FAIRFAX AFRICA
HOLDINGS CORPORATION

3

# INTERIM REPORT

**For the nine months ended**
**September 30, 2017**

**Consolidated Balance Sheets**
*as at September 30, 2017 and December 31, 2016*
*(unaudited - US$ thousands)*

| | Notes | September 30, 2017 | December 31, 2016 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | **50,102** | — |
| Restricted cash | 7 | **312,000** | — |
| Loans | | **22,232** | — |
| Bonds | | **26,356** | — |
| Common stocks | 5 | **276,162** | — |
| Total cash and investments | 6 | **686,852** | — |
| Interest receivable | | **1,872** | — |
| Other assets | | **517** | 786 |
| Total assets | | **689,241** | 786 |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | | **1,221** | — |
| Payable to related parties | 12 | **6,458** | 860 |
| Term loan | 7 | **150,000** | — |
| Income taxes payable | 10 | **438** | — |
| Total liabilities | | **158,117** | 860 |
| **Equity** | | | |
| Common shareholders' equity (deficit) | | **531,124** | (74) |
| Total equity and liabilities | | **689,241** | 786 |

*See accompanying notes.*

**Consolidated Statements of Comprehensive Income**

*for the three months ended September 30, 2017 and 2016, nine months ended September 30, 2017 and the period April 28, 2016 (date of incorporation) to September 30, 2016*

*(unaudited - US$ thousands except per share amounts)*

| | | **Third quarter** | | **First nine months** | April 28 - September 30 |
|---|---|---|---|---|---|
| | **Notes** | **2017** | 2016 | **2017** | 2016 |
| **Income** | | | | | |
| Interest income | 6 | **3,450** | — | **4,639** | — |
| Net realized gains on investments | 6 | **11,425** | — | **11,425** | — |
| Net change in unrealized gains on investments | 6 | **29,599** | — | **31,274** | — |
| Net foreign exchange (losses) gains | 6 | **(2,834)** | — | **942** | — |
| | | **41,640** | — | **48,280** | — |
| **Expenses** | | | | | |
| Investment and advisory fees | 12 | **825** | — | **2,005** | — |
| Performance fees | 12 | **5,633** | — | **5,633** | — |
| General and administration expenses | 14 | **839** | 3 | **1,440** | 3 |
| Interest expense | 7 | **892** | — | **892** | — |
| | | **8,189** | 3 | **9,970** | 3 |
| **Earnings (loss) before income taxes** | | **33,451** | (3) | **38,310** | (3) |
| Provision for income taxes | 10 | **432** | — | **977** | — |
| **Net earnings (loss) and comprehensive income (loss)** | | **33,019** | (3) | **37,333** | (3) |
| **Net earnings per share** (basic and diluted) | 9 | **$ 0.65** | — | **$ 0.91** | — |
| **Shares outstanding** (weighted average) | 9 | **50,620,189** | 1 | **40,871,955** | 1 |

*See accompanying notes.*

**Consolidated Statements of Changes in Equity**

*for the nine months ended September 30, 2017 and the period April 28, 2016 (date of incorporation) to September 30, 2016*
*(unaudited - US$ thousands)*

| | Subordinate voting shares | Multiple voting shares | Retained earnings (deficit) | Common shareholders' equity |
|---|---|---|---|---|
| **Balance as of January 1, 2017** | — | — | (74) | (74) |
| Net earnings for the period | — | — | 37,333 | 37,333 |
| Issuance of shares, net of issuance costs (note 8) | 193,326 | 300,000 | — | 493,326 |
| Tax benefit on share issuance costs (note 10) | 539 | — | — | 539 |
| **Balance as of September 30, 2017** | 193,865 | 300,000 | 37,259 | 531,124 |

| | Subordinate voting shares | Multiple voting shares | Retained earnings (deficit) | Common shareholders' equity |
|---|---|---|---|---|
| **Balance as of April 28, 2016 (date of incorporation)** | — | — | — | — |
| Net loss for the period | — | — | (3) | (3) |
| **Balance as of September 30, 2016** | — | — | (3) | (3) |

*See accompanying notes.*

**Consolidated Statements of Cash Flow**
*for the three months ended September 30, 2017 and 2016, nine months ended September 30, 2017 and the period April 28, 2016 (date of incorporation) to September 30, 2016*
*(unaudited - US$ thousands)*

| | Notes | Third quarter 2017 | Third quarter 2016 | First nine months 2017 | April 28 - September 30 2016 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Net earnings (loss) | | **33,019** | (3) | **37,333** | (3) |
| Items not affecting cash and cash equivalents: | | | | | |
| Interest income | | **(3,554)** | — | **(4,536)** | — |
| Net bond discount (premium) amortization | | **104** | — | **(103)** | — |
| Interest expense | | **892** | — | **892** | — |
| Deferred income taxes | 10 | **131** | — | **539** | — |
| Net change in unrealized gains on investments | 6 | **(29,599)** | — | **(31,274)** | — |
| Net realized gains on investments | 6 | **(11,152)** | — | **(11,152)** | — |
| Net foreign exchange losses (gains) | 6 | **2,834** | — | **(942)** | — |
| Interest received | | **1,354** | — | **2,038** | — |
| Interest paid | | **(468)** | — | **(468)** | — |
| Issuance cost on Term Loan | 7 | **225** | — | **225** | — |
| Net sales of short term investments classified as FVTPL | | **100,017** | — | **247** | — |
| Purchases of investments classified as FVTPL: | | | | | |
| Common stocks | | **(155,782)** | — | **(155,782)** | — |
| Bonds | | **—** | — | **(49,274)** | — |
| Loans | | **(7,000)** | — | **(33,255)** | — |
| Sales of bonds classified as FVTPL | | **32,513** | — | **32,513** | — |
| Increase in restricted cash in support of investment | 7 | **(162,000)** | — | **(162,000)** | — |
| Changes in operating assets and liabilities: | | | | | |
| Income taxes payable | 10 | **301** | — | **438** | — |
| Accounts payable and accrued liabilities | | **(510)** | 3 | **379** | 3 |
| Payable to related parties | 12 | **5,634** | — | **5,598** | — |
| Other | | **984** | — | **269** | — |
| Cash used in operating activities | | **(192,057)** | — | **(368,315)** | — |
| **Financing activities** | | | | | |
| Term Loan: | | | | | |
| Proceeds | 7 | **150,000** | — | **150,000** | — |
| Issuance cost on Term Loan | 7 | **(225)** | — | **(225)** | — |
| Increase in restricted cash in support of Term Loan | 7 | **(150,000)** | — | **(150,000)** | — |
| Subordinate voting shares: | | | | | |
| Issuances | 8 | **—** | — | **204,080** | — |
| Issuance costs | 8 | **(340)** | — | **(12,592)** | — |
| Multiple voting shares: | | | | | |
| Issuances | | **—** | — | **227,154** | — |
| Cash provided by (used in) financing activities | | **(565)** | — | **418,417** | — |
| **Increase (decrease) in cash and cash equivalents** | | **(192,622)** | — | **50,102** | — |
| Cash and cash equivalents - beginning of period | | **242,724** | — | **—** | — |
| **Cash and cash equivalents - end of period** | | **50,102** | — | **50,102** | — |

*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 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 includes a South Africa based subsidiary called Fairfax Africa Investments Proprietary Limited (''SA Sub'') and a Mauritius based subsidiary called Fairfax Africa Holdings Investments Limited (''Mauritius Sub'').

