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 September 30, 2012

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

7 West Square Lake Rd., Bloomfield Hills, MI 48302
(Address of principal executive offices)

(248) 452 9866
(Issuer's telephone number)

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

Indicate by checkmark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 ST (Sec. 232.405) 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 checkmark 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.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	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 **103,366,488** shares of common stock, $0.001 par value, outstanding at November 6, 2012.

FORM 10-Q
HEALTH ENHANCEMENT PRODUCTS, INC.
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(Inapplicable items have been omitted)

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash	$ 7,287	$ 225,696
Deferred Finance Costs	35,812	13,722
Prepaid Expenses	19,351	10,412
Total Current Assets	62,450	249,830
PROPERTY AND EQUIPMENT, NET	36,184	83,546
OTHER ASSETS:		
Definite-life intangible Assets, net	6,475	7,201
Deposits	123,762	122,917
Total Other Assets	130,237	130,118
TOTAL ASSETS	$ 228,871	$ 463,494
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts Payable	$ 874,730	$ 660,663
Current portion, long term debt	-	7,682
Customer deposits	27,837	27,837
Loan Payable – Other	123,000	-
Obligation to issue common stock and warrants	331,430	307,664
Convertible Debenture Payable, less Discount of $875 at December 31, 2011	-	84,226
Derivative Liability	823,219	528,566
Deferred Rent	59,987	96,347
Accrued Liabilities	217,411	75,349
Total Current Liabilities	2,457,614	1,788,334
LONG TERM LIABILITIES:		
Convertible Debenture Payable, less Discount of $932,033 and $577,106 at September 30, 2012 and December 31, 2011, respectively	885,567	423,393
Deferred revenue, noncurrent	235,000	235,000
Deferred rent	-	48,264
Total Long term Liabilities	1,120,567	706,657
TOTAL LIABILITIES	3,578,181	2,494,991
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT:		
Common stock, $.001 par value, 200,000,000 shares authorized at September 30, 2012, 103,150,486 and 100,036,350 issued and outstanding at September 30, 2012 and December 31, 2011	103,151	100,036
Additional Paid-In Capital	28,176,687	27,130,276
Accumulated deficit	(31,629,148)	(29,261,809)
Total Stockholders' Deficit	(3,349,310)	(2,031,497)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 228,871	$ 463,494

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 September 30, 2012	For the three Months ended September 30, 2011	For the nine Months ended September 30, 2012	For the nine Months ended September 30, 2011
REVENUES:				
Net Sales	$ -	$ 31,898	$ -	$ 88,587
Licensing Fee	-	3,750	-	11,250
Total Revenues	-	35,648	-	99,837
COSTS AND EXPENSES:				
Cost of Sales	-	25,433	-	99,060
Selling	-	3,297	-	11,823
General and Administrative	317,728	150,179	735,666	333,021
Professional fees and Consulting expense	97,075	74,799	362,672	386,355
Research and Development	238,462	66,717	543,930	246,000
Total Costs and Expenses	653,265	320,425	1,642,268	1,076,259
LOSS FROM OPERATIONS	(653,265)	(284,777)	(1,642,268)	(976,422)
OTHER INCOME (EXPENSE):				
Fair Value Adjustment of Derivative Liability	330,323	-	709,638	-
Amortization of Bond Discount	(195,905)	(30,062)	(482,247)	(93,892)
Amortization of Deferred Finance Costs	(60,669)	(19,018)	(72,154)	(41,383)
Finance costs paid in cash	-	-	(22,950)	-
Finance costs paid in warrants, related party		(203,069)		(203,069)
Finance costs paid in stock and warrants	55,794	-	(749,185)	-
Interest expense - related party		(906)		(1,365)
Interest expense	(36,340)	(4,521)	(108,169)	(6,684)
Total Other Income (Expense)	93,203	(257,576)	(725,067)	(346,393)
NET LOSS	$ (560,062)	$ (542,353)	$ (2,367,335)	$ (1,322,815)
BASIC AND DILUTED LOSS PER SHARE	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)
WEIGHTED AVERAGE BASIC AND DILUTED SHARES OUTSTANDING	101,786,604	97,549,401	100,679,282	95,732,703

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 Nine Months Ended September 30, 2012 (Unaudited)	For the Nine Months Ended September 30, 2011 (Unaudited)
Cash Flows for Operating Activities:		
Net (Loss)	$ (2,367,335)	$ (1,322,815)
Adjustments to reconcile net loss to net cash used by operating activities:		
Stock and warrants issued for services rendered	34,935	33,584
Finance costs paid in warrants, related party	-	203,069
Finance costs paid in stock and warrants	821,340	-
Amortization of deferred finance costs	12,868	41,383
Amortization of debt discount	477,948	93,892
Amortization of intangibles	726	725
Depreciation expense	50,862	50,192
Fair value adjustment of Derivative Liability	(709,638)	-
(Decrease) in deferred rent	(84,626)	(22,991)
Changes in assets and liabilities:		
(Increase) in inventories	-	(5,156)
(Increase) in prepaid expenses	(8,939)	(5,683)
(Increase) in security deposits	(845)	(635)
Increase in accounts payable	214,067	153,831
Increase in customer deposits	-	2,643
(Decrease) in deferred revenue	-	(11,250)
Increase in accrued liabilities	142,060	18,769
Net Cash (Used) by Operating Activities	(1,416,577)	(770,442)
Cash Flows from Investing Activities:		
Capital expenditures	(3,500)	(4,721)
Net Cash (Used) by Investing Activities	(3,500)	(4,721)
Cash Flow from Financing Activities:		
Proceeds of loan payable, related party	-	85,105
Proceeds of loan payable, other	123,000	-
Payment of Deferred Finance Costs	(34,958)	-
Repayments of loan payable, related party	-	(14,000)
Proceeds of other borrowings	-	125,169
Payments of other borrowings	(7,682)	(13,582)
Proceeds from issuance of convertible debentures	732,000	134,500
Proceeds from sale of common stock and exercise of warrants	389,308	502,500
Net Cash Provided by Financing Activities	1,201,668	819,692
Increase (Decrease) in Cash	(218,409)	44,529
Cash at Beginning of Period	225,696	15,603
Cash at End of Period	**$** 7,287	$ 60,132
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ -	$ 3,455
Income Taxes	$ -	$ 50

