

LYNDEN VENTURES LTD.
Management Discussion and Analysis
For the Six Months Ended December 31, 2006

The following discussion and analysis of the results of operations and financial condition (“**MD&A**”) for Lynden Ventures Ltd. (the “**Company**”) should be read in conjunction with the unaudited consolidated financial statements for the six months ended December 31, 2006 and related notes thereto. The financial information in this MD&A is derived from the Company’s unaudited consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles. The effective date of this MD&A is February 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 and exploring petroleum and natural gas rights and properties. The Company has a working interest 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 activities that are being conducted, which may in turn depend on the Company’s recent exploration activities and prospects, as well as general market conditions relating to the availability of funding for exploration-stage 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 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 covers an oil and gas prospect area established by the Company, its working interest partners, and the project operator, a middle tier Texas-based oil and gas company with substantial experience in the area.

At the date of this report the company's Paradox Basin Project lease holdings in the prospect area cover in excess of 98,000 acres. The Company has a 55% working interest and 44% net revenue interest in the Paradox Basin Project. The Company's interest is subject to a back-in after payout of 13.75%, being 25% of 55%.

Significant operations on the Paradox Basin Project to date are the re-entry and initial testing of the first well (March to June 2006, see Company news release dated June 12, 2006) and the re-entry of a second well (July 2006 to present). Recent results from the second re-entry well are described below.

Second re-entry well

On August 30, 2006, the Company reported that a second Paradox Basin Project well had been re-entered. On November 1 and 8, 2006, and on February 5, 2007, the Company reported that numerous zones (shales, carbonates and sands) had been completed in the second re-entry well.

On February 27, 2007, the Company reported that an initial production rate of 1.5 million standard cubic feet of gas per day had been measured on upper zones in the second re-entry well. The test was achieved after the operator drilled out the plugs and rigged up separation equipment to commingle previously completed sand and carbonate zones.

A stabilized production rate was measured in two tests, one on a 1/2" choke and one on a 3/8" choke. Both tests returned a rate of greater than 1.5 MMscfD. It is the operator's interpretation that after these measurements had been completed, additional zones that were likely not contributing to the reported initial production rate began to contribute to production from the well. Additional production tests on these upper zones will be carried out on this well over the coming weeks.

The bridge plug immediately above the upper shale zone was not drilled out and gas production from the shales is not included in the production rate reported above. One of the shales completed in the well produced significant gas during initial flow back of that zone (See news

release dated November 8, 2006). It is believed that shale gas production has the potential to add significantly to the productive capability of the Paradox Basin Project.

The well described above is a re-entry into a well that had been drilled in the mid-1950's as an oil test. Based on records and oral history, the operator encountered gas in a conventional (sand) zone, uphole of where the current completions have been carried out. The re-entry was originally designed to test this sand. The original well had been drilled substantially beyond this sand and the underlying barefoot section had been abandoned with a bridge plug. During re-entry, the operator was able to re-enter the well, remove a damaged legacy string and then run and cement new casing to total depth. As a consequence, lower shales as well as additional sands were accessed for testing.

Based on the successful completions in the second re-entry well, the operator has returned to the first re-entry well, where additional zones are being completed and flowed back.

Reduction in Paradox Basin Project Working Interest

On February 5, 2007, the Company entered into an agreement with a Texas based limited partnership associated with the Paradox Basin Project operator to sell a 25% working interest in the project for USD \$3.25 million. The proceeds from the sale will be used to offset amounts owing to the operator as a result of higher than anticipated costs on the first and second Paradox Basin Project re-entry wells, and to partially fund the Company's share of costs to carry out additional operations on both the first and second re-entry wells and to immediately pursue the leasing of additional acreage within the Paradox Basin Project prospect area.

As a result of the sale, the Company's 80% working interest and 64% net revenue interest has been reduced to a 55% working interest and 44% net revenue interest. The Company's interest remains subject to a back-in after payout of 13.75%, being 25% of 55%.

The Company has also agreed that after completion of operations on the first two re-entry wells, the operator will be able to present the Company with an AFE for a gathering system and a 5 well program. The Company will have 60 days from presentation of the AFE to elect to participate in the program. If an election to proceed is made, the Company will be obligated to prepay the dryhole portion of the AFE and prepay the completion cost of each well upon making an affirmative casing point election. In addition, 90 days after spudding the first well in the 5 well program, the operator will be authorized to submit additional AFEs for up to an additional 5 wells.

Bittern Lake, Alberta

The Company, through its wholly owned subsidiary, Lynden Exploration Ltd., 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.

Results of Operations

The Company reported a loss of \$167,483 (2005 - \$568,708) and a loss per share of \$0.01 (2005 - \$0.05) for the six months ended December 31, 2006.

General and Administrative

Material differences in general and administrative expenses during the six months ended December 31, 2006 (“**Second Quarter 2006**”) compared to the six months ended December 31, 2005 (“**Second Quarter 2005**”) were as follows:

- Administrative fees increased by \$14,000 because of the increased business activity of the Company primarily relating to the Paradox Basin Project. The fees comprise accounting, secretarial and general administrative services.
- Audit and accounting fees increased by \$11,392 as the Company’s expanding operations required more audit work.
- Legal fees decreased by \$23,767 primarily due to the Company’s start up of active business operations in Second Quarter 2005.
- Insurance decreased because the Company’s directors and officers insurance decreased by \$4,500 and the Company did not renew its commercial general liability insurance.
- 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 did not grant any stock options in Second Quarter 2006 (2005 – 950,000) and therefore did not incur any stock-based compensation expense (2005 – \$436,966) during Second Quarter 2006.
- Transfer agent fees were much higher in Second Quarter 2005 because the Company closed two private placements during this period.
- Foreign currency translation relates to the impact of fluctuations in the Canadian/US Dollar exchange rates on US Dollar denominated purchases. The Company recorded a significant charge in Second Quarter 2006 as the value of the Canadian Dollar declined against the US Dollar while the Company was incurring significant US Dollar denominated exploration expenditures.
- The company has earned interest income as a result of investing cash on hand in Guaranteed Investment Certificates.

