to Tom Furness in the amount of $65,000 with accrued interest of $24,675 was paid at closing.

5. ACQUISITION OF TRANSTECH SYSTEMS INC. ("TransTech")

The Company closed the acquisition of TransTech of Aurora, Oregon on June 8, 2010. On this date, the Company entered into a Stock Purchase, Security and Stock Pledge Agreements which are included as Exhibits to the Form 10-Q filed with the SEC on August 12, 2010.

TransTech, founded in 1994, is a distributor of access control and authentication systems serving the security and law enforcement markets. With recorded revenues of $9.1 million in 2011, TransTech has a respected national reputation for outstanding product knowledge, sales and service excellence.

As a result of this acquisition the Company expects to accelerate market entry and penetration through the acquisition of TransTech's well-operated and positioned distributors of security and authentication systems, thus creating a natural distribution channel for products featuring our proprietary SPM technology.

The Company acquired its 100% interest in TransTech by issuing a Promissory Note ("Note") to James Gingo, the President of TransTech, in the amount of $2,300,000, plus interest at the rate of three and one-half percent (3.5%) per annum from the date of the Note. The Note is secured by a security interest in the stock and assets of TransTech, and is payable over a period of three years, with $650,000 plus accrued interest due to be paid on June 8, 2012.

On June 8, 2010, the Company issued a total of 3,800,000 shares of restricted common stock of the Company to James Gingo, Jeff Kruse and Steve Waddle, executives of TransTech, and Paul R. Bonderson Jr., a TransTech investor. The parties valued the shares in this transaction at $76,000 or $0.02 per share, the closing bid price during negotiations.

The results of operations of TransTech were included in the Consolidated Statements of Operations for the period June 9, 2010 to March 31, 2012.

6. ACCOUNTS RECEIVABLE/CUSTOMER CONCENTRATION

Accounts receivable were $714,893 and $823,724, net of allowance, as of March 31, 2012 and September 30, 2011, respectively. The Company had no customers in excess of 10% of our consolidated revenues for the six months ended March 31, 2012. The Company has one customer (10.3%) with accounts receivable in excess of 10% as of March 31, 2012. The Company does expect to have customers with consolidated revenues or accounts receivable balances of 10% of total accounts receivable in the foreseeable future.

7. INVENTORIES

Inventories were $414,313 and $454,588 as of March 31, 2012 and September 30, 2011, respectively. Inventories consist primarily of printers and consumable supplies, including ribbons and cards, badge accessories, capture devices, and access control components held for resale. There is a $10,000 reserve for impaired inventory as of March 31, 2012 and September 30, 2011.

8. FIXED ASSETS

Fixed assets, net of accumulated depreciation, were $490,180 and $522,668 as of March 31, 2012 and September 30, 2011, respectively. Accumulated depreciation was $573,281 and $554,884 as of March 31, 2012 and September 30, 2011, respectively. Total depreciation expense was $28,194 and $40,479 for the six months ended March 31, 2012 and 2011, respectively. All equipment is used for selling, general and administrative purposes and accordingly all depreciation is classified in selling, general and administrative expenses

Property and equipment as of March 31, 2012 was comprised of the following:

	Estimated	March 31, 2012		
	Useful Lives	Purchased	Capital Leases	Total
Machinery and equipment	3-10 years	$ 120,525	$ 87,039	$ 207,564
Leasehold improvements	20 years	600,000	-	600,000
Furniture and fixtures	3-10 years	45,676	101,260	146,936
Software and websites	3- 7 years	64,112	44,849	108,961
Less: accumulated depreciation		(379,853)	(193,428)	(573,281)
		$ 450,460	$ 39,720	$ 490,180

9. INTANGIBLE ASSETS

Intangible assets as of March 31, 2012 and September 30, 2011 consisted of the following:

	Estimated Useful Lives	March 31, 2012	September 30, 2011
Customer contracts	5 years	$ 1,433,645	$ 1,433,645
Less: accumulated amortization		(433,920)	-
Intangible assets, net		$ 999,725	$ 1,433,645

Total amortization expense was $143,365 and $98,365 for the six months ended March 31, 2012 and 2011, respectively.

The fair value of the TransTech intellectual property acquired was $983,645, estimated by using a discounted cash flow approach based on future economic benefits associated with agreements with customers, or through expected continued business activities with its customers. In summary, the estimate was based on a projected income approach and related discounted cash flows over five years, with applicable risk factors assigned to assumptions in the forecasted results.

The fair value of the RATLab intellectual property acquired was $450,000 estimated by using a discounted cash flow approach based on future economic benefits associated with agreements with customers, or through expected continued business activities with its customers. In summary, the estimate was based on a projected income approach and related discounted cash flows over five years, with applicable risk factors assigned to assumptions in the forecasted results.

10. ACCOUNTS PAYABLE

Accounts payable were $1,243,721 and $1,206,100 as of March 31, 2012 and September 30, 2011, respectively. Such liabilities consisted of amounts due to vendors for inventory purchases and technology development, external audit, legal and other expenses incurred by the Company. TransTech had 3 vendors (34.4%, 19.3% and 13.7%) with accounts payable in excess of 10% of its accounts payable as of March 31, 2012. The Company does expect to have vendors with accounts payable balances of 10% of total accounts payable in the foreseeable future.

11. CONVERTIBLE NOTES PAYABLE

On May 19, 2011, the Company entered into a Securities Purchase Agreement (“Agreement”) with Gemini Master Fund, Ltd. and Ascendiant Capital Partners, LLC (“Investors”) pursuant to which the Company issued $1.2 million in principal amount of 10% convertible debentures due May 1, 2012, together with 5-year warrants to purchase 2,400,000 shares of the Company’s common stock. The purchase price for the debentures was 83.3% of the face amount, resulting in the Company receiving $1.0 million, less legal fees, placement agent fees and expenses as set forth below. On September 8, 2011, Gemini converted $25,000 and interest of $760 into 311,516 shares of common stock at $.0827 per share. On October 21, 2011, Gemini converted $100,000 and interest of $4,247 into 2,619.261 shares of common stock at $.04 per share. On February 7, 2012, Gemini converted $100,000 and interest of $7,205 into 2,434.828 shares of common stock at $.044 per share.

On March 12, 2012, the Company and Investors entered into First Amendment to Securities Purchase Agreement and Debentures (“Amendment”). The Amendment extended the maturity date of the convertible debentures form from May 1, 2012 to September 30, 2012. In addition, the additional investment and participation rights as defined in the Agreement were extended from May 1, 2012 to September 30, 2012.

Under the terms of the Agreement, the debentures, including the amount of accrued interest thereon, are convertible at the option of the holder into shares of the Company’s common stock at a conversion price equal to the lesser of (i) $0.50 per share, or (ii) 70% of the average of the three lowest prices during the 20 trading days preceding the conversion date, subject to a floor conversion price of $0.35 per share, provided that the Company pays to the holder a compensatory amount in cash to adjust for the difference between the conversion price and $0.35 per share. The warrants for 2.4 million shares are exercisable at a price of $0.50 per share for five years. The Agreement also provides for an additional $1.0 million investment option by the Investors to purchase an additional $1.2 million in aggregate principal amount of debentures on or before the one-year anniversary date of the Agreement (subsequently extended to September 30, 2012). The conversion price of these additional debentures is equal to the lesser of (i) $1.00 per share, or (ii) 70% of the average of the three lowest prices during the 20 trading days preceding the conversion date, subject to a floor conversion price of $0.70 per share subject to adjustment. The Company filed a registration statement on Form S-1 to register the resale of all shares issuable in connection with the convertible debentures and warrants and have it declared effective within ninety days of the closing of the transaction.

The Company paid legal fees and expenses in the amount of $12,500. Visualant also paid $80,000 or 8.0% of the cash received and issued a five-year warrant for 192,000 shares in placement agent fees to Ascendiant Capital Markets LLC.

The Company filed a registration statement on Form S-1, which was declared effective on August 29, 2011, to register 15,340,361 shares of its common stock, including (i) up to 3,600,000 shares of our common stock for Gemini issuable on conversion and 1,800,000 shares of our common stock issuable upon exercise of a warrant issued to Gemini and (ii) up to 1,200,000 shares of our common stock for Ascendiant issuable on conversion and 792,000 shares of our common stock issuable upon exercise of a warrant issued to Ascendiant. Since the effective date of the registration statement, 5,365,605 shares of our common stock have been issued thus far to Gemini on conversion of a portion of the convertible debentures.

The conversion of the convertible notes payable and the related warrants will likely require the Company to file an additional registration statement and will likely result in a dilution of the value of the our common shares for all shareholders.