On February 17, 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 $506,202 (net proceeds of $493,326) through the issuance of subordinate voting shares and multiple voting shares. Gross proceeds included a $74,968 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") had taken the initiative in creating 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 investment management. Fairfax is a Canadian reporting issuer with securities listed on the TSX and trading in Canadian dollars under the symbol FFH for over 30 years and FFH.U. Fairfax, through its subsidiaries, owns 30,000,000 multiple voting shares and 2,500,000 subordinate voting shares of Fairfax Africa. At September 30, 2017, Fairfax's holdings of multiple and subordinate voting shares 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 consolidated subsidiaries, responsible to source and advise with respect to all investments.

The company was federally incorporated on April 28, 2016 and domiciled in Ontario, Canada. The principal office of the company, Fairfax and the Portfolio Advisor 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 and nine months ended September 30, 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 and incorporated in the company's IPO prospectus filed on SEDAR on February 8, 2017.

The consolidated balance sheets of the company are presented on a non-classified basis. Assets expected to be realized and liabilities expected to be settled within the company's normal operating cycle of one year would typically be considered as current, including the following balances: cash and cash equivalents, restricted cash, loans, interest receivable, other assets, accounts payable and accrued liabilities, payable to related parties, term loan, and income taxes payable. All other balances are generally considered as non-current.

The preparation of the company's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of income and expenses during the reporting periods covered by the consolidated financial statements and the related note disclosures. Critical accounting estimates and judgments are described in note 4.

These interim consolidated financial statements were approved for issue by the company's Board of Directors on November 2, 2017.

## 3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these interim 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 with these subsidiaries 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 interim 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 that may 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 in the consolidated statements of comprehensive income. Income and expenses are translated at the average rate of exchange for the period.

***Consolidated statements of cash flows***

The company's consolidated statements 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, restricted cash, bonds, loans and common stock. Management determines the appropriate classifications of investments at their acquisition date.

***Restricted cash***

Restricted cash primarily consists of amounts required to be maintained on deposit with a Canadian bank to support the Term Loan (see note 7) and for regulatory requirements related to the Partial Offer (see note 15).

**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 change in unrealized gains and losses recorded in net realized gains (losses) on investments and net change in unrealized gains (losses) on investments, respectively, in the consolidated statements of comprehensive income and as operating activities in the consolidated statements of cash flows. Interest income earned on investments is included in the consolidated statements of comprehensive income in interest income and as operating activities in the consolidated statements 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.

**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 interim 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 for investments traded in active markets.

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, other assets, accounts payable and accrued liabilities, payable to related parties, and income taxes payable 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 effective interest rate of the contract.

***Net change in unrealized gains (losses) on investments***

The change in unrealized gains (losses) arising on the re-measurement of investments at fair value is included in net change in unrealized gains (losses) on investments in the consolidated statements of comprehensive income. The net change in unrealized gains (losses) on investments is adjusted for prior period re-measurement on investment sold.

***Net realized gains (losses) on investments***

Net realized gains (losses) arising on the disposition of investments are included in net realized gains (losses) on investments in the consolidated statements of comprehensive income.

***Interest 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 instrument's stated rates of interest.

***Income taxes***

The provision for income taxes for the period comprises current and deferred income tax. Income taxes are recognized in the consolidated statements 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 statements carrying amounts of assets and liabilities and their respective income tax bases at the current substantively enacted tax rates. Changes in deferred income tax are included in the provision for income taxes in the consolidated statements of comprehensive income.

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 is typically comprised of pending settlement of sales of investments and prepaid expenses.

***Term loan***
Borrowings are recognized initially at fair value and subsequently carried at amortized cost. Interest expense on borrowings is recognized in the consolidated statements of comprehensive income using the effective interest method.

***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.

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

***Net earnings per share***
Basic net earnings per share is calculated by dividing the net earnings by the weighted average number of subordinate and multiple voting shares issued and outstanding during the period. Diluted net earnings 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 interim 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.

*IFRIC Interpretation 23 Uncertainty over Income Tax Treatments ("IFRIC 23")*
In June 2017 the IASB issued IFRIC 23 to clarify how the requirements of IAS 12 *Income Taxes* should be applied when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after January 1, 2019, with modified retrospective or retrospective application.

## 4. Critical Accounting Estimates and Judgments

In the preparation of the company's interim 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 related to the valuation of 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 company's private investments.

***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. Unless stated otherwise, the company has made a critical judgment that it is able to control the timing of the repatriation of certain African Investments' unremitted earnings and has no plans to repatriate these earnings in the foreseeable future; as a consequence no tax has been recorded in these interim 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 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 10 should not be recorded as an asset because it is not presently likely that they will be realized.

## 5. African Investments

***Public African Investments***

The fair value of Atlas Mara Limited, whose shares are listed on the London Stock Exchange is determined using the bid price (without adjustments or discounts) at the balance sheet date.

*Investment in Atlas Mara Limited*

Atlas Mara is a Sub-Saharan African financial services group founded in 2013 and it is listed on the London Stock Exchange under the symbol ATMA. Atlas Mara's vision is to establish itself as a premier financial institution across key markets in Sub-Saharan Africa. Since its inception, Atlas Mara has acquired control or a significant stake in banking operations spread across seven key Sub-Saharan African countries: Botswana, Mozambique, Nigeria, Rwanda, Tanzania, Zambia and Zimbabwe.

*Atlas Mara Convertible Bond*

On July 17, 2017 the company invested $100,000 in Atlas Mara Limited ("Atlas Mara") through the purchase of a mandatory convertible bond (the "Atlas Mara Convertible Bond") with an interest rate of 5% per annum increasing to 10% per annum on August 31, 2017. On August 31, 2017 concurrent with the closing of Atlas Mara Equity Offering (described below), the Atlas Mara Convertible Bond (including accrued interest) was converted into 44,722,222 ordinary shares of Atlas Mara at the Issue Price (defined below). The change in the fair value of Atlas Mara Convertible Bond between the date of initial recognition and the conversion into Atlas Mara ordinary shares resulted in a net realized gain on investment of $5,098 recorded in the consolidated statements of comprehensive income for both the three and nine months ended September 30, 2017.

The company recorded interest income on the Atlas Mara Convertible Bond of $1,117 in the consolidated statements of comprehensive income for both the three and nine months ended September 30, 2017.

*Atlas Mara Equity Offering*

On August 31, 2017 the company acquired an additional 26,036,448 ordinary shares of Atlas Mara for $58,582 through participation in Atlas Mara's equity offering of $100,000 of new ordinary shares (the "Atlas Mara Equity Offering") at a price of $2.25 per share (the "Issue Price"). Fairfax Africa received a placing fee of $2,800 on agreement to acquire any shares not taken up by qualifying Atlas Mara shareholders and to purchase a minimum of 30% of the Atlas Mara Equity Offering, resulting in a net cash consideration of $55,782 (the "Commitment"). The company's Commitment at a fixed price met the definition of a derivative. The change in fair value of the Commitment derivative between the date of initial recognition and the exercise date resulted in a net realized gain on investments of $6,055 in the consolidated statements of comprehensive income for both the three and nine months ended September 30, 2017. This reflected a change in fair value to $2.375 per share on the exercise date.

At September 30, 2017 the company held an aggregate of 70,758,670 ordinary shares of Atlas Mara with a fair value of $193,101, representing a 42.4% equity interest.

***Private African Investments***

The fair values of Fairfax Africa's Private African Investments cannot be derived from an active market and accordingly, are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of these investments.

