U.S. Securities and Exchange Commission
Washington, D.C. 20549
Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

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

For the transition period from _____________ to ______________

Commission file number: **000-30415**

Health Enhancement Products, Inc.
(Exact name of small business issuer as specified in its charter)

Nevada	**87-0699977**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

7740 East Evans Road, Scottsdale, Arizona 85260
(Address of principal executive offices)

480-385-3800
(Issuer's telephone number)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Check whether the issuer is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

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

Indicate by check mark whether the issuer is a shell company (as defined in Rule 12-b2 of the Exchange Act).
Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS

There were 67,615,058 shares of common stock, $0.001 par value, outstanding at June 12, 2009.

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(Inapplicable items have been omitted)

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve known and unknown risks, uncertainties and other factors which may cause our or our industry's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to statements regarding:

- our ability to raise the funds we need to continue our operations;
- our goal to increase our revenues and become profitable;
- regulation of our product;
- our ability to expand the production of our product;
- market acceptance of our product;
- future testing of our product;
- the anticipated performance and benefits of our product;
- our financial condition or results of operations

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as otherwise required by law, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this report to reflect any change in our expectations or any change in events, conditions or circumstances on which any of our forward-looking statements are based. We qualify all of our forward-looking statements by these cautionary statements.

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

HEALTH ENHANCEMENT PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash	$ 2,015	$ -
Accounts Receivable		49,334
Inventories	42,149	43,769
Prepaid Expenses	2,510	14,725
Total Current Assets	46,674	107,828
PROPERTY AND EQUIPMENT, NET	188,032	195,196
OTHER ASSETS:		
Definite-life intangible Assets, net	9,860	10,101
Deposits	122,015	122,015
Total Other Assets	131,874	132,116
	$ 366,580	$ 435,140
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts Payable	$ 513,128	$ 509,262
Loan Payable, other	15,000	15,000
Common Stock Subscribed	38,010	40,500
Current portion, long term debt	6,873	6,718
Sales Tax Payable	1,981	1,981
Accrued Payroll and Payroll Taxes	45,411	76,834
Accrued Liabilities	31,641	34,848
Total Current Liabilities	652,045	685,143
LONG TERM LIABILITIES:		
Notes payable, less current portion	8,388	10,166
Convertible Debenture Payable, less Discount of $213,020 and $125,177 at December 31, 2008 and March 31, 2009	218,323	132,980
Deferred rent expense	137,866	126,446
Total Long term Liabilities	364,577	269,592
COMMITMENTS AND CONTINGENCIES		
TOTAL LIABILITIES	1,016,621	954,735
STOCKHOLDERS' DEFICIT:		
Common stock, $.001 par value, 100,000,000 shares authorized 59,478,045 and 65,038,611 issued and outstanding at December 31, 2008 and March 31, 2009	65,038	59,478
Additional Paid-In Capital	17,956,955	17,411,793
Accumulated deficit	(18,672,034)	(17,990,866)
Total Stockholders' Deficit	(650,042)	(519,595)
	$ 366,580	$ 435,140

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

HEALTH ENHANCEMENT PRODUCTS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three Months ended March 31, 2009	For the three Months ended March 31, 2008
NET SALES	$ 23,130	$ 35,551
COST OF SALES	16,322	30,500
GROSS PROFIT	6,808	5,051
OPERATING EXPENSES:		
Selling	108,930	65,960
General and Administrative	318,756	201,077
Research and Development	108,090	16,488
Total Operating Expenses	535,776	283,525
LOSS FROM OPERATIONS	(528,968)	(278,474)
OTHER INCOME (EXPENSE):		
Other income - rent	6,300	19,047
Amortization of Bond Discount	(157,054)	(405,028)
Interest Expense	(1,446)	(2,959)
Total Other Income (Expense)	(152,200)	(388,940)
NET LOSS	$ (681,168)	$ (667,414)
BASIC AND DILUTED LOSS PER SHARE	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE BASIC AND DILUTED SHARES OUTSTANDING	62,346,277	46,440,168