The Agreement may be terminated by the Investors under certain conditions. The Agreement also contains certain representations and warranties of Visualant and the Investors, including customary investment-related representations provided by the Investors, as well as acknowledgements by the Investors that it has reviewed certain disclosures of the Company (including the periodic reports that the Company has filed with the SEC) and that the Company's issuance of the shares has not been registered with the SEC or qualified under any state securities laws. The Company provided customary representations regarding, among other things, its organization, capital structure, subsidiaries, disclosure reports, absence of certain legal or governmental proceedings, financial statements, tax matters, insurance matters, real property and other assets, and compliance with applicable laws and regulations. The Investor's representations and warranties are qualified in their entirety (to the extent applicable) by the Company's disclosures in the reports it files with the SEC. The Company also delivered confidential disclosure schedules qualifying certain of its representations and warranties in connection with executing and delivering the Agreement.

12. NOTES PAYABLE, CAPITALIZED LEASES AND LONG TERM DEBT

Notes payable, capitalized leases and long term debt as of March 31, 2012 and September 30, 2011 consisted of the following:

	March 31, 2012	September 30, 2011
BFI Finance Corp Secured Credit Facility	$ 479,613	$ 506,377
TransTech capitalized leases, net of capitalized interest	24,217	31,216
Related party notes payable-		
James Gingo Promissory Note	1,650,000	1,650,000
RATLab LLC	150,000	150,000
Bradley E. Sparks	73,228	73,228
Lynn Felsinger	82,000	82,000
Ronald P. Erickson and affiliated parties	58,952	58,952
Total debt	2,518,010	2,551,773
Less current portion of long term debt	(1,509,283)	(1,537,191)
Long term debt	$ 1,008,727	$ 1,014,582

BFI Finance Corp Secured Credit Facility

On December 9, 2008 TransTech entered into a $1,000,000 secured credit facility with BFI Finance Corp to fund its operations. The rate is prime interest + 2.5%, with a floor for prime interest of 5.5%. On December 12, 2011, the secured credit facility was renewed for 6 months, with a floor for Prime of 4.5%. The eligible borrowing is based on 80% of eligible trade accounts receivable, not to exceed $700,000, and 35% of inventory value, not to exceed $300,000, for a total cap of $1,000,000. As of March 31, 2012, the outstanding balance under this facility was $479,613. The secured credit facility is guaranteed by James Gingo, the President of TransTech.

Capitalized Leases

TransTech has capitalized leases for equipment. The leases have a remaining lease term of 15-40 months. The aggregate future minimum lease payments under capital leases, to the extent the leases have early cancellation options and excluding escalation charges, are as follows:

Years Ended March 31,		Total
2013	$	15,490
2014		4,732
2015		2,840
2016		1,155
2017		-
Total	$	24,217
Less current portion of capitalized leases		-
Long term capital leases		24,217

The imputed interest rate in the capitalized leases is approximately 10.5%.

Related Party Notes Payable

The Company acquired its 100% interest in TransTech by issuing a Promissory Note ("Note") to James Gingo, the President of TransTech, in the amount of $2,300,000, plus interest at the rate of three and one-half percent (3.5%) per annum from the date of the Note. The Note is secured by a security interest in the stock and assets of TransTech, and is payable over a period of three (3) years as follows:

(i) The sum of $650,000, the amount of any accrued interest due on the Bonderson debt of $600,000 owed by James Gingo to the Bonderson Family Living Trust ("Bonderson Debt") and interest on the unpaid balance, shall be paid to Seller on the earlier of: (A) the one (1) year anniversary of the closing date; or (B) on the closing of $2,500,000 or more in aggregate financing (whether debt, equity or some combination thereof) after the closing date. On June 8, 2011, the Company paid $650,000 and accrued interest of $80,500 to Mr. Gingo.

(ii) The sum of $650,000, the amount of any accrued interest due on the Bonderson debt owed by James Gingo and interest on the unpaid balance shall be paid to Seller on the earlier of: (A) the two (2) year anniversary of the closing date; or (B) on the closing of $5,000,000 or more in aggregate financing (whether debt, equity or some combination thereof) after the closing date; and

(iii) The remaining balance of the Note and interest thereon shall be paid to Seller on the earlier of: (A) the three year anniversary of the closing date; or (B) on the closing of $7,500,000 or more in aggregate financing (whether debt, equity or some combination thereof) after the closing date.

On February 27, 2007, the Company entered into a demand note with former CEO and President, Bradley E. Sparks totaling $50,000 plus loan fees of $750. As of March 31, 2012, the outstanding note payable totaled $50,750 consisting of the note payable to Mr. Sparks. Interest expense accrues on the note at a rate of 18% per annum. Accrued interest of $46,726 as of March 31, 2012 on the note payable is recorded in the balance sheet in accrued expenses and other liabilities.

Any delays in repayment of the principal and accrued interest on the note payable upon demand result in a penalty interest rate of 30% per annum. The interest due to Mr. Sparks became in arrears on February 16, 2008 and has not been paid as of the date of this filing.

On September 30, 2009, the Company entered into a second demand note with former CEO and President, Bradley E. Sparks totaling $22,478. As of March 31, 2012, the outstanding note payable totaled $22,478 consisting of the note payable to Mr. Sparks. Interest expense accrues on the note at a rate of 8% per annum, with a default interest rate of 12%. Accrued interest of $4,498 as of March 31, 2012 on the notes payable is recorded in the balance sheet in accrued expenses and other liabilities.

On April 30, 2009, accounts payable owed to Lynn Felsinger, a consultant, totaling $82,000 was converted into a demand note. Ms. Felsinger has not demanded repayment of the note as of the date of this filing.

Mr. Ronald Erickson, our Chief Executive Officer, converted outstanding debt with accrued interest in the amount of $152,971 into 1,019,806 shares of common stock of the Company valued at $0.15 per share on March 27, 2009. In addition, an affiliate of Mr. Erickson's, Juliz I Limited Partnership, loaned the Company operating funds during fiscal 2009. The balance outstanding at March 31, 2012 is $34,630 plus interest of $9,017. Additionally, Mr. Erickson incurred expenses on behalf of the Company for a total of $24,322 during the 2009 fiscal year. This balance was converted into a loan as of September 30, 2009 which bears interest at 8%. Accrued interest was $4,867 as of March 31, 2012.

Aggregate maturities for notes payable, capitalized leases and long term debt by year are as follows:

Years Ended March 31,		Total
2013	$	1,509,283
2014		1,004,732
2015		2,840
2016		1,115
2017		-
Total	$	2,518,010

13. EQUITY

The following equity issuances occurred during the three months ended March 31, 2012 and for the period subsequent to March 31, 2012.

On June 17, 2011, the Company entered into a Securities Purchase Agreement with Ascendiant, pursuant to which Ascendiant agreed to purchase up to $3,000,000 worth of shares of the Company's common stock from time to time over a 24-month period, provided that certain conditions are met. The financing arrangement entered into by the Company and Ascendiant is commonly referred to as an "equity line of credit" or an "equity drawdown facility."

Under the terms of the Securities Purchase Agreement, Ascendiant will not be obligated to purchase shares of the Company's common stock unless and until certain conditions are met, including but not limited to the SEC declaring effective a Registration Statement (the "Registration Statement") on Form S-1 and the Company maintaining an Effective Registration Statement which registers Ascendiant's resale of any shares purchased by it under the equity drawdown facility. The customary terms and conditions associated with Ascendiant's registration rights are set forth in a Registration Rights Agreement that was also entered into by the parties on June 17, 2011.

Once the registration is declared effective, the Company has the right to sell and issue to Ascendiant, and Ascendiant will be obligated to purchase from the Company, up to $3,000,000 worth of shares of the Company's common stock over a 24-month period beginning on such date (the "Commitment Period"). The Company will be entitled to sell such shares from time to time during the Commitment Period by delivering a draw down notice to Ascendiant. In such draw down notices, the Company will be required to specify the dollar amount of shares that it intends to sell to Ascendiant, which will be spread over a five-trading-day pricing period. For each draw, the Company will be required to deliver the shares sold to Ascendiant by the second trading day following the pricing period. Ascendiant is entitled to liquidated damages in connection with certain delays in the delivery of its shares.

The Securities Purchase Agreement also provides for the following terms and conditions:

- Purchase Price - 90% of the Company's volume-weighted average price ("VWAP") on each trading day during the five-trading-day pricing period, unless the lowest VWAP or closing bid price ("Market Price") on the trading day before settlement is lower, in which case the Purchase Price shall be the Market Price less $.01.

- Threshold Price – The Company may specify a price below which it will not sell shares during the applicable five-trading-day pricing period. If the VWAP falls below the threshold price on any day(s) during the pricing period, such day(s) will be removed from the pricing period (and Ascendiant's investment amount will be reduced by 1/5 for each such day).

- Maximum Draw - 20% of the Company's total trading volume for the 10-trading-day period immediately preceding the applicable draw down, times the average VWAP during such period (but in no event more than $100,000).

- Minimum Draw - None.

- Minimum Time Between Draw Down Pricing Periods - Three trading days.

