

## **LYNDEN ENERGY CORP. (formerly Lynden Ventures Ltd.)**

Management Discussion and Analysis

For the Nine Months Ended March 31, 2008

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The following discussion and analysis of the consolidated results of operations and financial condition (“**MD&A**”) for Lynden Energy Corp. (formerly Lynden Ventures Ltd.) (the “**Company**”) should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended March 31, 2008 and related notes thereto. The financial information in this MD&A is derived from the Company’s unaudited interim consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles. References in this MD&A to the Company include its subsidiaries. The effective date of this MD&A is May 30, 2008.

For the purposes of this MD&A, the following terms are defined as follows:

Q1/2008	Three months ended September 30, 2007
Q2/2008	Three months ended December 31, 2007
Q3/2008	Three months ended March 31, 2008
Q1/2007	Three months ended September 30, 2006
Q2/2007	Three months ended December 31, 2006
Q3/2007	Three months ended March 31, 2007
Current Period	Nine months ended March 31, 2008
Prior Period	Nine months ended March 31, 2007

This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of risk factors beyond its control. Actual results may differ materially from the expected results.

All monetary transactions are expressed in Canadian dollars unless otherwise stated.

### **Description of Business**

The Company is in the business of acquiring, exploring and developing petroleum and natural gas rights and properties. The Company has various working interests in the Paradox Basin Project, located in the State of Utah, USA and has a working interest in the Bittern Lake Project, located in the Province of Alberta, Canada. There are no other operating segments.

The Company is a reporting issuer in British Columbia, Ontario and Alberta and its shares are listed on the TSX Venture Exchange under the symbol LVL.

On January 17, 2008, the Company changed its name to Lynden Energy Corp. in order to better reflect the nature of its ongoing business.

The Company’s general and administrative expenditures are related to the level of financing and exploration and development activities that are being conducted, which may in turn depend on the Company’s recent exploration and development activities and prospects, as well as general market conditions relating to the availability of funding for early stage exploration and development resource companies. As a result, the Company does not acquire properties or conduct exploration work on its properties on a pre-determined basis. Thus, there may not be predictable or observable trends in the Company’s business activities and comparisons of financial operating results with prior years may not be meaningful.

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### **Risks and Uncertainties**

The Company's principal activity of oil and gas exploration and development is considered to be inherently risky. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, commodity price, political and economic, with some of the most significant risks being:

1. Substantial expenditures are required to explore for oil and gas reserves and there is no assurance that the Company will discover economic reserves;
2. The junior resource market, where the Company raises funds, is extremely volatile and there is no guarantee that the Company will be able to raise funds as it requires them;
3. Although the Company has taken steps to verify title to the oil and gas properties it has an interest in or is earning into, there is no guarantee that the property will not be subject to title disputes or undetected defects; and
4. The Company is subject to the laws and regulations relating to environmental matters, including provisions relating to reclamation, discharge of hazardous material and other matters. The Company's exploration activities are conducted by partners and/or operators who are in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to its properties that may cause material liability to the Company.

### **Oil and Gas Projects**

#### Paradox Basin, Utah

The Paradox Basin Project includes two contiguous oil and gas prospect areas totaling 1,525,000 acres. The 900,000 acre Northern Prospect Area includes leases covering in excess of 100,000 acres. Lynden has a 55% before payout working interest (41.25% after payout working interest) in an 80% net revenue interest in the Northern Prospect Area. The 625,000 acre Southern Prospect Area includes leases covering in excess of 15,000 acres. Lynden has a 25% before payout working interest (23.75% after payout working interest) in an 85% to 87% net revenue interest in the Southern Prospect Area.

The operator, a middle tier Texas-based oil and gas company, is targeting gas production from shales and other Paradox Basin reservoirs. The operator's exploitation program is based on commingling production from multiple zones, which has been successfully done by other operators in the Paradox Basin.

The Paradox Basin, located primarily in southeast Utah and southwest Colorado, is a significant oil and gas producing basin in the continental United States. Well-known fields in the Paradox Basin include the Greater Aneth, Andy's Mesa and Lisbon. The majority of historical exploration and production from the basin has been oil production from algal mounds. New exploration models, based primarily on the co-mingling of multiple, previously bypassed, gas zones began being applied to the basin on a larger scale in 2004.

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Significant players (>100,000 acres) within and adjacent to the Paradox Basin Project prospect area include Encana, Cabot Oil and Gas, and Bill Barrett Corporation / The Williams Companies.