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

HEALTH ENHANCEMENT PRODUCTS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008
Cash Flows for Operating Activities:		
Net Loss	$ (681,168)	$ (667,414)
Adjustments to reconcile net loss to net cash used by operating activities:		
Non-cash - stock issued for services rendered	197,070	-
Stock issued to employees for services	106,083	12,676
Amortization of bond discount	157,054	405,028
Amortization of intangibles	242	241
Depreciation expense	7,164	7,508
Deferred rent	11,420	9,970
Changes in assets and liabilities:		
Decrease in accounts receivable	49,333	-
Decrease in inventories	1,620	7,855
(Increase) Decrease in prepaid expenses	12,215	(14,151)
Increase(Decrease) in accounts payable	9,865	(85,843)
Increase (Decrease) in payroll and payroll taxes	24,327	(29,364)
(Decrease) in accrued liabilities	(2,400)	(29,353)
Net Cash (Used) by Operating Activities	(107,173)	(382,847)
Cash Flows from Investing Activities:		
Capital expenditures	-	(19,117)
Net Cash (Used) by Investing Activities	-	(19,117)
Cash Flow from Financing Activities:		
Proceeds from common stock subscribed	38,010	
Payments of other borrowings	(1,622)	(21,480)
Proceeds from issuance of convertible debentures	47,500	110,000
Proceeds from sale of common stock and exercise of warrants	25,300	353,499
Net Cash Provided by Financing Activities	109,188	442,019
Increase (Decrease) in Cash	2,015	40,055
Cash at Beginning of Period	-	5,110
Cash at End of Period	$ 2,015	$ 45,165
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 1,477	$ 959
Income Taxes	$ -	$ -

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

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

First Quarter 2009:

During the three month period of time ending on March 31, 2009, the Company converted $50,000 of convertible debentures and $807 in accrued interest with the issuance of 203,227 shares of common stock. The Company issued convertible debentures for $47,500 principal and recorded a discount on the debentures of $39,500.

The Company issued 557,500 shares of common stock to employees for payment of accrued salaries valued at $55,750. The Company issued 66,667 shares of common stock for payment of accounts payable in the amount of $6,000. The Company issued 810,000 shares of common stock against common stock subscribed totaling $40,500. The Company recorded a debt discount of $110,539 in connection with restructured convertible debt.

First Quarter 2008:

During the three month period of time ending on March 31, 2008 the Company issued 2,281,720 shares of common stock upon conversion of $575,000 in principal and $2,481 in interest as a result of conversions of debt.

The Company recorded a combined debt discount of $110,000 to reflect the beneficial conversion feature of the convertible debt and value of the related warrants.

The Company issued 70,000 shares of stock as finders fees, valued at $21,000.

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

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Health Enhancement Products, Inc. and its wholly-owned subsidiaries (collectively, the "Company"). All significant inter-company accounts and transactions have been eliminated in consolidation. In the opinion of the Company's management, the financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. These consolidated financial statements are condensed, and therefore do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The condensed consolidated financial statements should be read in conjunction with the Company's December 31, 2008 consolidated audited financial statements and supplementary data included in the Annual Report on Form 10-K as of that date.

The results of operations for the three months ended March 31, 2009 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2009, or any other period.

In February, 2007, we established HEPI Pharmaceuticals, Inc. as a wholly owned subsidiary of HEPI ("HEPI Pharma"). The purpose of the pharmaceutical subsidiary will be to develop potential pharmaceutical applications for HEPI's primary product, ProAlgaZyme®(PAZ). In connection with the formation of HEPI Pharma, we entered into a Pharmaceutical Development Agreement with our new subsidiary. Under the Development Agreement, we granted the subsidiary the right to develop the potential pharmaceutical applications of PAZ and its derivatives. In exchange for these rights, we became the sole stockholder of the subsidiary and are entitled to certain payments based on the attainment of specified development milestones and sales revenues.