- Minimum Use of Facility – The Company is not obligated to sell any shares of its common stock to Ascendiant during the Commitment Period.

- Commitment and Legal Fees – Commitment fees of 5% ($150,000), payable in shares of Company common stock based on the following schedule: $75,000 worth of restricted shares to be delivered at initial closing, $25,000 worth of shares if and when the S-1 is declared effective, and $25,000 worth of shares at 30 and 60 days). Legal fees of $7,500. The Company has issued 1,490,943 shares for these commitment and legal fees.

- Indemnification - Ascendiant is entitled to customary indemnification from the Company for any losses or liabilities it suffers as a result of any breach by the Company of any provisions of the Securities Purchase Agreement, or as a result of any lawsuit brought by any stockholder of the Company (except stockholders who are officers, directors or principal stockholders of the Company).

- Conditions to Ascendiant's Obligation to Purchase Shares - Trading in the Company's common stock must not be suspended by the SEC or other applicable trading market; the Company must not have experienced a material adverse effect; all liquidated damages and other amounts owing to Ascendiant must be paid in full; the Registration Statement must be effective with respect to Ascendiant's resale of all shares purchased under the equity drawdown facility; there must be a sufficient number of authorized but unissued shares of the Company's common stock; and the issuance must not cause Ascendiant to own more than 9.99% of the then outstanding shares of the Company's common stock.

- Termination - The Securities Purchase Agreement will terminate if the Company's common stock is not listed on one of several specified trading markets (which include the NYSE AMEX, OTC Bulletin Board and Pink Sheets, among others); if the Company files for protection from its creditors; or if the Registration Statement was not declared effective by the SEC by the date nine months following the date of the Securities Purchase Agreement. . The Company may terminate the Securities Purchase Agreement with five days' notice.

The Securities Purchase Agreement also contains certain representations and warranties of the Company and Ascendiant, including customary investment-related representations provided by Ascendiant, as well as acknowledgements by Ascendiant that it has reviewed certain disclosures of the Company (including the periodic reports that the Company has filed with the SEC) and that the Company's issuance of the shares has not been registered with the SEC or qualified under any state securities laws. The Company provided customary representations regarding, among other things, its organization, capital structure, subsidiaries, disclosure reports, absence of certain legal or governmental proceedings, financial statements, tax matters, insurance matters, real property and other assets, and compliance with applicable laws and regulations. The Company's representations and warranties are qualified in their entirety (to the extent applicable) by the Company's disclosures in the reports it files with the SEC. The Company also delivered confidential disclosure schedules qualifying certain of its representations and warranties in connection with executing and delivering the Securities Purchase Agreement.

The shares to be issued by the Company to Ascendiant under the Securities Purchase Agreement will be issued in private placements in reliance upon the exemption from the registration requirements set forth in the Securities Act provided for in Section 4(2) of the Securities Act, and the rules promulgated by the SEC thereunder.

As of March 31, 2012, the Company has issued to Ascendiant 4,385,484 shares for $279,655 or $.064 per shares under the Securities Purchase Agreement, excluding the commitment and legal fees discussed above. As of May 1, 2012, the Company has issued to Ascendiant 4,760,964 shares for $313,725 or $.066 per shares under the Securities Purchase Agreement, excluding the commitment and legal fees discussed above.

On October 5, 2011, the Company entered into a Financial Consultant Agreement ("Agreement") with D. Weckstein and Co, Inc. ("Weckstein") The Agreement expires July 31, 2016. Under the Agreement, Weckstein was awarded 1,000,000 shares of restricted common stock on November 7, 2011. The shares were valued at $0.07 per share, the closing price on November 7, 2011. In addition, the Company paid $10,000 to Weckstein. The shares do not have registration rights.

On October 21, 2011, Gemini converted $100,000 and interest of $4,247 into 2,619.261 shares of common stock at $.04 per share.

On December 15, 2011 the Company issued 100,000 shares of restricted common stock to Todd Weaver for product development work. The shares were valued at $0.12 per share, the closing price on November 29, 2011, and do not have registration rights.

On February 7, 2012, the Company issued 1,000,000 restricted shares to Coventry Capital LLC related to an Advisory Agreement. The shares were valued at $.10 per share.

On February 7, 2012, Gemini converted $100,000 and interest of $7,205 into 2,434.828 shares of common stock at $.044 per share.

On February 24, 2012, the Company issued 400,000 shares of common stock to five directors for services provided during 2011. The shares were issued under the Company's 2011 Stock Incentive Plan.

On April 1, 2011, the Company entered into an Investor Banking Agreement with National Securities Corporation. On March 12, 2012, the Company issued warrants for up to 204,000, 366,000 and 30,000 shares of common stock to National Securities Corporation, Steven Freifeld and Vince Calicchia, respectively. The warrants are exercisable at $.10 per share and expire March 11, 2015.

On April 2, 2012, the Company filed a Registration Statement on Form S-1 for 7,600,000 shares of common stock. The Registration Statement primarily registered shares for Ascendiant, Coventry Capital LLC and National Securities Corporation and affiliates and was declared effective by the SEC on April 18, 2012.

14. STOCK OPTIONS

Description of Stock Option Plan

On April 29, 2011, the 2011 Stock Incentive Plan was approved at the Annual Stockholder Meeting. The Company has 6,600,000 options to purchase common stock available to issue under the 2011 Stock Incentive Plan.

Determining Fair Value Under ASC 505

The Company records compensation expense associated with stock options and other equity-based compensation using the Black-Scholes-Merton option valuation model for estimating fair value of stock options granted under our plan. The Company amortizes the fair value of stock options on a ratable basis over the requisite service periods, which are generally the vesting periods. The expected life of awards granted represents the period of time that they are expected to be outstanding. The Company estimates the volatility of our common stock based on the historical volatility of its own common stock over the most recent period corresponding with the estimated expected life of the award. The Company bases the risk-free interest rate used in the Black-Scholes-Merton option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected life of the award. The Company has not paid any cash dividends on our common stock and does not anticipate paying any cash dividends in the foreseeable future. Consequently, the Company uses an expected dividend yield of zero in the Black-Scholes-Merton option valuation model and adjusts share-based compensation for changes to the estimate of expected equity award forfeitures based on actual forfeiture experience. The effect of adjusting the forfeiture rate is recognized in the period the forfeiture estimate is changed.

Stock Option Activity

On November 9, 2011, Bradley E. Sparks forfeited a grant to purchase 1,000,000 shares of common stock at $0.75 per share.

On November 29, 2011, Jeff Kruse and Steve Waddle, employees of TransTech, were each granted an option to purchase 100,000 shares of common stock at $0.12 per share. The grants vest quarterly over three years and expire November 28, 2014.

On February 15, 2012, Marco Hegyi cancelled a grant to purchase 2,000,000 shares of common stock at $0.50 per share.

On February 24, 2012, the Company issued 400,000 shares of common stock to five directors for services provided during 2011. The shares were issued under the 2011 Stock Incentive Plan.

On February 24, 2012, Marco Hegyi, our Chairman of the Board, was granted an option to purchase 1,900,000 shares of common stock at $0.10 per share. The grant vests 750,000 shares on February 24, 2012 and 250,000 shares per quarter. The grant vests upon a change in control and expires February 23, 2022.

There are currently 6,020,000 options to purchase common stock at $0.135 per share outstanding at March 31, 2012 under the 2011 Stock Incentive Plan. The Company recorded $218,166 and $3,901 of compensation expense, net of related tax effects, relative to stock options for the nine months ended March 31, 2012 and 2011 in accordance with ASC 505. Net loss per share (basic and diluted) associated with this expense was approximately ($0.00).

15. OTHER SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

See Note 12 for discussion of notes payable issued to the Company's former CEO and President during the quarter ended March 31, 2007. Other than the note payable, related interest and payroll related accruals, all amounts are recorded in the related party accounts payable balance. As of the filing date, Mr. Erickson beneficially owns 5,206,473 shares of common stock.

Mr. Sparks is owed $721,333 of accrued salary plus $57,998 which has been accrued to pay applicable payroll taxes, FUTA, etc. Additionally, interest of $51,224, not including penalty interest, is owed Mr. Sparks for the notes payable described in Note 11 to these Notes to Financial Statements. Mr. Sparks is also owed $6,315 for cash amounts advanced by him to Visualant to fund operating expenses since his employment and $5,136 for medical expenses.

16. COMMITMENTS, CONTINGENCIES AND LEGAL PROCEEDINGS

LEGAL PROCEEDINGS

There are no pending legal proceedings against the Company that are expected to have a material adverse effect on its cash flows, financial condition or results of operations.

EMPLOYMENT AGREEMENTS

Agreement with Mark Scott

On May 10, 2010, the Board of Directors approved the appointment of Mr. Scott as Chief Financial Officer based on the (i) cash compensation of $8,000 per month; (ii) bonus cash compensation; shall be at the discretion of the senior executive and the board of directors; (iii) benefits after the closing of funding at discretion of Mr. Scott and equivalent to other employees in the company; and (iv) 1,000,000 shares of restricted common stock to be granted upon signing at the closing bid price of $.02 per share on May 7, 2010.

