MANAGEMENT'S DISCUSSION AND ANALYSIS

The following restated Management's Discussion and Analysis ("MD&A") was prepared on September 2, 2009 and is management's assessment of the Corporation's financial and operating results for the three and six month periods ended March 31, 2009. This MD&A should be read in conjunction with the restated unaudited consolidated financial statements as at March 31, 2009 as well as the restated audited consolidated financial statements as at September 30, 2008 and the notes related thereto.

Additional information on the financial statements, this MD&A and other factors that could affect the Corporation's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), or at the Corporation's website (www.artevocorporation.com). Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. All dollar figures included herein and in the following MD&A are quoted in Canadian dollars.

READER ADVISORIES

Forward Looking Statements

Information provided herein contains estimates and assumptions which management is required to make regarding future events and may constitute forward-looking statements within the meaning of applicable securities laws. Forward looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. Although the Corporation believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will be realized. The use of any of the words "anticipate", "believe", "continue", "estimate", "expect", "forecast", "may", "will", "project", "plan", "should", and similar expressions are intended to identify forward-looking information. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The risks associated with these forward-looking statements include, but are not limited to, the following:

- *Changes in foreign currency exchange and interest rates;*
- *Ability to obtain adequate financing;*
- *Competitive actions taken by other companies;*
- *Actions taken and policies created by governmental or regulatory authorities;*
- *A worsening of the overall economy and consumer interest in non-essential goods.*

The forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Corporation's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

CORPORATION OVERVIEW

Artevo Corporation ("Artevo" or the "Corporation") is focused on procurement, marketing, production and distribution of original and reproduced fine art, such as images, blown glass, sculpture, and collectable fine art. On May 30, 2008 Artevo amalgamated with Power Play Art Ltd. ("PPAL"), a private Alberta corporation incorporated on February 29, 2000, which constituted the Qualifying Transaction for Artevo pursuant to the policies of the TSX Venture Exchange, which received regulatory approval on June 23, 2008. As Artevo CPC and PPAL were under common control prior to the Qualifying Transaction, the accompanying financial statements to this MD&A represent a continuation of both companies under the continuity of interest accounting. All historical references to Artevo or the Corporation include the operations of PPAL and Artevo combined.

Artevo has one wholly owned subsidiary, Power Play Events Ltd. (operating as Abstract Events) that provides hospitality related event management services. Artevo also owns 50% of the outstanding shares of SMIF Holdings Inc., a private company that owns real estate currently leased by Artevo in the City of Calgary.

Throughout its history, the Corporation has primarily focused on establishing relationships with credentialed artists from around the world. Its business model is based on technology, marketing and distribution which include the purchasing of original fine art works for resale, establishing strategic relationships and licensing agreements for the reproduction of these works, and building the Artevo brand. Artevo is primarily a technology driven fine art marketing and distribution company and does not follow the traditional art gallery business model where works are taken on consignment and sold. Artevo also works with artists to promote their careers and sales of their original artworks and to secure the intellectual property rights to their art. This allows the Corporation to capitalize on giclée technology, a process which produces high quality reproductions which can then be distributed and sold.

The Corporation operates from a primary location in Calgary, Alberta; a 20,000 square foot heritage building known as the Artevo "Artists of the World" Gallery in the city's art district. In June of 2008 the Corporation opened its second stand-alone gallery in downtown Victoria, B.C.; a 1,750 square foot retail space in the historic Bay Centre development. Artevo operates its Prelude Framing division from a 12,000 square foot production facility in Calgary from where giclée production, art framing, and order fulfillment is conducted.

Artevo operates its business through four vertically integrated operating units:

- Artevo Galleries – The Calgary and Victoria galleries offer traditional retail environments to purchasers of fine art. The galleries' primary purpose is to provide valuable branding and a conventional method for the consumer to purchase art. The galleries also provide venues for its Abstract Events business to host events, which significantly increases consumer exposure to the galleries.
- Prelude Framing and Production – Prelude supplements the Artevo galleries and its website by providing a state-of-the-art giclée production facility and adding value to Artevo products through framing. Prelude also operates a store front location where it provides framing services to retail consumers and commercial clients.
- Abstract Events – Abstract Events capitalizes on the attractiveness of the Artevo galleries in order to provide venues for business, charity, hospitality, and art related events. This

business is forefront to the Corporation's overall plan to hold art related events and launch the careers of the next great artists. It also provides additional exposure to the Artevo brand to consumers.