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

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

Nine Months Ended September 30, 2012:

During the quarter ended March 31, 2012, the Company issued convertible debentures totaling $432,000 and recorded $332,000 in discounts on debentures.

During the quarter ended June 30, 2012, the Company issued convertible debentures totaling $300,000 and recorded $500,000 in discounts on debentures.

During the quarter ended June 30, 2012, several three year 1% convertible notes in the aggregate principal amount of $155,100, with various maturity dates during 2011 were extended for an additional two years. The Company incurred no additional cost as a result of these extensions.

Nine Months Ended September 30, 2011:

During the quarter ended March 31, 2011, the Company issued convertible debentures for $62,500 in principal and recorded a discount on the debentures of $62,500. As an inducement to further invest in the Company, warrants were repriced from $.25 to $.15, resulting in deferred finance costs of $57,706.

During the quarter ended June 30, 2011, the Company issued convertible debentures in the principal amount of $52,000 and recorded a discount on the debentures of $52,000. In addition, the Company issued 333,334 shares of common stock in satisfaction of an obligation to issue common stock valued at $50,000.

During the quarter ended June 30, 2011, several three year 1% convertible notes in the aggregate principal amount of $196,000, with various maturity dates during 2011 were extended for an additional three years at the request of the noteholder. The Company incurred no additional cost as a result of these extensions.

During the quarter ended September 30, 2011, the Company issued convertible debentures in the principal amount of $20,000 and recorded a discount on the debentures of $15,921.

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, 2011 consolidated audited financial statements and supplementary data included in the Annual Report on Form 10-K filed with the SEC on March 30, 2012.

The results of operations for the nine months ended September 30, 2012 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2012, or any other period.

The Company incurred net losses of $2,367,335 and $1,322,815 for the nine months ended September 30, 2012 and 2011, respectively. In addition, the Company had a working capital deficiency of $2,395,164 and a stockholders' deficit of $3,264,864 at September 30, 2012. These factors continue to raise substantial doubt about the Company's ability to continue as a going concern. During the first nine months of 2012, the Company raised $732,000 in net proceeds from the issuance of convertible debentures, $123,000 from loans payable – other and $389,308 from the issuance of common stock. Until the Company can develop a stable source of revenue from operations, the Company will be dependent on its ability to raise capital. There can be no assurance that the Company will be able to raise additional capital.

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.

Certain reclassifications have been made to prior-year and prior period comparative financial statements to conform to the current year and period presentation. These reclassifications had no effect on previously reported results of operations or financial position.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2012 and December 31, 2011 consists of the following:

	September 30, 2012 (Unaudited)	December 31, 2011
Furniture and fixtures	$ 51,617	$ 51,617
Equipment	112,879	112,879
Leasehold improvements	151,859	148,359
	316,355	312,855
Less accumulated depreciation and amortization	(280,171)	(229,309)
	$ 36,184	$ 83,546

Depreciation and amortization was $50,862 and $50,192 for the nine months ended September 30, 2012 and 2011 respectively.

NOTE 3 - DEFINITE-LIFE INTANGIBLE ASSETS

Definite-life intangible assets at September 30, 2012 and December 31, 2011 consist of the following:

	September 30, 2012 (Unaudited)	December 31, 2011
Patent applications pending	$ 14,501	$ 14,501
Less: Accumulated amortization	(8,026)	(7,300)
	$ 6,475	$ 7,201

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 nine months ended September 30, 2012 and 2011 was $726 and $725, 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 4 – CONVERTIBLE DEBT

On December 2, 2011, the Company and HEP Investments, LLC, a Michigan limited liability company ("Lender"), entered into a loan arrangement (the "Loan") pursuant to which the parties executed the following documents, effective as of December 1, 2011: (i) a loan agreement under which the Lender has agreed to advance up to $2,000,000 to the Company, subject to certain conditions (the "Loan Agreement"), (ii) a Convertible Secured Promissory Note in the initial principal amount of $600,000 (the "Note") and (iii) (a) a Security Agreement, under which the Company granted the Lender a security interest in all of its assets and (b) an IP security agreement under which the Company and its subsidiaries granted the Lender a security interest in all their respective intellectual properties, including patents, in each case order to secure their respective obligations to the Lender under the Note and related documents. In addition, the Company's subsidiaries have guaranteed the Company's obligations under the Note.