### *Operations Update - Northern Prospect Area*

On April 25, 2008, the Company reported that the construction and testing of a 21 mile gas pipeline in the Northern Prospect Area had been completed and that the S.P. Meyer #1 well was tied in and producing. The completion of the pipeline represents a significant milestone in the overall development of the Company's Paradox Basin Project. The pipeline will act as a central trunk line through the Northern Prospect Area and will allow new wells drilled over a large area to be promptly tied into production.

A program of stimulation work on three recently drilled Northern Prospect Area wells, referred to as the Anteater State #1-21X, the Explorer State #1-16, and the Chanticleer #1-32, began in late April. Upon successful completion, the wells will be tied into the pipeline.

Drilling of the Northern Prospect Area Raider #1-17 exploratory well, located approximately 10 miles north-west of the S.P. Meyer #1, was completed in early May, and stimulation work on the well is expected to begin in June / July. Success at the Raider #1-17, which is proximal to two 1950's wells that encountered significant gas, has the potential of opening up an additional area of focus in the Northern Prospect Area. The Raider #1-17 is less than 4 miles from the recently completed pipeline.

### *Operations Update - Southern Prospect Area*

As part of the ongoing drill program, one new well in the Southern Prospect Area, the Montezuma #2X, reached target depth in November 2007. The operator is currently carrying out a program of methodical testing and completion of various zones. The well has been tied into the existing Southern Prospect Area pipeline; gas produced during this phase of work is being sold and oil is being collected for sale.

The Montezuma #2X is a twin of an historical well, the Montezuma #1, that had been re-entered by the operator in early 2007. After completing multiple zones and encountering significant gas in the well, a mechanical problem prevented production. The operator intends to re-enter the Montezuma #1 to test a potential new zone, up-hole of where the operational issues had been experienced. This zone was identified while logging the Montezuma #2X.

In addition to production from Montezuma #2X, there are three producing re-entry wells in the Southern Prospect Area. The operator has been, and expects to continue, periodically undertaking operations to optimize production from these wells, which operations are expected to include the completion of new zones, and the re-completion of previously tested zones.

### *Acquisitions and Investments*

In Q2/2008, the Company completed the acquisition of a 25% before payout working interest (23.75% after payout working interest) in the Southern Prospect Area from a company associated with the operator of the Paradox Basin Project by paying USD \$5 million. Included in the acquisition were three recently re-entered wells where the operator successfully performed completions similar to those carried out in the Northern Prospect Area. Numerous

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zones were completed in all three wells and significant gas was flared from the productive zones. Two of the wells are now connected to sales, however one of the wells encountered operational problems which ultimately resulted in the abandonment of the well.

Also in Q2/2008, the Company participated in the formation of a Utah, USA based natural gas transmission company, Abajo Gas Transmission Company, LLC ("Abajo") along with its Paradox Basin partners. The Company has a 43.806% interest in Abajo through an initial capital contribution of USD\$2,935,000. Abajo holds ownership of the gas gathering systems in the Northern and Southern Prospect Areas of the Company's Paradox Basin Project. Through its interest in Abajo, the Company is entitled to 55% of the revenues and expenses attributable to the construction, operation, maintenance and expansion of the gas gathering system in the Northern Prospect Area and 25% of the revenues and expenses attributable to the construction, operation, maintenance and expansion of the gas gathering system in the Southern Prospect Area.

### Bittern Lake, Alberta

The Company has an agreement with Canadian Spirit Resources Inc. ("**CSRI**") under which the Company and CSRI have agreed to acquire, explore and develop petroleum and natural gas rights in central Alberta. During the year ended June 30, 2006, the Company earned a 50% working interest in the Bittern Lake Project by incurring expenditures of \$2.5 million.

The participants are focused on, but not limited to, coalbed methane (natural gas from coal or "NGC") targets. The joint venture lands are comprised of three sections (1,920 hectares) of land in the form of oil and gas leases in the Bittern Lake area of Alberta. In late September and early October 2005, CSRI drilled and completed one Horseshoe Canyon well. Based on the completion results of the first well, CSRI drilled three additional wells on the same section. After initial positive indications from the first completed well, formation water increased and the well was shut in. A second well was completed in February 2006 to further evaluate this play and was also subsequently shut in. The Company and CSRI are pursuing disposition and/or farmout opportunities of these lands.

### **Results of Operations**

In the Current Period, the Company reported a loss of \$1,713,710 (Prior Period - \$207,293) and a loss per share of \$0.04 (Prior Period - \$0.01) for the nine months ended March 31, 2008. The largest component of the loss was stock-based compensation of \$1,378,975 (Prior Period - \$Nil).

