

Artevo Corporation

Management's Discussion and Analysis

June 30, 2007

This Management's Discussion and Analysis of financial condition and results of operations ("MD&A") is dated August 28, 2007 and should be read in conjunction with the interim balance sheet as at June 30, 2007. This balance sheet has been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to Artevo Corporation's activities can be found on SEDAR at www.sedar.com.

Company Overview

The Company was incorporated under the *Business Corporations Act* (Alberta) on February 9, 2007. The articles of the Corporation were amended by a Certificate of Amendment dated April 4, 2007 to delete the private company provisions and the restrictions on share transfers.

The head office of the Corporation is located at 514 - 11th Avenue S.W., Calgary, AB T2R 0C8. The registered office of the Corporation is located at Suite 1600, Dome Tower, 333 - 7th Avenue S.W., Calgary, Alberta T2P 2Z1. On June 28, 2007, the Company received final receipts for a prospectus and became a reporting issuer in the Provinces of Alberta and British Columbia. The Company completed its initial public offering (the "Offering") to raise \$200,000 on July 19th, 2007.

The Company has not commenced operations and has no assets other than cash. The proceeds from the Offering are expected to provide the Company with a minimum of funds with which to identify and evaluate businesses or assets with a view to complete a "Qualifying Transaction", subject to regulatory and shareholder approvals. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a proposed Qualify Transaction.

Forward Looking Statements

This MD&A may contain forward-looking statements which are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause actual results or events to differ materially from those stated, anticipated or implied. Such forward-looking statements necessarily involve risks associated with identifying, evaluating, negotiating and financing a potential Qualifying Transaction as well as changes in general economic, political and environmental conditions. Readers are cautioned not to place undue reliance

on forward-looking statements, as no assurances can be given as to future results, levels of activity or achievements.

Results of Operations

The Company was incorporated on February 9, 2007. Accordingly there are no comparative figures to the period ended June 30, 2007. The Company does not have any operations and will not conduct any business other than the identification and evaluation of business and assets for potential acquisition.

From inception to June 30, 2007 the Company has incurred \$68,787 for costs relating to the Offering. These amounts will be charged to share capital upon the issuance of shares. In the event that the share issuance does not occur, costs will be charged to income in that period. The Company expects to incur ongoing costs with respect to the identification, evaluation, due diligence, negotiation and completion of a Qualifying Transaction. The timing and magnitude of these expenses is not predictable. These costs could be significant and may result in higher general administrative expenses.

Financial Condition / Capital Resources

Since inception, the Company's capital resources have been limited to amounts raised from the private sale of common shares in the Company. From inception to June 30, 2007, the Company raised gross proceeds of \$100,000 from the sale of its common shares. As at June 30, 2007, the Company had working capital of \$31,213.

The Company has not commenced operations and has no assets other than cash. The proceeds from the Offering are expected to provide the Company with a minimum of funds with which to identify and evaluate businesses or assets with a view to complete a Qualifying Transaction. However, if the Company identifies a target business, asset or property as its Qualifying Transaction, it is probable that the Company will have to seek additional financing.

There is no assurance that the Company will be able to identify a suitable Qualifying Transaction. Furthermore, even if a Qualifying Transaction is identified, there can be no assurance that the Company will be able to complete the transaction.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company currently has no proposed transactions.

Critical Accounting Estimates

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the May 31, 2007 audited balance sheet found in the Company's prospectus dated June 26, 2007.

Changes in Accounting Policies

There are no changes in accounting principles adopted by the Company.

Transactions with Related Parties

During the period ended June 30, 2007 the Company did not conduct any related party transactions.

Contractual Obligations

Artevo has no contractual obligations other than the continuing obligation and related costs associated with the distribution of securities to the public.

Risks and Uncertainties

Artevo is a Capital Pool Company ("CPC") pursuant to the policies of the Exchange. As a CPC, Artevo's primary focus is to complete a Qualifying Transaction in accordance with Exchange policies. In addition to general and specific parameters regarding the characteristics and timing of a Qualifying Transaction, these policies include restrictions on Artevo's activities prior to the completion of a Qualifying Transaction.

Artevo has no assets other than cash. Artevo has no employees and the time committed to the Company by the officers and directors may be limited.

