Africa Hydrocarbons

MANAGEMENT'S DISCUSSION AND ANALYSIS
FORM 51-102F1

FOR THE PERIOD ENDED DECEMBER 31, 2014

February 25, 2015

Management's Discussion and Analysis ("MD&A") should be read in conjunction with the interim consolidated financial statements for the period ended December 31, 2014 and the audited consolidated financial statements for the year ended September 30, 2014. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Success in the junior oil and gas sector is measured by a Corporation's ability to raise funds and the ability to secure properties of merit. Not all of these factors are within management's control. The ability to raise funds is in part dependent on the state of the junior resource stock market, which in turn is dependent on the economic climate, oil and gas prices and perceptions as to which way the market is headed. The ability to secure properties of merit is in large part dependent on management's contacts and the vitality of the sector.

1. DESCRIPTION OF BUSINESS

The Corporation is an exploration company engaged in the acquisition and exploration of natural resource properties in North Africa.

The Corporation is a reporting issuer in British Columbia, Alberta and Quebec, and its shares are listed on the TSX Venture Exchange ("TSXV") under the symbol NFK.

BOUHAJLA PERMIT

The Corporation owns a 47.5% working interest in the Bouhajla Permit. The Bouhajla Permit encompasses 416 km^2 (105,000 acres), and is located onshore in the Pelagian Basin of east central Tunisia. The permit area lies immediately west of the Sidi el Kilani oilfield, which has produced to date approximately 48 million barrels of light oil from the Abiod formation, which is the primary reservoir target of the Corporation's initial exploration program on the Bouhajla Permit. At Sidi el Kilani the Abiod reservoir consists of a highly fractured chalk, locally dolomitized with high recovery factors accompanied by high individual well productivity rates. The Sidi El Kilani field, situated 25 kilometers to the east of the Bouhajla Permit, occupies a pop-up structural inversion feature in association with compressional wrench tectonics and is the direct analog to the Bouhajla North prospect. A similar structure to Sidi el Kilani was identified on seismic previously recorded over the Bouhajla North prospect area and on recently acquired 3D seismic data. In addition to the Bouhajla North prospect, two other significant prospects have been mapped in the permit area, Bouhajla Northeast and Bouhajla Southeast.

OPERATIONS- BOUHAJLA PROJECT, TUNISIA

The recompletion operation of the BHN-1 exploration well was completed in October, 2014, and entailed pulling the existing production tubing from the wellbore and re-perforating the Abiod formation using a casing gun and deep penetrating charges, followed by selective acidization of the individual perforation intervals. After review of the results the well was plugged and abandoned.

On January 2, 2015, the Corporation and its partner on the Bouhajla Permit was granted and extension to August 7, 2015, to complete the initial work commitment.

2. SELECTED QUARTERLY INFORMATION

Quarter ended	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014
Net Loss	$(1,405,063)	$(15,880,190)	$(160,259)	$(238,148)
Net Loss per Share	(0.01)	(0.14)	(0.00)	(0.00)
Working Capital	73,164	866,918	1,535,472	1,841,002

Quarter ended	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013
Net Loss	$(119,420)	$(965,967)	$(148,546)	$(168,294)
Net Loss per Share	(0.00)	(0.01)	(0.00)	(0.00)
Working Capital (Deficit)	2,237,049	1,324,676	4,561,762	6,130,145

The above noted financial data should be read in conjunction with the consolidation financial statements for year ended September 30, 2014.

3. RESULTS OF OPERARTIONS FOR THE PERIOD ENDED DECEMBER 31, 2014

GENERAL AND ADMINISTRATIVE

General and administrative expenses for the three month period totaled $81,136 compared with $86,625 for the same period in 2013. The Corporation incurred consulting and management fees of $55,000 (2013 – $60,600), and directors fees of $7,500 (2013 - $Nil). The remaining expenses are composed of general office costs and supplies expense.

NET LOSS

The net loss of $1,405,063 ($0.01 per share) compares to a net loss of $287,882 ($0.00 per share) for the same three month period in 2013. The significant loss in the period is due mainly to the impairment of the exploration and evaluation assets of $699,370 taken as a result of the Corporation's recompletion program ending in a plug and abandon of the BHN-1 well as well as the $591,074 in foreign exchange due to the weakening of the Canadian dollar. A net loss position is expected to continue into the next period.

4. LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2014 the Corporation had a working capital of $73,164 which compares to a working capital of $866,918 as at September 30, 2014. The decrease in working capital is the result of the recompletion program on the Tunisia Project. Additional funds will be required to continue any future development on the Tunisia Project and any other projects reviewed by the Corporation. This funding may come in the form of debt or equity financing.

5. COMMITMENTS AND CONTINGENCIES

In relation to the Corporation's 47.5% working interest in the Tunisia Project, the Corporation and its partner have a remaining work commitment consisting of a minimum of 100 square kilometers of 3D seismic to be completed by April 29, 2015. On January 2, 2015, an extension was granted to August 7, 2015.

Revenu Quebec and the Ministere des Ressources naturelles et de la Faune of Quebec have denied certain exploration expenditures for prior years in the determination of the refundable provincial tax credits and mining duties refund. The Corporation has appealed these reassessments. If the Company is not successful with its objections, the Corporation may potentially have to repay refunds of up to $168,462, which has been recorded in trade and other payables.

6. TRANSACTIONS WITH RELATED PARTIES

Key management personnel are composed of the Corporation's Directors and Officers as set out in its information circular.

For the period ended December 31, 2014 the Corporation incurred consulting fees of $55,000 (2013 – $60,600), rent of $Nil (2013 - $3,600) and directors fees of $7,500 (2013 - $Nil) paid to companies which are controlled by key management of the Corporation, which are included in general and administrative on the interim consolidated statement of comprehensive loss. At December 31, 2014, $35,500 of consulting and directors fees remained outstanding (2013 – $15,330). The Corporation also incurred $11,279 (2013 - $127,227) in stock based compensation for options issued to key management.

For the period ended December 31, 2014 the Corporation incurred legal fees of $3,453 (2013 – $4,392) with a law firm in which the Corporate secretary is a Partner. The legal costs incurred were in the normal course of operations and were based on the exchange value of the service provided. Of the legal services provided, $2,882 (2013 - $3,808) were included in trade and other payables at December 31, 2014.

7. SUBSEQUENT EVENTS

On January 2, 2015, the Corporation and its partner on the Bouhajla Permit was granted and extension to August 7, 2015, to complete the initial work commitment.

8. ACCOUNTING POLICIES

The consolidated financial statements and related MD&A have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets recorded on the date of transition. The consolidated financial statements have been prepared on a going concern basis.

A summary of the Corporations significant accounting policies under IFRS is presented in Note 3 – "Significant accounting policies" in the Corporation's consolidated financial statements for the years ended September 30, 2014 and 2013.

Items included in the financial statements of the Corporation and its subsidiaries are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

9. FUTURE ACCOUNTING POLICES

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2015 or later periods. The standards impacted that are applicable to the Corporation are as follows:

a) IFRS 9, "Financial Instruments" was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for impairment and hedge accounting. In July 2013, the IASB deferred the mandatory effective date of IFRS 9 and has left this date open pending the finalization of the impairment and classification requirement. The Corporation is currently assessing the impact of this standard.

10. CRITICAL ACCOUNTING ESTIMATES

The Corporation has made estimates and assumptions regarding certain assets, liabilities, and expenses in the preparation of the consolidated financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Share-based payments

The Corporation has made various assumptions in estimating the fair values of the common stock options granted including expected volatility, expected exercise behavior and future forfeiture rates. At each period end, options outstanding are re-measured for changes in the fair value of the liability due to forfeitures.

b) Acquisitions

The allocation of the purchase price of acquisitions contains estimates as to the fair market value of the assets acquired and liabilities assumed.

c) Impairment

The determination of impairment on the Corporation's exploration and evaluation assets requires analyzing facts that are considered indicators of impairment. The analysis requires the Corporation to apply significant judgment since the indicators may be mixed. In determining impairment, the Corporation analyzed the internal and external indicators for impairment, including outcome of the drilling and completion programs, costs incurred on individual projects and future forecasts and budgets for the assets.

d) Deferred taxes

Tax interpretations, regulations and legislation are subject to change and as such income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities.

e) Functional currency

The determination of the Corporation's functional currency requires analyzing facts that are considered primary factors, and if the results are not conclusive, secondary factors. The analysis requires the Corporation to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Corporation analyzed both the primary and secondary factors, including the currency of the Corporation's revenues, operating costs, general and administrative costs and financing proceeds in the countries that it operates in.