### *Petroleum and Natural Gas Sales*

Q3/2008 marked the third quarter that the Company reported revenues from sales of petroleum and natural gas. These revenues were from two Paradox Basin Project – Southern Prospect Area re-entry wells being tied into sales during Q1/2008 and a third Paradox Basin Project – Southern Prospect Area re-entry well being tied into sales during Q3/2008. For the Current Period, the Company reported revenues net of royalties of \$253,432 (Prior Period - \$Nil), transportation and marketing costs of \$25,728 (Prior Period - \$Nil) and depletion of \$176,979 (Prior Period - \$Nil). The transportation and marketing costs were paid to Abajo at market rates.

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### *General and Administrative*

Differences in general and administrative expenses during the Current Period compared to the Prior Period included:

- Administrative fees increased by \$14,000 in the Current Period because of the increased business and financing activities. The fees comprise accounting, secretarial and general administrative services.
- Of the \$86,097 (Prior Period - \$Nil) in consulting fees incurred during the Current Period, \$70,301 (Prior Period - \$Nil) were paid to an individual for strategic advisory services. The Company engaged the consultant on a month to month basis at USD \$5,000 per month. The Company also paid a one time fee of USD\$25,000.
- Filing, listing and transfer agent fees were \$12,510 higher in the Current Period due to transfer agent costs incurred in conjunction with completing three private placements and higher listing fees.
- Foreign currency translation relates to the impact of fluctuations in the Canadian/US Dollar exchange rates on US Dollar denominated purchases as well as cash held in US Dollars. For the Current Period, the majority of the \$306,639 foreign currency losses relate to a loss on the translation of the Abajo investment and losses on cash held in US Dollars during the Current Period from the increasing value of the Canadian Dollar against the US Dollar.
- Office and miscellaneous is \$19,466 higher in the Current Period mainly due to an increase in insurance costs of \$15,500. The Company's general office costs have also increased in conjunction with its increased business activity.
- Professional fees include audit and accounting of \$15,046 (Prior Period - \$12,384) and legal of \$14,628 (Prior Period - \$8,377) for the current period. Legal fees increased primarily due to increased business activity.
- The Company uses the fair value based method of accounting for all stock-based awards. As a result, every time the Company grants or amends stock options, a charge to operations and a corresponding credit to shareholders' equity must be made. The Company calculates the compensation cost by using the Black-Scholes option pricing model. The Company granted 1,430,000 (Prior Period – Nil) stock options in the Current Period resulting in compensation expense of \$1,378,975 (Prior Period – \$Nil).
- The Company incurred travel costs of \$38,807 (Prior Period - \$19,459) during the Current Period. The amount is almost double the Prior Period and corresponds with the Company's efforts to raise equity financing.

### *Other Items*

- The Company has earned interest income as a result of investing cash on hand in guaranteed investment certificates. The Company earned \$211,048 more in interest income during the Current Period as the Company had considerably more cash on hand from private placements.
- As at March 31, 2008, the Company has a 43.806% interest in Abajo through an initial capital contribution of USD\$2,935,000. The Company accounts for this investment using the equity method. The Company's share of Abajo's loss was \$10,596 (2007 - \$Nil) for the Current Period.

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### **Financial Condition, Liquidity and Capital Resources**

As at March 31, 2008, the Company had working capital of \$4,062,643 compared to working capital of \$2,873,709 as at June 30, 2007. This \$1,188,934 increase in working capital is directly related to \$17,020,592 of equity financing completed during the Current Period.

Major sources of cash during the Current Period were 1) issuance of 24,747,092 common shares for net proceeds of \$17,020,592 pursuant to private placements (\$2,911,500 of share subscriptions relating to these private placements were received prior to July 1, 2007); 2) exercise of 3,900 warrants into 3,900 common shares for proceeds of \$4,875; 3) exercise of 9,000 stock options into 9,000 common shares for proceeds of \$6,750; 4) interest income of \$230,964; and 5) petroleum and natural gas sales of \$227,704 net of royalties and transportation and marketing costs.

Major uses of cash during the Current Period were 1) \$10,977,786 of exploration, development and land acquisition costs incurred on the Company's oil and gas projects; 2) \$2,879,822 investment related to the formation of Abajo; and 3) approximately \$300,000 of general and administrative expenditures.

