Red Hill Energy Inc.

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Management Discussion and Analysis of Financial Condition and Results of Operations
For the period ended June 30, 2008

Red Hill Energy Inc.
Period Ended June 30, 2008
Management Discussion and Analysis

The following discussion and analysis, prepared as of July 31, 2008, should be read together with the unaudited consolidated financial statements for the period ended June 30, 2008 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, 2007 and 2006, 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., 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 Ulaan Baatar.

Red Hill Energy Inc.
Period Ended June 30, 2008
Management Discussion and Analysis

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 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	2008		2007				2006	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Total Revenues	$845	$5,763	$(65,975)	$152,778	$112,224	$29,877	$2,680	$32,547
Net Loss	356,282	394,022	1,186,131	679,726	1,154,582	277,256	280,850	284,700
Loss per share	0.01	0.01	0.03	0.01	0.03	0.01	0.01	0.01

Performance Summary for the three months ended June 30, 2008

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.

The Company realized a loss for the three month period ended June 30, 2008, of $356,282 as compared to $1,154,582 in 2007. The Company realized a loss per share of $0.01 as compared to a loss per share of $0.03 in 2007.

Using the Black-Scholes options pricing model, the calculated stock-based compensation expense was $18,475 for the period ended as compared to $638,750 in 2007.

Consulting expenses for the period were $66,335 as compared to $197,098 in 2007. 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 $22,791 as compared to $24,232 in 2007. The professional fees consist of auditing, legal and accounting services.

Stock exchange and shareholder services expenses for the period were $31,893 as compared to $58,673 in 2007.

Advertising and promotion expenses for the period were $61,763 as compared to $162,213 in 2007. Advertising and promotion expenses include $18,475 in stock-based compensation as compared to $98,225 in 2007.
The Company has entered into an investor relations services contract with the Richmond Club Corp. 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 Company has entered into an investor relations services contract with the Mau Capital Management. Mau Capital was paid a monthly fee of $2,500 and was granted 50,000 stock options, vesting 25% every three 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 granted another option to Mau Capital to purchase 50,000 common shares of the Company at $0.95 per share vesting 25% every three months, expiring December 24, 2010.

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 $1,040 as compared to $251,608 in 2007.

Office and administration expenses for the period were $23,123 as compared to $47,679 in 2007. The office administration expenses include rent and telephone expenses.

Travel expenses for the period were $140,730 as compared to $78,475 in 2007. Travel expenses include flights, accommodation, and auto expenses.

Salary and benefits expenses for the period were $40,866 as compared to $87,262 in 2007. 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 six months ended June 30, 2008

The Company realized a loss for the six month period ended June 30, 2008, of $792,497 as compared to $1,431,838 in 2007. The Company realized a loss per share of $0.02 as compared to a loss per share of $0.04 in 2007.

Using the Black-Scholes options pricing model, the calculated stock-based compensation expense was $42,193 for the period ended as compared to $638,750 in 2007.

Consulting expenses for the period were $120,083 as compared to $260,897 in 2007. 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 $27,205 as compared to $35,026 in 2007. The professional fees consist of auditing, legal and accounting services.

Stock exchange and shareholder services expenses for the period were $46,529 as compared to $74,939 in 2007.

Advertising and promotion expenses for the period were $131,163 as compared to $214,944 in 2007. Advertising and promotion expenses include $42,193 in stock-based compensation as compared to $98,225 in 2007.
The Company has entered into an investor relations services contract with the Richmond Club Corp. 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 Company has entered into an investor relations services contract with the Mau Capital Management. Mau Capital was paid a monthly fee of $2,500 and was granted 50,000 stock options, vesting 25% every three 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 granted another option to Mau Capital to purchase 50,000 common shares of the Company at $0.95 per share vesting 25% every three months, expiring December 24, 2010.

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 $5,585 as compared to $268,925 in 2007.

Office and administration expenses for the period were $74,038 as compared to $100,367 in 2007. The office administration expenses include rent and telephone expenses.