As of December 5, 2011, the Lender advanced the Company $600,000, consisting of $500,000 in cash and $100,000 previously advanced by the Lender in connection with a transaction previously disclosed in a Current Report on Form 8-K dated September 12, 2011. The Lender has agreed to advance the remaining $1,400,000 in $250,000 increments (final increment of $150,000) upon request of the Company's CEO, subject to satisfaction of certain conditions. In addition, the Company has agreed to (i) issue the Lender warrants to purchase 1,666,667 shares of common stock at an exercise price of $.12 per share (including a cashless exercise provision), expiring September 30, 2016 and (ii) enter into a Registration Rights Agreement with respect to all the shares of common stock issuable to the Lender in connection with the Loan transaction, in each case subject to completion of funding of the full $2,000,000 called for by the Loan Agreement.

Amounts advanced under the Note (i) are secured by all the Company's assets, (ii) are convertible into the Company's restricted common stock at the lesser of $.12 per share or a 25% discount off of the ten day trailing quoted price of the common stock in the over the counter (OTC) market, and (iii) must bear interest at the rate of 11% per annum. Additionally, those amounts are subject to the following requirements: (x) accrued interest must be paid on the first and second anniversary of the Note, and (y) unpaid principal not previously converted into common stock must be repaid on the second anniversary of the Note December 1, 2013. The Company has also agreed to a specified use of proceeds. The Note may be prepaid upon sixty days written notice, provided that the Company shall be required to pay a prepayment premium equal to 5% of the amount repaid.

The Company has made certain agreements with the Lender which shall remain in effect as long as any amount is outstanding under the Loan. Such agreements include an agreement not to make any change in the Company's senior management, without the prior written consent of the Lender. Two representatives of the Lender will have the right to attend Board of Director meetings as non-voting observers.

The Company recorded a debt discount of $500,000 against this Loan. In addition, the Company recorded a derivative liability of $552,988. This represents the future value of the stock to be issued under the terms of the convertible debt. We valued this stock utilizing the Black-Scholes method of valuation relying on the following assumptions: volatility 151.45%, annual rate of dividends 0% and a risk free interest rate of .27%. In the fourth quarter of 2011, the Company recognized other income of $24,422 representing the change in fair value of this derivative liability. We marked this derivative liability to fair value at December 31, 2011 utilizing the Black-Scholes method of valuation relying on the following assumptions: volatility 151.49%, annual rate of dividends 0%, and a risk free rate of .25%.

During the first quarter of 2012, the Company and The Venture Group, LLC, a Maryland limited liability company ("Venture Group", "Lender", or "Noteholder"), entered into the following agreements, effective as of January 26, 2012: (i) a Subscription Agreement under which the Lender has agreed to advance $500,000 to the Company, as follows: $332,000 on January 26, 2012, which advance has been made, and $168,000 by February 3, 2012 (of which $57,000 has been advanced as of June 30, 2012), (ii) a Subordinated Convertible Promissory Note in the principal amount of $332,000 ("2012 Note"); (iii) (a) a Security Agreement, under which the Company granted the Lender a subordinated security interest in all of its assets and (b) an IP security agreement under which the Company granted the Lender a subordinated security interest in all its intellectual properties, including patents, to secure its obligations to the Lender under the Note and related documents; (iv) a Termination and Mutual Release Agreement under which the Company and Venture Group terminated their prior agreements and released each other from any liability, including liabilities related to the financing agreements they previously executed; and (v) a Termination and Release Agreement under which the Company and Oxford Holdings, LLC terminated their prior agreement and Oxford Holdings released the Company from any liability, including liabilities related to the agreement they previously executed. The Company also acknowledged an intercreditor agreement between Venture Group and HEP Investments, LLC, the Company's senior secured lender.

In addition, the Company has agreed to issue the Lender warrants to purchase an aggregate of 833,333 shares of common stock at an exercise price of $.12 per share, for a term of three years (assuming funding of the full $500,000). The Warrants are issuable to the Lender pro rata based on the amount invested in relation to the total investment amount (about 166,667 warrants per $100,000 invested). Amounts advanced under the 2012 Note (i) are secured on a subordinated basis by all the Company's assets, (ii) are convertible into the Company's restricted common stock at $.12 per share, (iii) bear interest at the rate of 11% per annum (payable on the first and second anniversary of the 2012 Note (unless earlier paid off), in cash or stock, at the Company's option), and unpaid principal not previously converted into common stock must be repaid on the second anniversary of the 2012 Note (January 2, 2014). The 2012 Note may be prepaid upon thirty days written notice, provided that in the event of prepayment, the Company must pay the Lender an additional 5% of the outstanding principal amount. The Company has agreed to pay the following aggregate fees to Oxford Holdings, LLC in connection with the Loan transaction (assuming funding of the full $500,000): (i) finder's fees of approximately $27,600 in cash, (ii) warrants to purchase 200,000 shares of common stock at an exercise price of $.15 per share for a term of two years, and (iii) a $15,000 non-accountable expense allowance. In addition, the Company has paid Venture Group $10,000 for payment of the Venture Group's legal fees.