Agreement with James Gingo

On June 8, 2010, the Company entered into an Employment Agreement ("Gingo Agreement") with Mr. James Gingo, Founder and President of TransTech. The Gingo Agreement has a three year term beginning on June 8, 2010 at the annual base salary of $200,000 per year. The Gingo Agreement provides for participation in the Company's benefit programs available to other employees (including group insurance arrangements). Also under the Gingo Agreement, Mr. Gingo is eligible for discretionary performance bonuses based upon performance criteria to be determined by the Company's Compensation Committee based on criteria under development up to 50% of his annual salary. If Mr. Gingo's employment is terminated without Cause (as defined in the Gingo Agreement), Mr. Gingo will be entitled to a payment equal to one year's annual base salary paid over the next year.

LEASES

The Company is obligated under various non-cancelable operating leases for their various facilities and certain equipment.

The Company's executive office is located at 500 Union Street, Suite 406, Seattle, Washington, USA, 98101. On January 1, 2011, the Company entered into a lease with a party affiliated with the Chairman of the Board of the Company. We pay $799 per month. The lease is cancellable with ten day's notice.

TransTech leases a total of approximately 9,750 square feet of office and warehouse space for its administrative offices, product inventory and shipping operations, at a monthly rental of $4,292. The lease was extended from March 2011 for an additional five year term at a monthly rental of $4,721. There are two additional five year renewals with a set accelerating increase of 10% per 5 year term. TransTech also leases additional 500 square feet of off-site space at $250 per month from a related party.

The aggregate future minimum lease payments under operating leases, to the extent the leases have early cancellation options and excluding escalation charges, are as follows:

Years Ended March 31,		Total
2013	$	57,012
2014		57,012
2015		57,012
2016		57,407
2017		61,752
Beyond		-
Total	$	290,195

17. SUBSEQUENT EVENTS

The Company evaluated subsequent events, for the purpose of adjustment or disclosure, up through the date the financial statements were issued.

On April 4, 2012, the Company entered into a Letter of Intent ("LOI") with Sumitomo Precision Products Co., Ltd. ("SPP"), a publicly-listed Japanese corporation. Under the terms of the LOI, the parties intend to enter into a Joint Development Agreement for the commercialization of Visualant's patented Spectral Pattern Matching ("SPM") technology.

It is anticipated that SPP will purchase common stock of Visualant up to a maximum of US$3 million at a price per share of no more than US$0.20 or a minimum of 15,000,000 shares.

SPP and Visualant are expected to enter into a license agreement which will provide SPP with an exclusive license to access all related IP of the SPM technology in an exclusive territory. The maximum initial license payment under such a license agreement would be US$1 million. The exact amount of the initial payment and the terms of the exclusive territory are to be determined by the parties.

The transaction, including the entry into the Joint Development Agreement for a one year term and the closing of the investment and license agreement, is subject to terms and conditions, including the completion of due diligence, agreement on the product development plan and entry into contracts. The due diligence is expected to be completed by May 2, 2012. Neither party is obligated by the LOI to complete the transaction.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking statements in this report reflect the good-faith judgment of our management and the statements are based on facts and factors as we currently know them. Forward-looking statements are subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, but are not limited to, those discussed below as well as those discussed elsewhere in this report (including in Part II, Item 1A (Risk Factors)). Readers are urged not to place undue reliance on these forward-looking statements because they speak only as of the date of this report. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report.

We were incorporated under the laws of the State of Nevada on October 8, 1998 with authorized common stock of 200,000,000 shares at $0.001 par value. On September 13, 2002, 50,000,000 shares of preferred stock with a par value of $0.001 were authorized by the shareholders. There are no preferred shares issued and the terms have not been determined. Our executive offices are located in Seattle, Washington.

We develop low-cost, high speed, light-based security and quality control solutions for use in homeland security, anti-counterfeiting, forgery/fraud prevention, brand protection, process control applications, and diagnostics. Our patented and patent-pending technology uses controlled illumination with specific bands of light, to establish a unique spectral signature for both individual and classes of items. When matched against existing databases, these spectral signatures allow precise identification and authentication or diagnostics of any item or substance. This breakthrough optical sensing and data capture technology is called Spectral Pattern Matching (SPM). SPM technology lends itself to flexible form factors and can be miniaturized, and is easily integrated into a variety of hand-held or fixed mount configurations, and can be a stand-alone device or combined in the same package as a bar-code or biometric scanner.

On September 6, 2011, the Company announced that it was issued US Patent No. 7,996,173, entitled “Method, Apparatus and Article to Facilitate Distributed Evaluation of Objects Using Electromagnetic Energy,” by the United States Office of Patents and Trademarks.

On January 19, 2012, the Company announced that it was issued US Patent No. 8,081,304, entitled “Method, Apparatus and Article to Facilitate Evaluation of Objects Using Electromagnetic Energy” by the United States Office of Patents and Trademarks.

On March 20, 2012, the Company announced that it was issued US Patent No. 8,076,630, entitled “System and Method of Evaluating an Object Using Electromagnetic Energy” by the United States Office of Patents and Trademarks.

We are pursuing an aggressive patent strategy to expand our unique intellectual property in the United States and Japan.

LETTER OF INTENT WITH SUMITOMO PRECISION PRODUCTS CO. LTD.

On April 4, 2012, the Company entered into a Letter of Intent (“LOI”) with Sumitomo Precision Products Co., Ltd. (“SPP”), a publicly-listed Japanese corporation. Under the terms of the LOI, the parties intend to enter into a Joint Development Agreement for the commercialization of Visualant’s patented Spectral Pattern Matching (“SPM”) technology.

It is anticipated that SPP will purchase common stock of Visualant up to a maximum of US$3 million at a price per share of no more than US$0.20 or a minimum of 15,000,000 shares.

SPP and Visualant are expected to enter into a license agreement which will provide SPP with an exclusive license to access all related IP of the SPM technology in an exclusive territory. The maximum initial license payment under such a license agreement would be US$1 million. The exact amount of the initial payment and the terms of the exclusive territory are to be determined by the parties.

The parties have been working together since 2011, developing and testing the SPM products, analyzing the market potential for the SPM technology and developing a product plan.

SPP is publicly traded on the Tokyo and Osaka Stock Exchanges and has operations in Japan, United States, China, United Kingdom, Canada and other parts of the world. Additional details are available at http://www.spp.co.jp/English/index2-e.html.

The transaction, including the entry into the Joint Development Agreement for a one year term and the closing of the investment and license agreement, is subject to terms and conditions, including the completion of due diligence, agreement on the product development plan and entry into contracts. The due diligence is expected to be completed by May 2, 2012. Neither party is obligated by the LOI to complete the transaction.

Through our wholly owned subsidiary, TransTech based in Aurora, Oregon, we provide value added security and authentication solutions to corporate and government security and law enforcement markets throughout the United States.

ACQUISITION OF TRANSTECH

We closed the acquisition of TransTech of Aurora, OR on June 8, 2010 and recorded the financial results of the acquisition from June 8, 2010 to March 31, 2012 in our most recent financial statements.

TransTech, founded in 1994, is a distributor of access control and authentication systems serving the security and law enforcement markets. With recorded revenues of $9.1 million in 2011, TransTech has a respected national reputation for outstanding product knowledge, sales and service excellence.

As a result of this acquisition the Company expects to accelerate market entry and penetration through the acquisition of TransTech's well-operated and positioned distributors of security and authentication systems, thus creating a natural distribution channel for products featuring our proprietary SPM technology.

LICENSE AGREEMENT WITH JAVELIN

On January 3, 2011, we signed a Commercial License Agreement ("License Agreement") with Seattle based Javelin for development of environmental diagnostic applications of our SPM technology.

The License Agreement, which is exclusive for environmental applications, is perpetual and lasts until the Visualant IP expires. It provides for payments of 5% of Javelin's revenues, a royalty of $15,000 in year one (paid), a royalty of $20,000 in year two (paid) and increasing to $47,407 in year five and profit sharing of 25% of license or transfer of technology. Javelin has certain performance milestones by year 3. The License Agreement can be terminated by Visualant for failure of Javelin to meet the performance milestones and by Javelin with thirty days' notice.

On February 14, 2012, we signed a Letter of Intent Javelin ("Javelin LOI"). Under the Javelin LOI, we agreed to acquire 10% of Javelin's stock on a fully diluted basis in exchange for 860,000 shares of the Company's unrestricted common stock. In addition, we may invest, at its option, between $100,000 and $120,000 in Javelin for 10% to 12% of Javelin's fully diluted units. Javelin is to receive 5% of any royalties received by us in exchange for a cross license in their field of use. On April 12, 2012 the expiration date of the Javelin LOI was extended to June 30, 2012. The Javelin LOI is not binding and is subject to the completion of due diligence and entry into contracts.

