FAIRFAX AFRICA
HOLDINGS CORPORATION

1

INTERIM REPORT

For the three months ended
March 31, 2017

Consolidated Balance Sheets
as at March 31, 2017 and December 31, 2016
(unaudited - US$ thousands)

	Notes	**March 31, 2017**	December 31, 2016
Assets			
Cash and cash equivalents		**299,324**	—
Short term investments		**99,770**	—
Bonds		**42,890**	—
Common stock		**77,558**	—
Total cash and investments	6	**519,542**	—
Interest receivable		**448**	—
Other assets		**176**	786
Total assets		**520,166**	786
Liabilities			
Accounts payable and accrued liabilities	6	**24,610**	—
Payable to related parties	11	**397**	860
Income taxes payable	9	**1,149**	—
Total liabilities		**26,156**	860
Equity			
Common shareholders' equity (deficit)		**494,010**	(74)
		520,166	786

See accompanying notes.

Consolidated Statement of Comprehensive Income
for the three months ended *March 31, 2017*
(unaudited - US$ thousands except per share amounts)

	Notes	2017
Income		
Interest income	6	**227**
Net unrealized losses on investments	6	**(334)**
Net foreign exchange gains	6	**2,608**
		2,501
Expenses		
Investment and advisory fees	11	**380**
General and administration expenses	13	**214**
		594
Earnings before income taxes		**1,907**
Provision for income taxes	9	**1,357**
Net earnings and comprehensive income		**550**
Net earnings per share (basic and diluted)	8	**$ 0.02**
Shares outstanding (weighted average - basic and diluted)	8	**24,117,202**

See accompanying notes.

Consolidated Statement of Changes in Equity
for the three months ended March 31, 2017
(unaudited - US$ thousands)

	Subordinate voting shares	Multiple voting shares	Retained earnings	Total common shareholders' equity
Balance as of January 1, 2017		—	(74)	(74)
Net earnings for the period	—	—	550	550
Issuance of shares, net of issuance costs	193,326	300,000	—	493,326
Tax benefit on IPO issuance costs	208	—	—	208
Balance as of March 31, 2017	193,534	300,000	476	494,010

See accompanying notes.

Consolidated Statement of Cash Flow
for the three months *ended March 31, 2017*
(unaudited - US$ thousands)

	Notes	2017
Operating activities		
Net earnings		**550**
Items not affecting cash and cash equivalents		
Net unrealized losses on bonds		**334**
Net foreign exchange (gains)	6	**(2,608)**
Purchases of short term investments classified as FVTPL		**(99,770)**
Purchases of bonds classified as FVTPL		**(21,742)**
Changes in operating assets and liabilities:		
Interest receivable		**(448)**
Income taxes payable	9	**1,149**
Accounts payable and accrued liabilities		**356**
Payable to related parties	11	**(463)**
Other		**836**
Cash used in operating activities		**(121,806)**
Financing activities		
Subordinate voting shares:		
Issuances	7	**204,080**
Issuance costs	7	**(10,104)**
Multiple voting shares:		
Issuances	7	**227,154**
Cash provided by financing activities		**421,130**
Increase in cash and cash equivalents		**299,324**
Cash and cash equivalents - beginning of period		**—**
Cash and cash equivalents - end of period		**299,324**

See accompanying notes.

Index to Notes to Interim Consolidated Financial Statements

1. Business Operations

Fairfax Africa Holdings Corporation (''Fairfax Africa'' or ''the company'') is an investment holding company. Its investment objective is to achieve long term capital appreciation, while preserving capital, by investing, either directly or through one of its wholly-owned subsidiaries, in public and private equities and debt instruments in Africa and African businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa (''African Investments''). The company makes all or substantially all of its investments either directly or through one of its wholly-owned subsidiaries, which currently includes a South African based subsidiary called Fairfax Africa Investments Proprietary Limited (''SA Sub'') and a Mauritius based subsidiary called Fairfax Africa Holdings Investments Limited (''Mauritius Sub'').

In the first quarter of 2017 Fairfax Africa completed its initial public offering ("IPO") and concurrent with private placements followed by the exercise of an over-allotment option by the underwriters raising gross proceeds of approximately $506.2 million (net proceeds of $493.3 million) through the issuance of subordinate voting shares and multiple voting shares. These proceeds included a $75.0 million in-kind contribution of an indirect interest in AFGRI Holdings Proprietary Limited ("AFGRI"). The company's subordinate voting shares commenced trading on February 17, 2017 on the Toronto Stock Exchange ("TSX") under the symbol FAH.U. The multiple voting shares are not listed.

Fairfax Financial Holdings Limited ("Fairfax") created the company and is Fairfax Africa's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is principally engaged in property and casualty insurance and reinsurance and the associated investment management. Fairfax is a Canadian reporting issuer with securities listed on the TSX. Fairfax, through its subsidiaries, owns 30,000,000 multiple voting shares and 2,500,000 subordinate voting shares. At March 31, 2017 Fairfax's multiple and subordinate voting share holdings represented 98.8% of the voting rights and 64.2% of the equity interest in Fairfax Africa.

Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its subsidiaries, responsible to source and advise with respect to all investments.

The company is federally incorporated and domiciled in Ontario, Canada. The principal office is located at 95 Wellington Street West, Suite 800, Toronto, Ontario M5J 2N7.

2. Basis of Presentation

These interim consolidated financial statements for the three months ended March 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34 Interim Financial Reporting. Accordingly, certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB have been omitted or condensed. These interim consolidated financial statements should be read in conjunction with the company's annual consolidated financial statements for the period April 28, 2016 (date of incorporation) to December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

These interim consolidated financial statements were approved for issue by the company's Board of Directors on April 27, 2017.

3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these consolidated financial statements and the methods of computation have been consistently applied to all periods presented unless otherwise stated, and are set out as follows.

Consolidation

Subsidiaries - A subsidiary is an entity over which the company has control. The company controls an entity when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The company has determined that it meets the definition of an investment entity (see note 4) and as such, is required to apply the exception to consolidation and instead account for its investments in subsidiaries at fair value through profit or loss ("FVTPL").

The company has determined that SA Sub and Mauritius Sub should be consolidated as these entities provide services relating to the company's investment activities. All intercompany balances, profits and transactions are eliminated in full.

Investments in associates - An associate is an entity over which the company has significant influence, but not control, over the financial and operating policies. As discussed above, the company has determined that it meets the definition of an investment entity and as such, investments in associates are accounted for at FVTPL.

Foreign currency translation

Functional and presentation currency - The consolidated financial statements are presented in U.S. dollars which is the functional currency of the company and its consolidated subsidiaries.

Although the company will invest in African Investments, which will be denominated in various currencies, its primary financial reporting objective is to measure long term capital appreciation in U.S. dollars. Accordingly, the company presents its consolidated financial statements in U.S. dollars.

Foreign currency transactions - Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net foreign exchange gains (losses) in the consolidated statement of comprehensive income. Income and expenses are translated at the average rate of exchange for the period.

Consolidated statement of cash flows

The company's consolidated statement of cash flows are prepared in accordance with the indirect method, classifying cash flows by operating, investing and financing activities.

Cash and cash equivalents - Cash and cash equivalents consists of cash on hand, demand deposits with banks and other short term highly liquid investments with maturities of three months or less when purchased, and exclude cash and short term highly liquid investments that are restricted. The carrying value of cash and cash equivalents approximates fair value.

Cash and Investments

Cash and investments include cash and cash equivalents, short term investments, bonds and common stocks. Management determines the appropriate classifications of investments at their acquisition date.

Classification - Short term investments, equity instruments and debt instruments are classified as FVTPL.

Recognition and measurement – The company recognizes cash and investments at fair value upon initial recognition. Purchases and sales are recognized on the trade date, which is the date on which the company commits to purchase or sell the investments.

Investments classified as FVTPL are carried at fair value on the consolidated balance sheets with realized gains and losses and unrealized gains and losses recorded in net realized gains (losses) on investments and net unrealized gains (losses) on investments, respectively, in the consolidated statement of comprehensive income and as operating activities in the consolidated statement of cash flows. Interest income earned on investments is included in the consolidated statement of comprehensive income in interest income and as operating activities in the consolidated statement of cash flows.