Travel expenses for the period were $166,638 as compared to $120,059 in 2007. Travel expenses include flights, accommodation, and auto expenses.

Salary and benefits expenses for the period were $86,012 as compared to $131,430 in 2007. 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:

<u>Gold Ram</u>
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.

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

<u>Naranbulag</u>
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.

<u>Argalant</u>
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 was 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 was US$9,600,000.

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.

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.

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 that 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, 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.

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

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 have been transferred into the new LLC.

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	50,071	216	0	50,287
Khondloy	149,822	459	0	150,281
Naranbulag	210,968	201	0	211,169
Chandgana Tal	1,270,919	7,773	0	1,278,692
Chandgana Khavtgai	1,055,317	45,594	0	1,100,911
Argalant	325,891	0	0	325,891
Ulan Ovoo	11,956,736	195,966	0	12,152,702
Uranium Joint Venture	13,650	28,417	(115,212)	(73,145)
Total	$15,033,375	$278,626	$(115,212)	$15,196,789

Red Hill Energy Inc.
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(b) Schedule of exploration and development expenses:
Acquisition costs:

	Acquisition costs, beginning	Incurred during period	Properties written-off	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	589,053	0	0	$589,053
Argalant	$119,485	0	0	$119,485
Ulan Ovoo	$10,537,737	0	0	$10,537,737
Uranium Properties/JV	$(86,253)	0	(23,100)	$(109,353)
Total	$12,206,012	$0	$(23,100)	$12,182,912

(b) Exploration expenses:

	Gold Ram	Khondloy	Naranbu lag	Chandgana Tal	Chandgana Khavtgai	Argalant	Ulan Ovoo	Uranium Properties/JV	Total
Exploration, Beginning of period	$38,214	$116,420	$24,572	$456,586	$466,264	$203,332	$1,418,999	$53,749	$2,778,136
Licences and tax	216	459	201	7,549	13,810	3,074	59,334	65,989	150,632
Transport, Shipping, Other				223	37		3,152		3,412
Drilling									
Assays									
Geological Consulting					31,747		133,480		165,227
Other Field Work								695	695
JV Exploration funding obligation								7,887	7,887
Exploration expenses written off								(92,112)	(92,112)
Exploration, End of period	$38,430	$116,879	$24,773	$464,358	$511,858	$206,406	$1,614,965	$36,208	$3,013,877

Red Hill Energy Inc.
Period Ended June 30, 2008
Management Discussion and Analysis

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:

No exploration activity took place during the period ended June 30, 2008 on any of the copper/gold projects. The project property licenses have been maintained. No exploration has been planned as at June 30, 2008 on any of the copper/gold projects.

Uranium Projects:

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, was $13,650. Red Hill's net interest in the joint venture as at March 31, 2008, was $(74,918). Mega has pre-funded the joint venture by the amount of $7,887 (December 31, 2007 - $46,154). A new Joint Venture LLC was incorporated in Mongolia subsequent to year end for the purposes of this joint venture named Redhill Mega Uranium LLC. All the uranium licenses have been transferred to the new Joint Venture LLC as at June 30, 2008.

No exploration activity took place during the period ended June 30, 2008 on any of the uranium projects. During the period ended June 30, 2008, after careful review, management decided not to proceed further with the Naidal property and the Emeelt property and wrote off its investment in these projects.

The Company is preparing an exploration plan and budget for the summer exploration season.

Coal Projects:

Ulan Ovoo Property

The Company is preparing an exploration plan and budget for the summer exploration season. The Company has initiated an independent Pre-Feasibility Study for the Ulan Ovoo project. The Company has engaged Minarco-MineConsult (MMC), based in Sydney, Australia, to prepare a comprehensive pre-feasibility study on the Ulan Ovoo project.