THE COMPANY'S COMMON STOCK

Our common stock trades on the OTCBB Exchange under the symbol "VSUL.OB."

KEY MARKET PRIORITIES

Currently, our key market priorities are, among other things, to:

Close the transactions with Sumitomo Precision Products Co., Ltd. It is anticipated that SPP will purchase common stock of Visualant up to a maximum of US$3 million at a price per share of no more than US$0.20 or a minimum of 15,000,000 shares.

SPP and Visualant are expected to enter into a license agreement which will provide SPP with an exclusive license to access all related IP of the SPM technology in an exclusive territory. The maximum initial license payment under such a license agreement would be US$1 million. The exact amount of the initial payment and the terms of the exclusive territory are to be determined by the parties.

Commercialize the SPM technology, including the following:

Complete work under the Joint Development with SPP.
Close sales in the United States and Japan.
Develop license and royalty producing opportunities and partners, including major companies in the US and Japan.
Develop our patent portfolio by continually extending the reach and application of our intellectual property.
Launch an application product over the Internet.
Develop diamond grading business.
Pursue grants from governmental and private sources to fund the exploration of new and unique applications of the SPMtechnology.

Improve our operations, including the following:
Improve the profitability of TransTech and the company.
Enhance our investor relation activities.

PRIMARY RISKS AND UNCERTAINTIES

We are exposed to various risks related to our need for additional financing, the sale of significant numbers of our shares, a volatile market price for our common stock and our merger and acquisition activities. These risks and uncertainties are discussed in more detail below in Part II, Item 1A.

RESULTS OF OPERATIONS

The following table presents certain consolidated statement of operations information and presentation of that data as a percentage of change from period-to-period.

THREE MONTHS ENDED MARCH 31, 2012 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2011

(dollars in thousands)

	Three Months Ended March 31,			
	2012	2011	$ Variance	% Variance
Revenue	$ 1,899	$ 2,866	$ (967)	(33.7)%
Cost of sales	1,566	2,521	(955)	(37.9)%
Gross profit	333	345	(12)	(3.5)%
Research and development expenses	37	6	31	(516.7)%
Selling, general and administrative expenses	881	831	50	(6.0)%
Operating loss	(585)	(492)	(93)	(18.9)%
Other income (expense):				
Interest expense	(58)	(41)	(17)	(41.5)%
Other income	5	14	(9)	(64.3)%
Total other expense	(53)	(27)	(26)	(96.3)%
Loss before income taxes	(638)	(519)	(119)	(22.9)%
Income taxes - current benefit	(6)	(5)	(1)	20.0%
Net loss	(632)	(514)	(118)	(23.0)%
Non-controlling interest	(1)	6	(7)	116.7%
Net loss attributable to Visualant, Inc. common shareholders	$ (631)	$ (520)	$ (111)	(21.3)%

SALES

Net revenue for the three months ended March 31, 2012 decreased $967,000 to $1,899,000 as compared to $2,866,000 for the three months ended March 31, 201. The reduction was due to a large sale to an aerospace company in the three months ended March 31, 2011, which was not repeated in the three months ended March 31, 2012.

COST OF SALES

Cost of sales for the three months ended March 31, 2012 decreased $955,000 to $1,566,000 as compared to $2,521,000 for the three months ended March 31, 2012. The reduction was due to a large sale to an aerospace company in the three months ended March 31, 2011, which was not repeated in the three months ended March 31, 2012.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

Selling, general and administrative expenses for the three months ended March 31, 2012 increased $50,000 to $881,000 as compared to $831,000 for the three months ended March 31, 2011. The increase was due business development and investor relation expenditures to expand the business.

During the three months ended March 31, 2012, we recorded non-cash expenses of $190,000.

The selling, general and administrative expenses consisted primarily of research and development expenses, employee and independent contractor expenses, overhead, equipment and depreciation, amortization of identifiable intangible assets and intellectual property, professional and consulting fees, investor relation, legal, patent, stock option and other general and administrative costs.

OTHER INCOME/EXPENSE

Other expense for the three months ended March 31, 2012 was $53,000 as compared to other expense of $27,000 for the three months ended March 31, 2011. The expenses for the three months ended March 31, 2012 included $58,000 for interest expense, offset by $5,000 in other income. The other expense for the three months ended March 31, 2011 included interest expense of $41,000, offset by other income of $14,000.

NET LOSS

Net loss for the three months ended March 31, 2012 was $632,000 as compared to a net loss of $514,000 for the three months ended March 31, 2011 for the reasons discussed above. The net loss included non-cash expenses of $190,000 and other business development and investor relation expenditures to expand the business.

SIX MONTHS ENDED MARCH 31, 2012 COMPARED TO THE SIX MONTHS ENDED MARCH 31, 2011

	Six Months Ended March 31,			
	2012	2011	$ Variance	% Variance
Revenue	$ 3,712	$ 4,934	$ (1,222)	(24.8)%
Cost of sales	3,055	4,176	(1,121)	(26.8)%
Gross profit	657	758	(101)	(13.3)%
Research and development expenses	76	12	64	533.3)%
Selling, general and administrative expenses	1,678	1,478	200	(13.5)%
Operating loss	(1,097)	(732)	(365)	(49.9)%
Other income (expense):				
Interest expense	(116)	(101)	(15)	(14.9)%
Other income	12	55	(43)	(78.2)%
Total other expense	(104)	(46)	(58)	(126.1)%
Loss before income taxes	(1,201)	(778)	(423)	(54.4)%
Income taxes - current benefit	(14)	(6)	(8)	(133.3)%
Net loss	(1,187)	(772)	(415)	(53.8)%
Non-controlling interest	4	8	(4)	(50.0)%
Net loss attributable to Visualant, Inc. common shareholders	$ (1,191)	$ (780)	$ (411)	(52.7)%

SALES

Net revenue for the six months ended March 31, 2012 decreased $1,222,000 to $3,712,000 as compared to $4,934,000 for the six months ended March 31, 2011. The reduction was due to a large sale to an aerospace company in the six months ended March 31, 2011, which was not repeated in the six months ended March 31, 2012.

COST OF SALES

Cost of sales for the six months ended March 31, 2012 decreased $1,121,000 to $3,055,000 as compared to $4,176,000 for the six months ended March 31, 2011. The reduction was due to a large sale to an aerospace company in the six months ended March 31, 2011, which was not repeated in the six months ended March 31, 2012.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

Selling, general and administrative expenses for the six months ended March 31, 2012 increased $200,000 to $1,678,000 as compared to $1,478,000 for the six months ended March 31, 2011.

During the six months ended March 31, 2012, we recorded non-cash expenses of $612,000.

The selling, general and administrative expenses consisted primarily of research and development expenses, employee and independent contractor expenses, overhead, equipment and depreciation, amortization of identifiable intangible assets and intellectual property, professional and consulting fees, investor relation, legal, patent, stock option and other general and administrative costs.

OTHER INCOME/EXPENSE

Other expense for the six months ended March 31, 2012 was $104,000 as compared to other expense of $46,000 for the six months ended March 31, 2011. The expenses for the six months ended March 31, 2012 included $116,000 for interest expense, offset by $12,000 in other income. The other expense for the six months ended March 31, 2011 included interest expense of $101,000, offset by other income of $55,000

NET LOSS

Net loss for the six months ended March 31, 201 was $1,187,000 as compared to a net loss of $772,000 for the six months ended March 31, 2011 for the reasons discussed above. The net loss included non-cash expenses of $612,000 and other business development and investor relation expenditures to expand the business.

LIQUIDITY AND CAPITAL RESOURCES

We had cash of $34,827, a net working capital deficit of approximately $3.3 million and total indebtedness of $2.5 million as of March 31, 2012.

We will need to obtain additional financing to implement our business plan, service our debt repayments and acquire new businesses. There can be no assurance that we will be able to secure funding, or that if such funding is available, whether the terms or conditions would be acceptable to us.

Volatility and disruption of financial markets could affect our access to credit. The current difficult economic market environment is causing contraction in the availability of credit in the marketplace. This could potentially reduce or eliminate the sources of liquidity for the Company.

If the Company is unable to obtain additional financing, we may need to restructure our operations, divest all or a portion of our business or file for bankruptcy.

OPERATING ACTIVITIES

Net cash used by operating activities for the six months ended March 31, 2012 was $290,000. This amount was primarily related to a net loss of $1,190,000, offset by depreciation and amortization and other non-cash expenses of $612,000 and an increase in accrued expenses of $182,000.

FINANCING ACTIVITIES

Net cash provided by financing activities for the nine months ended March 31, 2012 was $224,000. This amount was primarily related to proceeds from the sale of common stock of $273,000.