The Company incurred net losses of $681,168 and $667,414 for the three months ended March 31, 2009 and 2008, respectively. In addition, the Company had a working capital deficiency of $605,371 and a stockholders' deficit of $650,042 at March 31, 2009. These factors continue to raise substantial doubt about the Company's ability to continue as a going concern. The Company is endeavoring to increase the likelihood that it will be able to continue as a going concern by seeking to increase its sales revenue, and by raising additional capital. During the first quarter of 2009, the Company raised approximately $111,000 in net proceeds from the private sale of its common stock, the issuance of convertible debentures, and the receipt of stock subscriptions. There can be no assurance that the Company will be able to increase its sales or raise additional capital.

There can be no assurance that sufficient funds will be generated during the next year or thereafter from operations or that funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital could force the Company to curtail or cease operations and would, therefore, have a material adverse effect on its business. Furthermore, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significant dilutive effect on the Company's existing stockholders.

The accompanying condensed consolidated financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

NOTE 2 – INVENTORIES

Inventories at March 31, 2009 and December 31, 2008 consist of the following:

	March 31, 2009	December 31, 2008
	(Unaudited)	
Raw materials	$ 34,418	$ 35,850
Work in process	-	-
Finished goods	7,731	7,919
	$ 42,149	$ 43,769

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2009 and December 31, 2008 consists of the following:

	March 31, 2009 (Unaudited)	December 31, 2008
Furniture and fixtures	$ 49,466	$ 49,466
Equipment	85,402	85,402
Leasehold improvements	129,252	129,252
	264,120	264,120
Less accumulated depreciation and amortization	(76,088)	(68,924)
	$ 188,032	$ 195,196

Depreciation and amortization was $7,164 and $7,508 for the three months ended March 31, 2009 and 2008, respectively.

NOTE 4 - DEFINITE-LIFE INTANGIBLE ASSETS

Definite-life intangible assets at March 31, 2009 and December 31, 2008 consist of the following:

	March 31, 2009 (Unaudited)	December 31, 2008
Patent applications pending	$ 14,500	$ 14,500
Less: Accumulated amortization	(4,640)	(4,399)
	$ 9,860	$ 10,101

The Company’s definite-life intangible assets are amortized, upon being placed in service, over the 15 year estimated useful lives of the assets, with no residual value. Amortization expense for the three months ended March 31, 2009 and 2008 was $242 and $241, respectively. The Company estimates that amortization expense for existing assets for each of the next five years will be approximately $1,000 per year.

NOTE 5 – LONG TERM DEBT:

Long term debt consists of the following:

	March 31, 2009 (Unaudited)	December 31, 2008
Installment notes, bearing interest at 8.8% and 9.5% per annum and due November 2010 and March 2011, respectively. The loans are secured by certain of the Company's equipment	$ 15,261	$ 16,884
Less current portion	6,873	6,718
	$ 8,388	$ 10,166

Maturities of the long-term debt are as follows:

March 31,	
2010	$ 6,873
2011	8,388
	$ 15,261

NOTE 6 – CONVERTIBLE DEBT

In the first quarter of 2009, convertible debentures in the principal amount of $196,000 were restructured. The conversion rate was reduced to $.05 per share from $.10 per share, and the warrants were cancelled. As a result, the Company wrote off the unamortized portion of debt discount related to the relative fair value of the warrants amounting to $110,539 and recalculated the debt discount with respect to the new beneficial conversion feature in the amount of $122,284. The newly calculated debt discount is being amortized over the remaining period of the notes. In addition, amortization of debt discount for the convertible notes for the three months ended March 31, 2009 was $11,211.