The pre-feasibility study will substantially enhance data generated during a prior scoping study prepared by Behre Dolbear Inc. (USA) and several detailed transportation and economic studies prepared earlier this year by a Mongolian university. It will significantly extend these earlier studies by examining in detail the following key items:

- Geology and Reserves
- Market Analysis
- Mining Engineering
- Transportation and Infrastructure
- Hydrology
- Economic Analysis
- Environment
- Labour and Community Relations

The study will prepare detailed mine plans for each year of operation and will expedite production plans at Ulan Ovoo. The study will be in compliance with NI 43-101 requirements and is anticipated to be final within four months.

There are five known structural basins in the vicinity of the Ulan Ovoo coal property covered by five exploration licenses 100% controlled by Red Hill, three of which are considered highly prospective for further discoveries of economic coal. The life of the future Ulan 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.

Chandgana Tal Project
No exploration activity took place during the period ended June 30, 2008 on this project. The project property licenses have been maintained.

The Company plans to commission a detailed Transportation and Economic Assessment Study for this project.

Chandgana Khavtgai Project
No exploration activity took place during the period ended June 30, 2008 on this project. The project property licenses have been maintained.

The Company plans to commission a detailed Transportation and Economic Assessment Study for this 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 believed Chandgana Khavtgai might contain a significantly sized extension to the Nyalgo 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 identified several thick coal outcrop zones that appeared 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 as 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 doubles in thickness with depth, maintaining an average stripping ratio of approximately 2.1:1.

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 Ulaan Baatar (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
ULAN 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**

Red Hill's coal quality is demonstrated as follows:

PROJECT	ASH (%)	SULFUR (%)	BTU/lb	Kcal/kg	STRIPPING RATIO (Avg)	SEAM THICKNESS (Avg)
ULAAN OVOO (as received)	11.6	0.37	9,367	5,204	2.0:1 (1st 140 million tonnes)	53.9 metres
CHANDGANA TAL (air-dried)	12.49	0.68	7,628	4,238	0.53:1	40 metres
CHANDGANA KHAVTGAI (air-dried)	10.3	0.50	7,800	4,400	1.9:1	38.0 metres

Related party transactions

The Company paid accounting fees of $6,000, rent of $18,330, and management fees of $21,000 to a company controlled by the Chairman of the Company.

The Company has paid legal fees of $18,723 to a law firm in which a director and an officer are principals.

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.

The Company renewed an investor relations services contract with Mau Capital for a 12 month period. Mau Capital will receive a fee of $2,500 per month.

Other MD&A Requirements

(a) Summary of Securities Issued During the Period:
28 common shares issued to Computershare in trust.

During the period the following warrants were exercised:
None.

During the period the following options were exercised:
None.

(b) Summary of Options Granted During the Period:
None.

As at the End of the Period
(a) Share Capital:
i. Authorized: Unlimited Common Shares without par value.
ii. Issued and outstanding: 47,459,873 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 $1.25 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

Liquidity and Capital Resources

The Company ended the period with $1,523,477 (2007 - $9,213,676) cash and working capital of $1,509,199 (2007 - $9,288,123).

Net cash used in operating activities for the period was $762,228 as compared to net cash used of $818,395 during the period ended 2007.

Net cash used for investing activities for the current period was $319,220 as compared to net cash used of $843,966 during the period ended 2007.

Net cash provided from financing activities for the current period was $1,611,451 as compared to net cash provided of $9,071,553 during the period ended 2007.

Subsequent Events

On July 4, 2008, the Company completed a non-brokered private placement. A total of 4,050,000 units were placed at a price of $0.65 per unit generating gross proceeds of $2,632,500. Each unit consists of one common share and one half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share for a period of two years at an exercise price of $0.90 per share. The securities issued under this placement are subject to a hold period expiring on November 5, 2008. Finders fees payable in cash were paid on portions of this placement.

On July 22, 2008, the Company granted 550,000 incentive stock options to various directors, employees and consultants. The options are exercisable at a price of $0.88 per share for a period of five years, subject to regulatory approval.

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.

Red Hill Energy Inc.
Period Ended June 30, 2008
Management Discussion and Analysis

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.

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.

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 Company does not assume the obligation to update any forward-looking statement.