

Red Hill Energy Inc.

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Management Discussion and Analysis of Financial
Condition and Results of Operations
For the year ended December 31, 2007

Red Hill Energy Inc.
Period Ended December 31, 2007
Management Discussion and Analysis

The following discussion and analysis, prepared as of April 25, 2008, should be read together with the audited consolidated financial statements for the year ended December 31, 2007 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited financial statements for the years ended December 31, 2006 and 2005, and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR at www.sedar.com and the Company web site at www.redhillenergy.com

Description of Business

At the Annual General Meeting held May 26, 2006, the shareholders of UGL approved a name change to Red Hill Energy Inc. Red Hill Energy Inc. (formerly UGL Enterprises Ltd.) is a development stage public company. The principal business activity of the Company is the acquisition, exploration and development of mineral properties. Since June 1, 2003, the Company has been focusing on the acquisition, exploration and development of properties located in Mongolia. The Company is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol "RH". The Company has a strategic alliance with Mine Info Ltd., a leading Mongolian Exploration company, and has a full time office in the capital city, Ulaan Baatar. All Red Hill work programs are supervised by Mr. Glenn Griesbach, P. Geo. Red Hill Director Mr. Garry Clark, P. Geo is Red Hill's Qualified Person for work in Mongolia and assists in overseeing all operations. Red Hill Director Mr. Mel Klohn, P. Geo has been engaged by Red Hill to provide consulting services regarding the evaluation and advancement of a multitude of Red Hill's Mongolian project's and has acted at times as the Qualified Person as defined by NI 43-101 on several of Red Hill's properties.

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Selected Annual Information

| Year Ended December 31 | 2007 | 2006 | 2005 |
|--|-------------|-------------|-------------|
| Total Revenues (including interest) | \$225,477 | \$372,284 | \$61,730 |
| Loss before discontinued operations and extraordinary items | 3,297,695 | 1,478,971 | 3,734,732 |
| Loss per share before discontinued operations and extraordinary items | 0.08 | 0.05 | 0.15 |
| Net Loss | 3,297,695 | 1,478,971 | 3,734,732 |
| Loss per share | 0.08 | 0.05 | 0.15 |
| Total Assets | 16,143,319 | 9,058,048 | 4,257,028 |
| Cash dividends declared per share | \$0.00 | \$0.00 | \$0.00 |

Summary of Quarterly Results

| Quarter Ended | 2007 | | | | 2006 | | | |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 31-Dec | 30-Sep | 30-Jun | 31-Mar | 31-Dec | 30-Sep | 30-Jun | 31-Mar |
| Total Revenues | \$(65,975) | \$152,778 | \$112,224 | \$29,877 | \$2,680 | \$32,547 | \$321,787 | \$19,578 |
| Net Loss | 1,186,131 | 679,726 | 1,154,582 | 277,256 | 280,850 | 284,700 | 403,162 | 510,259 |
| Loss per share | 0.03 | 0.01 | 0.03 | 0.01 | 0.01 | 0.01 | 0.01 | 0.02 |

Performance Summary for the three months ended December 31, 2007

The Company has earned interest revenue from cash and investments held in banks.

The Company's accounting policy is to record its mineral properties at cost. Exploration and development expenditures relating to mineral properties are deferred until either the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates funds will be invested to finance the growth of its business.

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The Company realized a loss for the three month period ended December 31, 2007, of \$1,186,131 as compared to \$280,850 in 2006. The Company realized a loss per share of \$0.03 as compared to a loss per share of \$0.01 in 2006.

Using the Black-Scholes options pricing model, the calculated stock-based compensation expense was \$516,475 for the period ended as compared to \$36,106 in 2006.

Consulting expenses for the period were \$337,054 as compared to \$118,303 in 2006. Consulting expenses consist of amounts paid to Geology Consultants for matters not directly applicable to any particular project, and amounts paid for the services of the Managing Director of Operations and CFO, Ranjeet Sundher.

Professional fees for the period were \$42,753 as compared to \$28,068 in 2006. The professional fees consist of auditing, legal and accounting services.

Stock exchange and shareholder services expenses for the period were \$(42,362) as compared to \$17,428 in 2006. The decrease during the three months ended was due to the reclassifying of filing fees as cost of financing.

Advertising and promotion expenses for the period were \$170,371 as compared to \$31,062 in 2006. Advertising and promotion expenses include \$42,990 in stock-based compensation as compared to \$Nil in 2006. The Company engaged investor relation services with Fuller Fletcher & Associates Ltd of London England on a month to month basis during the year ended. In consideration for its services, Fuller Fletcher & Associates was paid CDN\$6,000 per month. The Company ended the services with Full Fletcher & Associates Ltd at the end of the year.

The Company has entered into an investor relations services contract with the Richmond Club Corp, effective December 21, 2006. The Richmond Club was paid a monthly fee of \$1,450 and was granted 45,000 stock options, vesting 25% every three months exercisable at \$0.78 per share, expiring January 29, 2010. The term of the investor relations contract with Richmond Club was one year. The Company renewed the contract with the Richmond Club for one year expiring December 2008. The Richmond Club will receive a monthly fee of \$1,450.

The Company has entered into an investor relations services contract with the Mau Capital Management, effective July 12, 2007 for a four month term. Mau Capital was paid a monthly fee of \$2,500 and was granted 50,000 stock options, vesting monthly over 12 months exercisable at \$1.20 per share, expiring July 12, 2012. The Company renewed the contract with Mau Capital for a 12 month period. The Company has granted another option to Mau Capital to purchase 50,000 common shares of the Company at \$0.95 per

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share for a three year period, vesting in equal stages over 12 months. Mau Capital will receive a fee of \$2,500 per month.

Other advertising and promotion expenses consist of the attending various industry trade shows and events and updating the Company web site. The Company also sponsors a children's charity in Mongolia.

Foreign exchange loss for the period was \$197,888 as compared to a gain of \$4,213 in 2006. The exchange loss was the result of the decrease in value of the US dollar during the period.

Office and administration expenses for the period were \$111,937 as compared to \$75,180 in 2006. The office administration expenses include rent and telephone expenses. The increase in office and administrative expenses is due to the increase in rented office space in Mongolia and related administrative activity in Mongolia.

Travel expenses for the period were \$83,694 as compared to \$16,776 in 2006. Travel expenses include flights, accommodation, and auto expenses.

Salary and benefits expenses for the period were \$89,200 as compared to \$94,867 in 2006. The Company has one Director on salary and an employee to assist with public relations and promotion. The Company also employs a number of resident Mongolians to assist with administration, geology, and translation.

Performance Summary for the year ended December 31, 2007

The Company has earned interest revenue from cash and investments held in banks. The Company earned \$222,115 in interest revenue during the year ended as compared to \$74,988 in 2006. The increase in interest is due to the increase in cash invested during the period compared to 2006.

The Company realized a loss for the year ended December 31, 2007, of \$3,297,695 as compared to \$1,478,971 in 2006. The Company realized a loss per share of \$0.08 as compared to a loss per share of \$0.05 in 2006.

Using the Black-Scholes options pricing model, the calculated stock-based compensation expense was \$1,181,050 for the year ended as compared to \$525,606 in 2006.

Consulting expenses for the year were \$667,654 as compared to \$428,388 in 2006. Consulting expenses consist of amounts paid to Geology Consultants for matters not directly applicable to any particular project, and amounts paid for the services of the Managing Director of Operations and CFO, Ranjeet Sundher. Consulting expenses include \$469,955 in stock-based compensation as compared to \$252,030 in 2006.

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Professional fees for the year were \$98,174 as compared to \$70,346 in 2006. The professional fees consist of auditing, legal and accounting services.

Stock exchange and shareholder services expenses for the period were \$35,566 as compared to \$55,159 in 2006. The decrease is due to reclassifying filing fees as cost of financing.

Advertising and promotion expenses for the period were \$480,184 as compared to \$303,803 in 2006. Advertising and promotion expenses include \$160,065 in stock-based compensation as compared to \$Nil in 2006. The Company engaged investor relation services with Fuller Fletcher & Associates Ltd of London England on a month to month basis. In consideration for its services, Fuller Fletcher & Associates was paid CDN\$6,000 per month. The Company ended the services with Full Fletcher & Associates Ltd at the end of the year.

The Company has entered into an investor relations services contract with the Richmond Club Corp, effective December 21, 2006. The Richmond Club was paid a monthly fee of \$1,450 and was granted 45,000 stock options, vesting 25% every three months exercisable at \$0.78 per share, expiring January 29, 2010. The term of the investor relations contract with Richmond Club was one year. The Company renewed the contract with the Richmond Club for one year expiring December 2008. The Richmond Club will receive a monthly fee of \$1,450.

The Company has entered into an investor relations services contract with the Mau Capital Management, effective July 12, 2007 for a four month term. Mau Capital was paid a monthly fee of \$2,500 and was granted 50,000 stock options, vesting monthly over 12 months exercisable at \$1.20 per share, expiring July 12, 2012. The Company renewed the contract with Mau Capital for a 12 month period. The Company has granted another option to Mau Capital to purchase 50,000 common shares of the Company at \$0.95 per share for a three year period, vesting in equal stages over 12 months. Mau Capital will receive a fee of \$2,500 per month.

Other advertising and promotion expenses consist of the attending various industry trade shows and events and updating the Company web site. The Company also sponsors a children's charity in Mongolia.

Office and administration expenses for the year were \$254,375 as compared to \$184,916 in 2006. The office administration expenses include rent and telephone expenses. The increase in office and administrative expenses is due to the increase in rented office space in Mongolia and related administrative activity in Mongolia.

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Travel expenses for the year were \$243,584 as compared to \$168,359 in 2006. Travel expenses include flights, accommodation, and auto expenses.

Salary and benefits expenses for the year were \$260,448 as compared to \$230,507 in 2006. Salary and benefits expenses include \$105,950 in stock-based compensation as compared to \$46,290 in 2006. The Company has one Director on salary and an employee to assist with public relations and promotion. The Company also employs a number of resident Mongolians to assist with administration, geology, and translation.

Mineral Properties
Copper/Gold Projects:

Gold Ram

The Gold Ram project (15,533 hectares) is located in the western Gobi region of Mongolia, 190 km's S/W of the south Gobi's capital city, Dalanzadgad.

Khondloy

The Company acquired a 100% interest in the Khondloy Property consisting of 3 contiguous licenses covering 22,360 hectares located in Bayanhonger Province, Mongolia.