The Company recorded a deferred debt discount in the amount of $332,000, to reflect the beneficial conversion feature of the convertible debt and fair value of the warrants in accordance with ASC standards. The Company valued the beneficial conversion feature and recorded the amount of $130,264 as a reduction to the carrying amount of the convertible debt and as an addition to paid-in capital. Additionally, the relative fair value of the warrants ($201,736) was calculated and recorded as a further reduction to the carrying amount of the convertible debt and an addition to additional paid-in capital. We valued this transaction utilizing the Black-Scholes method of valuation relying on the following assumptions: volatility - 154.35%, annual rate of dividends 0% and a risk free interest rate of .22%. In connection with the $332,000 in convertible notes, the Company recorded non-cash finance charges of $293,282 during the three months ended March 31, 2012.

During the three months ended March 31, 2012, 1% Convertible Debentures in the amount of $47,500 matured and were extended by a noteholder and significant shareholder of the Company. Under the terms of the extension agreement the notes will all be extended by two years from their original maturity date. The extensions were requested by the noteholder for no consideration. These modifications were not considered significant under ASC standards.

On March 12, 2012, HEP Investments advanced the Company an additional $100,000 pursuant to its previously disclosed agreement to invest up to $2,000,000 in convertible notes.

During the second quarter of 2012, HEP Investments advanced the Company an additional $325,000 pursuant to its previously disclosed agreement to invest up to $2,000,000 in convertible notes. The Company recorded a deferred debt discount in the amount of $500,000, to reflect the beneficial conversion feature of the convertible debt and fair value of the warrants in accordance with ASC standards (the debt discount calculation was inclusive of investments made in the fourth quarter of 2011 and the first quarter of 2012). The Company valued the beneficial conversion feature and recorded the amount of $445,147 as a reduction to the carrying amount of the convertible debt and as an addition to paid-in capital. Additionally, the relative fair value of the warrants ($54,853) was calculated and recorded as a further reduction to the carrying amount of the convertible debt and an addition to additional paid-in capital. We valued these transactions utilizing the Black-Scholes method of valuation relying on the following assumptions: volatility of 140.93%-143.36%, annual rate of dividends 0% and a risk free interest rate of .25%. In connection with the $325,000 in convertible notes, the Company recorded non-cash finance charges of $16,575 during the three months ended June 30, 2012

During the three months ended June 30, 2012, 1% Convertible Debentures in the amount of $37,600 that matured, as well as $70,000 in 1% Convertible Debentures that were due to mature in the third and fourth quarter were extended by a noteholder and significant shareholder of the Company. Under the terms of the extension agreement the notes will all be extended by two years from their original maturity date. The extensions were requested by the noteholder for no consideration. These modifications were not considered significant under ASC standards.

During the third quarter of 2012, HEP Investments advanced the Company an additional $42,000 pursuant to its previously disclosed agreement to invest up to $2,000,000 in convertible notes.

Amortization of the debt discount on the remaining notes was $477,948 for the nine months ended September 30, 2012.

Convertible debt consists of the following:

	September 30, 2012 (Unaudited)	December 31, 2011
1% Convertible notes payable, net of unamortized discount of $56,168 and $98,814 respectively, due at various dates ranging from January 2014 to November 2014	$ 429,432	$ 386,786
11% Convertible note payable, net of unamortized discount of $656,377 and $479,167, respectively, due in December 2013	343,623	120,833
11% Subordinated Convertible note payable, net of unamortized discount of $219,489 and $0, respectively, due in January 2014	112,511	0
	885,567	507,619
Less: Current portion	0	84,226
Long term portion	$ 885,567	$ 423,393

NOTE 5 – OBLIGATION TO ISSUE COMMON STOCK

As of March 31, 2012, the Company was obligated to issue an aggregate of 1,595,320 shares of common stock to certain investors and Great Northern Reserve Partners, LLC, a former consultant (Andrew Dahl, CEO of the Company, is principal partner of Great Northern and Reserve Partners). We have recorded a liability in the amount of $312,764, representing this obligation.

During the second quarter ended June 30, 2012 the Company was obligated to issue an additional 97,500 shares valued at $16,575 to certain investors for which we recorded an additional liability.

During the third quarter ended September 30, 2012 the Company was obligated to issue an additional 12,300 shares valued at $2,091 to certain investors for which we recorded an additional liability.

As of September 30, 2012 the total amount of shares to be issued was 1,705,120 shares at a total value of $331,430.

NOTE 6 – DEFERRED REVENUE

On September 2, 2010, the Company entered into a multi-year exclusive worldwide License Agreement (“License Agreement”) for its ProAlgaZyme ® product (“Product”) with a distributor of health and nutritional products, Zus Health, LLC (“Zus”). Under the terms of the License Agreement, Zus had the exclusive right to distribute the Product to customers and distributors worldwide, excluding pharmaceutical applications and food, supplement and medicinal ingredient applications outside of multi-level, network or affiliate marketing (“MLM”). On January 9, 2012, we notified the sole known representative of the exclusive distributor that we had determined that Zus and its purported assignee, Ceptazyme, LLC (“Ceptazyme”) committed multiple breaches of its License Agreement, and that both Zus and Ceptazyme must immediately cease any and all activities with respect to the sale or distribution of HEPI products. The Company had received a payment of $255,000, as provided in the License Agreement, for the exclusive distribution rights. The Company filed a lawsuit in Michigan against Zus and Ceptazyme on January 9, 2012, alleging breach of contract. Subsequently, Ceptazyme filed suit in Utah against the Company on January 24, 2012, also alleging breach of contract. Until this matter is resolved, the Company has classified the remaining $235,000 as Deferred Revenue, noncurrent.