*AFGRI Holdings Proprietary Limited*

A private company 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.

Agrigroupe Investments LP ("AgriGroupe LP") is a partnership formed to hold an investment in Joseph Investment Holdings ("Joseph Holdings"). Ownership percentages and descriptions of capitalization in this paragraph are prior to the transactions described in the subsequent paragraph. Fairfax as a limited partner, had a 72.6% equity interest in AgriGroupe LP. Joseph Holdings is an investment holding company formed to hold an investment in AFGRI Holdings Proprietary Limited ("AFGRI"). Joseph Holdings' capitalization is comprised of ordinary shares and class A shares. Class A shares are non-voting except in matters related to the class A shares, redeemable at the option of Joseph Holdings at a fixed price and have a priority claim on distributions received from AFGRI in the amount of $88,600. Any such distributions will be used to pay down this amount to the class A shareholders through redemptions of all class A shares before holders of ordinary shares of JIH will be eligible to receive any distributions on their ordinary shares. AgriGroupe LP held all of the ordinary shares and class A shares of Joseph Holdings (inclusive of Fairfax's beneficial 65.9% equity interest and 72.6% interest in the class A shares of Joseph Holdings). Joseph Holdings has a 60.0% equity interest 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.

*Indirect investment in AFGRI*

On February 17, 2017, the company purchased from AgriGroupe LP the beneficial ownership interests held by Fairfax in 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 in exchange for 7,284,606 multiple voting shares at $10.00 per multiple voting share. The company also purchased additional ownership interests in Joseph Holdings from certain limited partners of AgriGroupe LP in exchange for 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). Subsequent to these transactions, the company had a 70.3% equity interest and 73.3% interest in the class A shares of Joseph Holdings through which it is the largest beneficial shareholder of AFGRI with a 42.2% indirect equity interest. Through its ownership of Joseph Holdings, Fairfax Africa controls 60% of the voting shares of AFGRI.

The consideration 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 September 30, 2017 the company estimated the fair value of its indirect investment in AFGRI using a discounted cash flow analysis of multi-year, free cash flow projections of AFGRI's business units with assumed after-tax discount rates ranging from 11.5% to 25.1% and a long term growth rate of 3.0%. Free cash flow projections were based on EBITDA projections derived from financial information for AFGRI's business units prepared in the second 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 September 30, 2017, the company's internal valuation model indicated that the fair value of its indirect investment in AFGRI is $83,061.

*AFGRI Facility*

On June 21, 2017 Fairfax Africa, through a wholly owned subsidiary, entered into a secured lending arrangement with AFGRI, pursuant to which Fairfax Africa provided approximately $23,255 (300 million South African rand) of debt (the "AFGRI Facility"). AFGRI sought out the financing ahead of an expected future equity capital raise by AFGRI for growth initiatives. The AFGRI Facility matures on December 24, 2017 with an option for AFGRI to repay in shares, subject to certain conditions. The AFGRI Facility bears interest at a rate of South African Prime plus 2% per annum. Fairfax Africa is entitled to receive a fee equal to 2% of the loan proceeds. This fee will be paid on maturity or on repayment of the AFGRI Facility. The company earns interest on the fee at the same rate as the AFGRI Facility. At September 30, 2017, the company determined the fair value of the AFGRI Facility based on market rates and creditworthiness of AFGRI to be $22,232. For the three and nine months ended September 30, 2017, the company recognized interest income of $962 and $1,004. Each of these amounts were recorded in the consolidated statements of comprehensive income.

*Nova Pioneer Education Group*

Nova Pioneer is an independent school network with campuses in South Africa and Kenya, which offers preschool through secondary education for students from ages 3 through 19.

*Nova Pioneer Facility*

On June 8, 2017 Fairfax Africa, through a wholly owned subsidiary, entered into a secured lending arrangement with Ascendant Learning Limited ("Ascendant"), the Mauritius based parent entity of Nova Pioneer Education Group ("Nova Pioneer"). Pursuant to this, Ascendant was permitted to borrow up to $4,000 ("Nova Pioneer Facility") for the benefit of Nova Pioneer. The Nova Pioneer Facility had an initial interest rate of 5% per annum, which increased to 18% per annum on June 30, 2017. The Nova Pioneer Facility was secured against certain assets of Ascendant and its subsidiaries. On June 8, 2017 Ascendant borrowed $3,000. Subsequently, on August 10, 2017, Ascendant borrowed an additional $1,000.

On August 22, 2017 the Nova Pioneer Facility was converted into the Nova Pioneer Investment (discussed below). For the three and nine months ended September 30, 2017, the company recorded an interest income in the consolidated statements of comprehensive income on the Nova Pioneer Facility of $84 and $94.

*Nova Pioneer Bonds*

On June 30, 2017, Fairfax Africa had announced to invest $20,000 in Nova Pioneer which consisted of $20,000 of secured debentures (maturity date of December 31, 2024) and 2,000,000 warrants. On August 22, 2017 Ascendant issued $10,000 of secured debentures (the "Nova Pioneer Bonds") and 1,000,000 warrants (the "Nova Pioneer Warrants") (collectively, the "Nova Pioneer Investment").

The Nova Pioneer Bonds bear interest at a rate of 20% per annum and are redeemable by Ascendant at par at any time after June 30, 2021, except in circumstances relating to a change of control or a value realization event. Each Nova Pioneer Warrant can be exercised to acquire one ordinary share of Ascendant (an "Ascendant Share"). Other than in circumstances relating to a change of control or a value realization event, the Nova Pioneer Warrants may be exercised after June 30, 2021. The Nova Pioneer Bonds are not rated.

At September 30, 2017 the company estimated the fair value of Nova Pioneer Investment comprising of the Nova Pioneer Bonds and Nova Pioneer Warrants, using an industry accepted discounted cash flow and option pricing model. The fair value of the Nova Pioneer Bonds incorporated Nova Pioneer's estimated credit spread of 18.4% and the estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Nova Pioneer.

At September 30, 2017 the company's internal valuation model indicates fair values of the Nova Pioneer Bonds of $9,990 and the Nova Pioneer Warrants of $296. The company also recorded an interest income of $219 in the consolidated statements of comprehensive income for both the three and nine months ended September 30, 2017 relating to Nova Pioneer Bonds.

On October 10, 2017 Ascendant issued another $5,000 of Nova Pioneer Bonds and 500,000 of Nova Pioneer Warrants ("Tranche Two") to the company. Ascendant must issue the remaining $5,000 Nova Pioneer Bonds and 500,000 Nova Pioneer Warrants ("Tranche Three") to the company no later than December 15, 2017.