Naranbulag

The Company purchased a 100% interest in the Naranbulag Property covering 1,428 hectares located in Zavkhan Province, about 700km west of Mongolia's capital Ulaan Bataar. The Company agreed to purchase the license from the vendor for US\$26,000 and CDN\$152,000 payable through the issuance of 200,000 shares at a deemed price of \$0.76 per share.

Bayan Undur

The Company acquired a 100% interest in a property known as Bayan Undur. The Bayan Undur property (28,830 hectares) is situated in Bulgan sum of Khovd province which is 1800 km west of Ulaanbaatar. During the year ended December 31, 2006, the Company wrote off its investment in the Bayan Undur property.

Shavar Uul

The Company acquired a 100% interest in a property known as Shavar uul. The Shavar uul property (2,933 hectares) is situated in the northwest side of Edren and Suman Khad Mountains located in the area of Erdene sum of Gobi altai province. The property is located 1250 km west of Ulaanbaatar and 250 km south from the provincial center Altai. During the year ended December 31, 2006, the Company wrote off its investment in the Shavar Uul property.

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Argalant

On October 6, 2005, the Company entered into a letter of intent with Planet Exploration Ltd. ("Planet") which gives Red Hill an option to earn a 60% interest, and a second option to earn an additional 20% interest, in Planet's 100% owned Argalant property.

Under the terms of the agreement Red Hill paid US\$100,000 and will incur an aggregate of US\$1,500,000 of exploration expenditures on Argalant within three years. Red Hill has the option to complete the expenditures within a shorter time period if desired.

Within a six month period of completing the US\$1,500,000 in expenditures Red Hill is entitled to at its discretion pay Planet US\$1,000,000 for an additional 20% interest in the property. If Red Hill does not exercise its second option the two companies will then proceed forward on a 60/40% basis. If Red Hill does exercise its second option the two companies will proceed forward on an 80/20% basis.

Banbury

The Company owns a 100% undivided interest in six patented mineral claims near Hedley, B.C. described as the Banbury Property. The interest is recorded at a nominal value of \$1.

Coal Projects:

Ulan Ovoo

On November 15, 2005, the Company entered into a letter of intent with Ochir LLC that sets out the terms to acquire a 100% interest in the property known as Ulan Ovoo coal project. The Ulan Ovoo property is located in Selenge province, Mongolia. It is held by the vendor under a transferable, 55 year mining licence with a 45 year option for extension granted by the Government of Mongolia. The purchase price for the 100% interest, together with all equipment, buildings and other facilities, assembled and constructed at the property is US\$9,600,000.

The purchase price was originally to be paid as follows:

US\$500,000 within 14 days of the execution of the letter of intent, comprised of a US\$200,000 non-refundable deposit and US\$300,000 secured loan, which will revert to a payment upon completion of a NI 43-101 technical report and receipt of all necessary regulatory approvals;

US\$500,000 on or before March 1, 2006;

US\$500,000 on or before May 1, 2006;

US\$500,000 on or before July 1, 2006;

US\$1,500,000 on or before November 1, 2006; and

US\$6,100,000 on or before November 1, 2007.

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A finder's fee of 75,000 common shares was paid to a third party by the Company in respect of the Ulan Ovoo purchase.

On May 8, 2006, the Company agreed to amend the purchase agreement as follows:

Ochir shall incorporate and register with the relevant Mongolian authorities a Mongolian-Canadian Joint Venture Company ("JVC") in Mongolia and transfer into the JVC the Ulan Ovoo Mining and Exploration Licenses. The initial shareholders of the JVC shall be Ochir 51% and Red Hill 49% of the outstanding equity of the JVC.

In consideration for the transfer of the Licenses to the JVC an accelerated payment of US\$500,000 shall be paid by Red Hill to Ochir within 30 days of the successful transfer of the Licences. The remaining US\$1,000,000 shall remain due on or before November 1, 2006. Within 30 days of the US\$1,000,000 November 1, 2006 payment by Red Hill to Ochir, Ochir shall transfer to Red Hill its 51% interest in the JVC.

The final payment of US\$6,100,000 remains due on or before November 1, 2007.

On September 25, 2006, the Company agreed to amend the purchase agreement again as follows:

On signing the amendment US\$750,000 shall be paid and Ochir shall transfer to Red Hill its 51% interest in the JVC. A payment of US\$750,000 shall be due on or before April 1, 2007. The final payment of US\$5,600,000 shall be due on or before November 1, 2007.

As at December 31, 2007, the Company had made payments totalling US\$9,600,000. On October 30, 2007, the Company made the final payment of US\$5,600,000 completing the acquisition.

Chandgana Tal Project

On March 29, 2006, the Company entered into a letter agreement with Coal Khentiy Ltd. that sets out the terms to acquire a 100% interest in the property known as Chandgana Tal. The Chandgana Tal property, consisting of two licenses, is located in the northeast part of the Nyalga coal basin, approximately 290 km east of Ulan Bataar. Under the terms of the agreement, the Company paid a total of US\$400,000, plus 250,000 common shares. A finder's fee of 50,000 common shares was paid to a third party.

The purchase price was paid as follows:

Within 3 days of the date that this agreement is accepted and approved by the TSX Venture Exchange, the issuance of 250,000 common shares.

US\$50,000 within 21 days of signing the letter agreement;

US\$75,000 on or before July 1, 2006;

US\$275,000 on or before October 1, 2006.

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As at December 31, 2006, the Company had made payments totalling US\$400,000 and 250,000 shares were issued to the Vendor.

Chandgana Khavtgai

On August 7, 2007, the Company entered into a letter agreement the sets out the terms to acquire a 100% interest in the property known as Chandgana Khavtgai. The Chandgana Khavtgai property consists of one license, and is located in the northwest part of the Nyalga coal basin, approximately 290 km east of Ulaan Bataar, 9 km southwest of the Chandgana Tal coal project. Under the terms of the agreement, the Company paid a total of US\$570,000 the purchase price was paid as follows:

US\$280,000 within 7 days of signing the letter agreement.

US\$290,000 on or before the date which is 90 days from the date of signing the letter agreement.

During the period ended December 31, 2007, payments totalling US\$570,000 were made.

Uranium Projects:

Mongolia Uranium Option Agreement

On June 14, 2005, the Company entered into a Letter Agreement with Maple Minerals Corp. (now known as Mega Uranium Ltd. "Mega") for uranium exploration and target generation in Mongolia. The agreement covered the Company's current uranium ground holdings in Mongolia, totaling approximately 339,000 hectares, which were then comprised of 18 granted exploration licenses and an option to earn 100% of two exploration licenses in the Nergui Project. In addition, Mega and Red Hill will cooperate during the term of the agreement in the generation and acquisition of other uranium exploration targets in Mongolia. Red Hill's coal/gold/copper property holdings are not included in this agreement.

Upon completion of the due diligence review by Mega, a definitive formal option agreement was executed. The formal option agreement grants Mega the exclusive option to earn a 50% interest in Red Hill's uranium properties through the expenditure of US\$1.5 million over three years, with a minimum of US\$350,000 expended within the first year. As per the agreement, Mega issued Red Hill 50,000 common shares in its capital within 3 business days of the date that the executed formal agreement was accepted and approved by the TSX Venture Exchange. In addition, Mega was required to issue to Red Hill the equivalent of CDN\$75,000 in its common share capital (determined using the ten day average closing price) within 10 business days of the later of the date upon which Red Hill issues 250,000 common shares for the acquisition of its interest in the Nergui property, and the date that the executed formal agreement is accepted and approved by the TSX Venture Exchange. During the year ended December 31, 2005, the Company decided not to complete the acquisition and wrote-off its investment in the Nergui Property, and the shares were not issued.

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Upon Mega earning a 50% interest, a joint venture will be formed with the parties contributing pro-rata. Mega will also have the option to increase its interest to 60% by expending a further US\$2 million over the subsequent three years.

Included in Red Hill's uranium ground holdings in Mongolia are the following projects:

Naidal Property

The Company acquired a 100% interest in a property known as Naidal Uranium project located in the province Tuv in northeast Mongolia. The Naidal project (39,810 hectares) acquisition cost was US\$5,000 and 100,000 shares at a deemed price of \$0.40 per share. The shares issued were subject to a four-month hold period expiring on April 22, 2005

Baganuran Property

The Company acquired a 100% interest in a property known as Baganaran. The Baganuran property (13,446 hectares) is a Uranium project located in the Darnogovi province of Mongolia. The purchase price for the Baganuran property was US\$30,000.

Maikhan Property

The Company acquired a 100% interest in a property known as Maikhan (referred to as the Ovoot Khuh property on the December 23, 2004 press release). The Maikhan property (2,500 hectares) is a Uranium project and is located in the Khentii and Dornod provinces of Mongolia. The Maikhan property was acquired by payment of US\$40,000. During the year ended December 31, 2007, the Company wrote-off its investment in the Maikhan property.

During the period ended December 31, 2007, Mega completed the expenditure of US\$1.5 million and earned a 50% interest in all the Uranium projects. Mega declined to exercise its option to increase its interest to 60% by expending a further US\$2 million. A joint venture has been formed with the parties contributing 50-50 funding pro-rata going forward.

Subsequent to the year end, on March 4, 2008, a new Joint Venture LLC was incorporated in Mongolia, named Redhill Mega Uranium LLC. The new LLC is owned 50% by Red Hill Energy Inc. and 50% by Mega Uranium Ltd. All of the Uranium licences held by Red Hill in Mongolia will be transferred into the new LLC.

