

## **LYNDEN VENTURES LTD.**

Management Discussion and Analysis

For the Three Months Ended September 30, 2007

---

The following discussion and analysis of the consolidated results of operations and financial condition (“**MD&A**”) for Lynden Ventures Ltd. (the “**Company**”) should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended September 30, 2007 (“**Q1 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 November 28, 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.

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.

### **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

## **LYNDEN VENTURES LTD.**

Management Discussion and Analysis

For the Three Months Ended September 30, 2007

---

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

As of the date of this report, 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 110,000 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 16,000 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. There were two gas re-entry wells tied into sales in the Southern Prospect area in Q1 2008.

The operator, a middle tier Texas-based oil and gas company, is targeting gas production from shales and other Paradox Basin lithologies. 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.

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 in Q1 2008*

On October 11, 2007, the Company reported that the first well of a six new well program had been spudded. Subject to the timely receipt of landowner and government approvals, the six well program is expected to be completed in the second quarter of calendar 2008. All six wells are targeting multiple zones, many of which have already been successfully completed and tied into production. It is expected that five of the six wells will be in the Northern Prospect Area.

The first well in this new program, located in the Southern Prospect Area, is a twin of a historical well that had been re-entered by the operator in early 2007. After completing multiple zones and encountering significant gas in the re-entry well, a mechanical problem occurred in the re-entry well preventing production and resulting in the abandonment of the well. As of the date of this report, stimulation operations on the new well had not yet begun, although they are expected to begin imminently.

## **LYNDEN VENTURES LTD.**

Management Discussion and Analysis

For the Three Months Ended September 30, 2007

---

The operator has also recently completed multiple zones in a recently re-entered Southern Prospect Area well originally drilled in the early 1980's. The well has been recently tied into the existing Southern Prospect Area pipeline and production optimization operations on the well are currently underway.

The construction of an 18 mile gas pipeline in the Northern Prospect Area is ongoing and is expected to be completed by late December 2007 / early January 2008. Preparations are also underway in the Northern Prospect Area for drilling of new wells as part of the six well program referred to above.

### *Acquisitions and Investments*

In Q1 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 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.

Subsequent to Q1 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 evaluating disposition or farmout opportunities of these lands.

## LYNDEN VENTURES LTD.

Management Discussion and Analysis  
For the Three Months Ended September 30, 2007

---

### Results of Operations

The Company reported a loss of \$827,602 (2006 - \$1,855) and a loss per share of \$0.02 (2006 - \$Nil) for the three months ended September 30, 2007. The largest component of the loss was stock-based compensation of \$792,803 (2006 - \$Nil).

#### *Petroleum and Natural Gas Sales*

Q1 2008 marked the first 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 the period. The Company reported revenues net of royalties of \$53,845 (2006 - \$Nil), transportation and marketing costs of \$7,568 (2006 - \$Nil) and depletion of \$44,121 (2006 - \$Nil).

#### *General and Administrative*

Differences in general and administrative expenses during Q1 2008 compared to the three months ended September 30, 2006 (“**Q1 2007**”) included:

- Administrative fees increased by \$3,000 because of the increased business and financing activities during Q1 2008. The fees comprise accounting, secretarial and general administrative services.
- The Company paid consulting fees of \$40,440 (2006 - \$Nil) 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 \$4,816 higher in Q1 2008 due to transfer agent costs incurred in conjunction with completing three private placements.
- 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 Q1 2008, the bulk of the \$34,981 foreign currency losses relate to losses on cash held in US Dollars during the period from the increasing value of the Canadian Dollar against the US Dollar.
- Professional fees include audit and accounting of \$Nil (2006 - \$Nil) and legal of \$4,601 (2006 - \$1,089). 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 790,000 (Q1 2007 – Nil) stock options in Q1 2008 resulting in compensation expense of \$792,803 (2006 – \$Nil).

#### *Other Items*

- The Company has earned interest income as a result of investing cash on hand in Guaranteed Investment Certificates. The Company earned \$79,128 more in interest income during Q1 2008 as the Company had considerably more cash on hand from private placements.