- www.artevo.com – Artevo's web portal is a fully curated, interactive e-commerce art resource for Artevo galleries and third party dealers. The website currently has over 4,000 fine art items catalogued, representing over 160 artists who have exclusive or semi-exclusive contracts with the Corporation. The website has numerous features, many of which are unique in the fine art industry, and is distinctly changing the way fine art is available to consumers. Additional features of the website will include artist competitions and online promotions.

Plans to expand Artevo's retail operations have changed given the current market conditions and the financial health of the Corporation. A new gallery in Toronto, Ontario was expected to open in April 2009, however the Corporation has determined that this will not proceed. The retail gallery in Santa Monica, California contemplated for February 2010 remains on schedule to open at that time. The objective to opening galleries in high profile locations is not only to provide additional revenue streams to the Corporation through conventional art sales and additional events venues, but to enhance the Artevo brand, ultimately attracting consumers to its website.

SELECTED QUARTERLY INFORMATION

The following table sets out selected financial information of the Corporation derived from its consolidated financial statements and should be read with in conjunction with such consolidated financial statements and related notes.

Quarter Ended	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Total Revenue	597,361	1,263,860	977,852	885,793
Art Sales	244,848	357,484	484,867	259,979
Prelude Framing	116,591	194,125	167,636	139,870
Abstract Events	233,958	710,446	323,087	465,003
Other Income	1,964	1,805	2,262	20,941
Net and Comprehensive Loss	(968,034)	(790,557)	(1,025,721)	(854,973)
Net Loss per common share				
Basic and Fully Diluted	(0.03)	(0.03)	(0.03)	(0.03)
Total Assets	6,652,312	7,121,882	7,077,465	7,412,677
Total Long Term Financial Liabilities	5,403,736	5,349,241	5,853,803	5,557,121

Quarter Ended	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
Total Revenue	706,756	958,161	547,109	592,896
Art Sales	211,112	389,002		
Prelude Framing	218,678	189,022		
Abstract Events	271,910	336,013		
Other Income	5,056	44,124		
Net and Comprehensive Loss	(894,909)	(349,573)	(538,167)	(621,304)
Net Loss per common share				
Basic and Fully Diluted	(0.03)	(0.01)	(0.02)	(0.02)
Total Assets	6,796,842	6,866,832	7,077,465	6,637,286
Total Long Term Financial Liabilities	3,818,636	3,611,788	2,538,732	1,606,440

Prior to the three months ended December 31, 2007, management did not analyze revenue by product or service line.

Quarterly results for the three month periods ended December 31, 2008 and March 31, 2009 have been restated to show the effects of the restatements outlined in note 12 to the March 31, 2009 restated unaudited consolidated financial statements.

Quarterly results for the three month periods ended December 31, 2007, March 31, 2008, and June 30, 2008 have been restated to show the effects of the restatements outlined in note 11 to the March 31, 2009 restated unaudited consolidated financial statements and note 20 of the September 30, 2008 audited consolidated financial statements.

OVERALL PERFORMANCE

The three month period ended March 31, 2009 was a difficult period for Artevo. The effects of the depressed market combined with the historically slow second quarter contributed to a disappointing result. Artevo's business model focuses on providing non-essential goods and services through art and framing sales and hospitality related events. In times of economic trouble, the first categories to be removed from consumers' and corporations' spending plans are non-essential items. This premise is not lost on Artevo, and the Corporation realizes in order to achieve success it is vital Artevo implements its planned revenue streams. The Corporation is currently completing the development stages of two additional revenue streams which are expected to be implemented by September 30, 2009.

During the quarter, Artevo expended significant effort in reducing its monthly operating costs. This included making difficult personnel decisions and restricting non-essential spending. As the majority of these decisions were made in March, the benefits of the cost cutting measures were not felt during the period ended March 31, 2009.

Artevo's main focus during the second quarter was to raise funding through the placement of its 15% secured debentures. During the quarter, Artevo successfully placed $300,000 of these

debentures. Without significant additional investment, Artevo's planned new revenue streams are in jeopardy of being further delayed. Artevo's management is optimistic that through additional investment coupled with reduced spending, cash flow is expected to be sufficient to allow the launch of its planned new revenue streams.