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For the Current Fiscal Year to Date

(a) Schedule of increases in deferred costs:

| Name | Opening Balance | Increase (Decrease) | Write-off | Ending Balance |
|-----------------------------|--------------------|---------------------|--------------------|---------------------|
| Banbury | \$1 | \$0 | \$0 | \$1 |
| Gold Ram | 41,946 | 8,125 | 0 | 50,071 |
| Khondloy | 121,359 | 28,463 | 0 | 149,822 |
| Naranbulag | 209,287 | 1,681 | 0 | 210,968 |
| Chandgana Tal | 828,196 | 442,724 | 0 | 1,270,920 |
| Chandgana Khavtgai | 0 | 1,055,317 | 0 | 1,055,317 |
| Argalant | 322,817 | 3,074 | 0 | 325,891 |
| Ulan Ovoo | 5,366,089 | 6,590,647 | 0 | 11,956,736 |
| Uranium Option Agreement/JV | 191,683 | (48,749) | (129,284) | 13,650 |
| Total | \$7,081,378 | \$8,081,282 | \$(129,284) | \$15,033,376 |

(b) Schedule of exploration and development expenses:

Acquisition costs:

| | Acquisition costs, beginning | Incurred during period | Properties abandoned | Acquisition, end of period |
|-----------------------|------------------------------|------------------------|----------------------|----------------------------|
| Banbury | \$1 | \$0 | \$0 | \$1 |
| Gold Ram | \$11,857 | 0 | 0 | \$11,857 |
| Khondloy | \$33,402 | 0 | 0 | \$33,402 |
| Naranbulag | \$186,396 | 0 | 0 | \$186,396 |
| Chandgana Tal | \$814,334 | 0 | 0 | \$814,334 |
| Chandgana Khavtgai | 0 | 589,053 | 0 | \$589,053 |
| Argalant | \$119,485 | 0 | 0 | \$119,485 |
| Ulan Ovoo | \$4,210,503 | 6,327,234 | 0 | \$10,537,737 |
| Uranium Properties/JV | \$(36,608) | 50,354 | (49,645) | \$(35,899) |
| Total | \$5,339,370 | \$6,966,641 | \$(49,645) | \$12,256,366 |

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(b) Exploration expenses:

| | Gold Ram | Khondloy | Naranbulag | Chandgana Tal | Chandgana Khavtgai | Argalant | Ulan Ovoo | Uranium Properties/JV | Total |
|----------------------------------|----------|-----------|------------|---------------|--------------------|-----------|-------------|-----------------------|-------------|
| Exploration, Beginning of period | \$30,089 | \$87,957 | \$22,891 | \$13,862 | \$0 | \$203,332 | \$1,155,586 | \$228,291 | \$1,742,008 |
| Licences and tax | 6,246 | 28,463 | 1,681 | 4,668 | 221 | 3,074 | 89,788 | 76,014 | 210,155 |
| Transport, Shipping, Other | 1,879 | | | 6,093 | 1,369 | | 3,535 | 1,832 | 14,708 |
| Drilling | | | | 189,725 | 272,923 | | | 486,277 | 948,925 |
| Assays | | | | 59,721 | 19,610 | | 26,816 | 614 | 106,761 |
| Geological Consulting | | | | 102,059 | 94,248 | | 99,496 | 94,229 | 390,032 |
| Other Field Work | | | | 80,458 | 77,893 | | 43,778 | 171,955 | 374,084 |
| Option Exploration funding | | | | | | | | (930,024) | (930,024) |
| Exploration expenses written off | | | | | | | | (79,639) | (79,639) |
| Exploration, End of period | \$38,214 | \$116,420 | \$24,572 | \$456,586 | \$466,264 | \$206,406 | \$1,418,999 | \$49,549 | \$2,777,010 |

Exploration Results

All Red Hill work programs are supervised by Mr. Glenn Griesbach, P.Geo., Mel Klohn, L.P.Geo Director and, Mr. Garry Clark, P.Geo Director all of whom periodically act as Red Hill's Qualified Persons for work in Mongolia as well as assisting and advising with all operations. Mongolian logistical support is provided by MineInfo, a leading Mongolian consulting and exploration group based in Mongolia's capital Ulanbaatar.

Copper/Gold Projects:

Gold Ram Property

Combined results from a previous Mongolian geological survey and a 2003 Red Hill exploration program on the company's Gold Ram property include prospective high-grade gold occurrences of up to 17 g/t within a system of mesothermal quartz carbonate veins in a sheared intrusive, within Nomhon formation sediments. Red Hill is encouraged by the results of the 2003 exploration program and plans to evaluate the results and determine if a further program will be completed in 2008.

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Khondloy Property

Red Hill completed a limited sampling program on the Khondloy property in 2003. This program was comprised of sampling the known occurrences and the discovery of the Darhan Suuj gold occurrence.

The Contact Fault Zone had been previously explored by the Chinese and more recently drilled (11 holes) by the Russians. The zone has been traced for over three kilometers, and sampling by the Company's field crew have returned values up to 0.74 g/t gold, 14.0% copper, 5.28% zinc, and 21 g/t silver. In total 35 rock chip grab samples were taken from outcrop locations and from the ancient workings, with 11 samples returning greater than 0.80% Cu, 12 samples returning greater than 0.10 g/t Au, and nine samples returning greater than 1.0% zinc.

The Intrusive is located to the south of the Fault Contact occurrence. Nine rock chip grab samples were taken and returned copper values up to 0.8%, and gold values up to 0.19 g/t. Copper values ranged from trace to 0.76%, zinc values from trace - 0.01%, lead values from trace - 0.40%, silver values from nil- 62.0 g/t, and gold values from nil - 0.07 g/t.

The Darhan Suuj occurrence is located in the eastern portion of the property. The occurrence comprises quartz and quartz-sulphide veins and veinlets in a diorite intrusive. Results of nine rock chip samples returned copper values ranging from 0.01 - 2.21%, zinc values ranging from trace - 0.02%, lead values ranging from trace - 0.25%, and gold values ranging from nil - 0.15 g/t.

In June and July 2005, detailed mapping was conducted at a scale of 1:2000 along the 1 km strike length of the more-prospective part of the Khondloy copper-gold occurrence, as reported previously. The 2005 work has enabled Red Hill to determine that the mineralization is concentrated in the vicinity of a large-scale open fold axis and at or near the base of marbleized limestone units overlying schistose metasediments and subvolcanics.

Detailed prospecting was performed over the Darkhan Suuj copper-gold occurrence, located several km northeast of the Khondloy occurrence, where it has now been determined that high-grade copper and gold samples taken in 2003 were obtained from small rare blebs of chalcopyrite within quartz veins with almost no possibility of ore potential. Rock exposure is generally excellent. Diorite containing hundreds of isolated quartz veins, pods, lenses, and veinlets is present over an area of several square kilometers surrounding the occurrence. The quartz is obviously of metasomatic origin and, with very rare exception, contains no visible mineralization. The quartz bodies rarely exceed several square metres in over-all surface dimensions and the same probably holds true for the vertical dimension.

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Of the 73 rock chip grab and channel samples that were taken in June from all areas of the property, only 13 returned copper values greater than 0.3% Cu, with the greatest being 0.95% Cu. Sixty-three of the rock samples returned less than 0.1 ppm Au, nine returned less than 0.3 ppm Au and one returned a value of 1.34 ppm Au. All the higher-grade copper and gold samples were taken from existing pits at the most-prospective part of the Khondloy occurrence. Red Hill believes that the copper and gold assay values are, overall, less than those obtained in 2003 due to larger sample sizes taken in 2005.

No new copper or gold occurrences were found anywhere else on the property. Red Hill is currently evaluating the results of the fieldwork and their impact on the exploration potential of the property.

Naranbulag Property

The Naranbulag property covers numerous ancient copper workings and quarries hosted in granites and silicified volcanics. The property has had 3,208 meters of diamond drilling (33 holes) and trenching by Russians (1977 to 1979). Based on this program 9 mineralized zones are indicated with reported grades of 0.20 to 0.50% copper. The width of mineralization varies from 6m to 35m. Red Hill in 2005 completed a sampling and mapping program of the property to assess the copper mineralization and the geological setting. A total of 49 samples were taken with copper values up to 7.02% and gold values up to 0.08 grams per ton.

Bayan Undur

During the year ended December 31, 2006, after careful review, management decided not to proceed further with the Bayan Undur copper/gold property and wrote off its investment in the property.

Shavar Uul

During the year ended December 31, 2006, after careful review, management decided not to proceed further with the Shavar Uul copper/gold property and wrote off its investment in the property.

Argalant Property

Argalant covers 2,090 hectares approximately 900 km due west of Mongolia's capital Ulaan Bataar in the Mongolian province of Zavkhan. From late April to June of 2004 Planet conducted exploration programs on Argalant comprising geological mapping, grab and soil samples, and geophysics (Induced Polarization and ground magnetics). This program was preceded by a smaller Planet reconnaissance program conducted in 2003 where 54 grab samples were taken. The programs were successful in outlining two important high-grade perpendicular striking prospects on Argalant: the Ovoot and the

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Gozgor. Ovoot consists of multiple high grade copper/gold prospects consisting of fractures with malachite-azurite staining in andesite, skarnised gabbro and quartz sulphide veins with significant values of copper and gold. Numerous historical pits are present partially tracing the mineralization. Assay results from surface samples on Ovoot have ranged from 0.77 to 11.0 grams gold per ton and 1.81% to 10.32% copper (Planet Press Release February 12, 2004).

The Gozgor prospect is located about 1000 metres to the northwest of the Ovoot prospect. The Gozgor prospect consists of several structurally controlled, northeast trending, gold and copper-mineralized quartz veins that have been identified in several outcrops over a strike length of at least 1,800 meters. The quartz veins, locally up to 1.5 meters wide, are observed within a number of granite outcrops that are separated by wide swathes of sandy overburden.

A number of grab samples of sulphide-bearing quartz have been collected from the Gozgor quartz veins and have been analyzed for gold. The results of the grab sampling along a 720 metre section returned values of 5.0 to 191.0 grams gold per ton. (Planet Press Release July, 22 2004) These samples are all grab samples and may not accurately reflect the average grade of the quartz vein system.

On November 8, 2005, the Company announced that drilling had commenced on its 2,090 hectare optioned Argalant property. The program was to consist of several diamond drill holes, totaling no less than 1200 metres and was designed to test the property's high-grade Ovoot and Gozgor prospects.

Red Hill's drilling program was to test the down dip extensions of the known high-grade copper and gold showings (up to 10% copper and 191 grams per ton gold) and also test several geochemical and geophysical (mag and IP) anomalies. The first diamond drill hole was collared on November 3 (Hole ARDH-2005-1) to test the area of Chinese pits on the Ovoot copper zone.

Red Hill conducted a 3-hole drilling program at Argalant. More holes had been planned, however difficulties with the drill caused the program to be unexpectedly extended into late October and early November when unusually cold weather forced cessation of the drilling. However, good results were obtained from the limited drilling program. The drilling program targeted the Gozgor high-grade gold quartz vein with one hole and the Ovoot copper zone with two holes. Three holes totaling 1,200 metres were completed before winter conditions froze all the water sources. Diamond drill holes ARDH-2005-01 and 03 targeted the Ovoot copper-rich zone. Hole 2005-01 intersected 0.696 gram gold per tonne and 1.75% copper from 87.70 to 90.40 metres (2.7 metres) and 0.70 gram gold per ton and 0.844% copper from 183.0 to 186.0 metres (3.0 metres). Hole 2005-03

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intersected 0.477% copper from 23.7 to 76.7 metres (53 metres), with 2.259% copper from 51.0 to 55.0 metres. Hole 2005-03 was stopped at 76.7 metres due to freezing of the water sources and ended in anomalous copper mineralization. Hole ARDH-2005-02 targeted the high-grade Gozgor gold showing. The assay results of the drilling included 0.778 gram gold per ton over 1.95 metres.