A summary of changes in the fair value of the company's Public and Private African Investments for the three and nine months ended September 30, 2017 as follows:

| | Third quarter | | | | |
|---|---|---|---|---|---|
| | Public African Investment | Private African Investments | | | |
| | Common stock | Common stock | Loans | Bonds | |
| | Atlas Mara ordinary shares | Indirect investment in AFGRI | AFGRI Facility | Nova Pioneer Investment [(1)] | Total |
| **Balance as of June 30, 2017** | **—** | **81,222** | **22,929** | **—** | **104,151** |
| Purchases | **168,052** | **—** | **—** | **10,000** | **178,052** |
| Net change in unrealized gains included in the consolidated statement of comprehensive income | **25,049** | **4,095** | **—** | **286** | **29,430** |
| Net foreign exchange losses included in the consolidated statements of comprehensive income | **—** | **(2,256)** | **(697)** | **—** | **(2,953)** |
| **Balance as of September 30, 2017** | **193,101** | **83,061** | **22,232** | **10,286** | **308,680** |

| | First nine months | | | | |
|---|---|---|---|---|---|
| | Public African Investment | Private African Investments | | | |
| | Common stock | Common stock | Loans | Bonds | |
| | Atlas Mara ordinary shares | Indirect investment in AFGRI | AFGRI Facility | Nova Pioneer Investment [(1)] | Total |
| **Balance as of January 1, 2017** | **—** | **—** | **—** | **—** | **—** |
| Purchases | **168,052** | **74,968** | **23,255** | **10,000** | **276,275** |
| Net change in unrealized gains included in the consolidated statement of comprehensive income | **25,049** | **5,994** | **—** | **286** | **31,329** |
| Net foreign exchange gains (losses) included in the consolidated statements of comprehensive income | **—** | **2,099** | **(1,023)** | **—** | **1,076** |
| **Balance as of September 30, 2017** | **193,101** | **83,061** | **22,232** | **10,286** | **308,680** |

*(1)* The net change in unrealized gain on the Nova Pioneer Investment includes a net change in unrealized gain of $296 on the Nova Pioneer Warrants and a net change in unrealized loss of $10 on the Nova Pioneer Bonds, which have been included in the company's consolidated statement of comprehensive income for both the three and nine months ended September 30, 2017 (see note 5).

## 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:

| | September 30, 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)] | 50,102 | — | — | 50,102 |
| Restricted cash[(2)] | 312,000 | — | — | 312,000 |
| | 362,102 | — | — | 362,102 |
| Loans - AFGRI Facility | — | — | 22,232 | 22,232 |
| Bonds: | | | | |
| Government of South Africa[(3)] | — | 16,070 | — | 16,070 |
| Nova Pioneer Investment [(4)] | — | — | 10,286 | 10,286 |
| | — | 16,070 | 10,286 | 26,356 |
| Common stock: | | | | |
| Indirect investment in AFGRI | — | — | 83,061 | 83,061 |
| Atlas Mara ordinary shares | 193,101 | — | — | 193,101 |
| | 193,101 | — | 83,061 | 276,162 |
| Total cash and investments | 555,203 | 16,070 | 115,579 | 686,852 |

*(1)* Includes U.S. treasury bills of $32,972 with maturity dates of less than three months as at investment date.

*(2)* Restricted cash comprised of $150,000 received from term loan and $162,000 issued as cash collateral (see note 7).

*(3)* Government of South Africa bonds are denominated in U.S. dollars. The bonds are priced based on information provided by independent pricing service providers.

*(4)* Nova Pioneer Investment includes the Nova Pioneer Bonds of $9,990 and the Nova Pioneer Warrants of $296 (see note 5).

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 and nine months ended September 30, 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.

At September 30, 2017, the company has determined that there are no significant unobservable inputs suited for sensitivity analysis for the AFGRI Facility. Accordingly, the company performed a sensitivity analysis on its indirect investment in AFGRI and Nova Pioneer Bonds.

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 model for the indirect investment in AFGRI and Nova Pioneer Bonds classified as Level 3 at September 30, 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[(1)] | Hypothetical $ change effect on net earnings [(1)] |
|---|---|---|---|---|---|---|
| Indirect investment in AFGRI | $83,061 | Discounted cash flow | After-tax discount rate | 11.5% to 25.1% | 12,046 / (10,879) | 8,854 / (7,996) |
| | | | Long term growth rate | 3% | 4,381 / (4,161) | 3,219 / (3,057) |
| Nova Pioneer Bonds | $9,990 | Discounted cash flow | Credit Spread | 18.4% | 381/ (360) | 280 / (265) |

*(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) in net earnings. Changes in the after-tax discount rates (50 basis points), long term growth rates (25 basis points), and credit spreads (100 basis points), each in isolation, would hypothetically change the fair value of the company's investments as noted in the table above. Generally, an increase (decrease) in long term growth rates or a decrease (increase) in after-tax discount rates or credit spreads, would result in a higher (lower) fair value of the company's indirect investment in AFGRI and Nova Pioneer Bonds.

**Fixed Income Maturity Profile**

Bonds and loans are summarized by their earliest contractual maturity date in the table that follows. Actual maturities may differ from maturities shown below due to the existence of call and put features. At September 30, 2017 there were no bonds containing call or put features.

| | September 30, 2017 | |
|---|---|---|
| | **Amortized cost** | **Fair value** |
| Due in 1 year or less | **22,232** | **22,232** |
| Due after 1 year through 5 years | **26,125** | **26,060** |
| | **48,357** | **48,292** |

***Investment Income***

An analysis of interest income for the three and nine months ended September 30, 2017 is summarized in the table that follows:

*Interest Income*

| | **Third quarter 2017** | **First nine months 2017** |
|---|---|---|
| Interest income: | | |
| Cash and cash equivalents | **366** | **961** |
| Restricted cash | **332** | **332** |
| Short term investments - US treasury bills | **98** | **305** |
| Bonds: | | |
| Government of South Africa | **272** | **607** |
| Nova Pioneer Bonds | **219** | **219** |
| Atlas Mara Convertible Bond | **1,117** | **1,117** |
| Loans: | | |
| AFGRI Facility | **962** | **1,004** |
| Nova Pioneer Facility | **84** | **94** |
| Total interest income | **3,450** | **4,639** |

*Net gains (losses) on investments and net foreign exchange gains (losses)*

| | Third quarter | | |
|---|---|---|---|
| | 2017 | | |
| | Net realized gains (losses) | Net change in unrealized gains (losses) | Net gains (losses) on investments |
| **Net gains (losses) on investments:** | | | |
| Bonds: | | | |
| Government of South Africa | **272** | **169** | **441** |
| Nova Pioneer Investment [(1)] | **—** | **286** | **286** |
| Atlas Mara Convertible Bond | **5,098** | **—** | **5,098** |
| Common stocks: | | | |
| Indirect investment in AFGRI | **—** | **4,095** | **4,095** |
| Atlas Mara ordinary shares | **—** | **25,049** | **25,049** |
| Atlas Mara Equity Offering[(2)] | **6,055** | **—** | **6,055** |
| | **11,425** | **29,599** | **41,024** |
| **Net foreign currency gains (losses) on:** | | | |
| Cash and cash equivalents | **71** | **37** | **108** |
| Loans - AFGRI facility | **—** | **(697)** | **(697)** |
| Common stock - indirect investment in AFGRI | **—** | **(2,256)** | **(2,256)** |
| Other | **182** | **(171)** | **11** |
| | **253** | **(3,087)** | **(2,834)** |

| | First nine months | | |
|---|---|---|---|
| | 2017 | | |
| | Net realized gains (losses) | Net change in unrealized gains (losses) | Net gains (losses) on investments |
| **Net gains (losses) on investments:** | | | |
| Bonds: | | | |
| Government of South Africa | **272** | **(55)** | **217** |
| Nova Pioneer Investment [(1)] | **—** | **286** | **286** |
| Atlas Mara Convertible Bond | **5,098** | **—** | **5,098** |
| Common stocks: | | | |
| Indirect investment in AFGRI | **—** | **5,994** | **5,994** |
| Atlas Mara ordinary shares | **—** | **25,049** | **25,049** |
| Atlas Mara Equity Offering[(2)] | **6,055** | **—** | **6,055** |
| | **11,425** | **31,274** | **42,699** |
| **Net foreign currency gains (losses) on:** | | | |
| Cash and cash equivalents | **—** | **37** | **37** |
| Loans - AFGRI facility | **—** | **(1,023)** | **(1,023)** |
| Common stock - indirect investment in AFGRI | **—** | **2,099** | **2,099** |
| Other | **—** | **(171)** | **(171)** |
| | **—** | **942** | **942** |

*(1)* The net change in unrealized gain on the Nova Pioneer Investment includes a net change in unrealized gain of $296 on the Nova Pioneer Warrants and a net change in unrealized loss of $10 on the Nova Pioneer Bonds, which have been included in the company's consolidated statement of comprehensive income for both the three and nine months ended September 30, 2017 (see note 5).