Seasonality

As Artevo's customer base is broadly end-consumer based, it is affected by seasonality to much the same extent as most other retail businesses. The three months ending December 31 tends to be the strongest quarter as the events business caters to corporate holiday parties supplemented by strong art sales. The three month periods ending March 31 and September 30 tend to be the slowest quarters as consumers recover from the Christmas period and take their summer holidays. The three months ending June 30 have historically been moderate as the market begins to spend again after the winter holiday season. The historically slow second quarter coupled with the depressed market conditions and the delay of the launch of new revenue streams contributed to the Corporation's lowest quarterly revenues to date during the three month period ended March 31, 2009.

Revenue

Revenue, which includes sales of fine art, framing, and events management totalled $597,361 for the three month period ended March 31, 2009, a decrease of 15% over the prior comparative period's total of $706,756 and a 53% decrease over total revenue for the quarter ended December 31, 2008 of $1,263,680. For the six month period ended March 31, 2009, revenue of $1,861,221 represented a 12% increase over the prior year's comparative period total of $1,664,917.

Art sales were $244,848 during the quarter ended March 31, 2009, an increase of 16% from $211,112 in the same quarter in the prior year. During the six month period ended March 31, 2009, art sales were $602,332, an increase of less than 1% over the comparative six month period's total of $600,114. This small increase over the prior period shows that the sale of fine art has been noticeably affected by the slumping economy as consumers and corporations reduce spending on luxury items, as the existence of the Victoria gallery in the six month period ended March 31, 2009 must be considered.

Framing revenues decreased 47% to $116,591 in the quarter ended March 31, 2009 from $218,678 in the prior comparative period. During the six months ended March 31, 2009, framing revenue of $310,716 represented a $96,984 decrease or 24% from the prior year's comparative six month period. This revenue is primarily generated by supplying framing services to the hospitality, corporate, and residential construction industries, supplemented by store front retail sales. Prelude's decline was attributable to the slowdown in the residential construction industry where not as many show homes are being built and fitted, and corporations reducing spending on non-essential items.

Abstract Events was one of the divisions hardest hit by the economic slowdown. During the three month period ended March 31, 2009, revenues were $233,958, a 14% decrease from the prior comparative period. Considering Abstract's evolution into a full service events management business in fiscal 2009 as compared to only being venue rental business in fiscal 2008, and following its best ever quarter in the three months ended December 31, 2008, this is a disappointing result. The decrease is due to most corporations having reduced non-essential spending on parties

and off-site meetings as a result of the economic downturn. During the six months ended March 31, 2009, revenues were $944,404, a 55% increase over the prior year's comparative six month period of $607,923. The increase in revenue in the six month period ended March 31 is due to the strong first quarter results.

Gross Profit

Gross profit was $298,009 or 50% of revenue in the three month period ended March 31, 2008 as compared to $196,841 or 28% of revenue in the comparative period, representing an increase of $101,168, or 22% as a percentage of revenue. For the six month period ended March 31, 2009, gross profit was $868,735 or 47% of revenue as compared to $959,138 or 58% in the comparative period in fiscal 2008. The lower gross margin was attributable to the events business being only a venue rental in the first six months of fiscal 2008 with very few associated costs. Being a full service events management company resulted in higher associated costs as Abstract now provides catering, bar and entertainment services. In addition, within the Artevo product mix margins vary substantially between original and reproduction artworks where margins are considerably higher. During the quarter ended March 31, 2009, more original artworks and commissioned pieces were sold than reproductions resulting in a decrease in overall margin. With the change in economic conditions, Artevo will more heavily market reproduction artworks which are more affordable to consumers and carry higher margins. It is hoped that giclée works will be the dominant product sold through out the remainder of fiscal 2009.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses were $689,719 or 115% of revenue during the quarter ended March 31, 2009 as compared to $634,509 or 90% of revenue during the prior comparative period, an increase of $55,210. As compared to the first quarter of fiscal 2009, SG&A expenses increased 3% from $670,964. For the six month period ended March 31, 2009, SG&A was $1,360,683 or 73% of revenue as compared to $1,333,403 or 80% in the prior comparative period. The ability of the Corporation to keep SG&A expenses relatively consistent with the prior comparative period was positive considering additional salaries and marketing expenses were incurred relating to the addition of the Victoria gallery, additional Abstract Events staff were required to develop Abstract into a full service events management business, and the ongoing costs associated with being a public company.