Also during the first quarter of 2009, the Company sold for aggregate consideration of $47,500, 1% convertible notes in the aggregate principal amount of $47,500. The Convertible Notes accrue interest at the rate of 1% per annum, are non-amortizing, have a term of 3 years, subject to the Company's right to extend the term for an additional three years, cannot be prepaid, and are convertible, at any time prior to the maturity date, as the same may be extended, at the discretion of the holder, into shares of common stock, at a rate equal to $.05 per share. Accrued interest will be paid on the maturity date, as the same may be extended, in shares of Common Stock, valued at $.05 per share, and, unless the Convertible Note is converted prior to its maturity date, as the same may be extended, at the Company's option, the principal amount of the Note may, on the maturity date, as extended, be repaid in cash or converted into common stock at a rate equal to $.05 per share. The Company recorded a deferred debt discount in the amount of $39,500, to reflect the beneficial conversion feature of the convertible debt. The Company is amortizing the debt discount over the term of the debt. Amortization of debt discount was $2,085 for the three months ended March 31, 2009.

During the three month period of time ending on March 31, 2009, the Company converted $50,000 of convertible debentures and $807 in accrued interest with the issuance of 203,227 shares of common stock.

NOTE 7 – RELATED PARTY TRANSACTIONS

Office Space - We are subleasing approximately 15,000 square feet of office and production space located in Scottsdale, Arizona from a significant shareholder, Howard Baer. This Amended and Restated Sublease expires on February 9, 2020, provided that we have the unilateral right to terminate the Lease on March 31, 2013. The annual base rent for the 15,000 square foot facility is approximately $237,000 and is payable in equal monthly installments of approximately $20,000. The annual base rent is subject to increase annually in an amount equal to the greater of 2.5% of the prior year's base rent and the percentage increase in the Consumer Price Index. We paid an additional security deposit of approximately $110,000. The Amended and Restated Sublease is a "net lease", which means that we are responsible for the real estate taxes, maintenance, insurance and repairs related to the premises we are leasing.

Of the 15,000 square feet currently leased, we are occupying approximately 9,800 square feet. We are subleasing approximately 2,000 square feet on a month to month basis back to this significant shareholder, Howard Baer at a rate of approximately $2,100 per month. This sublease has not yet been formalized, and is currently on a month to month basis. We incurred $59,232 in rent expense and recognized $6,300 in sublet rent income during the first quarter of 2009.

Equipment - The Company uses and, in consideration of such use, makes lease and rent payments for, telephone equipment that is leased by an entity owned by the Company's former CEO. During the quarter ended March 31, 2009 and 2008 respectively, equipment rental and lease expense paid to the entity amounted to $1,836 and $2,657, respectively. The lease and rental payments equal the debt service on the equipment. The former CEO intends to transfer the equipment to the Company, for no consideration, once the note is paid in full.

Marketing Consultant Agreement – The Company has entered into an agreement with a significant shareholder, Howard Baer and former CEO to provide marketing services whereby the Company shall pay commissions at the rate of $.50 per bottle for every bottle sold under this agreement. In April of 2009, we amended this agreement to grant worldwide distribution and marketing rights to our product. This agreement calls for minimum monthly sales levels and is in effect for two years.

Financing - Periodically during 2009 the Company received loans from Mr. Baer. In addition, the Company owed Mr. Baer for unpaid rent and other expenses paid on behalf of the Company by Mr. Baer. The balance owing Mr. Baer at March 31, 2009 is $25,847 and is reflected in accounts payable.

NOTE 8 - STOCKHOLDERS' DEFICIT

During the quarter ended March 31, 2009 the Company issued 1,618,333 shares of its common stock, valued at $161,833 to employees for both current and previously accrued salaries. The company issued 923,000 shares of common stock, valued at $83,070, to consultants for research. The Company issued 1,316,000 shares of stock for proceeds of $25,300 and $40,500 for previously paid subscriptions. The Company issued 1,500,000 shares, valued at $120,000, to a marketing consultant for services. Convertible debentures were converted during the quarter ended March 31, 2009, and the Company issued 203,227 shares of common stock and retired $50,000 of debt and $807 in accrued interest.

A summary of the status of the Company's warrants is presented below.