Financial Condition, Liquidity and Capital Resources

As at December 31, 2006, the Company has a working capital deficit of \$2,333,992 compared to positive working capital of \$1,615,350 as at June 30, 2006. This \$3,949,342 decrease in working capital is directly related to exploration costs and land acquisition costs incurred on the Company’s Paradox Basin Project. Also, the Company has not completed any equity financings since April 2006.

The USD \$3.25 million proceeds from the sale of a 25% working interest in the Paradox Basin

Project (discussed above) will be used to offset amounts owing to the operator, to partially fund the Company's share of costs to carry out additional operations on both the first and second re-entry wells and to immediately pursue the leasing of additional acreage within the Paradox Basin Project prospect area.

Based on the results from the first two re-entry wells the operator is preparing a 10 well program and an associated gathering system to explore and develop the Paradox Basin Project over the next 12 to 15 months. The program will also involve the leasing of additional acreage within the prospect area.

The first phase of the program is expected to include an initial 5 wells, the gathering system for those wells, and the acquisition of additional acreage. Costs have not been finalized; however, it is anticipated that this first phase of the development program will cost approximately USD \$15 million. The Company will be responsible for 55% of the program costs.

In order to fund these activities, and to fund anticipated general and administrative costs, the Company will need to immediately seek additional financing. The scale of operations undertaken on the Paradox Basin Project will be largely dependent on the amount raised by the Company. There are no assurances that the Company will be able to finance on acceptable terms.

The Company does not presently have sufficient funds on hand to fund anticipated general administrative expenses over the next three months and fund its share of the ongoing and proposed operations of the Paradox Basin Project. If the Company does not fund its share of expenditures on its Paradox Basin and Bittern Lake Projects, the Company's interest in all or a portion of those projects will be diluted, or forfeited.

The Company does not anticipate additional significant expenditures on the Bittern Lake Project in the near term except for reimbursing CSRI for the Company's share of a reclamation bond.

The Company has not entered into any off-balance sheet arrangements.

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	Interest Income	Earnings/ (Loss)	Basic & Diluted Loss/Share
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
September 30, 2005	\$ 2,456	\$ (492,949)	\$ 0.06
June 30, 2005	\$ -	\$ (13,809)	\$ -
March 31, 2005	\$ -	\$ (40,035)	\$ 0.01

The quarterly earnings/losses vary considerably mainly due to foreign currency fluctuations and granting of stock options. The Company's general and administrative expenditures generally fluctuate with the level of exploration and/or financing activities that are being undertaken. The loss for the three months ended September 30, 2005 is much larger compared to other quarters primarily due to the issuance of stock options and the commencement of active operations in the oil and gas business. Prior to resuming active operations during the three months ended September 30, 2005, losses per quarter fluctuated mainly due to variances in costs incurred for annual meetings of shareholders and related costs. Interest income has fallen considerably compared to the previous four quarters as the Company is spending its cash on the Paradox Basin Project. The Company's interest income increased considerably during fiscal 2006 due to closing three private placements and having cash on hand to invest in guaranteed investment certificates.

Related Party Transactions

During Second Quarter 2006, administrative fees of \$39,000 (2005 - \$25,000) 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 Second Quarter 2006, legal fees of \$4,907 (2005 - \$54,044) 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, \$4,907 (2005 - \$29,437) was charged to legal fees, \$Nil (2005 - \$24,607) was charged to share capital as share issuance costs.

During Second Quarter 2006, consulting fees of \$Nil (2005 - \$825) were paid or accrued to Mr. John McLennan, a director of the Company. This amount was charged to oil and gas properties.

During Second Quarter 2006, finders' fees of \$Nil (2005 - \$153,250) and \$Nil (2005 - \$22,875) were paid to Richard Andrews and Loring Sagan respectively in connection with private placements. Richard Andrews and Loring Sagan are principals of Pioneer Energy Partners Inc., the general partner of Pioneer Energy Partners LLP, which is the general partner of Pioneer Energy Fund LLP, a limited partnership that owned more than 10% of the Company's common shares.

Outstanding Share Data

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

	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Common shares	23,565,923	n/a	n/a
Warrants	3,022,127	\$1.00/\$1.25	April 3, 2007/April 3, 2008
Warrants	8,363,334	\$1.00	May 25, 2007
Compensation warrants	24,467	\$0.75	April 3, 2007
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	43,000	\$0.75	September 1, 2010
Fully Diluted	35,918,851		

Directors and Officers

Colin Watt	Director, President and CEO
Ron Paton	Director
John McLennan	Director
Laurie Sadler	CFO

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 or by visiting SEDAR at www.sedar.com.

During the period covered by this report there have been no changes in the Company's internal control over financial reporting that is expected to materially affect or is reasonably likely to materially affect the Company's internal control over financial reporting.