The Corporation has implemented changes that will decrease its overall selling, general and administrative expenses as a percentage of revenue. These include renegotiations of internal sales commissions, marketing initiatives that are better aligned with current market conditions, and the reduction in highly salaried employees.

Amortization

Amortization on assets owned and assets under capital lease was $175,333 or 29% of revenue for the three months period ended March 31, 2009 compared to $122,141 or 17% of revenue in the prior comparative period, an increase of $53,192. Amortization for the six month period ended March 31, 2009 was $394,362 as compared to $257,527 in the prior comparative period. The increase is due primarily to the increase in assets owned by the Corporation with higher rates of amortization such as the Corporation's investment in its website and the commencement of

amortization of its giclée production template library, the latter of which was not being amortized in the quarter ended March 31, 2009.

The Corporation expects amortization to increase as additional capital expenditures associated with the ongoing development of the website and related technologies necessary to support its development are incurred, and as additional assets are purchased to expand the business into new markets.

Operating Expenses

Operating expenses include building rents, office and general expenses, insurance, and repairs and maintenance expenses. Operating expenses were $204,911 in the period ended March 31, 2009 as compared to $214,791 in the first quarter of fiscal 2009, a decrease of 5%. This compares to $159,118 or 23% of revenue in the prior comparative period. For the six month period ended March 31, 2009, operating expenses totalled $419,702 as compared to $341,408 in the six month period ended March 31, 2008. This represents an increase of 23% in gross costs over the prior year which is broadly in line with expectations, as the addition of the new Victoria gallery brought with it additional operating expenses.

Stock-Based Compensation

Stock-based compensation expense was $15,220 or 3% of revenue during the three month period ended March 31, 2009 compared to $9,378 or 1% of revenue in the comparative period. For the six months ended March 31, 2009, stock-based compensation expense was $64,455 as compared to $22,917 in the prior comparative period. The increase in stock-based compensation expense over the prior comparative period was due to increased expense associated with the stock option grant that occurred commensurate with the Qualifying Transaction.

700,000 options were issued to directors, officers, and employees during the quarter which vest over two years beginning on the first anniversary date, have an exercise price of $0.10 per share, and expire in March 2014.

Interest Expense

Interest expense was $196,985 or 33% of revenue for the three month period ended March 31, 2009 compared to $85,138 or 12% of revenue in the prior comparative period, an increase of 131% in interest expense. For the six month period ended March 31, 2009, interest expense was $395,394 or 21% of revenue as compared to $161,055 or 10% of revenue in the prior comparative period. Increased interest expense for the periods ended March 31, 2009 are primarily attributable to interest paid on convertible and secured debentures.

The Corporation acknowledges that as it continues to raise capital through the issuance of interest bearing debt, its interest expenses will become more burdensome. This situation would be effectively eliminated should the existing convertible debentures issued by the Corporation convert to common shares in accordance with the terms of those instruments. At present, it is not expected that these debentures will convert due to the excess of the conversion price over the current market price of its common shares. The impact of future interest payments and related debt issuances is discussed in the liquidity and capital resources section below.

Net and Comprehensive Loss

The Corporation realized a net and comprehensive loss of $968,034 for the quarter ended March 31, 2009 ($0.03 per share) compared to a loss of $825,073 in the prior comparative period ($0.03 per share), an increase of $142,961. For the six months ended March 31, 2009, net and comprehensive loss was $1,758,591 ($0.06 per share) as compared to $1,174,646 ($0.04 per share) in the six months ended March 31, 2008. Revenues decreased due to the depressed market conditions which negatively impacted art and framing sales and events services. Increased costs associated with the operations of the Victoria gallery, amortization of the giclée library and increased stock option expense also contributed to the increased loss. The Corporation's focus in the immediate term is to control costs, to implement additional revenue streams throughout North America which are expected to result in increased revenues and margins, and to generate positive operating cash flows from existing operations.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of funding for the Corporation has been cash generated through the sale of common shares and high interest bearing debt instruments. It is expected that in order for the Corporation to execute its business plan, the continued issuance of common shares and attractive debt will be its primary source of funding until the Corporation begins to generate positive cash flow from the additional revenue streams