*(2)* The Commitment derivative on the Atlas Mara Equity Offering resulted in a net realized gain upon closing of the Atlas Mara Equity Offering (see note 5) in both the three and nine months ended September 30, 2017.

## 7. Borrowings

| | September 30, 2017 | | |
|---|---|---|---|
| | Principal | Carrying value | Fair value[(1)] |
| Secured Term Loan, floating rate due January 31, 2018 | **150,000** | **150,000** | **150,000** |

*(1)* Carrying value approximated fair value at September 30, 2017.

***Term Loan***

On August 31, 2017 the company completed a secured term loan (the ''Term Loan'') with a Canadian bank for a principal amount of $150,000, bearing an interest rate of LIBOR plus 100 basis points, and which matures on January 31, 2018. In connection with the the Term Loan the company is maintaining a cash collateral of $150,000. The cash collateral is classified as restricted cash in the consolidated balance sheet at September 30, 2017.

The Company incurred interest expense of $299 and issuance costs of $225 relating to the Term Loan for both the three and nine months ended September 30, 2017. These amounts are included as interest expense in the company's consolidated statements of comprehensive income.

***Letter of Credit***

On August 31, 2017 the company entered into a non-revolving term letter of credit facility available by way of a letter of a letter of credit in the aggregate amount of 2 billion South African rand ($153.9 million) (the "LC Facility") with a Canadian bank in connection with the company's Partial Offer to acquire shares in PPC Limited (see note 15). The LC Facility expires on March 31, 2018, bearing interest at 100 basis points. The LC Facility is available on a demand basis and will be used to satisfy potential obligations under the Partial Offer to acquire shares in PPC Limited.

Under the terms of the LC Facility, the company is required to contribute cash to a cash-collateral account equivalent to 105% of the LC Facility. As at September 30, 2017 the company had $162 million in a cash-collateral account, which was classified as restricted cash in the consolidated balance sheet at September 30, 2017.

The company incurred interest expense of $125 and issuance costs of $243 relating to the LC Facility for both the three and nine months ended September 30, 2017. These amounts are recognized as interest expense in the company's consolidated statements of comprehensive income.

The company had earned an interest income of $160 and $172 on the collateral provided for the Term Loan and LC Facility which were recognized as interest income in the company's consolidated statements of comprehensive income for both the three and nine months ended at September 30, 2017.

## 8. Total Equity

**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 - September 30 | **20,620,189** |
| | |
| Multiple voting shares - January 1 | **1** |
| Issuances of shares | **29,999,999** |
| Multiple voting shares - September 30 | **30,000,000** |
| | |
| Common shares effectively outstanding - September 30 | **50,620,189** |

*Capital transactions*

On February 17, 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 $56,220 and issued 22,715,394 multiple voting shares to Fairfax and its affiliates on a private placement basis, for gross proceeds of $227,154. The company's subordinate voting shares began trading on the TSX under the symbol "FAH.U" on February 17, 2017. Concurrent with these transactions, certain cornerstone investors purchased 14,378,000 subordinate voting shares, on a private placement basis, for gross proceeds of $143,780. Concurrent with the closing of the IPO and private placements, the company completed the acquisition for $74,968 of a 42.2% indirect interest in AFGRI (through the acquisition of Joseph Holdings ordinary and class A shares as described in note 5) in exchange for 7,284,606 multiple voting shares issued to certain affiliates of Fairfax (upon the winding-up of AgriGroupe LP) and 212,189 subordinate voting shares issued to certain other Joseph Holdings shareholders (the "AFGRI Transaction"). The combined gross proceeds of the IPO, private placements and AFGRI Transaction were $502,122.

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 $4,080. The exercise of the over-allotment option increased the combined gross proceeds from the IPO, private placements and AFGRI Transaction (collectively "the Offerings") to $506,202 (net proceeds of $493,326 after commissions and expenses of $12,876).

### 9. Earnings per Share

Net earnings per share for the three and nine months ended September 30, 2017 is calculated in the following table based on the weighted average shares outstanding:

| | Third quarter | First nine months |
|---|---|---|
| | **2017** | **2017** |
| Net earnings – basic and diluted | **33,019** | **37,333** |
| Weighted average shares outstanding – basic | **50,620,189** | **40,871,955** |
| Contingently issuable subordinate voting shares | **403,346** | **333,906** |
| Weighted average common shares outstanding – diluted | **51,023,535** | **41,205,861** |
| Net earnings per share - basic and diluted | **$ 0.65** | **$ 0.91** |

At September 30, 2017 there were 403,346 contingently issuable subordinate voting shares relating to the performance fee payable to Fairfax. The performance fee is accrued quarterly and paid for the period from February 17, 2017 to December 31, 2019. If a performance fee is payable for the period ending on December 31, 2019, it will be paid in subordinate voting shares of the company unless the market prices per share of those shares is more than two times the then book value per share, in which event Fairfax may elect to receive that fee in cash. The number of subordinate voting shares to be issued will be calculated based on the volume weighted average trading price of the subordinate voting shares for the 10 trading days prior to and including the last day of the calculation period in respect of which the performance fee is paid. Refer to note 12 for further details.

### 10. Income Taxes

The company's provision for income taxes for the three and nine months ended September 30, 2017 are summarized in the following table:

| | Third quarter | First nine months |
|---|---|---|
| | **2017** | **2017** |
| Current income tax: | | |
| Current year expense | **301** | **438** |
| Deferred income tax: | | |
| Origination and reversal of temporary differences | **131** | **539** |
| Provision for income taxes | **432** | **977** |

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

The company's earnings (loss) before income taxes by jurisdiction and the associated provision for income taxes for the three and nine months ended September 30, 2017 are summarized in the following tables:

| | Third quarter | | | |
|---|---|---|---|---|
| | 2017 | | | |
| | Canada | Mauritius | South Africa | Total |
| Earnings (loss) before income taxes | **(6,465)** | **39,609** | **307** | **33,451** |
| Provision for income taxes | **131** | **125** | **176** | **432** |
| Net earnings (loss) | **(6,596)** | **39,484** | **131** | **33,019** |

| | First nine months | | | |
|---|---|---|---|---|
| | 2017 | | | |
| | Canada | Mauritius | South Africa | Total |
| Earnings (loss) before income taxes | **(7,611)** | **45,902** | **19** | **38,310** |
| Provision for income taxes | **539** | **125** | **313** | **977** |
| Net earnings (loss) | **(8,150)** | **45,777** | **(294)** | **37,333** |

During the third quarter and first nine months of 2017, the pre-tax losses in Canada were primarily related to performance fees, investment and advisory fees, and interest expense on the Term Loan and LC Facility. During the third quarter and first nine months of 2017, the pre-tax profitability in Mauritius was principally related to unrealized gains on direct investment in Atlas Mara and indirect investment in AFGRI, net realized gains on Atlas Mara Convertible Bond and Atlas Mara Equity Offering (see note 5 - Investment in Atlas Mara). During the third quarter and first nine months of 2017, the pre-tax profitability in South Africa was primarily related to interest income received from AFGRI Facility offset partially by net foreign exchange losses.