The geological model for the Argalant mineralization remains somewhat subjective at this stage; however it contains skarn mineralization related to possible porphyry intrusive, with peripheral (tourmaline-bearing) highly auriferous quartz-carbonate veining and stockworks.

Argalant is bordered on all sides by QGX Gold's 5,500 square kilometer licensed area covering most of the geological belt. The geological setting of this area has been interpreted as being analogous to Canada's Abitibi greenstone belt (QGX press release Sept. 7, 2005). QGX's (TSX-V QGX) Golden Hills 3.3 million ounces gold equivalent discovery (see QGX Gold March 8, 2007 press release or www.qgxgold.com for further information) is located approximately 45 kilometers northwest of the Argalant property.

Red Hill drill targets were selected based on geological mapping, rock grab samples (275 samples) and soil (534 samples) sample results, and geophysics (Induced Polarization and ground magnetics). The program was intended to be the first phase of a larger program that may include additional induced Polarization surveys and diamond drilling.

A third prospect is the Tsohiot gossan zone discovered in the extreme southwest part of the property during the last few days of the 2004 program conducted by Planet Exploration. The Tsohiot prospect is about 2000 meters south of the Gozgor Prospect. An IP survey was conducted over the Tsohiot prospect in 2004 but it has not been covered by geochemistry. Red Hill geologists are currently examining this area more closely and Red Hill may decide to drill the target during the next phase of drilling.

Banbury

The Company has no plans for exploration on the Banbury property in 2007.

Uranium Projects:

During the year ended December 31, 2007, Mega provided Red Hill \$930,024 (US\$850,662), for a cumulative total of \$1,832,880 (US\$1,643,682) for the purpose of funding exploration on Red Hill uranium properties. As of December 31, 2007, Red Hill had expended a cumulative total of \$1,875,184 in exploration on the uranium properties since entering the agreement with Mega.

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During the year ended December 31, 2007, Mega completed the earn in requirement of expending US\$1.5 million on uranium exploration in Mongolia. Mega has earned a 50% interest in all of Red Hill's uranium claims. Mega has declined to exercise its option to expend an additional US\$2 million over three years to earn a 60% interest. A joint venture has been formed and all future uranium exploration will be funded on a 50-50 pro-rata basis. Red Hill's net interest in the joint venture as at December 31, 2007, is \$13,650. Mega has pre-funded the joint venture by the amount of \$46,154. A new Joint Venture LLC was incorporated in Mongolia subsequent to year end for the purposes of this joint venture. All the uranium licences will be transferred to the new Joint Venture LLC.

The Company conducted exploration on 5 uranium properties in 2007; Ganga, Emeelt, Ovook Khukh, Elgen, and Naidal. The only drilling carried out in 2007 was diamond drilling on the Emeelt property; 7 holes totaling 1,390 meters were completed.

The Red Hill Mega Uranium Joint Venture holds 9 active uranium licences which cover a total of 112,474 hectares. The 9 licences form 7 properties; 5 properties consist of 1 license each; 2 properties each consist of 2 mineral licenses. Applications for new licenses have also been submitted.

Canadian 43-101 qualified geologist Mr. Glenn S. Griesbach has been appointed Uranium Exploration Program Manager for all Red Hill Mongolian uranium properties.

On December 12, 2005, Red Hill announced the completion of five Russian language reports commissioned by Red Hill on 8 of Red Hill's Mongolian uranium properties, which have been joint ventured with Mega Uranium Ltd. The five reports cover the Jargalan, Elgen, Naidal, Maikhan, Modot Del, Adag Usnii, Shorvog Gol, and Khashaat properties. A sixth report on Baganurat has since been completed. The reports were prepared under the direction of senior Russian uranium geologists, some of whom participated in joint Soviet-Mongolian uranium exploration in Mongolia in the 1980s and 1990s. The reports are extensive and include Russian information pertaining to geography, known uranium occurrences, historical drilling and trenching. The reports also recommend potential drill targets and provide general recommendations for areas for exploration expansion.

NAIDAL PROPERTY

Previous Russian work on the project includes prospecting, mapping, drilling and a radiometric survey. The structural zone controlling the development of the uranium mineralization has been tested over a 1600-meter strike length, with surface trenches on eight cross-sections varying in length from 100-300 meters.

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The property consists of 2 areas, northern and southern. In the northern target area the previous Russian work has identified a mineralized area that is 300 metres (m) in length, with an average thickness of 4.5 m, returning an average grade of 0.073% uranium. Previous work on the southern target area has identified a mineralized area that is 600 m in length and between 0.5 and 5.0 m in thickness with grades from anomalies, up to as high as 0.063% uranium (U). Both the northern and southern mineralized areas are at a maximum depth of 10m.

The Company intends to continue to review the data on this project with the plan to begin further exploration on the property.

MAIKHAN PROPERTY

Uranium was discovered on Maikhan during Russian work programs conducted in the spring/summer of 1976. In addition to sampling and mapping programs, the previous Russian programs on Maikhan included 11,700m of trenching. The programs report the identification of a 5km long uranium zone trending northwest and southeast. The thickness of the zone is believed to be 50-70m, dipping northwest at 70 degrees. Values up to 0.65% uranium (U) have been reported from within this zone.

Results from the Russian trenching program were reported as follows:

Six trenches were dug in this area, four in the southeast section of the above-mentioned zone (trenches 3-6), and two in the western section (trenches 1 and 2), which were dug to the northwest for 650m.

The element distribution in the ore as described in the Russian Maikhan reports is very similar to the Gurvanbulag and Dornod uranium deposits.

Trench 1 intersected a mineralized zone with values of 0.22% uranium (U) over 2m.

Trench 2 intersected a mineralized zone with values of 0.481% uranium (U) over 2m and a grade of 0.65% uranium (U) over 1m. Secondary mineralization (uranophane) was recorded in this trench.

Trench 3 crosses two mineralized zones. The first intersection has values of 0.184% uranium (U) over 2m and 0.321% uranium (U) over 1m. The second intersection recorded values of 0.182% uranium (U) over 2m. The mineralized zones have been described as "vein-like", with coffinite, pitchblende and colloform present. Molybdenum, pyrite, galena, chalcopyrite and sphalerite have also been recorded in the trench.

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Trench 4 encountered 0.063% U over 1m while trench 5 and 6 had values of molybdenum, lead, zinc, arsenic, silver and beryllium.

The host rock is a quartz-feldspar porphyry of Jurassic age, with associated hematite, kaolinite, and argillic alteration. Uranium mineralization in the license is largely controlled by the northwest fault system, occurring in small fractures along the porphyry. Mineralization is generated from hydrothermal processes. Minerals associated with uranium mineralization within the property include: disseminated uranophane; pitchblende; coffinite; kasolite and; pyrite. Other elements occurring include: Mo (up to 0.05%); Pb (up to 0.15%); Zn (up to 0.04%); As (up to 0.08%); Be (up to 0.02%) and; Ag (up to 0.001%). Uranium grades range from 0.063% to 0.65%.

In early 2005 Red Hill conducted a short reconnaissance program on the Maikhan property, consisting predominantly of ground spectrometer coverage. No trenching or drilling was conducted.

On June 6, 2006, exploration work recommenced on Red Hill's Maikhan property. The program of work was designed to follow up on the results of the previous year. It is known that uranium mineralization at Maikhan is associated with at least two prominent fault zones. Early survey indications are that a third such zone lies under a valley which is covered by deep unconsolidated sediments. In 1976 this zone was drilled in one location; however our Russian geologists believe that the 49 meter depth of the deepest hole was not deep enough to test the prospective target zone.

On June 19, 2006, the Company announced a drill program for the Baganaran and Maikhan properties. On November 24, 2006, the Company announced the results of the 1,499 metre diamond drilling program on the Maikhan property. 7 angled holes of 65-73 metre depths were drilled. The downhole gamma logging delineated only narrow intervals of low equivalent uranium grades (maximum 0.04% U₃O₈) associated with fracturing, argillic alteration, and local disseminations and stringers of molybdenite and chalcopyrite.

During the year ended December 31, 2007, the Company wrote-off its investment in the Maikhan property.

BAGANARAN PROPERTY

Uranium was first discovered on the Baganaran property during Russian exploration programs in 1982, which led to additional Russian work programs being conducted on Baganaran in 1987. The exploration programs included geobgical mapping, sampling and 1,878 metres of trenching.

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The Russian exploration programs resulted in a calculated uranium reserve being reported in pounds. The calculation of this reserve predates National Instrument 43-101 reporting standards. Red Hill management believes the supporting data is insufficient to confirm its size or grade. The Russian reports indicate a zone of uranium mineralization located on the Baganaran property approximately 3.5km long and lying 2-3 meters deep. Indicated uranium values were reported highest in the upper Cretaceous-Neogenic sediments.

On June 19, 2006, The Company announced the results from a six week field work program on the Baganaran property. Three areas on the property were explored in detail these areas have been designated Block 1 through 3. The program included mapping, gamma-spectrometer surveys, and resistivity surveys using the vertical electric soundings (VES) method. A reconnaissance magnetic survey was also conducted on Block 3. Results included a number of partly to completely overlapping uranium and thorium anomalies identified. These include one strong, resistivity-defined, structural lineament with a series of three perfectly coincident, elongated uranium anomalies oriented parallel to the lineament. The anomalies along this particular lineament on Block 1 were the prime targets of the planned 4,500 meter rotary air blast (RAB) drilling program that was conducted. Approximately 100 holes were drilled to depths ranging from about 30m to 60m. Most of the holes were drilled at intervals along fence lines that cross a number of structures and roughly coincident uranium-thorium anomalies. Additional drilling was conducted on several other Block 1 uranium anomalies that are proximal to strong structural lineaments. A small amount of RAB drilling, totaling about 1,000 meters, was also planned for Block 3. Three holes were planned to be drilled on each of 3 north-south lines located in the west, center, and east part of the block. The holes were to test for uranium mineralization within Lower Jurassic-Upper Cretaceous sedimentary rocks immediately overlying Paleozoic granites.

On November 24, 2006, the Company announced the results of the 3,001 metres aircore/RC drilling program conducted over the three prospect areas.