Cash flows used in operating activities totalled $451,201 for the three month period ended March 31, 2009 compared to $221,084 in the prior comparative period, an increase of 104%. Cash flows used in operating activities for the six month period ended March 31, 2009 were $891,731, a 77% increase over $503,388 in the prior comparative period. The increase in the operating cash out flow is due to increased interest costs, costs associated with the Victoria gallery which was not open in the prior comparative period, and ongoing costs associated with being a public company. As the Corporation continues to increase the number of high profile artists under contract and opportunities to reproduce and distribute art according to its business plan coupled with recent cuts in overheads, cash flows provided by operations are expected to become positive.

Cash inflows from financing activities for the three month period ended March 31, 2009 were $421,137 compared to cash inflows of $200,372 in the prior comparative period, an increase of 110%. For the six month period ended March 31, 2009, cash inflows from financing activities were $310,392 as compared to $580,457 in the prior comparative six month period. Proceeds from the sale of debentures increased by $75,000 over the prior comparative quarter, and augmenting the increase in cash from financing activities was the absence of one time costs associated with Artevo CPC and deferred qualifying transactions costs that occurred in the prior comparative period. During the quarter, the Corporation continued offering for sale a series of 15% secured debentures, but due to the current market conditions, investor appetite for the offering was less than expected with only $300,000 of the debentures being placed. The largest source of funding over the past two years has been the sale of high interest debentures. Funds from financing activities have been used to advance plans on new revenue streams and galleries, acquire art inventory and reproduction rights, improve the giclée reproduction process, and to fund continuing operations. Artevo acknowledges that the interest burden resulting from raising capital through high interest debentures is significant. Interest payments on these debentures over the next twelve months are expected to be $506,663, with $1,400,000 in principal also becoming payable within one year. The

Corporation expects $700,000 of the convertible debentures that mature during the year to be converted to the subsequent issuance of secured debentures, as they are held by directors and officers who have expressed their intention to do so. The Corporation believes that issuing attractive debentures with relatively short maturities provides a solution to short term liquidity problems as it allows the Corporation to continue to develop its business plan.

Cash from investing activities for the three month period ended March 31, 2009 of $5,116 compared to outflows of $80,447 in the comparative period. In the six month period ended March 31, 2009 cash used in investing activities decreased to $58,808 from $129,322 in the prior comparative six month period. Cash used in investing activities has decreased due to a reduction in non-essential investment. The Corporation is taking advantage of sale and lease-back arrangements in order to conserve cash in the short term.

The Corporation has experienced recurring losses through its opening stages of existence. At March 31, 2009, the Corporation had a negative working capital balance (excluding inventory) of $2,442,154 and an accumulated deficit of $12,991,455.

As a result of the prolonged economic downturn, the Corporation has experienced a reduction in the expected growth rate of its business. This is due to difficulties in raising the capital required to implement planned new revenue streams. Historically, the Corporation has issued equity instruments in order to fund continuing operations and growth opportunities. Due to the poor equity markets in recent times, during the year ended September 30, 2008, the Corporation issued and successfully placed unsecured convertible debentures at a premium to market rates as additional capital was needed to fund continuing operations and the development of growth opportunities. During the first and second quarters of fiscal 2009, the Corporation offered secured debentures at a further premium. The Corporation has experienced difficulties in placing this subsequent issuance, which has delayed the launches of new planned revenue streams. To date, $300,000 of the $3,000,000 offering has been placed. Unfortunately, the initial issuance coincided with the rapid decline in the Canadian dollar which brought additional uneasiness to potential investors in the weeks leading up to the holiday season, compounding the inherent difficulty in raising capital at that time of year. Throughout the second quarter, the prolonged effects of the current recession have continued to make securing additional financing difficult.