NOTE 7 - RELATED PARTY TRANSACTIONS

Stock Subscription Agreement

On May 10, 2012, Chris Maggiore, a significant shareholder, subscribed to the acquisition for 2,400,000 Units, each Unit comprised of one share of common stock, $.001 par value of the Company and warrants to purchase one-tenth (1/10) of one share of Common Stock, at a per Unit price of $.125. The aggregate purchase price of the Units is $300,000. The warrants will be exercisable at $.125 per share and expire in three (3) years from the date of issuance.

The Units are to be paid for as follows: (i) 800,000 Units shall be purchased for $100,000 promptly following execution of the agreement, (ii) 800,000 Units shall be purchased for $100,000 on or before June 23, 2012 and (iii) an additional 800,000 Units shall be purchased for $100,000 on or before August 7, 2012. As of September 30, 2012, the Company received $159,308 under this arrangement.

NOTE 8 - STOCKHOLDERS' DEFICIT

Board of Directors fees

As compensation for serving as a member of the board of directors, the Company granted warrants to purchase 200,000 shares of common stock to Philip M. Rice (CFO and a Director) in January, 2012, at an exercise price of $.12 per share. The warrants have a term of three years and vested as follows: 50,000 vested on the grant date, 50,000 vested on April 1, 2012, 50,000 vested on July 1, 2012, and the remaining 50,000 shall vest on October 1, 2012. The warrants vested during the three quarters ended March 31, 2012, June 30, 2012 and September 30, 2012, respectively. The warrants were valued at $21,442 using the Black Scholes pricing model relying on the following assumptions: volatility 125.11%; annual rate of dividends 0%; discount rate 0.33%.

As compensation for joining the board of directors in June of 2012, the Company granted warrants to purchase 50,000 shares of common stock to Brian Young. The warrants were granted with an exercise price of $.12 per share, have a term of three years and vested or will vest as follows: 12,500 vested on the grant date, 12,500 vested on September 30, 2012, and the remaining 25,000 will vest in pro rata on December 31, 2012 and March 31, 2013. The warrants were valued at $8,858 using the Black Scholes pricing model relying on the following assumptions: volatility 114.66%; annual rate of dividends 0%; discount rate 0.25%. In addition, Mr. Young will receive $10,000 for each annual term served, paid quarterly.

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

	September 30, 2012		**December 31, 2011**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	20,413,430	$ 0.19	15,856,999	$ 0.17
Issued	446,447	0.12	11,055,097	0.16
Exercised	-		(2,740,000)	0.09
Expired	(5,300,000)	0.23	(3,758,666)	0.11
Outstanding, end of period	15,559,877	$ 0.18	20,413,430	$ 0.19

Warrants outstanding and exercisable by price range as of September 30, 2012 were as follows:

	Outstanding Warrants			Exercisable Warrants	
Range of	Number	Average Weighted Remaining Contractual Life in Years	Exercise Price	Number	Weighted Average Exercise Price
$ .10	70,000	0.03	$ 0.10	70,000	$.10
0.12	162,500	2.44	0.12	162,500	0.12
0.125	7,164,044	1.98	0.125	7,164,044	0.125
0.15	3,423,333	1.02	0.15	3,423,333	0.15
0.225	600,000	1.11	0.225	600,000	0.225
0.25	3,625,000	0.92	0.25	3,625,000	0.25
0.50	515,000	0.24	0.50	515,000	0.50
	15,559,877	1.52		15,559,877	$ 0.176

NOTE 9- COMMITMENTS AND CONTINGENCIES

Employment Agreement

On August 10, 2012, the Company and Andrew Dahl entered into a new employment agreement (the “Employment Agreement”). Under the terms of the Employment Agreement, he will continue to will be CEO from the effective date of the agreement until December 16, 2013, with automatic renewal for successive one year terms, unless either party terminates the Employment Agreement on sixty days’ notice prior to the expiration of the initial term or any renewal term of the agreement. Pursuant to the employment agreement, Mr. Dahl will receive an annual base salary of $240,000. In addition, Mr. Dahl is entitled to monthly bonus compensation equal to 2% of our revenue, but only to the extent that such bonus amount exceeds his base salary for the month in question. Finally, upon the effective date of the Employment Agreement, the Company granted Mr. Dahl warrants with an exercise price of $.25 per share which shall vest and become exercisable, upon the attainment of specified milestones as follows: (1) warrants to purchase 500,000 shares shall vest upon identification of bio-active agents in our product and filing of a patent with respect thereto, (2) warrants to purchase 500,000 shares shall vest upon the Company entering into a contract under which we receive at least $500,000 in cash payments, (3) warrants to purchase 1,000,000 shares shall vest upon us entering into a co-development agreement with a research company to develop medicinal or pharmaceutical applications (where the partner provides at least $2 million in cash or in-kind outlays), (4) warrants to purchase 1,000,000 shares shall vest upon us entering into a co-development agreement for nutraceutical or dietary supplement applications (where the partner provides at least $2 million in cash or in-kind outlays), and (5) warrants to purchase 1,000,000 shares shall vest upon our entering into a pharmaceutical development agreement. Additionally, upon the effective date of the Employment Agreement, the Company granted Mr. Dahl warrants to purchase 1,000,000 shares at an exercise price of $.25 per share, which shall only vest and become exercisable if the Company terminates Mr. Dahl without Cause on or before December 16, 2012. If Mr. Dahl remains employed with the Company after December 16, 2012, such warrants will be immediately forfeited.

