UNITED STATES 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 June 30, 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)

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the 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 check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant 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 ☒

There were 70,734,059 shares of the registrant's common stock, $0.001 par value, issued and outstanding as of August 14, 2009.

FORM 10-Q
HEALTH ENHANCEMENT PRODUCTS, INC.

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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 and
- 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

	June 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash	$ 25,666	$ -
Accounts Receivable	27,000	49,334
Inventories	38,001	43,769
Prepaid Expenses	-	14,725
Total Current Assets	90,667	107,828
PROPERTY AND EQUIPMENT, NET	180,868	195,196
OTHER ASSETS:		
Definite-life intangible Assets, net	9,618	10,101
Deposits	122,015	122,015
Total Other Assets	131,633	132,116
	$ 403,168	$ 435,140
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts Payable	$ 527,975	$ 509,262
Loan Payable, other	-	15,000
Common Stock Subscribed	-	40,500
Current portion, long term debt	8,692	6,718
Sales Tax Payable	1,981	1,981
Accrued Payroll and Payroll Taxes	44,237	76,834
Accrued Liabilities	14,566	34,848
Total Current Liabilities	597,451	685,143
LONG TERM LIABILITIES:		
Notes payable, less current portion	4,909	10,166
Convertible Debenture Payable, less Discount of $213,020 and $124,407 at December 31, 2008 and June 30, 2009	271,693	132,980
Deferred rent expense	149,286	126,446
Total Long term Liabilities	425,888	269,592
COMMITMENTS AND CONTINGENCIES		
TOTAL LIABILITIES	1,023,339	954,735
STOCKHOLDERS' DEFICIT:		
Common stock, $.001 par value, 100,000,000 shares authorized 59,478,045 and 70,714,059 issued and outstanding at December 31, 2008 and June 30, 2009	70,714	59,478
Additional Paid-In Capital	18,314,493	17,411,793
Accumulated deficit	(19,005,378)	(17,990,866)
Total Stockholders' Deficit	(620,171)	(519,595)
	$ 403,168	$ 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 June 30, 2009	For the three Months ended June 30, 2008	For the six Months ended June 30, 2009	For the six Months ended June 30, 2008
NET SALES	$ 27,115	$ 59,602	$ 50,245	$ 95,153
COST OF SALES	6,997	47,091	23,319	77,591
GROSS PROFIT	20,118	12,511	26,926	17,562
OPERATING EXPENSES:				
Selling	58,864	62,224	167,794	128,184
General and Administrative	234,160	371,896	552,916	572,973
Research and Development	41,036	36,009	149,126	52,497
Total Operating Expenses	334,060	470,129	869,836	753,654
LOSS FROM OPERATIONS	(313,942)	(457,618)	(842,910)	(736,092)
OTHER INCOME (EXPENSE):				
Other income - rent	6,300	11,800	12,600	30,847
Amortization of Bond Discount	(23,659)	(49,976)	(180,713)	(454,955)
Interest Expense	(2,043)	(1,186)	(3,489)	(4,194)
Interest Expense, related party		(2,503)	-	(2,503)
Total Other Income (Expense)	(19,402)	(41,865)	(171,602)	(430,805)
NET LOSS	$ (333,344)	$ (499,483)	$ (1,014,512)	$ (1,166,897)
BASIC AND DILUTED LOSS PER SHARE	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
WEIGHTED AVERAGE BASIC AND DILUTED SHARES OUTSTANDING	66,870,464	52,069,802	64,647,889	49,254,985