The current economic climate has had a negative effect on the sales of fine art and events. In hard economic times, sales of luxury items decrease, and the effects of this have not escaped Artevo. Over the first six months of the fiscal year, Artevo has had difficulty achieving its sales targets in all revenue streams. However, due to Artevo's competitive advantage in producing high quality giclée reproductions at lower costs, combined with the fact that Artevo controls the selling price, the Corporation has positioned itself to be highly flexible as it adapts to current market conditions. In addition, the Artevo technology continues to attract major brands that see Artevo as the ideal online retail partner. In the short term, the ability of the Corporation to raise funds through the sale of debt or equity has been delayed. As a safe guard, the Corporation has reduced spending in its current operations which will help ensure its ability to sustain continuing gallery, events, and website operations, leaving sufficient operating capital to launch its new revenue streams according to its revised timeline.

A summary of the Corporation's contractual obligations with note references to the interim consolidated financial statements to is shown below:

	Payments due by period				
	less than 1 year	years 2 & 3	years 4 & 5	after 5 years	Total
Financial Commitments					
Convertible debentures (note 7)					
Principal repayments	$ 1,400,000	$ 3,845,000	$ -	$ -	$ 5,245,000
Expected interest payments	506,663	84,396	-	-	591,059
Secured debentures (note 7)					
Principal repayments	-	300,000	-	-	300,000
Expected interest payments	45,000	39,370	-	-	84,370
Capital leases					
Principal repayments	50,894	76,524	35,527	-	162,945
Expected interest payments	22,085	18,678	2,746	-	43,510
Mortgage payable					
Principal repayments	92,601	200,712	223,327	1,022,646	1,539,286
Expected interest payments	80,103	144,695	122,081	209,878	556,757
Contractual Leases					
Facility leases (note 8)	618,808	1,536,393	1,528,377	4,361,236	8,044,814
Total	$ 2,816,155	$ 6,245,768	$ 1,912,058	$ 5,593,760	$ 16,567,741

FINANCIAL INSTRUMENTS

The following is a summary of the classification of the Corporation's financial assets and liabilities with note references to the unaudited interim March 31, 2009 consolidated financial statements:

• Cash and cash equivalents are classified as held-for-trading. The carrying value included in the consolidated balance sheets approximated fair value due to the short maturity of these instruments;

• Accounts receivable are classified as loans and receivables and are measured at amortized cost. The carrying amount included in the consolidated balance sheets approximated fair value due to the short maturity of these instruments;

• Accounts payable and accrued liabilities, due to related parties, short term loan, capital lease obligation, debentures, and mortgages payable are classified as other financial liabilities and are measured at amortized cost. The carrying amounts of accounts payable and accrued liabilities and due to related parties approximate their fair value due to their short term maturities. The fair value of the capital lease obligation is $163,132 based upon a 2% reduction in lenders' rates from the time into which the lease agreements were entered. The fair value of convertible debentures payable is $4,673,873 as at March 31, 2009 based on the terms of the issuance of secured debentures (note 6 to the unaudited March 31, 2009 consolidated financial statements). The fair value of mortgage payable approximates carrying value due to it being held at a floating interest rate based on bank prime. The effect of changes in interest rates is disclosed below.

After initial recognition, at each period end, all financial instruments are re-measured to their fair value, except for held to maturity instruments, loans and receivables and other financial liabilities which are measured at amortized cost. Any gain or loss resulting from a change in fair value of a financial asset or liability classified as held for trading is included in net loss for the period in which it arises.

During the current period the Corporation did not hold or issue any derivative financial instruments.

The nature of these financial instruments and its operations expose the Corporation to credit, liquidity, interest rate, and foreign exchange risk. The Corporation manages its exposure to these risks by operating in a manner that minimizes them. The Corporation's management has overall responsibility for the establishment and oversight of its risk management framework. Management has established policies in setting risk limits and controls and monitors these risks in relation to market conditions.

i. Credit risk

The Corporation is exposed to credit risk in relation to its cash and cash equivalents and accounts receivable. Credit risk is the risk that the Corporation will experience losses due to the default of their debtors relating to art sales on their accounts. The Corporation maintains cash and cash equivalents with highly rated national banks and therefore the Corporation considers these assets to have negligible credit risk. Accounts receivable arise from corporate art, framing sales and events. The majority of art sales are on a cash basis and as such, the Corporation considers credit risk to be low. Credit is extended to customers who have a long standing relationship with the Corporation and is primarily concentrated to corporate customers in the events business. Credit risk is decreased by deposits received. Little concentration of credit risk exists due to the Corporation's broad customer base.