The Company’s contractual cash obligations as of March 31, 2012 are summarized in the table below:

Contractual Cash Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	Greater Than 5 Years
Operating leases	$ 290,195	$ 57,012	$ 114,024	$ 119,159	$ 0
Capital lease obligations	0	0	0	0	0
Note payable	2,518,010	1,509,283	1,007,572	1,155	0
Capital expenditures	325,000	75,000	100,000	75,000	75,000
	$ 3,133,205	$ 1,641,295	$ 1,221,596	$ 195,314	$ 75,000

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

This item is not applicable.

ITEM 4. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

We have adopted and maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods required under the SEC’s rules and forms and that the information is gathered and communicated to our management to allow for timely decisions regarding required disclosure.

As required by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, our management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2012. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and our management necessarily was required to apply its judgment in evaluating and implementing our disclosure controls and procedures. Based upon the evaluation described above, our management concluded that they believe that our disclosure controls and procedures were not effective, as of September 30, 2011, in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management to allow timely decisions regarding required disclosures, and is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Management identified the weaknesses discussed below.

Identified Material Weakness

A material weakness in our internal control over financial reporting is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Management identified material weaknesses during its assessment of internal controls over financial reporting as of March 31, 2012

While we have an audit committee, the financial expert is not independent and attended 50% of the committee meetings. The Company is currently reviewing the financial expert situation.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we assessed the effectiveness of our internal control over financial reporting as of the end of the period covered by this report based on the framework in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, our principal executive officer and principal financial officer concluded that our internal control over financial reporting were not effective to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with United States generally accepted accounting principles.

The effectiveness of our internal control over financial reporting as of March 31, 2012 has not been audited by Madsen Associates, CPA's Inc., an independent registered public accounting firm.

CHANGES IN INTERNAL CONTROL

There has been no change in our internal control over financial reporting during the quarter ended March 31, 2012 that has materially affected or is likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

There are certain inherent risks which will have an effect on the Company's development in the future and some of these risk factors are noted below but are not all encompassing since there may be others unknown to management at the present time which might have an impact in the future on the development of the Company.

WE WILL NEED ADDITIONAL FINANCING TO SUPPORT OUR TECHNOLOGY DEVELOPMENT, ACQUIRING OR INVESTING IN NEW BUSINESSES AND ONGOING OPERATIONS.

We had cash of $35,000, a net working capital deficit of approximately $3.3 million and total indebtedness of $2.5 million as of March 31, 2012.

We will need to obtain additional financing to implement our business plan, service our debt repayments (including $650,000 due to James Gingo on June 8, 2012 related to the acquisition of TransTech) and acquire new businesses. There can be no assurance that we will be able to secure funding, or that if such funding is available, the terms or conditions would be acceptable to us. If the Company is unable to obtain additional financing, we may need to restructure our operations, divest all or a portion of our business or file for bankruptcy.

Our recent efforts to generate additional liquidity, including through sales of our common stock, are described in more detail in the financial statement notes set forth in this prospectus.

If we raise additional capital through borrowing or other debt financing, we will incur substantial interest expense. Sales of additional equity securities will dilute on a pro rata basis the percentage ownership of all holders of common stock. When we raise more equity capital in the future, it will result in substantial dilution to our current stockholders.

THE SALE OF A SIGNIFICANT NUMBER OF OUR SHARES OF COMMON STOCK COULD DEPRESS THE PRICE OF OUR COMMON STOCK.

Sales or issuances of a large number of shares of common stock in the public market (including pursuant to the equity line of credit transaction that we entered into with Ascendiant Capital Partners, LLC) or the perception that sales may occur could cause the market price of our common stock to decline. As of May 1, 2012, there were approximately 61.4 million shares of common stock issued and outstanding. On April 2, 2012, we registered 7,600,000 shares of common stock for resale. In 2011, the Company also registered for resale up to 15,340,361 shares of common stock. Therefore, the amount of shares registered for resale constitutes a significant percentage of the issued and outstanding shares of the Company, and the sale of all or a portion of these shares could have a negative effect on the market price of our common stock. Significant shares of common stock are held by our principal shareholders, other Company insiders and other large shareholders. As “affiliates” (as defined under Rule 144 of the Securities Act (“Rule 144”)) of the Company, our principal shareholders, other Company insiders and other large shareholders may only sell their shares of common stock in the public market pursuant to an effective registration statement or in compliance with Rule 144.

Some of the present shareholders have acquired shares at prices as low as $0.001 per share, whereas other shareholders have purchased their shares at prices ranging from $0.07 to $0.75 per share.

FUTURE ISSUANCE OF COMMON STOCK RELATED TO CONVERTIBLE NOTES PAYABLE MAY HAVE A DILUTING FACTOR ON EXISTING AND FUTURE SHAREHOLDERS.

On May 19, 2011, we entered into a Securities Purchase Agreement (“Agreement”) with Gemini Master Fund, Ltd. and Ascendiant Capital Partners, LLC (“Investors”) pursuant to which the Company issued $1.2 million in principal amount of 10% convertible debentures which are due September 30, 2012, together with 5-year warrants to purchase 2,400,000 shares of the Company’s common stock. The purchase price for the debentures was 83.3% of the face amount, resulting in the Company receiving $1.0 million, less legal fees, placement agent fees and expenses as set forth below.

A registration statement on Form S-1 was declared effective on August 29, 2011, to register the re-sale of 15,340,361 shares of our common stock, including (i) up to 3,600,000 shares of our common stock for Gemini issuable on conversion and 1,800,000 shares of our common stock issuable upon exercise of a warrant issued to Gemini and (ii) up to 1,200,000 shares of our common stock for Ascendiant issuable on conversion and 792,000 shares of our common stock issuable upon exercise of a warrant issued to Ascendiant. Shares totaling 5,365,605 shares of our common stock have been issued thus far to Gemini on conversion of a portion of the convertible debentures.

The conversion by Gemini of an additional portion of the convertible notes payable and the related warrants will likely require us to file an additional registration statement and will likely result in significant dilution of the value of our common shares for all shareholders.

RISKS ASSOCIATED WITH EQUITY LINE OF CREDIT WITH ASCENDIANT

The Securities Purchase Agreement dated June 17, 2011 with Ascendiant will terminate if our common stock is not listed on one of several specified trading markets (which include the OTCBB and Pink Sheets, among others), if we file protection from our creditors, or if a Registration Statement on Form S-1 or S-3 is not effective.

If the price or the trading volume of our common stock does not reach certain levels, we will be unable to draw down all or substantially all of our $3,000,000 equity line of credit with Ascendiant.

The maximum draw down amount every 8 trading days under our equity line of credit facility is the lesser of $100,000 or 20% of the total trading volume of our common stock for the 10-trading-day period prior to the draw down multiplied by the volume-weighted average price of our common stock for such period. If our stock price and trading volume decline from current levels, we will not be able to draw down all $3,000,000 available under the equity line of credit.

If we are not able to draw down all $3,000,000 available under the equity line of credit or if the Securities Purchase Agreement is terminated, we may need to restructure our operations, divest all or a portion of our business, or file for bankruptcy.

As of May 1, 2012, the Company has issued 4,760,964 shares for $314,725, or $.066 per share, under the Securities Purchase Agreement with Ascendiant, which shares were previously registered for resale. The Company registered an additional 6,000,000 shares of common stock for resale by Ascendiant in the event additional shares are issued under the Securities Purchase Agreement, which will have a further dilutive effect on the Company’s existing shareholders.

WE MAY ENGAGE IN ACQUISITIONS, MERGERS, STRATEGIC ALLIANCES, JOINT VENTURES AND DIVESTITURES THAT COULD RESULT IN FINANCIAL RESULTS THAT ARE DIFFERENT THAN EXPECTED.

In the normal course of business, we engage in discussions relating to possible acquisitions, equity investments, mergers, strategic alliances, joint ventures and divestitures. Such transactions are accompanied by a number of risks, including:

- Use of significant amounts of cash;

- Potentially dilutive issuances of equity securities on potentially unfavorable terms;

- Incurrence of debt on potentially unfavorable terms as well as impairment expenses related to goodwill and amortization expenses related to other intangible assets; and

- The possibility that we may pay too much cash or issue too many of our shares as the purchase price for an acquisition relative to the economic benefits that we ultimately derive from such acquisition.

The process of integrating any acquisition may create unforeseen operating difficulties and expenditures. The areas where we may face difficulties include:

- Diversion of management time, during the period of negotiation through closing and after closing, from its focus on operating the businesses to issues of integration;

- Decline in employee morale and retention issues resulting from changes in compensation, reporting relationships, future prospects or the direction of the business;

- The need to integrate each Company's accounting, management information, human resource and other administrative systems to permit effective management, and the lack of control if such integration is delayed or not implemented;

- The need to implement controls, procedures and policies appropriate for a public Company that may not have been in place in private companies, prior to acquisition;

- The need to incorporate acquired technology, content or rights into our products and any expenses related to such integration; and

- The need to successfully develop any acquired in-process technology to realize any value capitalized as intangible assets.