Transactions pending settlement are reflected on the consolidated balance sheets in other assets or in accounts payable and accrued liabilities. Transaction costs related to investments classified as FVTPL are expensed as incurred. An investment is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the company has transferred substantially all the risks and rewards of ownership.

Short term investments – Short term investments are investments with maturity dates between three months and twelve months when purchased.

Determination of fair value - Fair values for substantially all of the company’s investments are measured using market or income approaches. Considerable judgment may be required in interpreting market data used to develop estimates of fair value. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these consolidated financial statements. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values. The fair values of investments are based on bid prices for financial assets and ask prices for financial liabilities.

The company categorizes its fair value measurements according to a three level hierarchy described below:

Level 1 - Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets.

Level 2 - Inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs.

Level 3 - Inputs include unobservable inputs used in the measurement of financial instruments. Management is required to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these instruments or related observable inputs that can be corroborated at the measurement date.

Transfers between fair value hierarchy categories are considered effective from the beginning of the reporting period in which the transfer is identified.

Valuation techniques used by the company's independent pricing service providers and third party broker-dealers include use of prices from similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants. The company assesses the reasonableness of pricing received from these third party sources by comparing the fair values received to recent transaction prices for similar assets where available, to industry accepted discounted cash flow models (that incorporate estimates of the amount and timing of future cash flows and market observable inputs such as credit spreads and discount rates) and to option pricing models (that incorporate market observable inputs including the quoted price, volatility and dividend yield of the underlying security and the risk free rate).

All other financial assets and liabilities, primarily comprised of interest receivable, income taxes refundable (payable), other assets, accounts payable and accrued liabilities, and payable to related parties, are measured at amortized cost which approximates fair value. Under the amortized cost method, financial assets and liabilities reflect the amount required to be received or paid and discounted when appropriate, at the contract's effective interest rate.

Net realized and unrealized gains (losses) on investments

Net realized gains (losses) arising on the disposition of investments and net unrealized gains (losses) arising on the re-measurement of investments at fair value are included in net realized gains (losses) on investments and net unrealized gains (losses) on investments in the consolidated statement of comprehensive income, respectively.

Interest and dividend income

Interest income is recognized on an accrual basis using the effective interest method and includes bank interest and interest from investments in debt instruments. Interest receivable is shown separately on the consolidated balance sheets based on the debt instruments' stated rates of interest. Dividends from equity investments are recognized when the company's right to receive payment is established.

Income taxes

The provision for income taxes for the period comprises current and deferred income tax. Income taxes are recognized in the consolidated statement of comprehensive income, except to the extent that they relate to items recognized directly in equity. In those cases, the related taxes are also recognized directly in equity.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and its associates operate and generate taxable income.

Deferred income tax is calculated under the liability method whereby deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases at the current substantively enacted tax rates.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Carry forwards of unused losses or unused tax credits are tax effected and recognized as deferred tax assets when it is probable that future taxable profits will be available against which these losses or tax credits can be utilized.

Deferred income tax is not recognized for withholding tax and other taxes that may be payable on unremitted earnings for those African Investments that would otherwise be considered a subsidiary or an investment in associate if not for the application of investment entity accounting, where the company has determined it is not probable those earnings will be repatriated in the foreseeable future.

Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and there is a legally enforceable right of offset.

Other assets

Other assets primarily consist of pending settlement of sales of investments and prepaid expenses.

Contingencies and commitments

A provision is recognized for a contingent liability, commitment or financial guarantee when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted when the effect of the time value of money is considered significant.

Equity

Common stock issued by the company is classified as equity when there is no contractual obligation to transfer cash or other financial assets to the holder of the shares. Incremental costs directly attributable to the issue or repurchase for cancellation of equity instruments are recognized in equity, net of tax.

Treasury shares are equity instruments reacquired by the company which have not been canceled and are deducted from equity on the consolidated balance sheets, regardless of the objective of the transaction. The company acquires its own subordinate voting shares on the open market for share-based payment awards. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of treasury shares. Consideration paid or received is recognized directly in equity.

Dividends and other distributions to holders of the company’s equity instruments are recognized directly in equity.

Net earnings (loss) per share

Basic net earnings (loss) per share is calculated by dividing the net earnings (loss) by the weighted average number of subordinate and multiple voting shares issued and outstanding during the period, excluding subordinate voting shares purchased by the company and held as treasury shares. Diluted net earnings (loss) per share is calculated using the weighted average number of subordinate and multiple voting shares that would have been outstanding during the period had all potential subordinate and multiple voting shares been issued at the beginning of the period, or when other potential dilutive instruments were granted or issued, if later.

New accounting pronouncements adopted in 2017

The company adopted the following amendments, effective January 1, 2017. These changes were adopted in accordance with the applicable transitional provisions of each amendment, and did not have a significant impact on the consolidated financial statements.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

In January 2016 the IASB issued amendments to IAS 12 *Income Taxes* to clarify the requirements on recognition of deferred tax assets for unrealized losses.

Disclosure Initiative (Amendments to IAS 7)

In January 2016 the IASB issued amendments to IAS 7 *Statement of Cash Flows* that require additional disclosures around changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

New accounting pronouncements issued but not yet effective

The following new standards have been issued by the IASB and were not yet effective for the fiscal year beginning January 1, 2017. The company is currently evaluating their impact on its consolidated financial statements and does not expect to adopt any of them in advance of their respective effective dates.

Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

In December 2016 the IASB issued an interpretation by the IFRS Interpretations Committee to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018, with a choice of prospective or retrospective application.

IFRS 9 Financial Instruments ("IFRS 9")

In July 2014 the IASB issued the complete version of IFRS 9 which supersedes the 2010 version of IFRS 9 currently applied by the company. This complete version is effective for annual periods beginning on or after January 1, 2018, with retrospective application, and includes: requirements for the classification and measurement of financial assets and liabilities; an expected credit loss model that replaces the existing incurred loss impairment model; and new hedge accounting guidance.

4. Critical Accounting Estimates and Judgments

In the preparation of the company's consolidated financial statements, management has made a number of critical accounting estimates and judgments. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Where estimates were made, the reported amounts of assets, liabilities, income and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future earnings were known at the time the consolidated financial statements were prepared.

Determination of investment entity status

An entity that meets the IFRS 10 Consolidated Financial Statements ("IFRS 10") definition of an investment entity is required to measure its investments in subsidiaries at FVTPL rather than consolidate them (other than those subsidiaries that provide services to the company).

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. The company has concluded that it meets the definition of an investment entity due to its strategic objective of investing in African Investments and providing investment management services to investors for the purpose of generating returns in the form of long term capital appreciation. The company has also determined that SA Sub and Mauritius Sub provide investment related services to the company and should be consolidated.

The company may from time to time seek to realize on any of its African Investments. The circumstances under which the company may sell some or all of its investments include: (i) where the company believes that the African Investments are fully valued or that the original investment thesis has played out; or, (ii) where the company has identified other investment opportunities which it believes present more attractive risk-adjusted return opportunities and additional capital is needed to make such alternative investments.

The company may exit its private investments either through initial public offerings or private sales. For publicly traded investments, exit strategies may include selling the investments through private placements or in public markets.

Valuation of private investments
The valuation of the company's private investments are assessed at the end of each reporting period.

For each private investment completed during the reporting period, the transaction price is generally considered to be representative of fair value, subject to the background of the investment, changes in market conditions and factors specific to the investee. The company monitors various factors impacting the businesses of its investees and believes the transaction price of a private investment may no longer be an appropriate estimate of fair value upon occurrence of certain events such as: significant variances from budgeted earnings; changes to the market sector; changes to the regulatory environment; movements in interest rates, foreign exchange rates and other market variables; and, the passage of time.

Estimates and judgments for private investments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company utilizes Fairfax's valuation personnel to assist with the valuation of its investment portfolio. Detailed valuations are performed for those financial instruments that are priced internally, while external pricing received from independent pricing service providers and third party broker-dealers are evaluated by the company for reasonableness. The company does not use independent valuation experts to determine the fair value of its investments. The company’s Chief Financial Officer oversees the valuation function and regularly reviews valuation processes and results, including at each quarterly reporting period. Significant valuation matters, particularly those requiring extensive judgment, are communicated to the company’s Audit Committee.