	March 31, 2009		March 31, 2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	20,107,373	0.27	13,595,109	0.75
Issued	-	0.10	9,269,998	0.10
Exercised	-	0.10	-	-
Expired	(150,000)	0.10	-	-
Outstanding, end of period	19,957,373	0.27	22,865,107	0.83

Warrants outstanding and exercisable by price range as of March 31, 2009 were as follows:

	Outstanding Warrants			Exercisable Warrants	
Range of	Number	Average Weighted Remaining Contractual Life in Years	Exercise Price	Number	Weighted Average Exercise Price
0.10	16,556,014	2.02	0.10	16,556,014	0.10
0.50	3,401,359	1.25	0.50	3,401,359	0.50
	19,957,373	1.89		19,957,373	0.17

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Lease Commitment -- We are subleasing approximately 15,000 square feet of office and production space located in Scottsdale, Arizona from a significant shareholder, Howard Baer. This Amended and Restated Sublease expires on February 9, 2020, provided that we have the unilateral right to terminate the Lease on March 31, 2013. The annual base rent for the 15,000 square foot facility is approximately $237,000 and is payable in equal monthly installments of approximately $20,000. The annual base rent is subject to increase annually in an amount equal to the greater of 2.5% of the prior year's base rent and the percentage increase in the Consumer Price Index. We paid an additional security deposit of approximately $110,000. The Amended and Restated Sublease is a "net lease", which means that we are responsible for the real estate taxes, maintenance, insurance and repairs related to the premises we are leasing.

Of the 15,000 square feet currently leased, we are occupying approximately 9,800 square feet. We are subleasing approximately 2,000 square feet on a month to month basis back to this significant shareholder, Howard Baer at a rate of approximately $2,100 per month. This sublease has not yet been formalized, and is currently on a month to month basis. We incurred $59,232 in rent expense and recognized $6,300 in sublet rent income during the first quarter of 2009.

The Company is leasing, on a month to month basis, a warehousing and bottling facility. The lease calls for monthly rentals of $2,167. Rent expense under this lease for the quarter ended March 31, 2009 was approximately $7,581.

The future minimum lease payments related to the Amended and Restated Sublease and the warehouse lease, are as follows:

Year Ending March 31,	
2010	$ 258,454
2011	264,915
2012	271,538
2013	278,326
2014	285,285
Thereafter	1,812,740
	$ 3,171,258

NOTE 10 – LOSS PER SHARE

Loss per common share is based upon the weighted average number of common shares outstanding during the period. Diluted loss per common share is the same as basic loss per share, as the effect of potentially dilutive securities (convertible debt – 5,270,000 and warrants – 19,957,373 at March 31, 2009 and convertible debt – 1,900,000 and warrants – 22,865,107 at March 31, 2008) are anti-dilutive.

NOTE 10 - SUBSEQUENT EVENTS

During May of 2009 the Company issued 918,247 shares of common stock, valued at $91,825, to employees for accrued and current payroll. The Company issued 958,200 shares of stock and received $47,910 in proceeds. The Company issued 200,000 shares of common stock, valued at $18,000, to a consultant as payment of accrued fees owed. The Company issued 500,000 shares of common stock, valued at $55,000, in payment of legal fees.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies

The accompanying discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We base our estimates and judgments on historical experience and all available information. However, future events are subject to change, and the best estimates and judgments routinely require adjustment. US GAAP requires us to make estimates and judgments in several areas, including those related to recording various accruals, income taxes, the useful lives of long-lived assets, such as property and equipment and intangible assets, and potential losses from contingencies and litigation. We believe the policies discussed below are the most critical to our financial statements because they are affected significantly by management's judgments, assumptions and estimates.

Income taxes

We account for income taxes using the asset and liability method described in SFAS No. 109, "Accounting For Income Taxes," the objective of which is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting and the tax basis of assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. A valuation allowance related to deferred tax assets is recorded when it is more likely than that some portion or all of the deferred tax assets will not be realized.