On Block 1, shallow vertical drill holes, at 50-200 metre intervals on lines 400-800 metres apart, intersected shallow dipping siltstone horizons with low grade uranium mineralization over 0.13-2.3 metre widths at 5-7 metre depths. Based on downhole gamma logging results, the grade of these mineralized intervals ranges from 0.01% to 0.03% equivalent U₃O₈. In Block 2, which is contiguous to the west of Block 1, three lines of vertical drill holes to 36 metres depth (total 820 metres) intersected thin intervals (0.23-2.24 metres) of low grade uranium mineralization within argillaceous sediments at 7-12.5 metre depth. Downhole gamma logging results indicated average grades in the range 0.016-0.032% equivalent U₃O₈. In Block 3, located in the northern part of the Baganaran property, eight deeper holes of 44-120 metre lengths failed to intersect

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anything of significance within sediments and volcanics of Upper Jurassic- Upper Cretaceous age.

While based at Baganaran, the exploration team conducted a 2 day reconnaissance gamma-spectrometer survey of the Khashaat property located in Dundgovi Province, about 100km west of Baganaran. The work indicated that the previously reported "Ore Body #4" is probably not the only significant uranium mineralized occurrence on the Khashaat property. Ore Body #4 is a fault-related U-P-Mo occurrence located at the NE-SW trending fault contact between Cretaceous sandstones and Proterozoic marbles, granites and gneisses. This fault, which extends for about 500 meters within the property, has been previously investigated by trenching but remains untested by drilling. Visual observations made by one of Red Hill's Russian uranium geologists suggest that significant hydrogene, sandstone-hosted, uranium mineralization similar to that found in the Baganaran property, as well as hydrothermal (Olov type) uranium mineralization, are present in the Khashaat property.

EMEELT PROPERTY

A brief examination of the Emeelt Property was made in June 2006. Red Hill found signs that significant uranium mineralization may be present. These include anomalous uranium in volcanic rocks showing epithermal alteration. The northwest corner of the Emeelt property will be explored in 2007. It is underlain by Jurassic-Cretaceous rhyolite, tuffs and basalts which have been intensely metasomatized. These rocks lie within the northeast trending Ulaan Nur volcano-tectonic structure that is a known uranium host. The Ulaan Nur Uranium deposit is located within this structure about 20 km to the northeast of the property.

On June 28, 2007, the Company announced that 3 important areas of strong uranium anomalies have been discovered from detailed work underway on the Emeelt property. A minimum 1,200 meter diamond drill program was planned for early July 2007 to test each of these 3 promising anomaly clusters, which may represent leakage along faults and fractures of significant uranium accumulations at depth.

The Emeelt property includes 6,082 hectares of uranium-bearing felsic volcanic and crystalline basement terrane located in southeastern Mongolia, about 350 kilometres from Mongolia's capital Ulaanbataar. Detailed surface work, consisting of mapping and gamma-spectrometer and radon surveys, identified strong surface anomalies related to the NE-SW trending Ulaan Nuur Fault zone. This large regional fault zone hosts two historic uranium occurrences discovered 9 to 15 km northeast of the Emeelt property by Russian and Mongolian geologists in 1979. Rocks associated with the fault zone are intensely altered and mineralized with fluorite and pyrite. The work on the Emeelt property identified 3 distinct clusters of uranium anomalies over 30 to 100 hectare sized areas

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apparently localized at or near the intersections of major northwest trending faults with the Ulaan Nuur Fault zone. These areas of fracturing, which are significantly radioactive (3 to 5 times background) and associated with numerous point anomalies of 16 to 21 ppm uranium, may represent leakage of uranium from large accumulations at depth.

Ground magnetic and electrical profiling surveys totaling 36 line-kilometers were completed to examine the 3 uranium anomaly cluster areas prior to initiating a minimum 1,200 metre diamond drill program. The geophysical survey results helped in the targeting of drill hole locations. The drilling started in the second week of July 2007 with at least 6 drill holes planned, each 100 to 300m in depth, planned to examine each area of clustered uranium anomalies. Targets included pebbly sandstone layers interbedded at depth with either impermeable clay layers or volcanic rock units, the objective being to define uranium deposits possibly amenable to low-cost, fast-track In-Situ Leaching (ISL) mining methods.

The drill program was concluded on August 19, 2007. 7 holes were completed for a total of 1,390 meters drilled. No economic grades of uranium mineralization were identified in the boreholes. However, radiogeochemical results point out to the induction of mineralizing solutions into the volcanogenic sequence of the Ulan Nur VTS and crystalline basement. Those can result in the presence of mineralized bodies in the structure (possibly to the north of the current license area).

The Company intends to continue to review the data on this project to determine the future exploration potential.

Coal Projects:

Ulan Ovoo Property

The Ulaan Ovoo project is in the large Jurassic-age Zelter coal basin in northern Mongolia, very close to the Russian border. Detailed work on the Ulaan Ovoo project, performed in 1975 by the Mongolian Ministry of Geology and Energy and in 1993-1997 by Erdenet, a Mongolian state-owned mining and processing company, defined a substantial area of hard coal together with a significant area of additional potential.

The historical data from this work suggested that Ulaan Ovoo had a potentially large coal deposit, with historical estimates of 78 million tonnes inferred coal for the north part of the project area. The south part of the project area, which remains incompletely explored, is speculated to have an exploration target of comparable potential size. The historical resource estimates for the north area are based on a series of core holes drilled at 40m to 500m spacing to depths of 250m or more across an area of several square km.

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The historical work on Ulaan Ovoo includes a total of 66 drill holes, nearly 500 analyzed coal samples, detailed mapping and several engineering and preliminary scoping analyses. The project area is underlain by two main coal seams – with total net coal thickness up to 70m – and five minor layers, all of which are gently folded across the axis of a large syncline. The area is bisected and slightly offset by an east-west fault. Previous exploration work focused on a 3-square km area north of the fault, whereas the coal-bearing strata south of the fault remain poorly explored.

Ulaan Ovoo occurs in an area of moderately subdued topography with a sharply continental climate consisting of hot summers and cold winters. Although rainfall is sparse, historical studies indicate there is sufficient surface and ground water available to support a significant sized mining operation. The nearest railhead is only 120 km away at Shaamar and is accessible year round by unpaved road. The project is 8km by unpaved road to the Russian border.

Mr. Mel Klohn has been engaged by Red Hill to provide consulting services regarding the evaluation and advancement of Ulaan Ovoo and to act as the project's Qualified Person as defined by NI 43-101. Mr. Klohn is a Washington State Licensed Geologist, a member of the Society of Economic Geologists, the Society for Mining, Metallurgy and Exploration and the Canadian Institute of Mining, Metallurgy and Petroleum. Mr. Klohn was appointed to the board of directors on January 31, 2006. Mr. Klohn's experience includes 10 years as an Exploration Vice President or Project Manager for Yamama Gold and 25 years with Exxon. At Exxon, he worked in a variety of positions including Senior Research Specialist, Senior Staff Geologist and Senior Exploration Geologist. His activities at Exxon were directed toward a variety of commodities including coal, petroleum, uranium, gold and polymetallic minerals, and he was responsible for Exxon's last successful coal exploration venture prior to the divestiture of its coal interests in the late-1980s to early-1990s.

On January 17, 2006, Red Hill reported that the final agreement to purchase the Ulaan Ovoo coal project had been signed and that Red Hill had contracted Behre Dolbear & Company (USA), Inc. to complete assessment and modeling of the historical inferred 78 million tonne bituminous coal resource and surrounding area of interest, and include completion of a NI 43-101 compliant Technical Report and the interpretation, collation and digitization of the project's historical drilling (66 holes) and sampling data.

A Behre Dolbear representative visited the site and prepared a resource evaluation consistent with JORC standards and the CIM Definition Standards (adopted on November 23, 2004). Red Hill was forwarded the newly revised Reportable Coal Resource in advance of the completed Behre Dolbear NI 43-101 compliant technical report on February 27, 2006.

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On February 27, 2006, Red Hill announced that it had received confirmation and a significant upgrade to the historical coal resource estimate for its Ulaan Ovoo Coal Project in northern Mongolia. Red Hill announced the completion of the NI 43-101 compliant report on March 20, 2006.

The new estimate in a NI 43-101 compliant report, independently prepared by Behre Dolbear (USA) of Denver, Colorado, upgraded the previously announced historical inferred resource estimate of 78 million tonnes by 75% to a Reportable Coal Resource (measured plus indicated) totaling approximately 136.4 million tonnes. Of the 136.4 million tonne resource estimate, 77 million tonnes represents measured resource and 59.4 million tonnes is indicated. It has an average heating value of 6,990 kcal/kg (12,600 BTU), low ash content and low sulfur content. Previous studies have shown that it has potential to be feedstock for synthetic fuel oil production.

On March 20, 2006, Red Hill announced that it had contracted Behre Dolbear to prepare a Technical Feasibility Study to determine reasonable mining rates, mining methods and other operational details as a prelude to developing an economic year-around mining operation.

A 10-hole drill program (2,500m) commenced in April, 2006 with 5 holes planned to confirm and upgrade the indicated Resources in the north block and 5 holes planned to define additional possible resources in the incompletely explored south block. The two-phase exploration program was conducted by Behre Dolbear & Company (USA).

On May 9, 2006, the Company announced that it had successfully completed its 5-hole Phase 1 core drilling program designed to confirm the Ulaan Ovoo coal deposit. Results of the program to date indicate that the thick, relatively flat-lying coal seams, first identified by a 1970's drilling program, are in some instances substantially thicker than reported in the historical drilling.

The five holes have been completed for 1,110 total meters to confirm the presence of thick, relatively flat-lying coal seams which cross the property. A sixth hole was abandoned and relocated due to recovery problems. Four of these holes were drilled as twins to historical drill holes, and all four holes confirm or increase the thicknesses of coal reported in previous drilling. A fifth hole was drilled in the southeast part of the block where no previous drilling had been done.

Two major coal sequences exist at Ulaan Ovoo, with the upper seam being the thickest and most continuous. Current drilling shows that the upper seam in the area north of a central fault, which bisects the deposit, ranges in thickness from 35.8 to 77.1 meters and averages 57 meters. The drilling additionally shows that the thickness of the lower seam, ranging from 5.1 to 20.6 meters, has been under-reported in the previous drilling.

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As a consequence, it is possible the northern block coal resources could be larger than the Behre Dolbear estimate, which was based solely on historical drilling.