In the event there is a “Company Sale”, all of Mr. Dahl’s outstanding warrants that were granted under the Employment Agreement would become immediately vested, and Mr. Dahl would be entitled to a sale bonus equal to 2% of the total proceeds received by the Company and/or its shareholders. Solely for the purposes of determining vesting of the warrants, “Company Sale” means the first to occur of the following: (1) the sale or disposition of all or substantially all of the Company’s assets; (2) a merger or consolidation of the Company with any other corporation, at least 50% of the combined voting power of the voting securities of the Company outstanding immediately after such merger or consolidation, or (3) any person acquiring (directly or indirectly) securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities. Solely for the purposes of determining Mr. Dahl’s entitlement to the 2% cash sale bonus, “Company Sale” shall only occur if any person acquires (directly or indirectly) securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities.

In the event the Company’ terminates Mr. Dahl’s employment for Cause, he will immediately forfeit any entitlement to the monthly bonus, any warrants granted under the Employment Agreement, and the 2% sale bonus.

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 – 18,698,000 shares and warrants - 15,559,877 shares) at September 30, 2012 and (convertible debt – 5,512,956 shares and warrants – 17,657,333 shares) at September 30, 2011 are anti-dilutive.

NOTE 11 - SUBSEQUENT EVENTS

In October 2012, HEP Investments advanced the Company an additional $102,000.

In October 2012, the Company received $25,000 from an investor based on a subscription for 200,000 shares of common stock and 20,000, 3 year, $.125 per share common stock warrants at a unit price of $.125 per unit.

In November 2012, the Company received $2,000 from an investor based on a subscription for 16,000 shares of common stock and 1,600, 3 year, $.125 per share common stock warrants at $.125 per unit.

On October 10, 2012 the Company received a notice of Default on the facility located at 15610 North 83rd Way, Scottsdale, Arizona. On October 25, 2012, the Company received notice that the lease had been terminated. In connection with the early termination of this lease, the Company agreed with the Landlord to pay $55,557, with payments of $5,000 per month until the liability is paid. The facility was vacant. It was planned to move the Company’s dedicated laboratory facilities from the current facility to this facility. The Company is currently exploring other options.

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

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;
- market acceptance of our product and derivatives thereof;
- the results of current and future testing of our product;
- the anticipated performance and benefits of our product;
- the ability to generate licensing fees; and
- our financial condition or 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.

Results of Operations for the three months ended September 30, 2012 and 2011.

Net Sales. We had no sales during the three months ended September 30, 2012 compared to net sales of $31,898 for the three months ended September 30, 2011. Prior period sales reflect principally revenues from the distribution of our ProAlgaZyme® product. In the fourth quarter of 2010 we received an initial licensing fee payment of $255,000 under the terms of this exclusive distributorship agreement. We recognized $3,750 in revenue from this licensing fee during the third quarter of 2011. Around January 9, 2012, we notified Zus Health's purported assignee that the distributor was in breach of contract and directed that they must immediately cease any and all activities with respect to the sale or distribution of HEPI products. We subsequently notified the distributor that the agreement was subject to termination due to these breaches. As a result, we do not expect to recognize any further sales revenue under this Agreement.

We have implemented a new business model under which we expect to derive future income from licensing and selling natural bioactive ingredients derived from our algae cultures to much larger, better-financed food, dietary supplement and medical food manufacturers. The anticipated income streams are to be generated from a) royalties and advances for licensed natural bioactive ingredients, and b) bulk sales of such ingredients. We expect that these bulk ingredients will be made by contracted ingredient manufacturers and then sold by us to food, dietary supplement and medical food processors and/or name-brand marketers.

Cost of Sales. We had no Cost of Sales during the current quarter, Cost of Sales of was $25,433 for the three months ended September 30, 2011. Cost of Sales represented primarily costs related to raw materials, labor and the laboratory and controlled production environment necessary for growing 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. As noted above, we have implemented a new business model under which we expect to derive future income from licensing and selling natural bioactive ingredients derived from its algae cultures to much larger, better-financed food, dietary supplement and medical food manufacturers. Consequently, there were no costs of sales for the period ending September 30, 2012. All costs relating to the continued activity associated with the controlled production environment for growing the algae cultures are included in research and development expenses.

Research and Development Expenses. For the three months ended September 30, 2012, we incurred $238,462 in research and development expenses, as compared to $66,717 for the comparable period in 2011. These expenses are mainly comprised of costs associated with external research. Our research and development costs will grow as we work to complete the research begun in the first quarter of 2012. This research was initiated to further explore ProAlgaZyme®'s potential efficacy on the management of cholesterol levels. We have identified several potential bioactive compounds, but further research aimed at isolating the compound further is expected to be completed during the first half of 2013.

Selling and Marketing Expenses. Selling and marketing expenses were $3,297 for the three months ended September 30, 2011.

As noted above, we have implemented a new business model under which we expect to derive future income from licensing and selling natural bioactive ingredients derived from its algae cultures to much larger, better-financed food, dietary supplement and medical food manufacturers. As such, there were no selling and marketing expenses for the period ending September 30, 2012.