Notwithstanding the rigour of the company's valuation processes, the valuation of private investments inherently has estimation uncertainty and different assumptions could lead to significantly different fair values. Refer to note 5 for disclosure on the valuation of AFGRI, a private company.

Income taxes
The company is subject to income taxes in Canada, Mauritius and South Africa, and the company’s determination of its tax liability or receivable is subject to review by those applicable tax authorities. The company has made a critical judgment that it is able to control the timing of the repatriation of certain African Investments' unremitted earnings disclosed in note 9 and has no plans to repatriate these earnings in the foreseeable future. As a consequence no tax has been recorded in these consolidated financial statements on unremitted earnings. While the company believes its tax positions to be reasonable, where the company’s interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for (recovery of) income taxes may be adjusted in future periods to reflect actual experience. The company has tax specialist personnel responsible for assessing the income tax consequences of planned transactions and events, and undertaking the appropriate tax planning.

Realization of deferred income tax assets is dependent upon the generation of taxable income in those jurisdictions where the relevant tax losses and temporary differences exist. Tax legislation of each jurisdiction in which the company operates is interpreted to determine the provision for income taxes and expected timing of the reversal of deferred income tax assets and liabilities. The company has made a critical judgment that certain deferred taxes disclosed in note 9 should not be recorded as an asset because it is not presently likely that they will be realized.

5. African Investments

Investment in AFGRI Holdings Proprietary Limited

Agrigroupe Investments LP ("Agrigroupe LP") is a partnership formed to hold an investment in Joseph Investment Holdings (“Joseph Holdings”). Joseph Holdings is an investment holding company formed to hold an investment in AFGRI. Agrigroupe LP and Joseph Holdings have no other assets, liabilities (contingent or otherwise) or operations, except minimal overhead expenses associated with their administration. AFGRI is a leading agricultural services and food processing company with a core focus on grain commodities based in South Africa. It provides services across the entire grain production and storage cycle, offering financial support and solutions as well as inputs and hi-tech equipment through the John Deere brand supported by a large retail footprint. AFGRI is involved in the manufacture of animal feeds, the processing of yellow maize and wheat and the extraction of oil and other raw materials into edible oils, fats and proteins for human consumption (primarily for the food processing and quick-service restaurant industries).

On February 17, 2017, the company purchased from Agrigroupe LP the share capital of Joseph Holdings (the "Joseph Holdings Purchase Agreement"), comprised of 156,055,775 ordinary shares and 49,942,549 class A shares for $25.1 million and $49.9 million respectively. The shares purchased represented 70.3% and 73.3% of the ordinary and class A shares of Joseph Holdings, respectively. As consideration for the purchase, the company issued 7,284,606 multiple voting shares at $10.00 per multiple voting share in exchange for Fairfax’s beneficial ownership interest in Joseph Holdings and 212,189 subordinate voting shares at $9.50 per subordinate voting share (being $10.00 less a private placement fee of $0.50 per subordinate voting share) for the remaining interest in Joseph Holdings. Through its interest in Joseph Holdings, the company is the largest beneficial shareholder of AFGRI with a 42.2% indirect interest.

The purchase price paid by the company to acquire the indirect interest in AFGRI was negotiated between the company and the general partner of AgriGroupe LP. The process for determining the price included a discounted cash flow analysis of Joseph Holdings' underlying investment in AFGRI based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 11.3% to 18.2%, and a long term growth rate of 3.0%. Free cash flow projections were based on EBITDA and working capital projections for AFGRI's principal business units that had been prepared by AFGRI management.

At March 31, 2017 the company estimated fair value of the indirect investment in AFGRI using a discounted risk adjusted cash flow analysis of AFGRI's business units multi-year free cash flow projections with assumed after-tax discount rates ranging from 11.6% to 18.2% and a long term growth rate of 3.0%. Free cash flow projections were based on EBITDA projections from financial information for AFGRI's business units that had been prepared in the first quarter of 2017 by AFGRI's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which AFGRI operates. At March 31, 2017, the company's estimated fair value of the indirect investment in AFGRI is $77,558, which includes a net foreign exchange gain of $2,590 recorded in the consolidated statement of comprehensive income.

6. Cash and Investments

Fair Value Disclosures

The company's use of quoted market prices (Level 1), valuation models using observable market information as inputs (Level 2) and valuation models without observable market information as inputs (Level 3) in the valuation of securities by type of issuer was as follows:

	March 31, 2017			
	Quoted prices (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value of assets**
Cash and cash equivalents[(1)]	**299,324**	—	—	**299,324**
Short term investments - U.S. treasury bills[(2)]	**99,770**	—	—	**99,770**
Bonds - Government of South Africa[(3)]	—	**42,890**	—	**42,890**
Common stocks - indirect investment in AFGRI	—	—	**77,558**	**77,558**
Total cash and investments	**399,094**	**42,890**	**77,558**	**519,542**
	76.8%	**8.3%**	**14.9%**	**100.0%**

(1) Included U.S. treasury bills with maturity date of less than three months of $249.8 million at March 31, 2017.

(2) Short term U.S. treasury bills have a maturity date of July 20 2017.

(3) The Government of South Africa bonds are denominated in U.S. dollars. The bonds are priced based on information provided by independent pricing service providers. At March 31, 2017 an amount of $21.5 million relating to purchase of Government of South Africa bonds pending settlement was included on the consolidated balance sheets as a component of accounts payable and accrued liabilities.

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During the three months ended March 31, 2017 there were no transfers of financial instruments between Level 1 and Level 2 and there were no transfers of financial instruments in or out of Level 3 as a result of changes in the observability of valuation inputs.

A summary of changes in the fair value of Level 3 investment for the three months ended March 31, 2017 was as follows:

	Common stock [(1)]
Balance as of January 1, 2017	—
Purchases	**74,968**
Net foreign exchange gains included in the consolidated statement of comprehensive income	**2,590**
Balance as of March 31, 2017	**77,558**

(1) Indirect investment in AFGRI.

The table that follows illustrates the potential impact on net earnings of various combinations of changes in unobservable inputs in the company's internal valuation models for the level 3 investments at March 31, 2017. The analysis assumes variations within a reasonably possible range determined by the company based on analysis of the return on various equity indexes, management's knowledge of the applicable equity markets and the potential impact of changes in interest rates.

African Investment	Fair Value of Investment	Valuation Technique	Significant unobservable Inputs	Significant unobservable inputs used in the internal valuation models	Hypothetical $ change effect on fair value measurement	Hypothetical $ change effect on net earnings
Indirect Investment in AFGRI[(1)]	77,558	Discounted Cash Flow	After-tax discount rate	11.6% to 18.2%	12,356 / (11,274)	9,082 / (8,286)
			Long term growth rate	3%	4,289 / (4,187)	3,152 / (3,077)

(1) The impact on the internal valuation models from changes in significant unobservable inputs deemed to be subject to the most judgment and estimates disclosed in the above table shows the hypothetical increase (decrease) on net earnings. Changes in the after-tax discount rates and long term growth rates, each in isolation, would hypothetically change the fair value of indirect investment in AFGRI as noted in the table above. Generally, an increase (decrease) in long term growth rates or decrease (increase) in after-tax discount rates would result in a higher (lower) fair value of indirect investment in AFGRI.

Fixed Income Maturity Profile

Bonds are summarized by their earliest contractual maturity date in the table that follows.

	March 31, 2017	
	Amortized cost	Fair value
Due after 1 year through 5 years	**43,224**	**42,890**
Due after 5 years through 10 years	—	—
	43,224	**42,890**

Interest Income

An analysis of investment income for the three months ended March 31, 2017 is summarized in the table that follows:

	2017
Interest income:	
Cash and cash equivalents	**209**
Short term investments	**17**
Bonds	**1**
	227

Net gains (losses) on investments and net foreign currency gains (losses)

	2017		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses) on investments
Net gains (losses) on investments:			
Short term investments	—	—	—
Bonds	—	**(334)**	**(334)**
Common stocks	—	—	—
	—	**(334)**	**(334)**
Net foreign currency gains (losses) on:			
Cash and cash equivalents	—	**(1)**	**(1)**
Investments [(1)]	—	**2,590**	**2,590**
Other	—	**19**	**19**
	—	**2,608**	**2,608**

(1) Principally comprised of net foreign exchange gain on indirect investment in AFGRI.