A reconciliation of the provision for income taxes calculated at the Canadian statutory income tax rate to the provision for income taxes at the effective tax rate in the consolidated financial statements for the for the three and nine months ended September 30, 2017 are summarized in the following table:

| | **Third quarter** | **First nine months** |
|---|---|---|
| | **2017** | **2017** |
| Canadian statutory income tax rate | **26.5%** | **26.5%** |
| Provision for income taxes at the Canadian statutory income tax rate | **8,844** | **10,132** |
| Tax rate differential on income earned outside of Canada | **(8,320)** | **(9,829)** |
| Change in unrecorded tax benefit of losses and temporary differences | **2,847** | **4,829** |
| Foreign exchange effect | **(2,653)** | **(3,874)** |
| Other including permanent differences | **(286)** | **(281)** |
| Provision for income taxes | **432** | **977** |

The tax rate differential on income earned outside of Canada of $8,320 and $9,829 in the third quarter and first nine months of 2017 principally reflected the net unrealized gain of a foreign affiliate that was not subject to tax in Mauritius or Canada.

The change in unrecorded tax benefit of losses and temporary differences of $2,847 and $4,829 in the third quarter and first nine months of 2017 principally reflected net operating loss carry forwards incurred by the company. The deferred tax assets related to these losses were not recorded by the company as the related pre-tax losses did not meet the applicable recognition criteria under IFRS.

Foreign exchange effect of $2,653 and $3,874 in the third quarter and first nine months of 2017 principally reflected the impact of 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 its subsidiaries is the U.S. dollar.

The company reviews the recoverability of the deferred income tax asset on an ongoing basis and adjusts, as necessary, to reflect its anticipated realization of $7,442. Deferred income tax balances at September 30, 2017 were nil as the company has not recorded deferred tax assets that are related to costs of the offerings of $2,613 and net operating losses of $4,829.

## 11. Financial Risk Management

***Overview***

The company's activities expose the company 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, which is 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 due changes in market price. 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 dependent upon the underlying performance of the companies within the portfolio. These may 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. As a result, the fluctuation may produce an adverse effect on net earnings and common shareholders' equity when measured in U.S. dollar, the company's functional currency. As at September 30, 2017 the majority of assets were denominated in U.S. dollars which is the functional and presentation currency of the company. As a result, the company shareholders' equity and net earnings may not be significantly affected by foreign currency movement except for items denoted in the table below. The company has not hedged its foreign currency risk.

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

| | September 30, 2017 | | |
|---|---|---|---|
| | Cash and cash equivalents | Investments | Total exposure |
| Canadian dollars | **509** | **—** | **509** |
| South African rand[(1)] | **355** | **105,538** | **105,893** |
| Mauritius rupees | **31** | **—** | **31** |
| Total | **895** | **105,538** | **106,433** |

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

If the U.S dollar depreciated by 5.0%, with all other variables held constant, against the South African rand (the currency to which the company has significant exposure), the effect on net earnings would be a hypothetical increase of $3,915. The hypothetical impact relates principally to the company's indirect investment in AFGRI and AFGRI Facility.

*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 for 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. The impact of the hypothetical change effect on net earnings relating to the AFGRI Facility has not been included in the below sensitivity analysis due short duration to maturity.

| | September 30, 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 | **24,859** | **(883)** | **(4.6)%** |
| 100 basis point rise | **25,446** | **(451)** | **(2.4)%** |
| No change | **26,060** | **—** | **—** |
| 100 basis point decline | **26,697** | **468** | **2.4 %** |
| 200 basis point decline | **27,239** | **867** | **4.5 %** |

The above table contains certain shortcomings that are inherent in the method of analysis. 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. These 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.

South African Credit Rating Downgrade

On April 3, 2017, S&P lowered the foreign currency credit rating of government of South Africa bonds from BBB- to BB+ and assigned a negative outlook, citing fiscal policy risk following the dismissal of the country's finance minister. The foreign currency credit rating applies to U.S. dollar currency debt, which accounts for about 10% of the government of South Africa's debt. The local currency credit rating applies to debt raised in South African rand through the domestic market. S&P retained an investment-grade rating for South Africa's local currency credit rating, but put this rating on a negative outlook. On April 7, 2017, Fitch Ratings downgraded South Africa's foreign and local currency credit ratings from BBB- to BB+, expressing concerns that the replacement of the country's finance minister and the deputy finance minister may result in a change in the direction of the country's economic policy and in a reversal of improvements in state-owned entity governance. On June 9, 2017, Moody's downgraded South Africa's sovereign credit rating from Baa2 to Baa3.

*Market Price Fluctuations*

Market price fluctuation is the risk that the fair value or future cash flows of an equity investment will fluctuate due 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.

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 and Nova Pioneer Bonds.

The following table illustrates the potential impact on pre-tax earnings (loss) and net earnings (loss) of a 10.0% change in the fair value of the company's Level 1 equity investment in Atlas Mara ordinary shares.

| | September 30, 2017 | |
|---|---|---|
| Change in fair value of Atlas Mara ordinary shares | **10.0%** | **-10.0%** |
| Level 1 equity investments | **193,101** | **193,101** |
| Pre-tax impact on earnings (loss) | **19,310** | **(19,310)** |
| Impact on net earnings (loss) | **14,193** | **(14,193)** |

***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. At September 30, 2017, the company's cash and cash equivalents were primarily held in major financial institutions (principally in high credit quality Canadian financial institutions) and U.S. treasury bills.

At September 30, 2017 the company's aggregate gross credit risk exposure was comprised as follows:

| | September 30, 2017 |
|---|---|
| Cash and cash equivalents | **50,102** |
| Restricted cash | **312,000** |
| Bonds: | |
| Government of South Africa | **16,070** |
| Nova Pioneer Investment [(1)] | **20,286** |
| Loans - AFGRI Facility | **22,232** |
| Interest receivable[(2)] | **1,872** |
| Total gross credit risk exposure | **422,562** |

*(1)* At September 30, 2017 the company has an additional commitment of $10,000 to fund Tranche Two and Tranche Three of which Tranche Two was funded on October 10, 2017. The company expects to fund Tranche Three no later than December 15, 2017.

*(2)* The company is exposed to credit risk on interest receivable from AFGRI Facility, Nova Pioneer Investment, cash collateral held for Term Loan and LC Facility, and government of South Africa bonds.

The company's investment in government of South Africa bonds are rated Baa3 by Moody's and BB+ by S&P. The company's investments in the AFGRI Facility and the Nova Pioneer Bonds are not rated.

***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 September 30, 2017 provides adequate liquidity to meet the company's remaining known significant commitments in 2017, which are principally comprised of the Nova Pioneer Investment, 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.

Refer to note 12 for details on the settlement of the performance fees, if any, at the end of the first calculation period, December 31, 2019.

The company is actively seeking investment opportunities in Africa and will continue to re-direct capital from its fixed income portfolio into African Investments as and when those opportunities are identified.