General and Administrative Expenses. General and administrative expenses were $317,728 for the three months ended September 30, 2012, as compared to $150,179 for the comparable prior period. The increase in general and administrative expense during 2012 is due primarily to the hiring of a new CEO and CFO.

Professional and Consulting Expenses. Professional and consulting expenses were $97,075 for the three months ended September 30, 2012, as compared to $74,799 for the comparable prior period. The increase in professional and consulting expense during 2012 is due primarily to the engaging on a contract basis the Chief Science Officer and a Director of Business Development.

Results of Operations for the nine months ended September 30, 2012 and 2011.

Net Sales. We had no sales during the nine months ended September 30, 2012 compared to net sales of $88,587 for the nine months ended September 30, 2011. Prior period sales reflect principally revenues from the distribution of our ProAlgaZyme® product. In the fourth quarter of 2010 we received an initial licensing fee payment of $255,000 under the terms of this exclusive distributorship agreement. We recognized $11,250 in revenue from this licensing fee during the nine months of 2011. Around January 9, 2012, we notified Zus Health's purported assignee that the distributor was in breach of contract and directed that they must immediately cease any and all activities with respect to the sale or distribution of HEPI products. We subsequently notified the distributor that the agreement was subject to termination due to these breaches. As a result, we do not expect to recognize any further sales revenue under this Agreement.

We have implemented a new business model under which we expect to derive future income from licensing and selling natural bioactive ingredients derived from our algae cultures to much larger, better-financed food, dietary supplement and medical food manufacturers. The anticipated income streams are to be generated from a) royalties and advances for licensed natural bioactive ingredients, and b) bulk sales of such ingredients. We expect that these bulk ingredients will be made by contracted ingredient manufacturers and then sold by us to food, dietary supplement and medical food processors and/or name-brand marketers.

Cost of Sales. We had no Cost of Sales during the nine months ended September 30, 2012, compared to Cost of Sales of was $99,060 for the nine months ended September 30, 2011. Cost of Sales represented 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. As noted above, we have implemented a new business model under which we expect to derive future income from licensing and selling natural bioactive ingredients derived from its algae cultures to much larger, better-financed food, dietary supplement and medical food manufacturers. Consequently, there were no costs of sales for the period ending September 30, 2012. All costs relating to the continued activity associated with the controlled production environment for growing the algae cultures are included in research and development expenses.

Research and Development Expenses. For the nine months ended September 30, 2012, we incurred $543,930 in research and development expenses, as compared to $246,000 for the comparable period in 2011. These expenses are mainly comprised of costs associated with external research. Our research and development costs will grow as we work to complete the research begun in the first quarter of 2012. This research was initiated to further explore ProAlgaZyme®'s potential efficacy on the management of cholesterol levels. We have identified several potential bioactive compounds, but further research aimed at isolating the compound further is expected to be completed during the first half of 2013.

Selling and Marketing Expenses. Selling and marketing expenses were $11,823 for the nine months ended September 30, 2011.

As noted above, we have implemented a new business model under which we expect to derive future income from licensing and selling natural bioactive ingredients derived from its algae cultures to much larger, better-financed food, dietary supplement and medical food manufacturers. As such, there were no selling and marketing expenses for the period ending September 30, 2012.

General and Administrative Expenses. General and administrative expenses were 735,666 for the nine months ended September 30, 2012, as compared to $333,021 for the comparable prior period. The increase in general and administrative expense during 2012 is due primarily to the hiring of a new CEO and CFO, increased rent, and increased insurances.

Professional and Consulting Expenses. Professional and consulting expenses were $362,672 for the nine months ended September 30, 2012, as compared to $386,355 for the comparable prior period. The decrease in professional and consulting expense during 2012 is due primarily a reduction in consulting expense.

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 a near term 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.

As of November 6, 2012, we had a cash balance of approximately $36,000. We have incurred significant net losses since inception, including a net loss of $2,367,335 for the nine months ended September 30, 2012. We have, since inception, consistently incurred negative cash flow from operations. During nine months ended September 30, 2012, we incurred negative cash flows from operations of $1,416,577. As of September 30, 2012, we had a working capital deficiency of $2,395,164 and a stockholders' deficiency of $3,349,310. Although we recently raised a limited amount of capital, we have an immediate and urgent need for additional capital.

During the nine months ended September 30, 2012, our operating activities used $1,416,577 in cash, an increase of $646,135 from the comparable prior period. The approximate $646,000 increase in cash used by operating activities was primarily attributable to the following (all of which are approximated): a $1,045,000 increase in net loss, a $60,000 increase in accounts payable, a $62,000 decrease in deferred rent, an increase of approximately $732,000 in stocks and warrants issued for finance costs (a non-cash expense), $823,000 increase in fair value adjustment of derivative liability (a non-cash income item), an approximately $384,000 increase in amortization of bond discount liability (a non-cash expense), a $28,000 decrease in amortization of deferred finance costs (a non-cash expense), a $123,000 increase in accrued liabilities.

During the nine months ended September 30, 2012, our investing activities used $3,500 in cash, a decrease of $1,221 from the comparable prior period, primarily related to initiating and protecting our patent position.