Results of Red Hill's Phase 1 drilling are summarized as follows:

| UGL hole # | Twinned hole # | New interpreted coal thickness (meters) | Old reported coal thickness (meters) | Comments |
|---------------|----------------|--|--------------------------------------|-------------------------|
| 06-001 | 40 | 62.8 | 27.6 | merged seams |
| <i>06-002</i> | <i>24k</i> | <i>Abandoned & relocated as 06-003</i> | | |
| 06-003 | 33 | 42.4 | 19.3 | 4 benches |
| 06-004 | 34 | 60.6 | 51.2 | 2 benches |
| 06-005 | 11 | 77.1 | 75.4 | merged seams |
| 06-006 | none | 56.4 | none | 2 benches, new location |

Core recoveries during the program were excellent, averaging 98 percent. Cores were shipped to the SGS laboratories in Denver for coal-quality analyses.

Phase 2 of the program, which provides for 5 step-out exploration holes south of the central fault, started in mid-May. This Phase 2 program was designed to significantly increase the understanding of the geology of this coal basin to the south, which has been tested by only a single previous drill hole. This hole reported considerable thicknesses of coal in both the upper and lower coal seams. Behre Dolbear reported that there was excellent potential to increase the current resource by additional drilling in the south block.

On June 27, 2006, the Company announced that its recently completed exploration drilling program at its Ulaan Ovoo Coal Deposit in northern Mongolia has increased Measured Coal Resources in the Northern Block of the deposit by 33 percent (17.9 million tonnes) and overall total coal resources by 13 percent.

The new coal resource estimate announced on June 27, 2006, for the Northern Block which incorporates the results of this new drilling are shown below. The revised estimate is contrasted with the previously reported 43-101 estimate:

| | | Previous estimate (million tonnes) | Revised estimate (million tonnes) |
|-------------------------|--------------------------------|---------------------------------------|--------------------------------------|
| Measured Coal Resource | Northern Block | 53.6 | 71.5 |
| | Southern Block | 23.4 | 23.4 |
| | Total Measured Resource | 77.0 | 94.9 |
| Indicated Coal Resource | Southern Block | 59.4 | 59.4 |
| | Total Coal Resource | 136.4 | 154.3 |

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On September 6, 2006, the Company announced the final results from the two-phase 2006 drill program, including the southern block drilling. The results have increased the coal resource estimate announced June 27, 2006, by a further 51.6 million tonnes, to a revised total coal resource of 206.2 million tonnes.

| Revised Tonnage Estimate Incorporating All 2006 Drilling As Well As Pre-Existing Information | |
|---|-----------------------------|
| Total Measured Coal Resource | 174.8 million tonnes |
| Indicated Coal Resource | 31.4 million tonnes |
| Total Coal resource | 206.2 million tonnes |

The assessment of the new drilling results and new resource estimations were done by Behre Dolbear & Company (USA), who also planned and supervised the drilling program. In March, 2006, Behre Dolbear completed a NI 43-101 Technical Report on the Ulaan Ovoo Coal Deposit and recommended a two-phase exploration drilling to confirm and upgrade the known coal resources in the northern half of the coal basin (Phase I), to define additional coal resources in the scarcely explored southern half of the coal basin (Phase II) and to collect samples for new stringent coal quality analyses.

Existing data and analyses from core hole drill samples collected in the 1970s and 1990s indicate that Ulaan Ovoo is a high quality, hard bituminous coal deposit, high in volatiles, low in sulfur and ash, with an average heating value of 6,990 kcal/kg (12,600 BTU). New samples from Red Hill's Phase I and Phase II drilling program, in which recoveries averaged an excellent 98 percent, have been transmitted to SGS Laboratories in Denver, Colorado (USA) for stringent analyses to confirm the quality of the Ulaan Ovoo coal. In addition to proximate an ultimate analysis of the coal core, other analyses of special interest will be to assess the coal's coking/semi-coking qualities that had been indicated in previous studies of Ulaan Ovoo coal.

The Ulaan Ovoo Coal Deposit appears attractive for potential mine development because it consists mainly of a massive, very thick, high-quality, essentially flat-lying complex coal seam. One of the recommendations of the Behre Dolbear 43-101 Technical Report on Ulaan Ovoo was for a detailed Scoping Study to determine the economic viability of this exceptional deposit.

On November 9, 2006, the Company announced the results of the Scoping Study prepared by Behre Dolbear, and determined that a sufficient coal resource exists to warrant economic development of the project from open-pit coal production.

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The initial data source (N1 43-101 qualified Technical Report) for this study was the coal resource model that Behre Dolbear prepared for Red Hill Energy in February 2006. This information has been augmented with results from the 2006 exploration program. All figures are estimates and are quoted in **US dollars**.

Highlights:

| | |
|---|---|
| Production Per Year at full Capacity | 6 million tonnes |
| Mine Life for the purpose of this study | 20 years |
| Coal Deposit for purpose of this study | 111 million tonnes |
| Economically Recoverable Demonstrated Coal Resources | 208.8 million tonnes |
| Mine Life with additional resources | 34-40 years |
| Average point stripping ratio of 3.74 bcm/tn (waste to coal ratio) | |
| Run of Mine Heat Value | 10,000 BTU per pound (5,550 Kilocalories/kilogram (kcal/kg)) |

Financial Analysis 111 million tonnes:

| | |
|--|-------------------------|
| Avg. Capital Investment (20 year mine plan) | \$2.52 per tonne |
| Direct Operating Costs per tonne | \$7.41 |

| | |
|--|----------------------|
| Net Present Value at base case (5% discount rate) | \$225,500,000 |
|--|----------------------|

The current coal resource estimate of 208.8 M tonnes would provide sufficient coal to allow for a 34-year mine life at the production rates estimated for this study. It is anticipated by Behre Dolbear that the coal resources may be extended to the south sufficiently enough to expand the mine life to 40-years. Adjacent coal basins may well extend the production capacity and tonnage beyond 40 years.

Markets for Ulaan Ovoo Coal:

There are five broad opportunities where significant quantities of Ulaan-Ovoo coal may be sold.

- 1) Mongolia;
- 2) Siberia;
- 3) China;
- 4) Korea, Japan, coast of China and Philippines, Taiwan; and
- 5) Mine mouth power plant with transmission to Mongolia, Siberia and/or China

There are three modes of transporting coal from the proposed Ulaan Ovoo mine site to these markets: railroad, truck and on-site power generation & transmission.

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For the purpose of the scoping study a mine mouth power plant that would allow for direct electricity sales to both China and Mongolia was elected by Behre Dolbear as the best way to demonstrate potential economic value of the Ulaan Ovoo deposit. The mine mouth power plant option is a relatively low risk scenario that generates solid profits. The coal price received by Red Hill Energy under this scenario would be up to 60% lower than projected sales prices to Japan, Korea, Taiwan, China, Russia and industrial sales within Mongolia but transportation costs would be virtually eliminated. Behre Dolbear anticipated that these other marketing strategies may have substantially greater profit margins and may prove to be superior avenues to pursue. Further in depth marketing and transportation investigations beyond those outlined in the scoping study are being conducted.

Profitability Estimates (mine mouth power plants)

It is estimated that 6 M tonnes of coal per year with a heating value of 10,000 BTU using standard technology will support the generation of 1,200 megawatts of power. It was assumed that an initial 600 mega watt (MW) generating unit would be brought on line in Year 1 of production and a second 600 MW unit would come on line at the beginning of Year 4.

A 20-year plan as mined strip ratio is estimated to be 3.6 bcm/tn of waste per tonne of coal (3:6:1). The maximum depth of the open pit is 290 meters (m) below the surface.

The assumed coal sales price of \$17.50 per tonne at the mine site would result in the following:

| | | |
|---|---------------------|--------------------------|
| Net Cash Flow | Per tonne \$7.72 | Annual \$46,320,000 - |
| After Tax Positive Net Income ** | Per tonne \$5.82 | Annual \$34,920,000 |

**The after tax positive net income figures take into account the recently enacted Mongolian tax law specific to coal including federal income taxes (\$1.86) local taxes (\$0.08), and estimated royalties (\$0.44) as well as depreciation (\$1.90) totaling \$4.27 per tonne.

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The \$17.50 per tonne coal price at mine site is a Base Case Estimate, The following table shows how changes in the actual sale price would impact the mine's economics:

| Table 19.4 | | | | | |
|--|--------------------------------------|------------------|---|---|--|
| Base Case Economics and Sensitivities | | | | | |
| Sensitivities | | ROR (%\$) | NPV @ 5% Discount Rate (\$M) | NPV @10% Discount Rate (\$M) | Net Income After Tax (\$/tonne) |
| | Price (\$) | | | | |
| 25% | \$21.88 | 23.9% | \$449.6 | \$218.3 | \$9.02 |
| 15% | \$20.13 | 21.4% | \$372.1 | \$172.1 | \$7.74 |
| 10% | \$19.25 | 20.1% | \$333.3 | \$148.8 | \$7.10 |
| Base Case | \$17.50 | 17.4% | \$255.5 | \$102.3 | \$5.82 |
| | | | | | |
| | | | | | |
| | Operating Cost (\$/tonne) | | | | |
| 25% | \$9.26 | 14.1% | \$172.7 | \$52.9 | \$4.43 |
| 15% | \$8.52 | 15.4% | \$205.7 | \$72.6 | \$4.98 |
| 10% | \$8.15 | 16.1% | \$222.3 | \$82.5 | \$5.26 |
| Base Case | \$7.41 | 17.4% | \$255.5 | \$102.3 | \$5.82 |
| | | | | | |
| | | | | | |
| | Capital Cost (\$M) | | | | |
| 25% | \$344.8 | 14.0% | \$211.3 | \$63.7 | \$5.45 |
| 15% | \$318.8 | 15.2% | \$228.9 | \$79.1 | \$5.59 |
| 10% | \$305.8 | 15.9% | \$237.7 | \$86.8 | \$5.67 |
| Base Case | \$279.8 | 17.4% | \$255.5 | \$102.3 | \$5.82 |
| | | | | | |
| | | | | | |
| | Fuel Cost (\$/liter) | | | | |
| 100% | \$1.20 | 12.8% | \$138.6 | \$34.3 | \$3.81 |
| 50% | \$0.90 | 15.2% | \$197.0 | \$68.2 | \$4.31 |
| 25% | \$0.75 | 16.3% | \$226.1 | \$85.2 | \$4.81 |
| Base Case | \$0.60 | 17.4% | \$255.5 | \$102.3 | \$5.82 |

Prior to commissioning a Bankable Feasibility Study, Behre Dolbear recommends taking the following three steps:

- 1) **Further define the most suitable market(s)**
- 2) **Expand resources by initiating exploratory drilling in the adjacent coal basins**
- 3) **Update the mine plan and mine schedule after evaluating new drill results**

The independent Qualified Person responsible for summarizing the technical material presented in this release, and who will also serve as Project Manager for the Study in

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progress is Mr. Gardar G. Dahl, Jr., P.Geo, a Senior Associate of Behre Dolbear. Mr. Dahl is an established coal consultant with more than 35 years experience in coal exploration, mining and sales, both in surface and underground operations. Behre Dolbear is one of the oldest, continually operating minerals industry consulting firms in the world, offering fully integrated management consulting and technical advisory services specializing exclusively in the minerals industries from offices around the world. Behre Dolbear has performed numerous coal assignments globally for major and junior mining companies alike.