From time to time, we have also engaged in discussions with candidates regarding the potential acquisitions of our product lines, technologies and businesses. If a divestiture such as this does occur, we cannot be certain that our business, operating results and financial condition will not be materially and adversely affected. A successful divestiture depends on various factors, including our ability to:

- Effectively transfer liabilities, contracts, facilities and employees to any purchaser;

- Identify and separate the intellectual property to be divested from the intellectual property that we wish to retain;

- Reduce fixed costs previously associated with the divested assets or business; and

- Collect the proceeds from any divestitures.

In addition, if customers of the divested business do not receive the same level of service from the new owners, this may adversely affect our other businesses to the extent that these customers also purchase other products offered by us. All of these efforts require varying levels of management resources, which may divert our attention from other business operations.

If we do not realize the expected benefits or synergies of any divestiture transaction, our consolidated financial position, results of operations, cash flows and stock price could be negatively impacted.

WE MAY INCUR LOSSES IN THE FUTURE.

We have experienced net losses since inception. There can be no assurance that we will achieve or maintain profitability.

THE MARKET PRICE OF OUR COMMON STOCK HAS BEEN AND MAY CONTINUE TO BE VOLATILE.

The market price of our common stock has been and is likely in the future to be volatile. Our common stock price may fluctuate in response to factors such as:

- Announcements by us regarding liquidity, significant acquisitions, equity investments and divestitures, strategic relationships, addition or loss of significant customers and contracts, capital expenditure commitments, loan, note payable and agreement defaults, loss of our subsidiaries and impairment of assets;
- Issuance of convertible or equity securities for general or merger and acquisition purposes;
- Issuance or repayment of debt, accounts payable or convertible debt for general or merger and acquisition purposes;

- Sale of a significant number of shares of our common stock by shareholders;
- General market and economic conditions;
- Quarterly variations in our operating results;
- Investor relation activities;
- Announcements of technological innovations;
- New product introductions by us or our competitors;
- Competitive activities; and
- Additions or departures of key personnel.

These broad market and industry factors may have a material adverse effect on the market price of our common stock, regardless of our actual operating performance. These factors could have a material adverse effect on our business, financial condition and results of operations.

FUTURE ISSUANCE OF STOCK OPTIONS, WARRANTS AND/OR RIGHTS MAY HAVE A DILUTING FACTOR ON EXISTING AND FUTURE SHAREHOLDERS.

The grant and exercise of stock options, warrants or rights to be issued in the future will likely result in a dilution of the value of our common shares for all shareholders. We have established a Combined Incentive and Non-Qualified Stock Option Plan and may in the future issue further stock options to officers, directors and consultants, which will dilute the interest of the existing and future shareholders. Moreover, we may seek authorization to increase the number of its authorized shares and sell additional securities and/or rights to purchase such securities at any time in the future. Dilution of the value of the common shares will likely result from such sales, which in turn could adversely affect the market price of our common stock.

OUR CHIEF EXECUTIVE OFFICER HAS SUBSTANTIAL INFLUENCE OVER OUR COMPANY.

As of April 2, 2012, Mr. Erickson and his immediate family members, either directly or indirectly, own or control 5,256,473 shares as of the filing date or approximately 8.6% of our common stock and an additional 3,000,000 shares granted under the Stock Incentive Plan. These Controlling Shareholders have stated in a Schedule 13D that they may be deemed to constitute a “group” for the purposes of Rule 13d-3 under the Exchange Act. Mr. Ronald P. Erickson, our Chief Executive officer, controls the Controlling Shareholders.

This group could cause a change of control of our board of directors if, in combination with another large shareholder, the group elects candidates of their choice to the board at a shareholder meeting, and approves or disapproves any matter requiring stockholder approval, regardless of how our other shareholders may vote. Further, under Nevada law, the group could have a significant influence over our affairs, if in combination with another large shareholder, including the power to cause, delay or prevent a change in control or sale of the Company, which in turn could adversely affect the market price of our common stock.

TRADING IN THE COMPANY’S STOCK MAY BE RESTRICTED BY BLUE SKY ELIGIBILITY AND THE SEC’S PENNY STOCK REGULATIONS.

The SEC has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. Under the penny stock rules, additional sales practice requirements are imposed on broker-dealers who sell to persons other than established customers and "accredited investors." The term "accredited investor" refers generally to institutions with assets in excess of $5,000,000 or individuals with a net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to broker-dealers to trade in the Company’s securities.

The penny stock rules may discourage investor interest in and limit the marketability of, the Company’s common stock.

CONFLICT OF INTEREST.

Some of the directors of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as directors of the Company and as directors and officers of other companies. These factors could have a material adverse effect on our business, financial condition and results of operations.

WE ARE DEPENDENT ON KEY PERSONNEL.

Our success depends to a significant degree upon the continued contributions of key management and other personnel, some of whom could be difficult to replace. We do not maintain key man life insurance covering certain of our officers. Our success will depend on the performance of our officers, our ability to retain and motivate our officers, our ability to integrate new officers into our operations and the ability of all personnel to work together effectively as a team. Our failure to retain and recruit officers and other key personnel could have a material adverse effect on our business, financial condition and results of operations.

WE HAVE LIMITED INSURANCE.

We have limited director and officer insurance and commercial insurance policies. Any significant claims would have a material adverse effect on our business, financial condition and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On June 17, 2011, the Company entered into a Securities Purchase Agreement with Ascendiant, pursuant to which Ascendiant agreed to purchase up to $3,000,000 worth of shares of the Company's common stock from time to time over a 24-month period, provided that certain conditions are met. The financing arrangement entered into by the Company and Ascendiant is commonly referred to as an "equity line of credit" or an "equity drawdown facility." As of March 31, 2012, the Company has issued 4,385,484 shares for $279,655 or $.064 per shares under the Securities Purchase Agreement, excluding the commitment and legal fees discussed above.

On February 7, 2012, the Company issued 1,000,000 restricted shares to Coventry Capital LLC related to an Advisory Agreement. The shares were valued at $.10 per share.

On February 7, 2012, Gemini converted $100,000 and interest of $7,205 into 2,434.828 shares of common stock at $.044 per share.

On February 24, 2012, the Company issued 400,000 shares of common stock to five directors for services provided during 2011. The shares were issued under the 2011 Stock Incentive Plan.

ITEM 5. OTHER INFORMATION

Subsequent Event not reported on Form 8-K as of this filing – Resignation of Director

Mr. Paul R. Bonderson Jr. resigned from the Company's Board of Directors, effective April 21, 2012. Mr. Bonderson was an Independent Director and a member of the Nominations and Governance Committee. Mr. Bonderson had no disagreement with the Company on any matter relating to the Company's operations, policies or practices.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The exhibits required to be filed herewith by Item 601 of Regulation S-K, as described in the following index of exhibits, are attached hereto unless otherwise indicated as being incorporated by reference, as follows:

(a) Exhibits

3.1	Certificate of Amendment to Articles of Incorporation for Nevada Profit Corporations dated August 18, 2004.(2)
10.1	First Amendment to Securities Purchase Agreement and Debentures dated March 12, 2012 by and betweenVisualant, Inc. and Gemini Master Fund, Ltd. and Ascendiant Capital Partners LLC. (1)
10.2	Letter of Intent dated February 14, 2012 by and between Visualant, Inc. and Javelin LLC. (2)
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer (2)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer (2)
32.1	Section 906 Certifications (2)
32.2	Section 906 Certifications (2)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Extension Presentation Linkbase

(1) Attached as an exhibit to the Company's Form 8-K dated March 12, 2012 and filed with the SEC on March 16, 2012.

(2) Filed herewith.

SIGNATURES

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

VISUALANT, INCORPORATED

(Registrant)

Date: May 1, 2012	By:	/s/ Ronald P. Erickson Ronald P. Erickson Chief Executive Officer, President, and Director (Principal Executive Officer)
Date: May 1, 2012	By:	/s/ Mark Scott Mark Scott Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)

DEAN HELLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4299
(776)684-5708
Website: secretaryofstate.biz

Certificate of Amendment
(PURSUANT TO NRS 78.385 and 78.390)

Certificate of Amendment to Articles of Incorporation
For Nevada Profit Corporations
(Pursuant to NRS 78.385 and 78.390 – After Issuance of Stock)

1. Name of corporation:

Starberry’s Corporation

2. The articles have been amended as follows (provide article numbers, if available):

The name of the corporation shall be VISUALANT, INCORPORATED

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the * case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation have voted in favor of the amendment is: 51%

4. Effective date of filing (optional): August 14, 2004

5. Officer Signature (required):/s/ Ronald P. Erickson

*if any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless of limitations or restrictions on the voting power thereof.