We have provided a 100% valuation allowance for deferred tax assets, because the ultimate realization of those assets are uncertain. Utilization of net operating loss carry-forwards are subject to a substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code. The annual limitation may result in the expiration of net operating loss carry-forwards before utilization.

Results of Operations for the three months ended March 31, 2009and March 31, 2008.

Net Sales. Net sales for the three months ended March 31, 2009 were $23,130 as compared to $35,551 for the three months ended March 31, 2008. These sales reflect principally revenues from the ProAlgaZyme product. We currently market our product over the Internet, and by telephone. We have recently had limited success with retail grocery store outlets and expect to expand our presence in the retail market in 2009.

Throughout 2008 and 2009, we have been adversely impacted by a shortage of funds which has severely impeded our ability to market and test our ProAlgaZyme® product, contributing to a low level of net sales. Although the ProAlgaZyme® product is available for sale and we are exploring various potential marketing opportunities, we are currently advertising on a limited basis and expect only limited sales revenue until at least the third quarter of 2009. We believe that our ability to generate sales of the ProAlgaZyme® product will depend upon, among other things, further characterization of the product, identification of its method of action and further evidence of its efficacy, as well as advertising. The testing necessary to further characterizing the product, identifying its method of action and establishing its effectiveness is ongoing.

Cost of Sales. Cost of Sales was $16,322 for the three months ended March 31, 2009, as compared to $30,500 for the comparable period in 2008. Cost of Sales represents primarily costs related to raw materials, labor and the laboratory and controlled production environment necessary for the growing of the algae cultures that constitute the source of the biological activity of the ProAlgaZyme product, and for conducting the necessary harvesting and production operations in preparing the product for sale. The decrease in cost of sales for 2009 is a direct result of our decreased sales volume.

Gross Profit. Gross profit was $6,808 for the three months ended March 31, 2009, as compared to $5,051 for the comparable period in 2008. The increased gross profit for 2009 is due to improvements in our production efficiency.

Research and Development Expenses. For the three months ended March 31, 2009, we incurred $108,090 on research and development expenses (of which approximately $50,070 was noncash stock issuance), as compared to $16,488 for the comparable period in 2008. These expenses are comprised of costs associated with internal and external research. The increase in our research and development is due to a research project contracted in the first quarter of 2009.

We have in the past had difficulty raising substantial funds from external sources; however, we recently raised a limited amount of capital. We may not be able to raise the funding that we need to undertake further research and development activities. In the event that we are not able to secure sufficient funding to meet our research needs, we will be unable to pursue necessary research activities, in which case our ability to market ProAlgaZyme® with objective clinical support for its efficacy will be impeded, thereby hindering our ability to generate sales revenue and impacting negatively our operating results.

Selling and Marketing Expenses. Selling and marketing expenses were $108,930 for the three months ended March 31, 2009 (of which approximately $65,000 was noncash stock issuance), as compared to $65,960 for the comparable period in 2008. The increase in 2009 was due to costs associated with a national marketing consultant to increase our national exposure. We intend to continue to direct our in house selling efforts to existing ProAlgaZyme® users during 2009. The consultants will provide us with exposure in the media through the use of radio and television segments.

We are currently pursuing outside distributors for our product, to begin a nationwide campaign to raise awareness of our product. However, we intend to continue to direct selling efforts to existing ProAlgaZyme® users, by soliciting reorders from existing customers by telephone or mail in our inbound/outbound call center. In addition, we are continuing our efforts in the retail market arena, and exploring the establishment of additional distribution channels for ProAlgaZyme®. The limit on our ability thus far to advertise our product (due to the need for additional testing) has had and, until we are able to advertise our product based upon the results of clinical trials further demonstrating its efficacy, will continue to have, a material adverse effect on sales revenue and operating results. We intend to continue to pursue clinical study of our product and, subject to the results of such testing, increase advertising in 2008, subject to availability of sufficient funding, which we do not currently have.