***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. 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 region of domicile was as follows:

| | September 30, 2017 | | |
|---|---|---|---|
| | **Africa** | **North America** | **Total** |
| Cash and cash equivalents | **11,013** | **39,089** | **50,102** |
| Restricted cash | **—** | **312,000** | **312,000** |
| Bonds: | | | |
| Government of South Africa | **16,070** | **—** | **16,070** |
| Nova Pioneer Investment | **10,286** | **—** | **10,286** |
| Loans - AFGRI Facility | **22,232** | **—** | **22,232** |
| Common stocks: | | | |
| Indirect investment in AFGRI | **83,061** | **—** | **83,061** |
| Atlas Mara ordinary shares | **193,101** | **—** | **193,101** |
| Total cash and investments | **335,763** | **351,089** | **686,852** |

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”).

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 September 30, 2017, comprised of common shareholders’ equity, was $531,124 compared to a deficit of $74 at December 31, 2016. The significant increase in total capital principally reflected the impact of proceeds from the Offerings (as discussed in note 8) and net earnings for the the nine months ended September 30, 2017.

On August 31, 2017 the company completed a Term Loan with a Canadian bank for a principal amount of $150,000, bearing an interest rate of LIBOR plus 100 basis points, and which matures on January 31, 2018. In connection with the Term Loan the company is maintaining a cash collateral of $150,000.

On August 31, 2017 the company entered into the LC Facility (see note 7) with a Canadian bank in connection with a Partial Offer to acquire shares in PPC Limited (see note 15) that expires on March 31, 2018, bearing interest at 100 basis points.

Under the terms of the LC Facility, the company is required to contribute cash to a cash-collateral account equivalent to 105% of the LC Facility. At September 30, 2017 the company had $162 million in a cash-collateral account, which was classified as restricted cash in the consolidated balance sheet

## 12. Related Party Transactions

*Payable to Related Parties*

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

| | September 30, 2017 |
|---|---|
| Performance fees | **5,633** |
| Investment and advisory fees | **825** |
| | **6,458** |

At December 31, 2016, payable to related parties of $860 related to Offering expenses that were paid by Fairfax on behalf of the company. Subsequent to closing of the Offerings on February 17, 2017 the amount was paid to Fairfax in cash.

*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 common shareholders' equity.

*Performance Fee*

The performance fee is accrued quarterly and paid for the period from February 17, 2017 to December 31, 2019 (the "first calculation period") and for each consecutive three-year period thereafter. It is calculated on a cumulative basis as 20% of any increase in common shareholders' equity per share (including distributions) above a 5% per annum increase. The amount of common shareholders' equity per share at any time, which must be achieved before any performance fee would be payable, is sometimes referred to as the "hurdle per share". The company determined that a performance fee of $5,633 should be accrued at September 30, 2017 as the book value per share of $10.60 (before factoring in the impact of the performance fee) at September 30, 2017 was greater than the hurdle per share at that date of $10.05.

If a performance fee is payable for the first calculation period, it will be paid within 30 days after the company issues its annual audited consolidated financial statements, in subordinate voting shares of the company unless the market prices per share of those shares is more than two times the then book value per share, in which event Fairfax may elect to receive that fee in cash. The number of subordinate voting shares to be issued will be calculated based on the volume-weighted average trading price of the subordinate voting shares for the 10 trading days prior to and including the last day of the calculation period in respect of which the performance fee is paid. At September 30, 2017, there were 403,346 contingently issuable subordinate voting shares relating to the performance fee payable to Fairfax.

The performance fee of $5,633 was recorded in the consolidated statements of comprehensive income for both the three and nine months ended September 30, 2017.

*Investment and Advisory Fee*

The investment and advisory fee is calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. For the first nine months of 2017 the company determined a significant portion of its assets were either invested in permitted investments or cash collateral related to the LC Facility, each of which are considered to be undeployed capital. The investment and advisory fee for the three and nine months ended September 30, 2017 recorded in the consolidated statements of comprehensive income was $825 and $2,005, respectively.

*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 the Corporate Secretary of the company will be borne by Fairfax.

*Other*

Other assets includes a receivable from related party of $89 at September 30, 2017 for expenses incurred by the company on behalf of Fairfax and Portfolio Advisor.

*AFGRI Facility*

On June 21, 2017 Fairfax Africa, through a wholly owned subsidiary, entered into a secured lending arrangement with AFGRI, pursuant to which Fairfax Africa provided approximately $23,255 (300 million South African rand). AFGRI sought out the financing ahead of an expected future equity capital raise by AFGRI for growth initiatives (see note 5).

**13. 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 Africa and African investments.

**14. General and Administration Expenses**

General and administration expenses for the three and nine months ended September 30, 2017 was comprised as follows:

| | Third quarter | First nine months |
|---|---|---|
| Audit, legal and tax professional fees | **448** | **829** |
| Administrative expenses | **391** | **611** |
| | **839** | **1,440** |

## 15. Partial Offer to Acquire Shares of PPC Limited and Support of Merger between PPC Limited and AfriSam Group Proprietary Limited

On September 4, 2017, the company announced that it had, through SA Sub, submitted a partial offer (the "Partial Offer") to the board of directors of PPC Limited ("PPC") to acquire ordinary shares of PPC for cash consideration of 5.75 South African rand (approximately $0.44) per ordinary share. The Partial Offer represents a value of 2 billion South African rand ($153.9 million). Simultaneously, the company entered into a letter of support with AfriSam Group Proprietary Limited ("AfriSam") and its major shareholders, whereby the company, its affiliates and certain allied co-investors would subscribe for 4 billion South African rand ($307.8 million) in ordinary shares representing 60% of AfriSam's equity capital and voting rights (together with the Partial Offer, the (" PPC Transactions").

As required under South African law, a South African bank has provided a cash guarantee to the South Africa Takeover Regulation Panel in respect of SA Sub's financial obligation to effect payment of the consideration for the Partial Offer. In connection with the cash guarantee, Fairfax Africa entered into the LC Facility in the aggregate amount of 2 billion South African rand ($153.9 million). The LC Facility is secured by $162 million of cash.

The PPC Transactions are subject to a number of conditions, and there can be no assurances that the PPC Transactions will be completed on the currently proposed terms, or at all.

**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 and nine months ended September 30, 2017 of Fairfax Africa Holdings Corporation (''Fairfax Africa'' or ''the company'') and the company's audited financial statements and accompanying notes for the year ended December 31, 2016, which were incorporated in the company's IPO prospectus filed on SEDAR on February 8, 2017.

(2) The MD&A contains references to book value per share. On any date, book value per share is calculated as 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 accrued quarterly and paid for the period from February 17, 2017 to December 31, 2019 (the "first calculation period") and for each consecutive three-year period thereafter. It is calculated on a cumulative basis as 20% of any increase in common shareholders' equity per share (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 had taken the initiative in creating 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 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 consolidated subsidiaries, responsible to source and advise with respect to all investments.

On February 17, 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 $56,220 and issued 22,715,394 multiple voting shares to Fairfax and its affiliates on a private placement basis, for gross proceeds of $227,154. The company's subordinate voting shares began trading on the TSX under the symbol "FAH.U" on February 17, 2017. Concurrent with these transactions, certain cornerstone investors purchased 14,378,000 subordinate voting shares, on a private placement basis, for gross proceeds of $143,780. Concurrent with the closing of the IPO and private placements, the company completed the acquisition of a 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 $74,968 (the "AFGRI Transaction"). The combined gross proceeds of the IPO, private placements and AFGRI Transaction were approximately $502,122.