IMPORTANT: Failure to include any of the above information and submit the proper fees may cause this filing to be rejected.

February 14, 2012

Javelin LLC
1005 NE Boat St. #3
Seattle WA 98105

Re: **Letter of Intent**

Dear Sirs:

The following represents a summary of the terms of our proposal regarding certain Equity Investments by Visualant, Inc. ("Visualant" or "Company") of the stock (on a fully-diluted basis) of Javelin LLC ("Javelin"), a Washington limited liability corporation and certain licensing matters. This Letter of Intent ("Letter of Intent") sets forth the agreement of the parties to proceed promptly and in good faith to complete the terms of, and to execute, deliver and perform a Definitive Agreement (the "Definitive Agreement").

This Letter of Intent shall expire on March 31, 2012 or until the parties enter into the Definitive Agreement, whichever occurs first, with an outside anticipated closing date of the transaction no later than thirty (30) days from the date the Definitive Agreement is executed by all parties or such other date for closing as is set forth in said Agreement. Upon written request to Javelin, Visualant shall be entitled to a 30-day extension of the expiration date of this Letter of Intent should any extension be necessary due to delays in completing the due diligence review pursuant to Section 5 below or in satisfying any of the conditions precedent in Section 4.

The transaction will be structured as follows:

Equity Investment for Common Stock and First Right

1. Equity Investment of Stock and First Right. Visualant will acquire from Javelin and/or its shareholders (collectively, the "Seller") ten percent (10%), on a fully-diluted basis, of all of the issued and outstanding shares of all classes of stock (the "Shares") of Javelin (the "Equity Investment"). In addition, Visualant shall obtain an acquisition right of first negotiation agreement with Seller for the duration of the now existing license agreement

2 . Consideration. As consideration for the Shares, Visualant will pay Seller a total of 860,000 shares of restricted Visualant Common Stock The foregoing consideration shall be structured in the definitive agreement to provide favorable tax consequences for both parties. A portion of the total consideration may be allocated to the first right set forth above.

Conditional Equity Investment for Cash

3 . Conditional Equity Investment for Cash. Visualant may invest, at its option, between $100,000 and $120,000 in Javelin for 10% to 12% of Javelin's fully diluted units. This investment is conditioned upon an Equity Investment in Visualant by a strategic or financial investor which investment shall be at least $3 Million.

Conditional Licensing Terms

4 . Conditional Licensing Terms. Javelin, in consideration of the equity investments set forth above, will enter into licensing agreements with strategic or financial investors and/or Visualant KK in a form identical to the licensing agreements entered into by Visualant with these same entities.

5. Consideration. Javelin shall receive consideration for its licenses in the form of royalties which is equivalent to the consideration received by Visualant. In the event there is cash consideration in the form of upfront royalty payments, Javelin shall receive an amount equal to 5% of the royalties received by Visualant.

Other Conditions and Details of the Transaction

6. Conditions Precedent. As conditions precedent to the closing of the Equity Investment, the following events must first have occurred or be satisfied:

(a) Consent of Directors and Shareholders. The Board of Directors and the shareholders of Visualant and Javelin shall have approved and agreed to the Equity Investment of the Shares of Javelin by Visualant.

(b) Third-Party Consents. To the extent required under the terms of any existing contracts, all third-party approvals and consents shall have been obtained to the sale of the Shares and the sale of an interest in Javelin to Visualant.

(c) Due Diligence Review. Visualant and its legal counsel shall have completed, to their satisfaction in their sole discretion, their due diligence review of Javelin and all of its properties and assets.

(d) Third Party Investment. With regard to the licensing and cash investment components of this LOI, third party investment and license negotiations shall have been consummated.

7 . Due Diligence. Javelin and its shareholders agree to honor all reasonable requests of Visualant, its legal counsel, accountants and other agents, for information, materials and documents that relate to Javelin, its properties and assets. Visualant and its agents and representatives agree to preserve the confidentiality of all information, materials and documents provided to them. In that regard, Javelin and its shareholders agree that Visualant shall have full and complete access to the books, records, financial statements and other documents (including without limitation, articles of incorporation, bylaws, minutes, stock transfer books, material contracts, and tax returns) of Javelin as Visualant, its legal counsel and accountants, may deem reasonable or necessary to conduct an adequate due diligence investigation and review.

8 . Good Faith Representation. This Letter of Intent is intended to set forth the basic terms and conditions of the parties with respect to the matters discussed. The parties agree that hereafter they shall promptly take all steps necessary to have their respective legal counsel prepare the final documentation necessary to effectuate their agreements. To the extent that any material issue is not resolved herein, the parties agree to promptly and in good faith resolve the same. Notwithstanding the lack of final documentation at this time, the parties agree to proceed at all possible speed to satisfy any conditions precedent to the completion of the intended Equity Investment to all extents possible.

9 . Confidentiality. The parties understand that it is possible certain of the conditions precedent may fail and that the intended transaction may not be completed, notwithstanding each party's good faith best efforts. Therefore, the parties agree that any information obtained from any other party pursuant to the negotiations leading to this Letter of Intent or hereafter until closing shall be deemed by each to be confidential trade and business secrets of each, and each party hereby warrants that it shall not disclose the same to any other person without the express prior written consent of the party from whom the information was obtained.

10 . Definitive Agreements. The parties intend that a Definitive Agreement and any other necessary ancillary agreements (collectively, the "Definitive Agreement"), which will contain customary covenants, conditions, representations and warranties made as of the date of execution and as of the date of closing of the Equity Investment, will be completed and executed by the parties at or prior to the time of closing.

11 . Lock-Up. The provisions of this Section 8 shall not be binding on Javelin until such time as the condition precedent set forth in Section 3(b) above has been satisfied or expressly waived by Visualant. Upon satisfaction or waiver of the condition precedent set forth in Section 3(b), and in consideration of the effort and expense to be incurred by Visualant in connection with its due diligence review and the proposed Equity Investment, Javelin, its directors, officers and shareholders, jointly and severally, agree that for the period commencing on the date such condition precedent has been satisfied or waived and ending on the later of: (a) December 31, 2011, or (b) the date this Letter of Intent expires, including any extension hereof (the "lock-up period"), each of you will not in any way seek, on your own behalf or on behalf of others, to approach or involve other individuals or entities in this Equity Investment except in cooperation and concert with the undersigned. Each of you further covenant and agree that during said lock-up period, you will not, either on your own behalf or on behalf of Javelin or the shareholders of Javelin: (a) discuss, entertain, consider, solicit or initiate any proposal (including any prior offer or solicitation) that contemplates the sale of Javelin or any of its assets, including but not limited to its intellectual property; or (b) negotiate or execute any contract, agreement or undertaking with any third party or entity that contemplates or provides for, either directly or indirectly, the sale of Javelin, or its assets; or (c) take any action which would materially alter the nature or extent of its assets, or otherwise render impossible the consummation of the transactions contemplated by this Letter of Intent.

12. Conduct of Business. Until the closing of the Equity Investment or the termination of this Letter of Intent, Javelin will conduct its business and operations in a manner consistent with past practices and will not engage in transactions outside the ordinary course of business.

13. Expenses. Each party shall be responsible for paying its fees for legal counsel and accountants. Javelin and/or its shareholders will be responsible for any other expenses and any taxes due, if any, as a result of the stock sale contemplated herein.

14. Binding Nature. Upon your approval and acceptance hereof, this Letter of Intent shall constitute a binding agreement to enter into the aforesaid Definitive Agreement.

If you accept and agree to this Letter of Intent, please sign and date a copy of this letter and return it to the undersigned at 500 Union Street, Suite 406, Seattle, WA 98101, facsimile number (206) 826-0451.

Sincerely yours,

Visualant, Inc.

/s/ Ron Erickson
Ron Erickson
Its: Chief Executive Officer

Agreed to and accepted on February 14, 2012

Javelin, LLC

/s/ Peter Purdy
By: Peter Purdy
Title: Partner

/s/ Mathew Creedican
By: Mathew Creedican
Title: Partner

EXHIBIT 31.1

SECTION 302 CERTIFICATIONS

I, Ronald P. Erickson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Visualant, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 1, 2012

/s/ Ronald P. Erickson
Ronald P. Erickson
Chief Executive Officer

EXHIBIT 31.2

SECTION 302 CERTIFICATIONS

I, Mark Scott, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Visualant, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 1, 2012

/s/ Mark Scott
Mark Scott
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Visualant, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald P. Erickson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive and Financial and Accounting Officer of the Company with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be disclosed, distributed or used by any person or for any reason other than as specifically required by law.

/s/ Ronald P. Erickson
Ronald P. Erickson
Chief Executive Officer

May 1, 2012

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Visualant, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Scott, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive and Financial and Accounting Officer of the Company with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be disclosed, distributed or used by any person or for any reason other than as specifically required by law.

/s/ Mark Scott
Mark Scott
Chief Financial Officer

May 1, 2012