7. Total Equity

Total common shareholders' equity

Authorized Capital

The company's authorized share capital consists of (i) an unlimited number of multiple voting shares that may only be issued to Fairfax or its affiliates; (ii) an unlimited number of subordinate voting shares; and, (iii) an unlimited number of preference shares, issuable in series. Except as provided in any special rights or restrictions attaching to any series of preference shares issued from time to time, the preference shares will not be entitled to vote at any meeting of the shareholders of the company.

Common stock

The number of shares outstanding was as follows:

	2017
Subordinate voting shares - January 1	—
Issuances of shares	20,620,189
Subordinate voting shares - March 31	20,620,189
Multiple voting shares - January 1	1
Issuances of shares	29,999,999
Multiple voting shares - March 31	30,000,000
Common shares effectively outstanding - March 31	50,620,189

Capital transactions

During the first quarter of 2017 the company completed its IPO of 5,622,000 subordinate voting shares at a price of $10.00 per share for gross proceeds of $56.2 million. The company's subordinate voting shares began trading on the TSX under the symbol "FAH.U" on February 17, 2017. Concurrent with the IPO, the company issued 22,715,394 multiple voting shares to Fairfax and its affiliates on a private placement basis, for gross proceeds of $227.1 million. Concurrent with these transactions, OMERS Administration Corporation ("OMERS"), certain investment funds managed by Harbour Advisors, a division of CI Investments Inc. ("CI") and certain investment advisory clients of Wellington Management Company LLP ("Wellington" and together with OMERS and CI, the "Cornerstone Investors") purchased 14,378,000 subordinate voting shares, on a private placement basis, for gross proceeds of $143.8 million. Concurrent with the closing of the IPO and private placements, the company completed the acquisition of 42.2% indirect interest in AFGRI (through acquisition of Joseph Holdings class A and ordinary shares) in exchange for 7,284,606 multiple voting shares issued to certain affiliates of Fairfax and 212,189 subordinate voting shares issued to certain other Joseph Holdings shareholders for $75.0 million (the "AFGRI Transaction"). The combined gross proceeds of the IPO, private placements and AFGRI Transaction were approximately $502.1 million.

On March 2, 2017 a syndicate of underwriters exercised the over-allotment option and the company issued an additional 408,000 subordinate voting shares at a price of $10.00 per share for total gross proceeds of approximately $4.1 million. The exercise of the over-allotment option increased the combined total gross proceeds from the IPO, private placements and AFGRI Transaction (collectively "the Offerings") to approximately $506.2 million (net proceeds of $493.3 million after issuance costs and expenses).

8. Earnings per Share

Net earnings per share is calculated in the following table based upon the weighted average shares outstanding:

	First quarter 2017
Net earnings – basic and diluted	550
Weighted average shares outstanding – basic and diluted	24,117,202
Net earnings per share - basic and diluted	$ 0.02

At March 31, 2017 there were no instruments outstanding that could potentially dilute earnings per share.

9. Income Taxes

The company's provision for income taxes for the quarter ended March 31 is summarized in the following table:

	First quarter
	2017
Current income tax:	
Current year expense	**1,149**
	1,149
Deferred income tax:	
Origination and reversal of temporary differences	**208**
	208
Provision for income taxes	**1,357**

A portion of the company's loss before income taxes is incurred outside of Canada. The statutory income tax rates for jurisdictions outside of Canada generally differ from the Canadian statutory income tax rate. The statutory income tax for jurisdictions outside of Canada may be significantly higher or lower compare to the Canadian statutory income tax rate.

The company’s earnings (loss) before income taxes by jurisdiction and the associated provision for income taxes for the quarter ended March 31 are summarized in the following table:

	First quarter		
	2017		
	Canada	Mauritius	Total
Earnings (loss) before income taxes	**(740)**	**2,647**	**1,907**
Provision for income taxes	**1,357**	**—**	**1,357**
Net earnings	**(2,097)**	**2,647**	**550**

The pre-tax losses in Canada during the first quarter of 2017 primarily related to unrealized losses on Government of South Africa bonds and investment and advisory fees. The pre-tax profitability in Mauritius during the first quarter of 2017 principally related to net foreign exchange gain on indirect investment in AFGRI.

A reconciliation of the provision for income taxes calculated at the Canadian statutory income tax rate to the provision of income taxes at the effective tax rate in the consolidated financial statements for the first quarter of 2017 is summarized in the following table:

	First quarter
	2017
Canadian statutory income tax rate	**26.5%**
Provision for income taxes at the Canadian statutory income tax rate	**505**
Non-taxable investment income	**(701)**
Change in unrecorded tax benefit of losses and temporary differences	**1**
Foreign exchange effect	**1,552**
Provision for income taxes	**1,357**

The nontaxable investment income of $701 principally reflected the mark to market adjustment of a foreign affiliates that is not subjected to taxes in Mauritius and Canada. Foreign exchange effect of $1,552 principally reflected the fluctuations in the value of the Canadian dollar relative to the U.S. dollar as the company computes its corporate tax liability in Canadian dollars pursuant to the requirements of Canadian tax authorities whereas the functional currency of the company and and Mauritius Sub is U.S. dollars.

The company reviews the recoverability of the deferred income tax asset on an going basis and adjusts, as necessary, to reflect its anticipated realization. Deferred income tax balances at March 31, 2017 were nil as the company has not recorded deferred tax assets related to costs of the Offerings of $3,200.

10. Financial Risk Management

Overview

The company's activities expose it to certain financial risks during or at the end of the reporting period. These risks, and the company's management thereof, are described below.

Market Risk

Market risk (comprised of foreign currency risk, interest rate risk and other price risk) is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to market risk principally in its investing activities and to the extent that those activities expose the company to foreign currency risk. The valuation of the company's investment portfolio is largely dependent on the underlying performance of the companies within the portfolio, but may also be affected, along with other financial statement items, by fluctuations in interest rates, foreign currency exchange rates and market prices.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument or another asset or liability will fluctuate because of changes in exchange rates and as a result, could produce an adverse effect on net earnings and equity when measured in U.S. dollar, the company's functional currency. The company's equity and net earnings may not be significantly affected by foreign currency translation movements as the majority of assets and net earnings are denominated in the company's U.S. dollar presentation currency. The company has not hedged its foreign currency risk.

The company's net foreign currency exposure on balances denominated in currencies other than U.S. dollar are comprised as follows:

	March 31, 2017				
	Cash and cash equivalents	**Investments**	**Related parties**	**Interest receivable**	**Net exposure**
Canadian dollars	**563**	**—**	**—**	**—**	**563**
South African rand[(1)]	**—**	**77,558**	**—**	**—**	**77,558**
Total	**563**	**77,558**	**—**	**—**	**78,121**

(1) The company is exposed to South African rand through its indirect investment in AFGRI.

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate movements in African countries may affect the company's equity and net earnings. The Portfolio Advisor and Fairfax actively monitor interest rates in African countries and the potential impact changes in interest rates may have on the company's investment portfolio.

The table that follows displays the potential impact of changes in interest rates on the company's fixed income portfolio based on parallel 200 basis point shifts up and down, in 100 basis point increments. This analysis was performed on each individual security, with the hypothetical effect on net earnings calculated on an after-tax basis.

	March 31, 2017		
	Fair value of fixed income portfolio	**Hypothetical $ change effect on net earnings**	**Hypothetical % change in fair value**
Change in interest rates			
200 basis point rise	**40,848**	**(1,501)**	**(4.8)%**
100 basis point rise	**41,853**	**(762)**	**(2.4)%**
No change	**42,890**	**—**	**—**
100 basis point decline	**43,959**	**786**	**2.5 %**
200 basis point decline	**45,062**	**1,596**	**5.1 %**

Certain shortcomings are inherent in the method of analysis presented above. Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions, including the maintenance of the level and composition of fixed income securities at the indicated date, and should not be relied on as indicative of future results. Actual values may differ from the projections presented should market conditions vary from assumptions used in the calculation of the fair value of individual securities; such variations include non-parallel shifts in the term structure of interest rates and a change in individual issuer credit spreads.