Current working capital has been earmarked for the Paradox Basin Project. Management anticipates that the Company will need to seek additional funding in the first half of calendar 2008 to fund anticipated capital expenditures on the Paradox Basin Project and to fund general and administrative expenses. As such, the Company has closed one new private placement and is undertaking a second private placement as follows:

- 1) On April 17, 2008, the Company closed a non-brokered private placement for gross proceeds of \$1,750,000. These funds were raised through the issuance of 2,500,000 units at a price of \$0.70 per unit. Each unit is comprised of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$1.00 until April 15, 2009 and \$1.25 until April 15, 2010. Finder's fees of \$63,700 were paid in connection with the private placement.
- 2) In late May 2008, the Company reported that it is undertaking a non-brokered private placement in the amount of \$7,215,000. These funds will be raised by the Company issuing a total of 5,550,000 units at a price of \$1.30 per unit. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional common share at a price of \$1.75 in the first year and \$2.00 in the second year. The private placement is subject to the approval of the TSX Venture Exchange and has not closed as of the date of this report.

Subsequent to March 31, 2008, the Company made an additional USD \$2,200,000 investment in Abajo, increasing its interest in Abajo to 47.99%. The additional investment in Abajo was required as a result of higher than anticipated costs for the 21 mile Northern Prospect Area pipeline.

The Company does not anticipate additional significant expenditures on the Bittern Lake Project in the near term.

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**Off-Balance Sheet Arrangements**

The Company has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing or hedging services with the Company.

**Summary of Quarterly Information**

The following selected financial data has been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company's audited financial statements. All dollar amounts are in Canadian dollars.

Fiscal Quarter Ended	Petroleum and Natural Gas Sales	Interest Income	Earnings/ (Loss)	Basic & Diluted Earnings/ (Loss)/Share
March 31, 2008	\$ 137,102	\$ 58,261	\$ 66,991	\$ -
December 31, 2007	\$ 97,358	\$ 76,920	\$ (953,099)	\$ (0.02)
September 30, 2007	\$ 63,441	\$ 95,783	\$ (827,602)	\$ (0.02)
June 30, 2007	\$ -	\$ 2,100	\$ (3,524,869)	\$ (0.15)
March 31, 2007	\$ -	\$ 331	\$ (39,810)	\$ -
December 31, 2006	\$ -	\$ 2,930	\$ (165,628)	\$ (0.01)
September 30, 2006	\$ -	\$ 16,655	\$ (1,855)	\$ -
June 30, 2006	\$ -	\$ 33,213	\$ (113,056)	\$ -

The quarterly earnings/losses vary considerably mainly due to foreign currency fluctuations, granting of stock options and write-down of oil and gas property interests. The Company's general and administrative expenditures generally fluctuate with the level of activity on its projects and/or financing activities that are being undertaken. Sales of petroleum and natural gas increased gradually from its Paradox Basin Project in the three months ended March 31, 2008 and December 31, 2007 due to a combination of higher oil and gas prices and greater production. The majority of the loss for the three months ended December 31, 2007 and September 30, 2007 relates to stock-based compensation of \$586,172 and \$792,803 respectively pursuant to the granting of stock options. The loss for the three months ended June 30, 2007 is much larger compared to other quarters primarily due to the issuance of stock options and write-down of the Bittern Lake property. Interest income fell considerably from September 30, 2006 to June 30, 2007 as the Company was spending its cash on the Paradox Basin Project. The Company's interest income increased considerably in the three months ended March 31, 2008, December 31, 2007 and September 30, 2007 due to closing three private placements and having cash on hand to invest in guaranteed investment certificates.

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**Related Party Transactions**

During the Current Period, administrative fees of \$71,000 (2007 - \$57,000) were paid or accrued to a company owned by Mr. Colin Watt, the Company's President, CEO and a director. Mr. Watt's company provides the services of several employees that provide accounting, secretarial and administrative services to the Company.

During the Current Period, legal fees of \$37,688 (2007 - \$6,770) were paid or accrued to a legal firm in which Mr. Ron Paton, a director of the Company, is an associate counsel. Of this amount, \$13,599 (2007 - \$6,770) was charged to legal fees and \$24,089 (2007 - \$Nil) was charged to share capital as share issuance costs.

During the Current Period, consulting fees of \$7,172 (2007 - \$Nil) were paid or accrued to a company owned by Mr. Bob Bereskin, a director of the Company. Of this amount, \$1,491 (2007 - \$Nil) was charged to consulting fees and \$5,681 (2007 - \$Nil) was charged to property, plant and equipment as consulting fees.

During the Current Period, consulting fees of \$2,749 (2007 - \$Nil) were paid or accrued to a company owned by Mr. John McLennan, a director of the Company. Of this amount, \$305 (2007 - \$Nil) was charged to consulting fees and \$2,444 (2007 - \$Nil) was charged to property, plant and equipment as consulting fees.