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 Six Months Ended June 30, 2009 (Unaudited)	For the Six Months Ended June 30, 2008 (Unaudited)
Cash Flows for Operating Activities:		
Net Loss	$ (1,014,512)	$ (1,166,897)
Adjustments to reconcile net loss to net cash used by operating activities:		
Non-cash - stock issued for services rendered	288,583	43,250
Stock issued to employees for services	152,636	12,676
Warrants granted for services rendered	-	10,476
Amortization of bond discount	180,713	454,955
Amortization of intangibles	483	483
Depreciation expense	14,328	15,498
Increase in deferred rent	22,840	2,390
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	22,334	(19,123)
(Increase) in rent receivable		(11,800)
(Increase) decrease in inventories	5,768	(47,620)
(Increase) Decrease in prepaid expenses	14,725	(37,267)
Increase(Decrease) in accounts payable	33,200	(70,780)
Increase (decrease) in payroll and payroll taxes	69,706	(22,523)
Increase (Decrease) in accrued liabilities	(19,475)	(46,057)
Net Cash (Used) by Operating Activities	(228,671)	(772,339)
Cash Flows from Investing Activities:		
Capital expenditures	-	(63,953)
Net Cash (Used) by Investing Activities	-	(63,953)
Cash Flow from Financing Activities:		
Payment of shareholder advances	-	(20,000)
Payment on related party note		(2,995)
Payments of other borrowings	(3,283)	-
Proceeds from issuance of convertible debentures	85,100	151,000
Proceeds from sale of common stock and exercise of warrants	172,520	729,665
Net Cash Provided by Financing Activities	254,337	857,670
Increase in Cash	25,666	21,378
Cash at Beginning of Period	-	5,110
Cash at End of Period	$ 25,666	$ 26,488
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 1,626	$ 1,333
Income Taxes	$ -	$ -

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

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

Six Months ended June 30, 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.

During the quarter ended March 31, 2009, 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.

During the second quarter of 2009 the Company issued 931,048 shares of common stock to employees which included payment of accrued salaries valued at $46,553. The Company issued 500,000 shares of common stock for payment of accounts payable in the amount of $8,487 and services amounting to $46,513. The Company issued convertible debentures for $37,600 principal and recorded a discount on the debentures of $37,600.

During the quarter ended June 30, 2009, the Company issued a $15,000 Convertible note in exchange for a cash advance received in a prior period.

In June of 2009 the Company issued 800,000 shares of common stock, and warrants to purchase 800,000 shares of stock at an exercise price of $.10 per share, to a significant shareholder and former CEO as compensation for such shareholder having transferred property to third parties as inducement to make an equity investment in the Company. The total invested by these third parties totaled $35,000. The shares were valued at $96,000, and the warrants were valued at approximately $92,000 using the Black Scholes pricing model, with the following assumptions: volatility 227.05%, annual rate of dividends 0%, discount rate 3.1%.

Six Months ended June 30, 2008:

During the three-month period ending June 30, 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 conversion of debt.

The Company recorded a combined debt discount of $151,000 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.

During the three-month period ending June 30, 2008, the Company issued 129,511 shares of common stock upon conversion of $50,000 in principal and $382 in interest as a result of conversion of debt.

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. These unaudited 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 filed with the SEC on May 18, 2009.

The results of operations for the six months ended June 30, 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. ("HEPI Pharma") as a wholly owned subsidiary of Health Enhancement Products, Inc. The purpose of the pharmaceutical subsidiary will be to develop potential pharmaceutical applications for the Company'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 $1,014,512 and $1,166,897 for the six months ended June 30, 2009 and 2008, respectively. In addition, the Company had a working capital deficiency of $506,784 and a stockholders' deficit of $620,171 at June 30, 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 six months of 2009, the Company raised approximately $258,000 in net proceeds from the private sale of its common stock and exercise of warrants, and the issuance of convertible debentures. 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 June 30, 2009 and December 31, 2008 consist of the following:

	June 30, 2009 (Unaudited)	December 31, 2008
Raw materials	$ 31,322	$ 35,850
Work in process	-	-
Finished goods	6,679	7,919
	$ 38,001	$ 43,769

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2009 and December 31, 2008 consists of the following:

	June 30, 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	(83,252)	(68,924)
	$ 180,868	$ 195,196

Depreciation and amortization was $14,328 and $15,498 for the six months ended June 30, 2009 and 2008 respectively.