Market Price Fluctuations

Market price fluctuation is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual investment or its issuer, or other factors affecting all similar investments in the market. At March 31, 2017 the company was not exposed to market price risk as no equity investments were classified as Level 1 in the fair value hierarchy.

Refer to note 6 for the potential impact on net earnings of various combinations of changes in significant unobservable inputs in the company's internal valuation models for the company's indirect investment in AFGRI classified as Level 3.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial obligations to the company and arises predominantly with respect to cash and cash equivalents, short term investments and investments in debt instruments. The company's cash and cash equivalents, and short term investments are primarily held in major Canadian financial institutions. At March 31, 2017 the company's aggregate gross credit risk exposure was comprised as follows:

	March 31, 2017
Cash and cash equivalents	**299,324**
Short term investments - U.S. treasury bills	**99,770**
Bonds - Government of South Africa	**42,890**
Interest receivable[(1)]	**448**
Total gross credit risk exposure	**442,432**

(1) The company was exposed to credit risk on interest receivable from Government of South Africa bonds.

The company's short term investments in U.S. treasury bills are rated Aaa by Moody's Investors Service, Inc. ("Moody's") and AA+ by Standard & Poor's Financial Services LLC ("S&P"). The company's investment in Government of South Africa bonds are rated Baa2 by Moody's and BBB- by S&P. Subsequent to March 31, 2017, S&P lowered the foreign credit rating of these bonds from BBB- to BB+ and assigned a negative outlook and Moody's placed the credit rating of these bonds for review for potential downgrade.

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk by maintaining sufficient cash and cash equivalents to enable settlement of financial commitments on their respective due dates. All accounts payable and accrued liabilities are due within three months, and income taxes payable must be remitted to the respective tax jurisdictions within six months.

The company believes that cash and cash equivalents at March 31, 2017 provides adequate liquidity to meet the company's known significant expenses in 2017, which are principally comprised of investment and advisory fees, corporate income taxes and general and administration expenses. The company expects to continue to receive investment income on its holdings of fixed income securities to supplement its cash and cash equivalents. Accordingly, the company has adequate working capital to support its operations.

Concentration Risk

The company's cash and investments will be primarily concentrated in Africa and in African businesses or businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa continent. The market value of the company's investments, the income generated by the company and the company's performance will be particularly sensitive to changes in the economic condition, interest rates, and regulatory environment of African countries in which company has investments. Adverse changes to the economic condition, interest rates or regulatory environment in those African countries may have a material adverse effect on the company's business, cash flows, financial condition and net earnings.

The company's cash and investments composition by the issuer's country of domicile was as follows:

	March 31, 2017		
	Africa	U.S.	Total
Cash and cash equivalents	**—**	**298,761**	**298,761**
Short term investments - U.S. treasury bills	**—**	**99,770**	**99,770**
Bonds - Government of South Africa	**42,890**	**—**	**42,890**
Common stock - indirect investment in AFGRI	**77,558**	**—**	**77,558**
Total cash and investments	**120,448**	**398,531**	**518,979**

The company will not make an African Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two African Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25% of the company's total assets (the "Investment Concentration Restriction").

The company's Investment Concentration Restriction limit is approximately $130,042 at March 31, 2017 principally as a result of the net proceeds received from the Offerings (discussed in note 7). African Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders.

Capital Management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for common shareholders and to maintain an optimal capital structure to reduce the cost of capital. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital at March 31, 2017, primarily comprised of common shareholders' equity, was $494,010 compared to a deficit of $74 at December 31, 2016. The significant change was a result of proceeds from the Offerings completed during the first quarter of 2017. The significant increase in total capital in the first quarter of 2017 reflected the impact of the proceeds from the Offerings as discussed in note 7.

11. Related Party Transactions

Payable to Related Parties

The company's payable to related parties was comprised as follows:

	March 31, 2017
Investment and advisory fees	**380**
Other	**17**
	397

Investment Advisory Agreement

The company and its subsidiaries have entered into an agreement with Fairfax and the Portfolio Advisor to provide administration and investment advisory services to the company (the "Investment Advisory Agreement"). As compensation for the provision of these services, the company pays an investment and advisory fee, and if applicable, a performance fee. Such fees are determined with reference to the company's total common shareholders' equity.

Investment and Advisory Fee

The per annum investment and advisory fee is calculated as 0.5% of the value of undeployed capital and 1.5% of the company's total common shareholders' equity less the value of undeployed capital.

For the first quarter of 2017 the company determined that the majority of its assets were invested in permitted investments, considered to be undeployed capital. In the first quarter of 2017 the investment and advisory fee recorded in the consolidated statement of comprehensive income was $380.

Performance Fee

The performance fee is paid for the period from February 17, 2017 to December 31, 2019 and for each consecutive three-year period thereafter, and is calculated, on a cumulative basis, as 20% of any increase in total common shareholders' equity (including distributions) above a 5% per annum increase. The company determined that the performance fee was not applicable for the quarter ended March 31, 2017.

Management Compensation

Pursuant to the Investment Advisory Agreement, Fairfax is required to provide a Chief Executive Officer, a Chief Financial Officer and a Corporate Secretary to the company. For so long as the Investment Advisory Agreement remains in effect, all compensation payable to the Chief Executive Officer, the Chief Financial Officer and Corporate Secretary of the company will be borne by Fairfax.

12. Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns, that are different from those of segments operating in other economic environments.

The company has concluded that Fairfax Africa is engaged in a single geographic and business segment, that of investing in the Africa continent.

13. General and Administration Expenses

General and administration expenses for the three months ended March 31, 2017was comprised as follows:

	2017
Audit, legal and tax professional fees	**152**
Administrative expenses	**62**
Other	**—**
	214

Index to Management's Discussion and Analysis of Financial Condition and Results of Operations

Notes to Management's Discussion and Analysis of Financial Condition and Results of Operations

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the notes to the interim consolidated financial statements for the three months ended March 31, 2017 and the company's audited financial statements and accompanying notes for the year ended December 31, 2016. Additional information relating to the company, including its annual information form, can be found on SEDAR at *www.sedar.com*. Additional information can also be accessed from the company's website *www.fairfaxafrica.ca*.

(2) The MD&A contains references to book value per share. On any date, book value per share is calculated as total common shareholders' equity divided by the total number of common shares of the company outstanding on that date. Book value per share is a key performance measure of the company and is closely monitored as it is used to calculate the performance fee payable, if any, to Fairfax Financial Holdings Limited ("Fairfax"). The performance fee is paid for the period from February 17, 2017 to December 31, 2019 and for each consecutive three-year period thereafter, and is calculated, on a cumulative basis, as 20% of any increase in total common shareholders' equity (including distributions) above a 5% per annum increase.

(3) Unless otherwise noted, consolidated financial information of the company within this MD&A is derived from the consolidated financial statements of the company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and is presented in U.S. dollars which is also the functional currency of the company and its consolidated subsidiaries.

Business Developments

Fairfax created the company and is Fairfax Africa's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is principally engaged in property and casualty insurance and reinsurance and the associated investment management. Fairfax is a Canadian reporting issuer with securities listed on the Toronto Stock Exchange ("TSX") and trading in Canadian dollars under the symbol FFH for over 30 years and in U.S. dollars under the symbol FFH.U.

Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its subsidiaries, responsible to source and advise with respect to all investments.