11. FINANCIAL INSTRUMENTS

As at September 30, 2014, the Corporation's financial instruments are cash and cash equivalents, trade and other receivables, and trade and other payables. The amounts reflected in the balance sheet for these financial instruments approximate their fair values due to the short-term nature and negligible credit losses.

The Corporation does not use derivative instruments or hedges to manage risks because the Corporation's exposure to credit risk, interest rate risk and currency risk is not considered significant.

12. OFF BALANCE SHEET ARRANGMENTS

The Corporation has not engaged in any off-balance sheet arrangements.

13. DISCLOSURE OF OUTSTANDING SHARE DATA

Authorized and Issued Share Capital

Class	Par Value	Authorized	Issued
Common	Nil	Unlimited	114,109,838
Preferred	Nil	Unlimited	Nil

Description of Options, Warrants and Convertible securities outstanding.

Security Type	Number	Exercise Price	Expiry Date
Options	1,800,000	$0.18	July 6, 2015
Options	1,500,000	$0.30	November 14, 2018
Warrants	875,000	$0.30	May 7, 2015

14. RISK FACTORS

Risks and Uncertainties

The Corporation's principal activity of natural resource exploration is considered to be very high risk. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, commodity prices, political and economic, with some of the most significant risks being:

1. Substantial expenditures are required to explore for petroleum and natural gas and mineral reserves and the chances of identifying economical reserves are extremely small;
2. The junior resource market, where the Corporation raises funds, is extremely volatile and there is no guarantee that the Corporation will be able to raise funds as it requires them;
3. Although the Corporation has taken steps to verify title to the resource properties it has an interest in or is earning into, there is no guarantee that the property will not be subject to title disputes or undetected defects;
4. Future operations will be subject to all of the risks normally incident to the operation and development of petroleum and natural gas ("P&NG") properties and the drilling of P&NG wells, which could result in personal injuries, loss of life and damage to property of the Corporation and others. The marketability and price of P&NG that may be acquired or discovered by the Corporation will be affected by numerous factors beyond the control of the Corporation. The Corporation will be subject to market fluctuations in the prices of P&NG, deliverability uncertainties relating to the proximity of its reserves to pipelines and processing facilities and extensive government regulations. The P&NG industry is intensely competitive and the Corporation must compete in all aspects of their operations with a number of other entities that may have greater technical ability and/or financial resources. Title to P&NG interests is often not capable of conclusive determination, without incurring substantial expense;
5. The Corporation's Bouhajla Prospect is located in Tunisia. As such, the Corporation is subject to political, economic, and other uncertainties, including, but not limited to, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerilla activities and insurrections.
6. The Corporation is subject to the laws and regulations relating to environmental matters, including provisions relating to reclamation, discharge of hazardous material and other matters. The Corporation conducts its exploration activities in compliance with applicable environmental protection legislation and is not aware of any existing environmental problems related to its properties that may cause material liability to the Corporation.

Directors and Officers

John Nelson	Director and CEO
Binh Vu	Director
Gordon McKay	Director
David Antony	Director
Charidy Lazorko	CFO

Additional Information

Additional information is available on SEDAR at www.sedar.com.

15. FORWARD LOOKING STATEMENTS AS OF FEBRUARY 25, 2015

Certain statements contained in this Management's Discussion and Analysis may constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this annual Management's Discussion and Analysis should not be unduly relied upon by investors. These statements speak only as of the date of this Management's Discussion and Analysis and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this Management's Discussion and Analysis contains forward-looking statements, pertaining to the following:

- capital expenditure programs;
- treatment under governmental regulatory and taxation regimes; and
- expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions and development.

With respect to forward-looking statements contained in this Management's Discussion and Analysis, the Corporation has made assumptions regarding, among other things:

- the Corporation's ability to obtain additional financing on satisfactory terms.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this management discussion and analysis:

- geological, technical, drilling and processing problems;
- liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; and
- the other factors referred to under "Risk Factors".