NOTE 4 - DEFINITE-LIFE INTANGIBLE ASSETS

Definite-life intangible assets at June 30, 2009 and December 31, 2008 consist of the following:

	June 30, 2009 (Unaudited)	December 31, 2008
Patent applications pending	$ 14,500	$ 14,500
Less: Accumulated amortization	(4,882)	(4,399)
	$ 9,618	$ 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 six months ended June 30, 2009 and 2008 was $483 and $483, 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:

		June 30, 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	$	13,601	$	16,884
Less current portion		8,692		6,718
	$	4,909	$	10,166

Maturities of the long-term debt are as follows:

June 30,		
2010	$	7,032
2011		5,098
2011		1,471
	$	13,601

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 six months ended June 30, 2009 was $29,147.

Also during the first and second quarters of 2009, the Company sold for aggregate consideration of $100,100, 1% convertible notes in the aggregate principal amount of $100,100. 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 $92,100, 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 $7,304 for the six months ended June 30, 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. In connection with the conversion, the Company wrote off unamortized discount of $19,581.

Amortization of the debt discount on the remaining 2007 notes was $14,142 for the six months ended June 30, 2009.

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 second 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 June 30, 2009, equipment rental and lease expense paid to the entity amounted to $1,836. 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 June 30, 2009 is $8,545 and is reflected in accounts payable.

Accounts Receivable – Included in accounts receivable is $27,000 due from Changing Times Vitamins, Inc., a privately owned corporation whose sole shareholder is a significant shareholder and former CEO of the Company.

Inventory – Ending inventory at June 30, 2009 includes approximately $27,000 in raw materials and $6,700 in finished product for Changing Times Vitamins, Inc., referred to above. This inventory was custom manufactured to Changing Times Vitamins, Inc. specifications and differs from our ProAlgaZyme product.

Equity Transaction -

In June of 2009 the Company issued 800,000 shares of common stock, and warrants to purchase 800,000 shares of stock at an exercise price of $.10 per share, to a significant shareholder and former CEO as compensation for such shareholder having transferred property to third parties as inducement to make an equity investment in the Company. The total invested by these third parties totaled $35,000. The shares were valued at $96,000, and the warrants were valued at approximately $92,000 using the Black Scholes pricing model, with the following assumptions: volatility 227.05%, annual rate of dividends 0%, discount rate 3.1%.

NOTE 8 - STOCKHOLDERS' DEFICIT

On February 15, 2007, the Company's board of directors declared a distribution in the form of shares of the common stock of its new wholly-owned subsidiary, HEPI Pharma, to all shareholders of record as of March 15, 2007. Each shareholder of record on the record date received one share of HEPI Pharma for every ten shares of common stock of the Company they owned on the record date. The shares of HEPI Pharma will be distributed promptly following compliance with applicable laws, including the Company delivering an information statement to its stockholders pursuant to the requirements of the Securities Exchange Act of 1934 ("Exchange Act") and the effectiveness of HEPI Pharma's registration under the Exchange Act. The number of shares to be distributed will, at the time of distribution, represent approximately 10% of the total outstanding shares of HEPI Pharma. It is anticipated that the remaining approximately 90% of the equity of the subsidiary will be owned by the Company.

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.

During the quarter ended June 30, 2009 the Company issued 931,048 shares of its common stock, valued at $93,105 to employees for both current and previously accrued salaries. The Company issued 2,944,400 shares of stock, received $109,210 in proceeds and applied an additional $38,010 from first quarter common stock subscribed. The Company issued 500,000 shares, valued at $45,000, to a marketing consultant for services. The Company issued 500,000 shares of stock, valued at $55,000, in payment of accounts payable and current services. These shares were valued at the closing price of the stock on the day of authorization.

In June of 2009 the Company issued 800,000 shares of common stock, and warrants to purchase 800,000 shares of stock at an exercise price of $.10 per share, to a significant shareholder and former CEO as compensation for such shareholder having transferred property to third parties as inducement to make an equity investment in the Company. The total invested by these third parties totaled $35,000. The shares were valued at $96,000, and the warrants were valued at approximately $92,000 using the Black Scholes pricing model, with the following assumptions: volatility 227.05%, annual rate of dividends 0%, discount rate 3.1%.