ii. Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Corporation's reputation. Given the Corporation's available liquid resources as compared to the timing of the payments of liabilities and its history of negative cash flow, management assesses the Corporation's risk to liquidity as high. The Corporation's approach to managing liquidity includes the raising of additional working capital through various equity and debt offerings as required, and by reducing its negative cash flow through increased operating revenues (note 10 to the unaudited March 31, 2009 consolidated financial statements).

iii. Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Corporation's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

a) Interest rate risk

Interest rate risk is the risk that changes in interest rates may affect future cash flows. Interest rate risk is considered by management to be low due to the high level of fixed rate debt as a percentage

of total debt ($5,407,945 of the total $6,947,231 is fixed). The Corporation is exposed to interest rate cash flow risk to the extent of interest rate fluctuations on its mortgage payable and guaranteed investment certificate. A 1% increase or decrease in the prime rate would have resulted in a $3,906 change to net loss during the three month period ended March 31, 2009 and a $7,868 change to net loss during the six month period ended March 31, 2009.

b) Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates may affect future cash flows. The Corporation is exposed to changes in the U.S. dollar / Canadian dollar exchange rate, as certain working capital balances are denominated in U.S. dollars. The Corporation's exposure is limited to purchases of art and raw materials inventory from U.S. vendors and capital expenditures paid in U.S. dollars. U.S dollar denominated vendors require payment before shipment, limiting the exposure of payables to foreign exchange rate fluctuation. Foreign exchange risk is considered low as balances denominated in U.S. dollars are concentrated to a small number of suppliers.

CAPITAL DISCLOSURES

The Corporation's objective when managing its capital is to safeguard the Corporation's assets and meet its financial obligations. The Corporation's capital structure consists of working capital, short and long term debt, and shareholders' equity.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Historically, the Corporation has issued equity instruments in order to fund continuing operations and growth opportunities. Due to the poor equity markets in recent times, the Corporation issued and successfully placed unsecured convertible debentures at a premium to market rates during the year, as additional capital was needed to fund continuing operations and growth opportunities. During the three and six month periods ended March 31, 2009, the Corporation issued secured debentures at a further premium (note 6 to the unaudited March 31, 2009 consolidated financial statements).

In the opinion of management, the Corporation is subject to the effects of the current depressed market to the same or greater extent as the general economy. Art is a luxury item and consumer spending on non-essential goods and services declines when disposable income declines. However, as its growth opportunities focus on providing high quality reproductions at substantial discounts from original art works, management believes that an opportunity exists to balance the decline in the sales of original works with lower priced, high quality reproductions. The Corporation believes that through increasing operating cash flows through new revenue streams and continuing to raise debt and/or equity financing, it will be able to meet its obligations as they come due. However, management acknowledges that raising capital in the current market is difficult.

The Corporation is not subject to any externally imposed capital requirements.

OFF BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the quarter ended March 31, 2009, the Corporation received a $100,000 loan from an officer of the Corporation. The loan was provided to meet certain operating requirements. The related party loan is unsecured, bears interest at 15%, and has no stated maturity date. It is classified as a current liability in the consolidated balance sheets as at March 31, 2009.

CHANGES IN ACCOUNTING POLICIES

Going Concern

On October 1, 2008, the Corporation adopted certain amendments to CICA section 1400, “General Standards of Financial Statement Presentation” with respect to requirements to assess and disclose the Corporation's ability to continue as a going concern. These amendments require management to expand its discussion of why it believes it will continue to be a going concern over at least the next twelve months. See Note 3 for this disclosure.

Inventories

As of October 1, 2008, the Corporation adopted a new CICA standard, Section 3031, “Inventories”, which replaces Section 3030 and harmonizes the Canadian standard related to inventories with International Financial Reporting Standards. This Section provides more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulae; requirements for impairment testing; and expands the disclosure requirements to increase transparency. The adoption of this new standard did not have a material effect on the financial statements of the Corporation.

Goodwill and Intangible Assets

As of October 1, 2008, the Corporation adopted CICA Section 3064, “Goodwill and Intangible Assets.” New standards have been established for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous CICA Handbook Section 3062. The adoption of this new standard did not have a material effect on the financial statements of the Corporation.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee (“EIC”) of the CICA approved an abstract EIC 173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” which provides further information on the determination of the fair value of financial assets and financial liabilities

under Section 3855, "Financial Instruments – Recognition and Measurement." The EIC states that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this Abstract. The adoption of this standard has not had a significant impact on the financial statements.

Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations," which replaces former guidance on business combinations. The new section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date.

This standard is equivalent to the International Financial Reporting Standard 3, "Business Combinations (January 2008)" and is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. This new section will only have an impact on the Corporations' financial statements for future acquisitions that will be made in period subsequent to the date of adoption.

Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements," and 1602 "Non-controlling Interests," which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The new sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree's identifiable net assets and it also requires non-controlling interest to be presented as a separate component of shareholders' equity. Under this section, non-controlling interest in income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interest based on relative ownership interests.

These sections are equivalent to the provisions of International Accounting Standard 27, "Consolidated and Separate Financial Statements (January 2008)." These sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, and should be adopted concurrently with Section 1582. Earlier adoption is permitted. The adoption of this standard will affect the presentation of the minority interest in SMIF Holdings Ltd. within the consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Corporation will adopt IFRS for its fiscal year beginning October 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Corporation's reported financial position and results of operations. The Corporation continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS on its financial statements.

The Corporation will begin to gather IFRS compliant data in order to present its opening balance sheet as at October 1, 2010 with a statement of explicit and unreserved compliance with IFRS. The Corporation has reviewed the requirements of IFRS 1 – *First-time adoption of IFRS*, and has concluded that the adoption of IFRS 1 optional exemptions and mandatory exceptions will not have a significant impact on its financial statements. Most policy choices under IFRS 1 do not apply to the Corporation.

Upon initial inspection, the Corporation has not identified any significant differences between Canadian GAAP and IFRS. Accordingly, it does not anticipate this change having a significant effect on its information technology and data systems, and as such, it has no plans to modify them, as its current systems will gather IFRS compliant data. There are also no plans to modify existing procedures and internal controls over financial reporting.

The adoption of IFRS will not have an effect on the Corporation's debt covenants or capital requirements, as it currently has no externally imposed covenants or restrictions. If in the future, sources of capital which carry externally imposed restrictions are explored, the effects of the adoption of IFRS on those restrictions will be evaluated at that time. The Corporation also does not expect the adoption of IFRS to have a significant effect on compensation arrangements.

In summary, the Corporation does not expect the adoption of IFRS to have a significant impact on its financial statements, with the exception of additional required reconciliations in the year of adoption and continued expanded note disclosure.

OTHER ITEMS

Additional information relating to Artevo Corporation is available on the SEDAR website at www.sedar.com.

OUTSTANDING SHARE DATA

On May 29, 2008, Artevo CPC amalgamated with Power Play Events Ltd. ("PPAL") to form Artevo Corporation. Upon amalgamation, each former shareholder of Artevo CPC and PPAL received one common share of Artevo Corporation for each common share they held in the predecessor

companies. For more information on the amalgamation, see note 1 to the audited September 30, 2008 consolidated financial statements.

The Corporation has authorized an unlimited number of common shares to be issued, without par value. Each common share carries the right to one vote at the Corporation's annual general meeting. As at March 31, 2009 and September 30, 2008 there were a total of 31,231,176 common shares issued and outstanding. As at May 19, 2009, the date the MD&A was prepared, there were 31,231,176 common shares outstanding.

Included in the share data above are 25,000 common shares with detachable warrants which entitle the holder to purchase one ½ common share for each share they hold at an exercise price of $1.60 per share. If exercised, 12,500 common shares will be issued.

The Corporation has issued convertible debentures, convertible at a rate of $0.50 per share if the trading price of Artevo common shares on the TSX Venture exceeds $1.00 per share for ten consecutive days, and are convertible into Artevo common shares at $0.50 per share at the option of the holder at any time before maturity. As at March 31, 2009, $4,945,000 of convertible debentures were outstanding. If converted, 9,890,000 common shares will be issued.

As at March 31, 2009, the Corporation has 3,257,480 outstanding stock options which will convert to 3,257,480 shares if exercised once vested. The Corporation acknowledges that this number exceeds the limit of 10% of the outstanding common shares. An officer and director of the Corporation has signed an undertaking not to exercise 151,240 of his currently exercisable stock options until such a time that the number of issued stock options falls below 10% of the outstanding common shares.