

# **Artevo Corporation**

## **Management's Discussion and Analysis**

### **For the Period Ended December 31, 2007**

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This Management's Discussion and Analysis of financial condition and results of operations ("MD&A") is dated February 22, 2008 and should be read in conjunction with the audited balance sheet as at December 31, 2007 and the associated notes. 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](http://www.sedar.com).

#### **Company Overview**

Artevo Corporation (the "Company" or "Artevo") 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 Company is located at 514 – 11<sup>th</sup> Avenue S.W., Calgary, Alberta T2R 0C8. The registered office of the Company is located at Suite 1600, Dome Tower, 333 – 7<sup>th</sup> 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 ("Offering") to raise \$200,000 on July 19<sup>th</sup>, 2007. The Common Shares of Artevo are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol "AEV".

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 Qualifying 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 December 31, 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 the potential acquisition.

From inception to December 31, 2007 the Company has incurred \$147,951 for costs relating to the Offering, specifically; legal expenses, agent fees, TSX Venture fees, and disclosure fees. These amounts were charged to share capital upon the issuance of shares. The Company expects to incur ongoing costs with respect to the identification, evaluation, due diligence,

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negotiation and completion of the 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 and public sale of common shares in the Company. From inception to December 31, 2007 the Company raised gross proceeds of \$300,000 from the sale of its common shares. As at December 31, 2007 the Company had working capital of \$101,566.

The Company has not commenced operations and has no assets other than cash and GST receivable. 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 complete the proposed Qualifying Transaction with Power Play Art Ltd. (see "Proposed Transactions" below).

#### **Off Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

#### **Proposed Transactions**

On October 17, 2007 the Company announced details concerning a proposed Qualifying Transaction with Power Play Art Ltd. ("PPAL") of Calgary, Alberta, Canada, as agreed to in a Letter of Intent dated October 4, 2007. The transaction also involves the completion of a private placement in PPAL of unsecured convertible debentures in a principal amount of up to a maximum of \$4,000,000, and the amalgamation of PPAL with Artevo, which will constitute the qualifying transaction of Artevo pursuant to Policy 2.4 of the TSX Venture Exchange (the "Qualifying Transaction").

The principal business of PPAL is the sale and distribution of Fine Art. The proposed Qualifying Transaction is a non-arm's length transaction as certain directors of Artevo are directors of PPAL, and an officer and principal shareholder of PPAL.

The Company and PPAL are currently completing a Joint Management Information Circular concerning the amalgamation of Artevo and PPAL to form a new corporation to be named Artevo Corporation.

Additional information concerning the proposed qualifying transaction and the Joint Management Information Circular is available at [www.sedar.com](http://www.sedar.com).

#### **Critical Accounting Estimates**

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the December 31, 2007 audited balance sheet.

#### **Changes in Accounting Policies**

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

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#### **Transactions with Related Parties**

Other than the non-arms length proposed qualifying transaction between Artevo and PPAL as referenced previously, during the fiscal year ended December 31, 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 and GST receivable. Artevo has no employees and the time committed to the Company by the officers and directors is limited.

Artevo proposed 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 of 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, 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.

#### **Investors 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 nominal or par value and unlimited number of preferred shares issuable in a series. As at December 31, 2007 there were 2,000,000 issued and outstanding common shares.

Pursuant to the Company's stock option plan, on July 19, 2007 the Company granted 200,000 stock options to officers and directors at a price of \$0.20 per share 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 agents options are currently outstanding.