**Outstanding Share Data**

As at May 30, 2008, the Company had the following securities issued and outstanding:

	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Common shares	52,298,251	n/a	n/a
Warrants	6,405,750	\$1.25	July 9, 2009
Warrants <sup>1</sup>	3,420,046	\$1.25	July 12, 2009
Warrants	2,048,700	\$1.50	September 21, 2009
Warrants	224,050	\$1.50	October 12, 2009
Warrants	2,500,000	\$1.00/\$1.25	April 15, 2009/2010
Stock options	400,000	\$0.51	July 21, 2010
Stock options	50,000	\$0.51	July 25, 2010
Stock options	450,000	\$0.75	August 7, 2010
Stock options	34,000	\$0.75	September 1, 2010
Stock options	1,559,000	\$1.00	June 5, 2012
Stock options	790,000	\$1.30	July 22, 2012
Stock options	640,000	\$1.30	October 14, 2012
Stock options	875,000	\$1.40	April 27, 2013
<b>Fully Diluted</b>	<b>71,694,797</b>		

<sup>1</sup> These warrants will expire, subject to TSX-V approval, on July 12, 2011 if the Company becomes a TSX-V Tier 1 issuer. Also, if the trading price of the Company's common shares is at least \$2.50 on 20 consecutive days, the warrants will be deemed to be exercised on the 20<sup>th</sup> day, subject to receipt of required regulatory approvals, if any.

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### **Changes in Accounting Policies**

Effective July 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants new Handbook Sections 1530 "*Comprehensive Income*" ("HB 1530"), 3855 "*Financial Instruments – Recognition and Measurement*" ("HB 3855"), 3861 "*Financial Instruments – Disclosure and Presentation*" ("HB 3861") and 3865 "*Hedges*" ("HB 3865").

The objective of these new standards is to account for more assets and liabilities at fair value including non-financial derivatives. There were no transitional adjustments in respect to these standards that were recorded to opening asset and liability balances and accumulated other comprehensive income (loss). A description of the new accounting rules is provided in Note 3 of the unaudited interim consolidated financial statements for the nine months ended March 31, 2008.

### **Directors and Officers**

Richard Andrews	Director, Chairman
Colin Watt	Director, President and CEO
Bob Bereskin	Director
Ron Paton	Director
John McLennan	Director
Laurie Sadler	CFO

On July 23, 2007, Dr. Robert (Bob) Bereskin joined the Company's Board of Directors. Dr. Bereskin has over 25 years experience in the oil and gas industry and is currently an Adjunct Professor at the University of Utah. His consulting work over the last dozen years has focused on unconventional gas-bearing shale reservoirs in both the United States and Canada, where he has assisted with several international and domestic exploration / exploitation efforts.

On April 28, 2008, Mr. Richard Andrews joined the Company's Board of Directors and was appointed Chairman. Mr. Andrews also separately joined the Board of Directors and was appointed Chairman and Chief Executive Officer of the Company's wholly owned U.S. subsidiary, which holds the Company's interest in the Paradox Basin Project. Management believes that Mr. Andrews' extensive experience in advising and raising funds for resource companies is well suited to the Paradox Basin Project and to future advancement of corporate objectives.

### **Additional Information**

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at [www.lyndenenergy.com](http://www.lyndenenergy.com) or by visiting SEDAR at [www.sedar.com](http://www.sedar.com).

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**Disclosure and Internal Controls and Procedures**

On November 23, 2007, the Canadian Securities Administrators (the "CSA") issued a notice to update market participants on the status of the initiative to repeal and replace Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* and the related forms and companion policy. This notice stipulated that the amended version of MI 52-109 will no longer require the CEO and CFO of a venture issuer to certify that they have designed and evaluated the effectiveness of disclosure controls and procedures and internal control over financial reporting. Also on this date, certain securities jurisdictions (BC, Alberta, Ontario) issued exemptive relief orders to permit a venture issuer to file interim and annual certificates for periods ending on or after December 31, 2007 in a form that reflects the proposed changes to MI 52-109.

Due to the size and operations of the Company, Management is limited in its ability to design, implement and evaluate effective disclosure controls and procedures and internal controls over financial reporting on a cost effective basis. In particular, appropriate segregation of duties is an issue due to the size of the Company. Management tries to mitigate these risks by implementing and reviewing compensatory controls on an ongoing basis.

As such, Management has exercised reasonable diligence to ensure that there are appropriate information systems, procedures, and controls to ensure the integrity of the financial statements and has exercised reasonable diligence to ensure that there are appropriate information systems, procedures, and controls to ensure that information used internally and disclosed externally is complete and reliable.