General and Administrative Expenses. General and administrative expense was $318,756 for the three months ended March 31, 2009, as compared to $201,077 for the comparable period in 2008. The increase in general and administrative expenses is due primarily to a $120,000 increase in stock based compensation issued to consultants, an adjustment to pricing on invoices, offset by a decrease in our legal fees.

Liquidity and Capital Resources

The condensed consolidated financial statements contained in this Report 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. We have an immediate and urgent need for additional capital. For the reasons discussed herein, there is a significant risk that we will be unable to continue as a going concern, in which case, you would suffer a total loss of your investment in our company.

We have had limited revenue ($11,888 for the three months ended March 31, 2009) and have incurred significant net losses since inception, including a net loss of $681,168 during the three months ended March 31, 2009. We expect only limited sales revenue until at least the third quarter of 2009. Further, we have incurred recurring negative cash flow from operations. During the three months ended March 31, 2009, we incurred negative cash flows from operations of $107,173. As of June 12, 2009, we had no cash balance. We had a working capital deficiency of $605,371 and a stockholders’ deficit of $650,042 as of March 31, 2009. Although we recently raised a limited amount of capital, we have in the past had difficulty in raising capital from external sources. These factors raise substantial doubt about our ability to continue as a going concern.

During the three months ended March 31, 2009 and 2008, our operating activities used $107,173 and $382,847 in cash, respectively. Our financing activities generated $109,188 and $442,019 during the three months ended March 31, 2009 and 2008, respectively. The approximate $338,000 decrease in cash generated by our financing activities is primarily attributable to a decrease in proceeds from the sale of common stock and warrants. In addition, we received gross proceeds from equity and debt financing of $110,810 during the three months ended March 31, 2009.

We estimate that we will require approximately $1,250,000 in cash over the next 12 months in order to fund our operations. In addition, if we are to initiate the clinical research for our subsidiary, we will require an additional $3,000,000. Based on this cash requirement, we have an immediate and urgent need for additional funding. For the foreseeable future, we do not expect that sales revenues will be sufficient to fund our cash requirements. Historically, we have had difficulty raising funds from external sources; however, we recently were able to raise a limited amount of capital from outside sources. If we are not able to raise additional funds in the immediate future we may be unable to continue as a going concern, in which case you will suffer a total loss of your investment in our company.

We have only limited product liability insurance. If a product claim were successfully made against us, there could be a material adverse effect on our financial condition.

Significant elements of income or loss not arising from our continuing operations

We do not expect to experience any significant elements of income or loss other than those arising from our continuing operation.

Seasonality

Our product is directed to the improvement of the health of our consumers, and we do not expect that operating results will be affected materially by seasonal factors. In addition, ProAlgaZyme® is cultivated in a climate-controlled laboratory environment, not subject to seasonal growing effects or influences.

Staffing

We have conducted all of our activities since inception with a minimum level of qualified staff. We currently do not expect a significant increase in staff.

Off-Balance Sheet arrangements

We have no off-balance sheet arrangements that would create contingent or other forms of liability.

Item 3. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. The Company's management, with the participation of the principal executive officer and the principal accounting officer, carried out an evaluation of the effectiveness of the Company's "disclosure, controls and procedures" (as defined in the Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-15(e) and 15-d-15(e)) as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based upon that evaluation, the principal executive officer and the principal accounting officer concluded that, as of the Evaluation Date, the Company's disclosure, controls and procedures are effective, providing them with material information relating to the Company as required to be disclosed in the reports the Company files or submits under the Exchange Act on a timely basis.