Artevo proposes to identify and evaluate potential acquisitions or businesses and once identified and evaluated to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval. There is no assurance that Artevo will identify an appropriate business for acquisition or investment and even if so identified and warranted, the Company may not be able to finance such acquisition or investment. Additional funds may be required to enable Artevo to pursue such an initiative and the Company may be unable to obtain such financing on acceptable terms.

If Artevo fails to complete a Qualifying Transaction within 24 months from the date of listing of the common shares on the TSX Venture, the Exchange could suspend or de-list the common shares of the Company. The Alberta Securities Commission or the British Columbia Securities Commission may issue an interim

cease trade order against Artevo's securities if the common shares of the Company are suspended from trading on the Exchange, and will issue such an interim cease trade order if the Company is de-listed from the Exchange. In addition, de-listing from the Exchange may result in the cancellation of Artevo common shares issued to insiders.

Investor Relations Activities

The Company does not have any investor relations arrangements.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at June 30, 2007, there were 1,000,000 issued and outstanding common shares. On July 19, 2007 the Company closed its IPO and issued 1,000,000 additional common shares, granted 200,000 stock options to officers and directors at a price of \$0.20 and granted to Canaccord Capital Corporation a non-transferable option to purchase 100,000 common shares, exercisable for a period of 24 months from the date of listing of the common shares on the TSX Venture, at a price of \$0.20 per common share (the "Agent's Options"). All stock options and Agent's Options are currently outstanding.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to Artevo's Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure.

Artevo's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the effectiveness of the Company's disclosure controls and procedures as of the date of this Management's Discussion and Analysis, that disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company. Certain weaknesses, however, have been identified and the Company's Chief Executive Officer and Chief Financial Officer do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of Artevo are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

statements for external purposes in accordance with Canadian GAAP. The design of the Company's internal control over financial reporting was assessed as of the date of this Management's Discussion and Analysis.

Artevo has assessed the design of internal controls over financial reporting as at June 30, 2007 and certain weaknesses were identified. Due to personnel limitations, it is not possible to achieve a segregation of duties. As well, Artevo does not have a sufficient number of finance personnel, with all of the technical accounting knowledge, to address all of the complex and non-routine accounting transactions that may arise or calculations that may be required. Finally, Artevo's accounting system is subject to general control deficiencies including a lack of effective controls over spreadsheets, access and documentation.

These weaknesses in the Company's internal controls over financial reporting result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the Board of Directors work to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement. These weaknesses and their related risks are not uncommon in a company the size of Artevo, because of the limited number of staff.

As indicated above (see "Risks and Uncertainties"), Artevo is a Capital Pool Company with restrictions on its activities prior to the completion of a Qualifying Transaction ("QT"). Currently, Artevo has no source of revenue. Expenditures are limited to amounts incurred to maintain Artevo's status as a publicly listed entity, office expenses and costs incurred with respect to the identification, evaluation, negotiation and completion of a QT. Prior to the completion of a QT, Artevo does not expect to remediate identified weaknesses in internal controls over financial reporting.

Subsequent Events

On July 19, 2007, the Corporation completed its initial public offering ("**Offering**") raising gross proceeds of \$200,000, pursuant to a Prospectus dated June 26, 2007. A total of 1,000,000 common shares in the capital of the Corporation (the "**Shares**") were subscribed for at a price of \$0.20 per Common Share. Canaccord Capital Corporation ("Canaccord") acted as the agent for the Offering, which was fully subscribed. Canaccord received a \$10,000 administration fee, and a cash commission equal to 10% of the gross proceeds of the Offering. The cost of the issue, including the agent's commission of \$20,000 and expenses, the listing fee and other related expenses of the offering are estimated to be approximately \$95,000 of which \$68,787 had been incurred prior to June 30, 2007.

The agent was also granted a non-transferable option to purchase up to 100,000

Common Shares at \$0.20 per share. The option is exercisable at any time from issuance to 24 months from the date of listing of the Corporation's shares on the TSX Venture Exchange.

On July 19, 2007, the Corporation granted 200,000 stock options to the directors and officers to purchase Common Shares at a price of \$0.20 per Common Shares.

Additional Information

Additional information about Artevo is available on SEDAR at www.sedar.com or www.artevo.com.