During the first quarter of 2017 the company completed its IPO of 5,622,000 subordinate voting shares at a price of $10.00 per share for gross proceeds of $56.2 million. The company's subordinate voting shares began trading on the TSX under the symbol "FAH.U" on February 17, 2017. Concurrent with the IPO, the company issued 22,715,394 multiple voting shares to Fairfax and its affiliates on a private placement basis, for gross proceeds of $227.1 million. Concurrent with these transactions, OMERS Administration Corporation ("OMERS"), certain investment funds managed by Harbour Advisors, a division of CI Investments Inc. ("CI") and certain investment advisory clients of Wellington Management Company LLP ("Wellington" and together with OMERS and CI, the "Cornerstone Investors") purchased 14,378,000 subordinate voting shares, on a private placement basis, for gross proceeds of $143.8 million. Concurrent with the closing of the IPO and private placements, the company completed the acquisition of 42.2% indirect interest in AFGRI Holdings Proprietary Limited ("AFGRI") in exchange for 7,284,606 multiple voting shares issued to certain affiliates of Fairfax and 212,189 subordinate voting shares issued to certain other Joseph Holdings shareholders for $75.0 million (the "AFGRI Transaction"). The combined gross proceeds of the IPO, private placements and AFGRI Transaction were approximately $502.1 million.

On March 2, 2017 a syndicate of underwriters exercised the over-allotment option and the company issued an additional 408,000 subordinate voting shares at a price of $10.00 per share for total gross proceeds of approximately $4.1 million. The exercise of the over-allotment option increased the combined total gross proceeds from the IPO, private placements and AFGRI Transaction (collectively "the Offerings") to approximately $506.2 million (net proceeds of $493.3 after issuance costs and expenses).

Business Objectives

Investment Objective

Fairfax Africa is an investment holding company. Its investment objective is to achieve long term capital appreciation, while preserving capital, by investing, either directly or through one of its wholly-owned subsidiaries, in public and private equities and debt instruments in Africa and African businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa (''African Investments'').

Investment Strategy

The company invests in businesses that are expected to benefit from Africa's pro-business political environment, its growing middle class and its demographic trends that are expected to underpin strong growth for several years. Sectors of the African economy that the company believes will benefit most from such trends include infrastructure, financial institutions, consumer services, retail and exports. The company is not limited to investing solely in these sectors and intends to invest in other sectors as and when opportunities arise.

The company utilizes, and expects to benefit significantly, from the experience and expertise of Fairfax and the Portfolio Advisor.

The company employs a conservative, fundamental value-based approach to identifying and investing in high quality public and private African businesses. This approach is designed to compound book value per share over the long term. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital.

The company intends to make African Investments with a view to be a strategic partner to grow the business and as a result optimize investment returns for the shareholders of Fairfax Africa. The level and nature of this strategic relationship will vary by investment. It may include one or more of the following, as deemed appropriate by the company: (i) board appointment or nomination rights; (ii) board observer rights; (iii) input on management selection; (iv) the provision of managerial assistance; and (v) ongoing monitoring and cooperation with the board and management of the portfolio business to ensure that its strategy is being implemented in a manner that is consistent with the investment objectives of the company and with the company's and Fairfax's fundamental values (as set forth in Fairfax's guiding principles which are included in Fairfax's publicly available annual reports).

Fairfax Africa's involvement with the African Investments may include providing specialized guidance or expertise in limited circumstances or on a temporary basis and does not extend to any involvement in the day-to-day operations of those operations. Activities are expected to be ancillary and undertaken to maximize returns from investments. Board representation is sought only to maintain protective rights and to maximize the value of the company's investment for its shareholders.

Investment Selection

To identify potential investments, the company principally relies on the expertise of the Portfolio Advisor and its affiliates.

The following is an illustrative list of criteria that the company and the Portfolio Advisor believe to be paramount when identifying and investing in African Investments:

Attractive valuation - The company's conservative fundamental value approach leads it to focus on businesses that have positive, stable cash flows that can be purchased at discounted multiples. The company does not invest in start-up businesses or businesses that have speculative business plans.

Experienced and aligned management - The company focuses on businesses with experienced, entrepreneurial management teams with strong, long term track records. The company generally requires the portfolio businesses to have in place, either prior to or immediately following investment by the company, proper incentives to drive the businesses' profitability.

Strong competitive position in industry - The company seeks to invest in businesses that hold leading market positions, possess strong brand power and are well-positioned to capitalize on the growth opportunities in the African economy. The company also seeks to invest in businesses that demonstrate significant competitive advantages as compared to their peers and that position them to protect their market position and profitability.

Alignment of the management team with the values of the company - The company, Fairfax and the Portfolio Advisor all seek to adhere to the highest standards of business practices and ethics. The company requires that the management teams at each of its portfolio businesses adhere to a similar standard of business practices and ethics and adhere to the company's fundamental values, as described above.

The Portfolio Advisor and its affiliates conduct thorough due diligence investigations when evaluating any African Investment prior to a recommendation to the company and its subsidiaries to make the investment. This generally includes consultations with Fairfax's network of current and former management teams, consultants, competitors, investment bankers and senior executives to assess, among other things, the industry dynamics, the character of the management team and the viability of the business plan.

More specifically, due diligence in respect of a particular investment opportunity typically includes, among other items as deemed necessary from time to time: (i) review of historical and projected financial information; (ii) on-site visits; (iii) interviews with management, employees, customers and vendors; (iv) review of material agreements; (v) background checks; and (vi) research relating to the businesses' management, industry, markets, products and services, and competitors.

The company may from time to time seek to realize on any of its African Investments. The circumstances under which the company may sell some or all of its investments include: (i) where the company believes that the African Investments are fully valued or that the original investment thesis has played out; or, (ii) where the company has identified other investment opportunities which it believes present more attractive risk-adjusted return opportunities and additional capital is needed to make such alternative investments.

The company may exit its private investments either through initial public offerings or private sales. For publicly traded investments, exit strategies may include selling the investments through private placements or in public markets.

Investment Restrictions

The company will not make an African Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two African Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25% of the company's total assets (the "Investment Concentration Restriction"). The company's Investment Concentration Restriction limit increased to $130,042 at March 31, 2017 as a result of the net proceeds from the Offerings completed in the first quarter of 2017. African Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders.

The company intends to make multiple different investments as part of its prudent investment strategy in a manner that complies with Investment Concentration Restriction. At March 31, 2017 the company determined that it was in compliance with these investment restrictions.

African Investments

Cautionary Statement Regarding Financial Information

Fairfax Africa has agreed to voluntarily provide within the MD&A, summary financial information prepared in accordance with IFRS for all of its African Investment for which a business acquisition report in accordance with section 8.2 of *National Instrument 51-102 Continuous Disclosure Obligations ("NI 51-102"*) is filed.

Fairfax Africa is limited in respect to the amount of independent verification it is able to perform with respect to its African Investments financial statements. The unaudited summarized financial information contained in this MD&A was prepared exclusively for Fairfax Africa. Such financial information is the responsibility of the respective managements and has been prepared by them using recognition, measurement and presentation principles consistent with IFRS as issued by the IASB, and provided to the company.

At March 31, 2017, the company's only African Investment is its indirect investment of 42.2% in AFGRI. Summary financial information on AFGRI below is the latest information available to the company's management. AFGRI's summarized financial information included in the MD&A should be read in conjunction with Fairfax Africa's historical consolidated financial statements including the notes thereto and the related MD&A as well as Fairfax Africa's other public filings. Fairfax Africa has no knowledge that would indicate that AFGRI summarized financial information contained herein requires material modifications. However, readers are cautioned that the AFGRI summarized financial information contained in the MD&A may not be appropriate for their purposes.

Cautionary Statement Regarding the Valuation

In the absence of an active market, fair value of indirect investment in AFGRI is determined by management using industry acceptable valuation methodologies after considering the history and nature of the business, operating results and financial conditions, outlook and prospects, general economic, industry and market conditions, contractual rights relating to the investment, public market comparables (if available) and, where applicable, other pertinent considerations. The process of valuing investment for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amount at which the company's indirect investment in AFGRI could be disposed of may differ from the fair values assigned and those differences may be material.

AFGRI Holdings Proprietary Limited

Business Overview

Based in South Africa, AFGRI is a leading agricultural services and food processing company with a core focus on grain commodities. It provides services across the entire grain production and storage cycle, offering financial support and solutions as well as inputs and hi-tech equipment through the John Deere brand supported by a large retail footprint. AFGRI is involved in the manufacture of animal feeds, the processing of yellow maize and wheat and the extraction of oil and other raw materials into edible oils, fats and proteins for human consumption (primarily for the food processing and quick-service restaurant industries).