(b) Changes in Internal Control over Financial Reporting. There were no changes in the Company's internal controls over financial reporting, known to the principal executive officer or the principal accounting officer that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended March 31, 2009 the Company issued 1,618,333 shares of its common stock, valued at $161,832 to employees for salaries. The company issued 923,000 shares of common stock, valued at $92,300, to consultants for research. The Company issued 1,316,000 shares of stock and received $65,800 in proceeds. The Company issued 1,500,000 shares, valued at $120,000, to a marketing consultant for services. Convertible debentures were converted during the quarter ended March 31, 2009, and the Company issued 203,227 shares of common stock and retired $50,000 of debt and $807 in accrued interest.

The Company believes that the foregoing transactions were exempt from the registration requirements under Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended ("the Act"), based on the following facts: there was no general solicitation, there was a limited number of purchasers, all of whom were "accredited investors" (within the meaning of Regulation D under the Act and all of whom were sophisticated about business and financial matters, and all shares issued were subject to restriction on transfer, so as to take reasonable steps to assure that the purchaser was not an underwriter within the meaning of Section 2(11) of the Act.

6. Exhibits

Exhibit Number	Description	
2.1	Agreement and Plan of Reorganization	(1)
3.1	Articles of Incorporation of Health Enhancement Products, Inc., as amended	(2)
3.2	By-laws of the Company	(3)
31.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended	
31.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended	
32.1	Certification of the Principal Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
32.2	Certification of the Principal Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	

(1) Filed as Exhibit 2.1 to our current Report on Form 8-K, Filed with the Commission on December 9, 2003 and incorporated by this reference.

(2) Filed as Exhibit 3.1 to our Form 10-QSB, filed with the Commission on August 30, 2004 and incorporated by this reference.

(3) Filed as Exhibit 3.2 to our Form 10SB, filed with the Commission on April 20, 2000 and incorporated by this reference.

SIGNATURES

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

HEALTH ENHANCEMENT PRODUCTS, INC.

Date: June 12, 2009

By: */s/ Janet L. Crance*
Principal Accounting Officer
Principal Administrative Officer

LIST OF EXHIBITS

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Exhibit 31.1

Certification Pursuant to pursuant to Rule 13a-14(a) or Rule 15d-14(a)
of the Securities Exchange Act of 1934, as amended

I, Janet L. Crance, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company;

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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the 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 period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer 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 registrant's board of directors (or persons performing the equivalent function):

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: June 12, 2009

/s/ Janet L. Crance
Janet L. Crance
Chief Administrative Officer
(Principal Executive Officer)

Exhibit 31.2

Certification Pursuant to pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended

I, Janet L. Crance, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company;

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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the 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 period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer 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 registrant's board of directors (or persons performing the equivalent function):

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: June 12, 2009

/s/ Janet L. Crance
Janet L. Crance
Chief Accounting Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(Subsections (a) and (b) of Section 1350,
Chapter 63 of Title 18, United States Code)

In connection with the Quarterly Report on Form 10-Q for the period ending March 31, 2009 of Health Enhancement Products, Inc., a Nevada corporation (the "Company"), as filed with the Securities and Exchange Commission (the "Report"), I, Janet L. Crance, Principal Administrative Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350), that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: June 12, 2009

/s/ Janet L. Crance
Janet L. Crance
Principal Administrative Officer
Principal Executive Officer

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 HAS BEEN PROVIDED TO HEALTH ENHANCEMENT PRODUCTS, INC. AND WILL BE RETAINED BY HEALTH ENHANCEMENT PRODUCTS, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(Subsections (a) and (b) of Section 1350,
Chapter 63 of Title 18, United States Code)

In connection with the Quarterly Report on Form 10-Q for the period ending March 31, 2009 of Health Enhancement Products, Inc., a Nevada corporation (the “Company”), as filed with the Securities and Exchange Commission (the “Report”), I, Janet L. Crance, Principal Accounting Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350), that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: June 12, 2009

/s/ Janet L. Crance
Janet L. Crance
Chief Accounting Officer
(Principal Financial Officer)

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 HAS BEEN PROVIDED TO HEALTH ENHANCEMENT PRODUCTS, INC. AND WILL BE RETAINED BY HEALTH ENHANCEMENT PRODUCTS, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.