During the nine months ended September 30, 2012, our financing activities generated $1,201,668, a $381,976 increase from the comparable prior period. The increase in cash provided by financing activities was due primarily to a $597,500 increase in proceeds from the issuance of convertible debentures, a $52,000 increase in loans payable, offset by a decrease of $119,000 of net proceeds from other borrowings, a decrease of $113,000 in proceeds from common stock and exercise of warrants and payments of $35,000 in deferred finance costs.

Although we raised a limited amount of capital during 2011 and the first nine months of 2012, we continue to experience a shortage of capital, which is materially and adversely affecting our ability to run our business. As noted above, we have been largely dependent upon external sources for funding. We have in the past had great difficulty in raising capital from external sources. We will still be reliant upon external financing for the continuation of our research program.

We estimate that we will require approximately $3,900,000 in cash over the next 12 months in order to fund our normal operations and research and development activities. HEP Investments, LLC, our senior secured lender has committed an aggregate of $2,000,000, $1,066,000 of which we have already drawn down, leaving $934,000 which is available to be drawn down. Based on this cash requirement and availability from our senior secured lender, we have a near term need for substantial additional funding. Historically, we have had great difficulty raising funds from external sources; however, we recently were able to raise capital from outside sources. If we are unable to raise the required funding, we will have to curtail our research and development and other activities, in which case, there could be a material adverse effect on our business.

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. For the nine months ended September 30, 2012, we recognized $709,638 in income for financial statement purposes based on the change in fair value of derivative liabilities as of September 30, 2012. We may incur income or expense in future periods arising out of changes in the fair value of derivative liabilities.

Seasonality

Based on our business model implemented at the beginning of 2012, anticipated income streams are to be generated from a) royalties and advances for licensed natural bioactive ingredients, and b) bulk sales of such ingredients. We do not anticipate that these will be affected by seasonality.

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 have or are reasonably likely to have a current or future material effect on our financial condition, revenues, or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 4. Controls and Procedures

Management's Report on Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and we necessarily were required to apply our judgment in evaluating the cost-benefit relationship of possible changes or additions to our controls and procedures.

As of September 30, 2012, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive/principal financial officers, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based upon that evaluation, our principal executive/principal financial officers concluded that our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, are effective in enabling us to record, process, summarize and report information required to be included in our periodic SEC filings within the required time period.

Changes in Internal control Over Financial Reporting. There have been no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 6 to our Consolidated Financial Statements included in Part 1 of this report for a description of our current legal proceedings between the Company, Zus and Ceptazyme.

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

During the nine months ended September 30, 2012, the Company issued Convertible debentures in the principal amount of $732,000 (convertible into common stock at $.125 per share), for gross proceeds of $732,000.

On May 10, 2012, Chris Maggiore, a significant shareholder, subscribed to the acquisition of 2,400,000 units ("Units"). Each Unit represents one share of common stock, $.001 par value of the Company and warrants to purchase one-tenth (1/10) of one share of Common Stock, at a per Unit price of $.125. The aggregate purchase price of the Units is $300,000. The Units are to be paid for as follows: (i) 800,000 Units shall be purchased for $100,000 promptly following execution of the agreement, (ii) 800,000 Units shall be purchased for $100,000 on or before June 23, 2012 and (iii) an additional 800,000 Units shall be purchased for $100,000 on or before August 7, 2012. As of September 30, 2012, the Company had received $159,308 of the $300,000.

The Company expects the remainder of the transaction to be consummated by December 31, 2012.

During the nine months ended September 30, 2012, seven current shareholders subscribed to the acquisition of 1,840,000 units ("Units"). Each Unit represents one share of common stock, $.001 par value of the Company and warrants to purchase one-tenth (1/10) of one share of Common Stock, at a per Unit price of $.125. The aggregate purchase price of the Units was $230,000.

We believe 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") or Section 4(2) under the 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 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 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description	
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	**

*Filed herewith

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

SIGNATURES

Pursuant to the requirements of the Securities and 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: November 12, 2012

By: *<u>/s/Andrew Dahl</u>*
Andrew Dahl
Chief Executive Officer

List of Exhibits

Exhibit Number	Description	
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	**

*Filed herewith

**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, Andrew Dahl, 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)) 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: November 12, 2012

/s/Andrew Dahl
Andrew Dahl,
Chief 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, Philip M. Rice II, certify that:

1. I have reviewed this Quarterly report on Form 10-Q of Health Enhancement Products, Inc. (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 Registrants other certifying officers 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 the material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly through 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 evaluations, and

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

5. The registrant's other certifying officer 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: November 12, 2012

/s/Philip M. Rice II
Philip M. Rice II
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q for the period ending September 30, 2012 of Health Enhancement Products, Inc., a Nevada corporation (the "Company"), as filed with the Securities and Exchange Commission (the "Report"), I, Andrew Dahl, Chief Executive Officer of the Company, certify 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: November 12, 2012

/s/Andrew Dahl
Andrew Dahl
Chief 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

In connection with the Annual Report of Health Enhancement Products, Inc., a Nevada corporation (the "Company"), on Form 10-Q for the period ended September 30, 2012 as filed with the Securities and Exchange Commission (the "Report"), I, Philip M. Rice II, Chief Financial Officer of the Company, certify 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: November 12, 2012

/s/ Philip M. Rice II
Philip M. Rice II
Chief 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.