AFGRI manages critical components of the food value chain to enable food production and agricultural sector growth in Africa. It is a market leader in grain management solutions, with leading market share in South Africa, and is one of Africa's largest grain storage companies with 69 silos and 15 bunkers across South Africa, which have more than 5 million tonnes of storage capacity. AFGRI is also one of South Africa's largest non-bank lenders to the agricultural sector with an average loan book value for fiscal year 2016 of approximately South African Rand 12.3 billion (approximately $894 million at an average exchange rate for 2016) and is one of the largest John Deere distributors outside of the United States, with a presence in several markets in Africa and Western Australia.

AFGRI's long-term growth strategy is based on a vision to drive food security across Africa. AFGRI currently has operational activities aimed at supporting agriculture in Zambia, Zimbabwe, Mozambique, Nigeria, Ghana, Congo-Brazzaville, Botswana and Uganda and has plans to expand into additional African countries. AFGRI also has a John Deere operation in Australia, an animal feeds research and development venture in the United Kingdom and an investment in animal feeds in the United States of America. Additionally, AFGRI provides collateral management solutions, such as monitoring status, quality and quantity of collateral of various parties, in 13 African countries on behalf of banks, insurers and customers.

One of AFGRI's current strategic initiatives is growing its existing financial services business, which is currently centered on providing credit, trade and commodity finance, insurance, payments and related products and services to the agricultural sector. To this end, AFGRI is both pursuing organic growth and exploring potential acquisition and other strategic opportunities (such as partnerships or joint ventures) in financial services in Africa. To this end, on April 7, AFGRI announced that it had bought National Bank of Greece Group's ("NBG's") 99.8% stake in the South African Bank of Athens ("Saba"). The sale by NGB, Greek's second largest bank by total assets, was part of the bank's restructuring plan agreed with banking regulators to boost its capital position. Established in 1947, Saba provides banking services to medium-sized local businesses. It offers comprehensive traditional business banking such as lending, transaction banking, treasury and foreign exchange. The acquisition of Saba provides AFGRI with a retail and alliance banking platform for current and prospective AFGRI customers that allows AFGRI to continue with its focus of innovation and an enabler to food security. The acquisition is expected to close by the end of 2017, subject to various conditions including regulatory approvals from the South African Reserve Bank, the Finance Minister, the Competition Commission and the Competition Tribunal.

Furthermore, recently, AFGRI announced acquisitions of three John Deere distributorships, including one in Australia, one in Botswana and one in South Africa, expanding its existing footprint in Australia and South Africa, and entering the Botswana market.

Additional information can also be accessed from AFGRI's website *www.afgri.co.za.*

Transaction Description

On February 17, 2017, the company purchased from Agrigroupe Investments LP ("Agrigroupe LP") the share capital of Joseph Investment Holdings ("Joseph Holdings"), comprised of 156,055,775 ordinary shares and 49,942,549 class A shares for $25.1 million and $49.9 million respectively. The shares purchased represented 70.3% and 73.3% of the ordinary and class A shares of Joseph Holdings respectively. As consideration for the purchase, the company issued 7,284,606 multiple voting shares at $10.00 per multiple voting share in exchange for Fairfax's beneficial ownership interest in Joseph Holdings and 212,189 subordinate voting shares at $9.50 per subordinate voting share (being $10.00 less a private placement fee of $0.50 per subordinate voting share) for the remaining interest in Joseph Holdings. Through its interest in Joseph Holdings, the company is the largest beneficial shareholder of AFGRI with a 42.2% indirect interest.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2017 the company estimated fair value of the indirect investment in AFGRI using a discounted risk adjusted cash flow analysis of AFGRI's business units multi-year free cash flow projections with assumed after-tax discount rates ranging from 11.6% to 18.2% and a long term growth rate of 3.0%. Free cash flow projections were based on EBITDA projections from financial information for AFGRI's business units that had been prepared in the first quarter of 2017 by AFGRI's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which AFGRI operates. At March 31, 2017, the company's estimated fair value of the indirect investment in AFGRI is $77,558, which includes a net foreign exchange gain of $2,590 recorded in the consolidated statement of comprehensive income.

Summarized Financial Information

The company's fiscal year ends on December 31 and AFGRI's fiscal year ends on March 31. Summarized below are AFGRI's balance sheets at December 31, 2016 and March 31, 2016.

Balance Sheets
unaudited - US$ thousands

	December 31, 2016	March 31, 2016
Current assets	**439,762**	351,238
Non-current assets	**332,670**	297,568
Current liabilities	**367,300**	388,827
Non-current liabilities	**254,295**	220,688
Shareholders' equity	**150,837**	39,291

Current assets increased by $88,524 to $439,762 at December 31, 2016 from $351,238 at March 31, 2016 primarily reflecting an increase in inventory and trade and other receivables.

Non-current assets increased by $35,102 to $332,670 at December 31, 2016 from $297,568 at March 31, 2016 primarily driven by an increase in property, plant and equipment relating to the capitalization of the ongoing projects.

Current liabilities decreased by $21,527 to $367,300 at December 31, 2016 from $388,827 at March 31, 2016 primarily due to decrease in short term loans and borrowings partially offset by increase in trade and other payables.

Non-current liabilities increased by $33,607 to $254,295 at December 31, 2016 from $220,688 at March 31, 2016 primarily due to an increase in long term loans and borrowings relating to the financing obtained for the ongoing projects.

Summarized below are AFGRI's statements of earnings for nine months ended December 31, 2016 and 2015.

Statements of Earnings
unaudited - US$ thousands

	Nine months ended December 31, 2016	Nine months ended December 31, 2015
Revenue	**585,800**	584,992
Net earnings before taxes	**(1,471)**	6,946
Net earnings	**(2,596)**	1,799

There is no significant change in AFGRI's revenue for the nine months ended December 31, 2016 and 2015 due to contraction in the agriculture sector for the last seven quarters due to drought conditions. The primary driver for the reduction in profitability is weaker performance at the Nedan soybean processing facility due to lower sales volume and prices as a result of over-stock in the industry.

Results of Operations

Fairfax Africa's consolidated statement of comprehensive income for the three months ended March 31, 2017 is shown in the following table:

	First quarter 2017
Income	
Interest income	**227**
Net unrealized losses on investments	**(334)**
Net foreign exchange gains	**2,608**
	2,501
Expenses	
Investment and advisory fees	**380**
General and administration expenses	**214**
	594
Net earnings before income taxes	**1,907**
Provision for income taxes	**1,357**
Net earnings and comprehensive income	**550**
Net earnings per share (basic and diluted)	**$ 0.02**

Total income of $2,501 in the first quarter of 2017 is principally as a result of net foreign exchange gain of $2,590 on indirect investment in AFGRI partly offset by net unrealized loss on Government of South Africa bonds. The interest income mainly comprised of income from cash and cash equivalents.

The investment and advisory fees relates to fees for administration and investment advisory services provided by Fairfax and the Portfolio Advisor. The per annum investment and advisory fee is calculated as 0.5% of the value of undeployed capital and 1.5% of the company's total common shareholders' equity less the value of undeployed capital. In the first quarter of 2017, the company determined that the majority of its assets were invested in permitted investments, considered to be undeployed capital.

The income tax provision of $1,357 reflected the fluctuations in the value of the Canadian dollar relative to U.S. dollar. The company computes its corporate tax liability in Canadian dollar pursuant to the requirements of Canadian tax authorities, whereas the functional currency of the company and subsidiaries is U.S. dollar.

Consolidated Balance Sheet Summary

Total Assets

Total assets at March 31, 2017 of $520,166 were comprised as follows:

Total cash and investments

	March 31, 2017		
	Africa	U.S.	Total
Cash and cash equivalents	—	298,761 (1)	298,761
Short term investments - U.S. treasury bills	—	99,770 (2)	99,770
Bonds - Government of South Africa	42,890	—	42,890
Common stocks - indirect investment in AFGRI	77,558	—	77,558
Total cash and investments	120,448	398,531	518,979

(1) Included U.S. treasury bills with maturity date of less than three months of $249.8 million at March 31, 2017.