On November 15, 2006, the Company announced that it had entered into an agreement with a private Mongolian corporation, to purchase 100% title and interest in 5 mineral licenses including licenses that are contiguous and entirely surrounding the Ulaan Ovoo project. The aggregate purchase price for the licenses was US\$400,000, and a finders fee of 58,500 shares of Red Hill was paid on the acquisition. Under the terms of the agreement the Vendor retains a 2% Net Smelter Return on the 5 newly acquired licenses.

There are five known structural basins in the vicinity of the Ulaan Ovoo coal property, three of which are considered highly prospective for further discoveries of economic coal. Red Hill has planned 2008 exploration programs that include extensive drilling in the structural basins that surround the coal-bearing Ulaan Ovoo basin. The life of the future Ulaan Ovoo coal operation could be greatly increased beyond the currently anticipated 34-40 year mine life should any of these surrounding basins be proven to contain significant coal accumulations. Drilling of the most promising surrounding basins is expected to start in the spring of 2008.

Chandgana Tal Project

On March 29, 2006, the Company entered into a letter agreement with Coal Khentiy Ltd. that sets out the terms to acquire a 100% interest in the property known as Chandgana coal project. The Chandgana property, consisting of two licenses, is located in the northeast part of the Nyalga coal basin, approximately 290 km east of Ulan Bataar. The project is reasonably close to good infrastructure – towns, roads, power lines – and contains a substantial quantity of historically-defined shallow, thick, good quality sub-bituminous coal which Red Hill believed might be amenable to a large-scale, low cost bulk mining operation. The Chandgana property licences, cover a small N/E portion of a large coal extent. The majority of the coal extent is covered by two large licences held by Tethys Mining LLC a subsidiary of CVRD (Companhia Vale Do Rio Doce), of Brazil. The Tethys licences are contiguous to Chandgana Tal. The coal extent has a maximum width of 9.9km E-W and a NE-SW length of 14.5km.

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Chandgana Tal coal was first discovered by Russian surface reconnaissance in 1941 and subsequently explored in detail in 1962-1963. Exploration during this period consisted of digging 116 shafts and drilling 24 holes spaced on a 300-400 metre (m) x 150-400m grid to depths of 29 to 109m. In 1967, a small mine was opened to supply heating coal for local consumption and the mine has operated more-or-less continuously since, producing up to 20,000 tonnes of coal per year. The 1962-1963 Russian detailed exploration campaign defined coal resources, registered with the Mongolian States Reserve Council, using resource categories different from those currently accepted under Canadian National Instrument 43-101 (NI 43-101), but incorporating resource parameters – minimum coal thicknesses and maximum included parting thicknesses – generally consistent with those used today.

The Chandgana Tal coal seams are Early Cretaceous in age and occur in an oval-shaped synclinal sub-basin, approximately 5 km x 7 km in size. Much of this coal-bearing sub-basin has not been explored in detail. It is apparently underlain by at least 5 known coal seams, with most of the coal resource carried by a single shallow thick seam. This seam is from 30 to 50m thick, is essentially flat-lying, and is overlain by no more than 34 m of overburden, a favorable situation for a potential future large-scale open-pit operation having a very low stripping ratio.

Results on core samples (411 total) collected by the Russians suggest that the Chandgana coal is a high volatile subbituminous A or B coal of good quality. The heating values range from 5,277 kcal/kg (9,499 BTU/pound) to 6,182 kcal/kg (11,129 BTU/pound) with an average volatile matter yield of 51.38%. The coal is desirably low in ash (average 11.67%), low in moisture (9.77% to 14.33%) and relatively low in sulphur (average 0.92%).

The Russian drilling was too limited to define the full lateral extent of the Chandgana coal seams and was also too shallow to fully test the 3 coal seams which are known to lie below the thick seam.

To assist with Red Hill's coal exploration activities in the Ulaan Ovvo region and elsewhere in Mongolia, the Company hired an experienced coal geologist, Eric Robeck, who is relocating from Utah, USA, to Red Hill's office in Ulaanbataar, Mongolia. Mr. Robeck holds BSc and MSc degrees in geology from Brigham Young University and is a member of the Geological Society of America. Recently he has prepared complete, multi-seam geologic models and databases for three new underground and surface coal mines in Colorado, Utah and Wyoming, USA. Mr. Robeck managed the 2006 drilling program in Ulaan Ovoo and returned with Red Hill for the 2007 field season.

The 2007 exploration program was planned to define and advance historical Russian resource estimates to NI-43-101 and JORC compliant standards. Exploration was planned

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to define the shallow seam in detail in order to advance the historical resource estimate to NI-43-101 and JORC compliant standards and to explore three other coal seams known to occur at depth beneath the shallow seam. These three seams appear not to have been included in prior tonnage estimates.

In May 2007, the Company commenced drilling at Chandgana Tal. to bring NI 43-101 reporting standards, confirmation of previously reported tonnes and expansion drilling in untested areas. The eight new holes were designed to simultaneously check the quality of historical data and potentially expand the resource to the west and south where no holes had been drilled prior. In addition, comprehensive coal assays were taken from each hole in order to completely characterize the quality and marketability of the resource.

On September 10, 2007, the Company announced that it had confirmed a significant increase to the historical resource estimate for Chandgana Tal.

The new NI 43-101 and JORC compliant technical report being prepared by Behre Dolbear (USA) of Denver, Colorado, confirms a Measured coal resource of 141.3 million tonnes. This represents an increase of 51.3 million tonnes (57%) over the previous (non NI 43-101 compliant) historical reportable resource of 90 million tonnes (Russian resource categories A, B and C1). When combined with the Company's Ulaan Ovoo resource project (174.8 million tonnes Measured, 34.0 million tonnes Indicated), total Red Hill coal in Mongolia increases by 68% to 350.1 million tonnes (316.1 Measured, 34.0 Indicated).

The eight hole drill program in May of this year expanded on historical drill holes and defined additional resources in the western half of the property. Over half of the property had never been explored, and the recent drill holes confirm the continuation of a 35-50 metre coal seam into this area. A total of 44 drill holes were used to delineate the resource. Due to the close proximity of drill holes, the entire resource has been elevated to Measured status.

Coal samples taken during the recent drill program and analyzed by SGS-CSTC Minerals at Tianjin, China indicate that the deposit contains high quality thermal coal; similar in quality to the nearby Baganuur coal mine which supplies 80% of the coal used by Ulaan Baatar's power plants. The coal has an average air-dried calorific value of 4,238 kcal/kg (7,628 BTU/lb). It is also low in ash (12.49%) and low in sulfur (0.68%), making it ideal for thermal power generation. The coal samples also confirm a high quality subbituminous coal that is conducive to coal-to-liquids (conversion to synthetic fuel).

The coal resource is contained almost entirely within a single 35-50 m thick coal seam. The seam is nearly horizontal and remains very near the surface over the entire property. This yields a highly favorable average strip ratio of 0.53:1 (bank cubic metres/tonne), ideal for a low cost surface mining operation. The property contains one reverse fault

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near the outcrop on the north end. This has effectively duplicated the coal seam on both sides of the fault, resulting in two outcrop zones and a lower overall strip ratio in this area.

Chandgana Khavtgai Project

On September 6, 2007, the Company announced that it had entered into an agreement to purchase a 100% interest in, and had already commenced significant exploratory drilling operations on, the 37,000 hectare Chandgana Khavtgai coal exploration property located in the Nyalga Coal Basin in southeast central Mongolia. Red Hill Geologists believe Chandgana Khavtgai may contain a significant sized extension to the Nyalga Coal Basin.

The Chandgana Khavtgai property is located 9 km southwest of Red Hill's Chandgana Tal coal project. Both Chandgana Khavtgai and Chandgana Tal are contiguous to Tethys Mining's Nyalga Coal Basin property, 100% owned Mongolian subsidiary of international mining conglomerate CVRD (Companhia Vale do Rio Doce) of Brazil. CVRD is actively exploring their Nyalga coal licences.

Field exploration on Chandgana Khavtgai has identified several thick coal outcrop zones that appear to indicate the continuation of the same 30-50 metre coal seam observed at Red Hill's Chandgana Tal property. The coal outcrop extends at least 4 km onto the new license area. Red Hill geologists believed that this license had the potential to significantly increase Red Hill's coal resource in this area.

A month long, 7 hole, 1,200 m drilling program was completed on Chandgana Khavtgai in August and September 2007. These 7 holes were widely spaced in order to test the quality and full extent of the coal deposit. In addition, surface trenches were dug to fully define the coal outcrop zone.

On October 25, 2007, the Company announced that it had made a new coal discovery on the Chandgana Khavtgai property. The recently completed drill program has defined a 678.4 million tonne coal resource, with 188.7 million tonnes measured and 489.7 million tonnes indicated. Additionally, another 439.6 million tonnes of inferred coal resource has been outlined.

An independent NI 43-101 Technical Report was prepared on the new Chandgana Khavtgai resource and was filed on Sedar.com required by the TSX. The resources defined in the 43-101 report are in-line with those reported on October 25, 2007.

The 7 hole drill program (1,237 metres) on the property recovered 160 total metres of coal core from 5 holes. Nearly all of the coal is contained within a single 25-60 metre thick coal seam from surface covering an area of approximately 1,800 hectares. The seam

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doubles in thickness with depth, maintaining an average stripping ratio of approximately 2.1:1.

All core samples from Chandgana Khavtgai have been shipped to SGS-CSTC Minerals at Tianjin, China and assays will be made public by the company as they become available. However, the Company anticipates the quality will be generally similar to its nearby Chandgana Tal property which is low in ash, low in sulfur and has a heating value of 7,628 BTU (4,238 kcal/kg). The two properties are likely part of the same large coal extent shared by the CVRD project.