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

	June 30, 2009		June 30, 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	0.55
Issued	800,000	0.10	16,913,318	0.10
Exercised	-	0.10	(450,000)	0.10
Expired	(661,375)	0.10	(800,000)	1.10
Outstanding, end of period	20,245,998	0.27	29,258,427	0.83

Warrants outstanding and exercisable by price range as of June 30, 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	17,446,014	1.82	0.10	17,446,014	0.10
0.50	2,799,984	1.49	0.50	2,799,984	0.50
	20,245,998	1.78		20,245,998	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 $118,464 in rent expense and recognized $12.,600 in sublet rent income during the first six months 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 six months ended June 30, 2009 was approximately $15,000.

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

Year Ending December 31,		
2010	$	260,089
2011		266,601
2012		273,256
2013		280,088
2014		287,090
Thereafter		1,738,746
	$	3,105,870

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 – 1,900,000 and warrants – 20,245,998 at June 30, 2009 and warrants – 29,258,427 at June 30, 2008) are anti-dilutive.

NOTE 11 – SUBSEQUENT EVENTS

During the third quarter, certain convertible notes were amended and restated. Under the terms of the modification the noteholder will be entitled (if and when the notes are converted) to get shares of any future spinoff of our wholly owned subsidiary HEPI Pharmaceuticals, as if he had converted these notes as of the spinoff date. In addition, the due dates of the notes were extended.

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.

Stock Based Compensation

The Company follows the provisions of Statement of Financial Accounting Standards No. 123R, Share-Based Payment (SFAS 123R), which revised SFAS 123, Accounting for Stock-Based Compensation and supersedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). SFAS 123R requires that new, modified and unvested share-based payment transactions with employees, such as stock options and restricted stock, be recognized in the financial statements based on their estimated fair value and recognized as compensation expense over the requisite service period. The Company adopted SFAS 123R effective January 1, 2006.

Results of Operations for the three months and six months ended June 30, 2009 and 2008.

Net Sales. Net sales for the three and six months ended June 30, 2009 were $27,115 and $50,245 as compared to $59,602 and $95,153 for the three and six months ended June 30, 2008. These sales reflect principally revenues from the ProAlgaZyme® product. We currently market our product over the Internet and by telephone.

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 second half 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 characterize the product, identify its method of action and establish its effectiveness is ongoing.

Cost of Sales. Cost of Sales was $6,997 and $23,319 for the three and six months ended June 30, 2009, as compared to $47,091 and $77,591 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 overall decrease in cost of sales for 2009 is a direct result of our decreased sales volume.

Gross Profit. Gross Profit was $20,118 and $26,926 for the three and six months ended June 30, 2009, as compared to $12,511 and $17,562 for the comparable period in 2008. The increased gross profit for 2009 is due to the improvements we have made in our production efficiency.

Research and Development Expenses. For the three and six months ended June 30, 2009, we incurred $41,036 and $149,126 on research and development expenses, as compared to $36,009 and $52,497 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 the costs associates with our research currently ongoing with Wayne State University. This research was initiated to determine our products efficacy on the management of cholesterol levels and inflammation. While we have received the results of our cholesterol testing, as discussed above, we are awaiting the results of the studies on inflammation. We expect those results in the next few weeks.

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 additional research activities.

Selling and Marketing Expenses. Selling and marketing expenses were $58,864 and $167,794 for the three and six months ended June 30, 2009, as compared to $62,224 and $128,184 for the comparable period in 2008. The increase in 2009 was due to costs associated with outside marketing consultants to increase our national exposure and the rebranding of our product. In addition, we have contracted with several international marketing firms in anticipation of the completion of our current research. We intend to continue to direct our in house selling efforts to existing ProAlgaZyme® users during 2009. The consultants will provide us with exposure to natural food brokers and 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.

General and Administrative Expenses. General and administrative expense was $234,160 and $552,916 for the three and six months ended June 30, 2009, as compared to $371,896 and $572,973 for the comparable period in 2008. The overall decrease in general and administrative expenses for the six months ended June 30, 2009 is approximately $20,000. This decrease is due primarily to a decrease in our legal and accounting fees.