(2) Short term U.S. treasury bills have a maturity date of July 20 2017.

Cash and cash equivalents and short term investments - U.S. treasury bills increased to $398,531 at March 31, 2017 primarily reflecting the net proceeds received from the Offerings completed in the first quarter of 2017 that had not yet been invested into African Investments.

Bonds increased to $42,890 at March 31, 2017 primarily reflecting the investment in U.S. dollar denominated Government of South Africa bonds. The company is actively seeking investment opportunities in African countries and will continue to redirect capital from its bond portfolio into African Investments as and when those opportunities are identified.

Common stocks increased to $77,558 at March 31, 2017 reflecting acquisition of 42.2% indirect interest in AFGRI (through acquisition of Joseph Holdings class A and ordinary shares) in exchange for 7,284,606 multiple voting shares issued to certain affiliates of Fairfax and 212,189 subordinate voting shares issued to certain other Joseph Holdings shareholders for $75.0 million. The increase of $2,590 reflect the net foreign exchange gain on indirect investment in AFGRI at March 31, 2017.

Total Liabilities

Total liabilities at March 31, 2017 of $26,156 were comprised as follows:

Accounts payable and accrued liabilities increased to $24,610 principally as a result of certain Government of South Africa bonds purchased but not settled at March 31, 2017.

Income tax payable increased to $1,149 principally reflecting the impact of fluctuations in the value of the Canadian dollar relative to U.S. dollar. The company computes its corporate tax liability in Canadian dollar pursuant to the requirements of Canadian tax authorities, whereas the functional currency of the company and subsidiaries is U.S. dollar.

Payable to related parties increased to $397 primarily reflecting the investment and advisory fees accrued for the first quarter of 2017.

Financial Condition

Capital Resources and Management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for common shareholders and to maintain an optimal capital structure to reduce the cost of capital. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital at March 31, 2017 comprising total common shareholders' equity of $494,010, was primarily from net proceeds of Offerings completed during the first quarter of 2017.

The company will use its capital resources to acquire African Investments pending such investments, the company will invest exclusively in permitted investments, and the remainder will be used for general corporate and working capital purposes.

Book Value per Share

Total common shareholders' equity and the books value per share at March 31, 2017 was as follows:

	2017
Total common shareholders' equity	494,010
Number of common shares effectively outstanding	50,620,189
Book value per share	$9.76

Liquidity

Highlights in the first three months of 2017 of major components of cash flow are presented in the following table:

	First three months 2017
Operating activities	
Cash provided by operating activities before the undernoted	**(294)**
Purchases of short term investments classified as FVTPL	**(99,770)**
Purchases of bonds and common stocks classified as FVTPL	**(21,742)**
Financing activities	
Issuance of subordinate voting shares, net of issuance costs	**193,976**
Issuance of multiple voting shares	**227,154**
Increase in cash and cash equivalents during the period	**299,324**

The company believes that cash and cash equivalents at March 31, 2017 provides adequate liquidity to meet the company's known significant expenses in 2017, which are principally comprised of investment and advisory fees, corporate income taxes and general and administration expenses. The company expects to continue to receive investment income on its holdings of fixed income securities to supplement its cash and cash equivalents.

The company has adequate working capital to support its operations.

Contractual Obligations

Under the terms of the Investment Advisory Agreement, the company and its subsidiaries are contractually obligated to pay Fairfax investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the book value per share of the company.

In the three months ended March 31, 2017 the investment and advisory fee recorded in the consolidated statement of comprehensive income was $380.

The performance fee is paid for the period from February 17, 2017 to December 31, 2019 and for each consecutive three-year period thereafter, and is calculated, on a cumulative basis, as 20% of any increase in total common shareholders' equity (including distributions) above a 5% per annum increase. The amount of common shareholders' equity at any time which must be achieved before any performance fee would be payable is sometimes referred to as the "hurdle per share". In the first quarter of 2017, the performance fee recorded in the consolidated statement of comprehensive income was $0.

Related Party Transactions

The company’s related party transactions are disclosed in note 11 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2017.

Risk Management

Overview

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company’s risk exposures or the processes used by the company for managing those risk exposures at March 31, 2017 compared to those identified and disclosed in the company’s annual information form filed on March 31, 2017, other than as outlined in note 10 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2017.

Additional risk arising from ongoing investment of the company's capital in AFGRI and Government of South Africa bonds is as follow:

South African Credit Rating Downgrade

On April 3, 2017, Standard and Poor’s (“S&P”) cut the foreign currency credit rating of South Africa from BBB- to BB+ and assigned a negative outlook, citing fiscal policy risk following Pravin Gordhan's dismissal as finance minister. The foreign currency rating applies to hard currency debt, which accounts for about 10% of South Africa’s government debt, while the local rating applies to debt raised in rand on the domestic market. S&P retained an investment-grade rating for South Africa’s local currency debt but put this rating on negative outlook. On April 3, 2017

Moody's Investors Service placed the Baa2 long-term issuer and senior unsecured bond ratings of the government of South Africa on review for downgrade. On April 7, 2017, FitchRatings downgraded South Africa's foreign and local currency credit ratings from BBB- to BB+, expressing concerns that the replacement of Pravin Gordhan, and the deputy finance minister, Mcebisi Jonas, may result in a change in the direction of the country's economic policy and a reversal of improvements in state-owned entity governance. At this time, it is too early to assess the impact of these rating downgrades on South Africa's economy and the valuation impact on AFGRI and Government of South Africa bonds.

Other

Quarterly Data (unaudited)

	March 31, 2017
Income	**2,501**
Expenses	**594**
Provision for income taxes	**1,357**
Net earnings	**550**
Net earnings per share	**$ 0.02**

Net earnings are significantly impacted in the first quarter of 2017 by net foreign exchange gain on indirect investment in AFGRI partially offset by income tax provision. The quarterly result has been (and may in the future be) affected by increased total expenses impacted by the growth in the increased holdings of African Investments that result in higher investment and advisory fees, and performance fees (if applicable).

Forward-Looking Statements

This annual report may contain forward-looking information within the meaning of applicable securities legislation. Forward-looking statements may relate to the company's or an African Investment's future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, plans and objectives of the company. Particularly, statements regarding future results, performance, achievements, prospects or opportunities of the company, an African Investment, or the African market are forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

Forward-looking statements are based on the opinions and estimates of the company as of the date of this annual report, and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors: taxation of the company and its subsidiaries; substantial loss of capital; long-term nature of investment; limited number of investments; geographic concentration of investments; potential lack of diversification; financial market fluctuations; pace of completing investments; control or significant influence position risk; minority investments; ranking of company investments and structural subordination; follow-on investments; prepayments of debt investments; risks upon dispositions of investments; bridge financings; reliance on key personnel; effect of fees; performance fee could induce Fairfax to make speculative investments; operating and financial risks of investments; allocation of personnel; potential conflicts of interest; employee misconduct at the portfolio advisor could harm the company; valuation methodologies involve subjective judgments; lawsuits; foreign currency fluctuation; derivative risks; unknown merits and risks of future investments; resources could be wasted in researching investment opportunities that are not ultimately completed; investments may be made in foreign private businesses where information is unreliable or unavailable; illiquidity of investments; competitive market for investment opportunities; use of leverage; investing in leveraged businesses; regulation; investment and repatriation restrictions; aggregation restrictions; restrictions relating to debt securities; pricing guidelines; emerging markets; corporate disclosure, governance and regulatory requirements; legal and regulatory risks; volatility of the African securities markets; political, economic, social and other factors; governance issues risk; African tax law; changes in law; exposure to permanent establishment; enforcement of rights; smaller company risk; due diligence and conduct of potential investment entities; Asian economic risk; reliance on trading partners risk; natural disaster risks; government debt risk; and economic risk. Additional risks and uncertainties are described in the company's annual information form which is available on SEDAR at www.sedar.com and on the company's website at *www.fairfaxafrica.ca*. These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the company. These factors and assumptions, however, should be considered carefully.

Although the company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The company does not undertake to update any forward-looking statements contained herein, except as required by applicable securities laws.

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