## **LYNDEN VENTURES LTD.**

Management Discussion and Analysis  
For the Three Months Ended September 30, 2007

---

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

As at September 30, 2007, the Company had working capital of \$11,739,431 compared to working capital of \$2,873,709 as at June 30, 2007. This \$8,865,722 increase in working capital is directly related to \$16,537,483 of equity financing completed during Q1 2008.

Major sources of cash during Q1 2008 were 1) issuance of 24,298,992 common shares for net proceeds of \$16,537,483 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; and 4) interest income of \$95,783.

Major uses of cash during Q1 2008 were 1) \$7,195,651 of exploration, development and land acquisition costs incurred on the Company's oil and gas projects; and 2) approximately \$140,000 of general and administrative expenditures.

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.

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

#### *Subsequent Events*

Subsequent to September 30, 2007, the Company closed the second part of a private placement by issuing 448,100 units for gross proceeds of \$492,910.

### **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.

**LYNDEN VENTURES LTD.**

## Management Discussion and Analysis

For the Three Months Ended September 30, 2007

Fiscal Quarter Ended	Petroleum and Natural Gas Sales	Interest Income	Earnings/ (Loss)	Basic & Diluted Loss/Share
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)	\$ -
March 31, 2006	\$ -	\$ 34,416	\$ 6,021	\$ -
December 31, 2005	\$ -	\$ 11,131	\$ (75,759)	\$ 0.01

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. The Company reported its first sales of petroleum and natural gas from its Paradox Basin Project in the three months ended September 30, 2007. The majority of the loss for the three months ended September 30, 2007 relates to stock-based compensation of \$792,803 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 September 30, 2007 due to closing three private placements and having cash on hand to invest in guaranteed investment certificates.

**Related Party Transactions**

During the three months ended September 30, 2007, administrative fees of \$22,000 (2006 - \$19,000) 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 accounting, secretarial and administrative services to the Company.

During the three months ended September 30, 2007, legal fees of \$20,268 (2006 - \$807) 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, \$4,204 (2006 - \$807) was charged to legal fees and \$16,064 (2006 - \$Nil) was charged to share capital as share issuance costs.

During the three months ended September 30, 2007, consulting fees of \$1,268 (2006 - \$Nil) were paid or accrued to Mr. Bob Bereskin, a director of the Company.

**LYNDEN VENTURES LTD.**

## Management Discussion and Analysis

For the Three Months Ended September 30, 2007

---

**Outstanding Share Data**

As at November 28, 2007, the Company had the following securities issued and outstanding:

	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Common shares	49,797,251	n/a	n/a
Warrants	3,018,227	\$1.25	April 8, 2008
Warrants	6,405,750	\$1.25	July 9, 2009
Warrants	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
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	1,560,000	\$1.00	June 5, 2012
Stock options	790,000	\$1.30	July 22, 2012
Stock options	640,000	\$1.30	October 14, 2012
<b>Fully Diluted</b>	<b>68,838,024</b>		

**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 three months ended September 30, 2007.

**Directors and Officers**

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.

## **LYNDEN VENTURES LTD.**

Management Discussion and Analysis  
For the Three Months Ended September 30, 2007

---

### **Additional Information**

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

### **Disclosure and Internal Controls and Procedures**

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Management is also responsible for the design and implementation of effective internal control over financial reporting to provide reasonable assurance regarding the integrity and reliability of the Company's financial information and the preparation of its financial statements in accordance with Canadian generally accepted accounting principles. Management maintains appropriate information systems, procedures, and controls to ensure the integrity of the financial statements and maintains appropriate information systems, procedures, and controls to ensure that information used internally and disclosed externally is complete and reliable.

Management of the Company, including the Chief Executive Officer and the Chief Financial Officer, do not expect that our disclosure controls and procedures of our internal controls will prevent all error and all 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. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

However, given the nature of the business, management is committed to continuously mitigate any risks and systematically improve operating controls where and when possible in the most cost effective manner.

As at September 30, 2007, management recognized the limitation of segregation of duties due to the size of the organization. Management is mitigating such risks by reviewing its compensatory controls to detect and remediate control deficiencies on an ongoing basis.

Management did not make any changes to the Company's internal control over financial reporting during the three months ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.