Liquidity and Capital Resources

The unaudited condensed consolidated financial statements contained in this Quarterly 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 ($50,245 for the six months ended June 30, 2009) and have incurred significant net losses since inception, including a net loss of $1,014,512 during the six months ended June 30, 2009. We expect only limited sales revenue until at least the second half of 2009. Further, we have incurred recurring negative cash flow from operations. During the six months ended June 30, 2009, we incurred negative cash flows from operations of $228,671. As of August 8, 2009, we had a cash balance of approximately $25,000. We had a working capital deficiency of $506,787 and a stockholders' deficit of $620,171 as of June 30, 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 and six months ended June 30, 2009 and 2008, our operating activities used $228,671 and $772,339 in cash, respectively. Our financing activities generated $254,337 and $857,670 during the three and six months ended June 30, 2009 and 2008 respectively.

We estimate that we will require approximately $1,250,000 in cash over the next 12 months in order to fund our operations. If we were to initiate the additional clinical research for our subsidiary, we would require an additional $3,000,000. Based on this cash requirement, we have an immediate 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.

In addition, 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 given our liquidity and cash limitations.

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 4. 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 financial 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 financial officer concluded that, as of the Evaluation Date, the Company's disclosure, controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting. There were no changes in the Company's internal controls over financial reporting that occurred during the period covered by this quarterly 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 June 30, 2009 the Company issued 931,048 shares of its common stock, valued at $93,105 to employees for salaries. The Company issued 2,944,400 shares of stock and received $147,220 in proceeds. The Company issued 500,000 shares, valued at $45,000, to a marketing consultant for services. The Company issued 500,000 shares of stock, valued at $55,000, in payment of accounts payable and current services. These shares were valued at the closing price of the stock on the day of authorization.

In June of 2009 the Company issued 800,000 shares of common stock, and warrants to purchase 800,000 shares of stock at an exercise price of $.10 per share, to a significant shareholder and former CEO as compensation for such shareholder having transferred property to third parties as inducement to make an equity investment in the Company. The total invested by these third parties totaled $35,000. The shares were valued at $96,000, and the warrants were valued at approximately $92,000 using the Black Scholes pricing model, with the following assumptions: volatility 227.05%, anual rate of dividends 0%, discount rate 3.1%.

We believe that the foregoing transactions were exempt from the registration requirements under Section 4(2) of the Securities Act of 1933, as amended (the "1933 Act"), based on the following facts: there was no general solicitation, there was a limited number of investors, each of whom was an "accredited investor" (within the meaning of Regulation D under the "1933 Act", as amended) and/or was (either alone or with his/her purchaser representative) sophisticated about business and financial matters, each such investor had the opportunity to ask questions of our management and to review our filings with the Securities and Exchange Commission, and all shares issued were subject to restrictions on transfer, so as to take reasonable steps to assure that the purchasers were not underwriters within the meaning of Section 2(11) under the 1933 Act.

Item 5. Other Information:

None.

Item 6. Exhibits

Exhibit Number	Description	
3.1	Articles of Incorporation of Health Enhancement Products, Inc., as amended	(1)
3.2	By-laws of the Company	(2)
31.1	Certification of the Principal Executive Officer and 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 and 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 3.1 to our Form 10-QSB, filed with the Commission on August 30, 2004 and incorporated by this reference.
(2) Filed as Exhibit 3.2 to our Form 10SB, filed with the Commission on April 20, 2000 and incorporated by this reference.

*furnished herewith (all other exhibits are deemed filed).

SIGNATURES

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

HEALTH ENHANCEMENT PRODUCTS, INC.

Date: August 14, 2009

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

LIST OF EXHIBITS

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32.1*	Certification of the Principal Executive Officer and 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.

*furnished herewith (all other exhibits are deemed filed).

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 Health Enhancement Products, 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 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 Rule 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 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: August 14, 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 Health Enhancement Products, 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 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 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: August 14, 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 June 30, 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 and Chief 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, as amended; 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: August 14, 2009

/s/ Janet L. Crance
Janet L. Crance
Principal Administrative Officer
And Principal Financial Officer