The Chandgana coal deposits are amenable to low cost surface mining operations. In both Chandgana projects, the coal is outcropping, offering easy access to the seams. The Nyalga Coal Basin, which hosts the deposits, is linked by road to Mongolia's capital Ulaanbaatar (300 km to the west) and to the Mongolian Railroad (160 km to the west), providing direct rail access to China to the south and Russia to the north.

Red Hill coal discoveries to date are as follows:

| PROJECT/ BASIN | MEASURED | INDICATED | MEASURED & INDICATED | INFERRED |
|--|---------------|---------------|----------------------------------|--------------------------------|
| ULAAN OVOO / (NORTHERN BASIN) | 174.5 | 34.3 | 208.8 million | 35.9 |
| CHANDGANA TAL (NYALGA BASIN) | 141.3 | (none) | 141.3 million | (none) |
| CHANDGANA* KHAVTGAI (NYALGA BASIN) | 188.7 million | 489.7 million | 678.4 million | 440 million |
| TOTAL | 504.5 | 524.0 | 1,028.5 Million | 475.9 Million |

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Red Hill's coal quality is demonstrated as follows:

| PROJECT | ASH (%) | SULFUR (%) | BTU/lb | Kcal/kg | STRIPPING RATIO (Avg) | SEAM THICKNESS (Avg) |
|--------------------|----------------|----------------|----------------|----------------|---|----------------------|
| ULAAN OVOO | 11.6 | 0.37 | 9,367 | 5,204 | 2.0:1 (1 st 140 million tonnes) | 53.9 metres |
| CHANDGANA TAL | 12.49 | 0.68 | 7,628 | 4,238 | 0.53:1 | 40 metres |
| CHANDGANA KHAVTGAI | Assays pending | Assays pending | Assays pending | Assays pending | 2.1:1 | 45.4 metres |

Upon successful completion of the Chandgana Tal and Chandgana Khavtgai technical reports, Red Hill will begin exploration of its licenses in the structural basins surrounding its 208.8 million tonne Ulaan Ovoo Coal project. Based on exploration done by Red Hill in 2006 the basins on licenses held 100% have the potential for coal deposit discoveries similar in size and quality to the Ulaan Ovoo deposit. The most prospective locations have been targeted for exploration this spring, with approximately five drill holes planned for each location.

Related party transactions

The Company paid accounting fees of \$12,000, rent of \$18,495, and management fees of \$39,000 to a company controlled by the Chairman of the Company.

The Company has paid legal fees of \$552 to a law firm in which a director is the principal, and \$29,445 with a law firm in which an officer is a principal.

The Company entered into the Argalant property letter of intent with a company that has a common director.

Commitment

The Company has renewed an investor relations services contract with the Richmond Club Corp effective December 2007 for one year. The Richmond Club will receive a monthly fee of \$1,450.

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On July 12, 2007, the Company entered into an investor relations services contract with the Mau Capital Management for a four month term. Mau Capital was paid a monthly fee of \$2,500 and was granted 50,000 stock options, vesting monthly over 12 months exercisable at \$1.20 per share, expiring July 12, 2012. The Company renewed the contract with Mau Capital for a 12 month period. The Company has granted another option to Mau Capital to purchase 50,000 common shares of the Company at \$0.95 per share for a three year period, vesting in equal stages over 12 months. Mau Capital will receive a fee of \$2,500 per month.

Other MD&A Requirements

(a) Summary of Securities Issued During the Period:

During the period the following units were issued by private placement:

7,500,000 units, each unit is comprised of one common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional share for a period of two years at a price of \$1.00 per share during the first year of the warrant term and \$1.25 per share during the second year of the warrant term, subject to forced exercise provisions.

2,430,000 units, each unit is comprised of one common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional share for a period of two years at a price of \$1.25 per share during the warrant term subject to forced exercise provisions.

During the period the following warrants were exercised:

652,500 at \$0.60 per share expiring February 4, 2007;

562 at \$0.60 per share expiring March 8, 2007;

633,334 at \$0.75 per share expiring March 31, 2007;

57,576 at \$0.75 per share expiring April 8, 2007;

87,500 at \$1.00 per share expiring April 3, 2009;

During the period the following options were exercised:

30,000 at \$0.48 per share expiring November 24, 2008;

50,000 at \$0.50 per share expiring June 10, 2009;

25,000 at \$0.60 per share expiring March 1, 2010;

25,000 at \$0.45 per share expiring January 31, 2011;

50,000 at \$0.35 per share expiring March 1, 2010;

(b) Summary of Options Granted During the Period:

January 29, 2007, the Company granted 45,000 stock options at \$0.78 per share for a period of five years to consultants.

April 5, 2007, the Company granted 850,000 stock options at \$0.92 per share for a period of five years to directors, employees and consultants.

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July 12, 2007, the Company granted 50,000 stock options at \$1.20 per share for a period of five years to a consultant.

October 30, 2007, the Company granted 520,000 stock options at \$1.18 per share for a period of five years to directors, employees and consultants.

December 24, 2007, the Company granted 50,000 stock options at \$0.95 per share for a period of three years to a consultant.

As at the End of the Period

(a) Share Capital:

- i. Authorized: Unlimited Common Shares without par value.
- ii. Issued and outstanding: 47,459,845 Common Shares.

(b) Summary of Options, Warrants and Convertible Securities:

- Options – 335,000 exercisable at \$0.48 per share expiring November 24, 2008.
- Options – 600,000 exercisable at \$0.50 per share expiring June 10, 2009.
- Options – 300,000 exercisable at \$0.60 per share expiring on March 1, 2010.
- Options – 125,000 exercisable at \$0.35 per share expiring on March 1, 2010.
- Options – 575,000 exercisable at \$0.45 per share expiring on January 31, 2011.
- Options – 100,000 exercisable at \$0.65 per share expiring on February 9, 2011.
- Options – 50,000 exercisable at \$1.20 per share expiring on March 15, 2011.
- Options – 130,000 exercisable at \$1.10 per share expiring on April 3, 2011.
- Options – 45,000 exercisable at \$0.78 per share expiring on January 29, 2010.
- Options – 850,000 exercisable at \$0.92 per share expiring on April 5, 2012.
- Options – 50,000 exercisable at \$1.20 per share expiring on July 12, 2012.
- Options – 520,000 exercisable at \$1.18 per share expiring on October 30, 2012
- Options – 50,000 exercisable at \$0.95 per share expiring on December 24, 2010

Warrants:

- 1,562,500 whole warrants \$1.25 per share until December 12, 2008
- 3,750,000 whole warrants \$1.00 per share until April 3, 2008 and \$1.25 per share until April 3, 2009.
- 1,215,000 whole warrants \$1.25 per share until May 31, 2009.

(c) List of Directors and Officers:

- | | |
|----------------------|---|
| G. Arnold Armstrong, | Director, Chairman & CEO, Vancouver, B.C. |
| Ranjeet Sundher, | Director, President, & CFO, Singapore |
| Carol Brownie, | Director and Secretary, Vancouver, B.C. |
| Lloyd S. Bray, | Director, West Vancouver, B.C. |
| J. Garry Clark, | Director, Thunder Bay, Ontario |
| Paul McKenzie, | Director, Vancouver, B.C. |
| Mel Klohn, | Director, Spokane Valley, Washington, USA |

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Liquidity and Capital Resources

The Company ended the period with \$993,474 (2006 - \$1,804,484) cash and working capital of \$799,736 (2006 - \$1,835,870).

Net cash used in operating activities for the period was \$1,872,973 as compared to net cash used of \$1,152,776 during the period ended 2006.

Net cash used for investing activities for the current period was \$8,109,518 as compared to net cash used of \$4,960,705 during the period ended 2006.

Net cash provided from financing activities for the current period was \$9,033,671 as compared to net cash provided of \$5,339,070 during the period ended 2006.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The CEO and CFO have evaluated the effectiveness of the company's disclosure controls and procedures and assessed the design of the company's internal control over financial reporting as of December 31, 2007, pursuant to the requirements Multilateral Instrument 52-109.

Management has concluded that, as of December 31, 2007, weaknesses existed.

A weakness existed in the design of internal control over financial reporting caused by the absence of a policy requiring documentation of the performance of critical control procedures. This weakness leads to uncertainty as to whether the control procedures are being carried out, such that material misstatements in the financial statements may fail to be prevented or detected. This weakness should also be considered a weakness in the company's disclosure controls and procedures.

A weakness existed in the design of internal control over financial reporting caused by a lack of adequate segregation of duties between (a) the authorization, recording, review and reconciliation of transactions, and (b) the recording of receipts and the reconciliation of bank accounts. This weakness has the potential to result in material misstatements in the company's financial statements, and should also be considered a weakness in its disclosure controls and procedures.

Management has concluded and the board has agreed that, taking into account the present stage of the company's development and the best interests of its shareholders, the company does not have sufficient size and scale to warrant the hiring of additional staff to correct this weakness at this time.

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The Company has designed and implemented changes in the Company's internal control over financial reporting improving the documentation of the performance of critical control procedures and improving the segregation of duties to improve internal control.

No other material changes in the Company's internal control over financial reporting were identified by management during the most recent interim period.

Subsequent Events

On March 4, 2008, a new Joint Venture LLC was incorporated in Mongolia named Redhill Mega Uranium LLC. The new LLC is owned 50% by Red Hill Energy Inc. and 50% by Mega Uranium Ltd. All of the uranium licences owned by Red Hill will be transferred to the new LLC.

Risk factors

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. Other risks facing the Company include competition, reliance on third parties and joint venture partners, environmental and insurance risks, political and environmental instability, statutory and regulatory requirements, fluctuations in mineral prices and foreign currency, share price volatility, title risks and uncertainty of additional financing.

Outlook and Investor Relations

The Company continues to keep the shareholders advised as to the status of exploration and development on all its properties. For more information please visit the Company's website at www.redhillenergy.com.

The Company continues to be logged into the SEDAR electronic filing system for the purpose of reporting on a timely basis. SEDAR can be accessed via the Internet at www.sedar.com.

Forward Looking Statements

Forward-Looking Statements: Statements in this discussion that are forward-looking statements are subject to various risks and uncertainties concerning the specific factors disclosed under the heading "Risk Factors" and elsewhere in the corporations' periodic filings with Canadian Securities Regulators. Such information contained herein represents management's best judgment as of the date hereof based on information currently available. The companies do not assume the obligation to update any forward-looking statement.