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 $4,080. 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 $506,202 (net proceeds of $493,326 after issuance costs and expenses).

Full descriptions of the African Investments for the three and nine months ended September 30, 2017 are provided in the African Investments section of this MD&A.

### South African Credit Rating Downgrade

On April 3, 2017, S&P lowered the foreign currency credit rating of government of South Africa bonds from BBB- to BB+ and assigned a negative outlook, citing fiscal policy risk following the dismissal of the country's finance minister. The foreign currency credit rating applies to U.S. dollar currency debt, which accounts for about 10% of the government of South Africa's debt. The local currency credit rating applies to debt raised in South African rand through the domestic market. S&P retained an investment-grade rating for South Africa's local currency credit rating, but put this rating on a negative outlook. On April 7, 2017, Fitch Ratings downgraded South Africa's foreign and local currency credit ratings from BBB- to BB+, expressing concerns that the replacement of the country's finance minister and the deputy finance minister may result in a change in the direction of the country's economic policy and in a reversal of improvements in state-owned entity governance. On June 9, 2017, Moody's downgraded South Africa's sovereign credit rating from Baa2 to Baa3.

**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 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.

**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"). 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 September 30, 2017 the company determined that it was in compliance with these investment restrictions.

**African Investments**

**Cautionary Statement Regarding Financial Information of Significant African Investments**

Fairfax Africa has agreed to voluntarily provide within its MD&A, summarized unaudited financial information prepared for all of its African Investments for which it had previously filed a business acquisition report in accordance with section 8.2 of *National Instrument 51-102 Continuous Disclosure Obligations.* AFGRI prepares its financial statements in accordance with IFRS as issued by IASB and are presented in U.S.dollars. Atlas Mara Limited ("Atlas Mara"), a listed entity on London Stock Exchange, prepares in accordance with IFRS as adopted by the European Union and are presented in U.S. dollars. Fairfax Africa is limited in respect to the amount of independent verification it is able to perform with respect to its Significant African Investments' financial statements. Such financial information is the responsibility of the respective managements.

The unaudited summarized financial information for AFGRI and Atlas Mara included in this MD&A are the latest information available to Fairfax Africa's management and should be read in conjunction with Fairfax Africa's historical interim and annual consolidated financial statements (which were incorporated in the company's IPO prospectus filed on SEDAR on February 8, 2017) including the notes thereto and the related MD&A as well as Fairfax Africa's other public filings, including the company IPO prospectus filed on February 8, 2017. Fairfax Africa has no knowledge that would indicate that the unaudited summarized financial information of AFGRI and Atlas Mara contained herein requires material modifications. However, readers are cautioned that the AFGRI and Atlas Mara unaudited summarized financial information contained in the MD&A may not be appropriate for their purposes.

The table below provides a summary of the company's African Investments completed at September 30, 2017:

| | Date Acquired | Ownership % | Initial transaction price | Fair value at September 30, 2017 | Net change |
|---|---|---|---|---|---|
| **African Investments:** | | | | | |
| Indirect Investment in AFGRI (1) | February 17, 2017 | 42.2% | 74,968 | 83,061 | 8,093 |
| AFGRI Facility (2) | June 21, 2017 | — | 23,255 | 22,232 | (1,023) |
| Nova Pioneer Investment (3) | August 22, 2017 | — | 10,000 | 10,286 | 286 |
| Atlas Mara ordinary shares (4) | August 31, 2017 | 42.4% | 168,052 | 193,101 | 25,049 |
| Total African Investments completed at September 30, 2017 | | | 276,275 | 308,680 | 32,405 |

*(1)* Through the ownership in Joseph Holdings, the company is the largest beneficial shareholder of AFGRI with 42.2% indirect equity interest and controls 60% of AFGRI's voting shares.

*(2)* Fairfax Africa, through a wholly owned subsidiary, entered into a secured lending arrangement with AFGRI, pursuant to which Fairfax Africa provided $23,255 (300 million South African rand) of debt (see details under AFGRI Holdings Proprietary Limited section of this MD&A)

*(3)* On August 22, 2017 the company invested $10,000 of a total commitment of $20,000 in Nova Pioneer Education Group (see details under Investment in Nova Pioneer Education Group section in this MD&A).

*(4)* On August 31, 2017 the company acquired 70,758,670 ordinary shares of Atlas Mara for a 42.4% equity interest (see details under Investment in Atlas Mara Limited section in this MD&A).

A summary of changes in the fair value of the company's Public and Private African Investments for the three and nine months ended September 30, 2017 as follows:

| | Third quarter | | | | |
|---|---|---|---|---|---|
| | Public African Investment | Private African Investments | | | |
| | Common stock | Common stock | Loans | Bonds | |
| | Atlas Mara ordinary shares | Indirect investment in AFGRI | AFGRI Facility | Nova Pioneer Investment (1) | Total |
| **Balance as of June 30, 2017** | — | 81,222 | 22,929 | — | 104,151 |
| Purchases | 168,052 | — | — | 10,000 | 178,052 |
| Net change in unrealized gains included in the consolidated statement of comprehensive income | 25,049 | 4,095 | — | 286 | 29,430 |
| Net foreign exchange losses included in the consolidated statements of comprehensive income | — | (2,256) | (697) | — | (2,953) |
| **Balance as of September 30, 2017** | 193,101 | 83,061 | 22,232 | 10,286 | 308,680 |

| | First nine months | | | | |
|---|---|---|---|---|---|
| | Public African Investment | Private African Investments | | | |
| | Common stock | Common stock | Loans | Bonds | |
| | Atlas Mara ordinary shares | Indirect investment in AFGRI | AFGRI Facility | Nova Pioneer Investment (1) | Total |
| **Balance as of January 1, 2017** | — | — | — | — | — |
| Purchases | 168,052 | 74,968 | 23,255 | 10,000 | 276,275 |
| Net change in unrealized gains included in the consolidated statement of comprehensive income | 25,049 | 5,994 | — | 286 | 31,329 |
| Net foreign exchange gains (losses) included in the consolidated statements of comprehensive income | — | 2,099 | (1,023) | — | 1,076 |
| **Balance as of September 30, 2017** | 193,101 | 83,061 | 22,232 | 10,286 | 308,680 |

*(1)* The net change in unrealized gain on the Nova Pioneer Investment includes a net change in unrealized gain of $296 on the Nova Pioneer Warrants and a net change in unrealized loss of $10 on the Nova Pioneer Bonds.

### *Public African Investments*

The fair value of Atlas Mara Limited, whose shares are listed on the London Stock Exchange is determined using the bid price (without adjustments or discounts) at the balance sheet date.

**Atlas Mara Limited**

***Business Overview***

Atlas Mara is a Sub-Saharan African financial services group founded in 2013 and it is listed on the London Stock Exchange under the symbol ATMA. Atlas Mara's vision is to establish itself as a premier financial institution across key markets in Sub-Saharan Africa. Since its inception, Atlas Mara has acquired control or a significant stake in banking operations spread across seven key Sub-Saharan African countries: Botswana, Mozambique, Nigeria, Rwanda, Tanzania, Zambia and Zimbabwe.

Financial Services is a key sector underpinning Africa's emergence. Approximately 65% of the Sub-Saharan African population lacks a bank account, and access to credit remains difficult in many African economies. However, rapid technological advancements are increasing Africans' access to financial services, such as electronic payments "leapfrog", with over 70% mobile penetration in some countries.

Africa is urbanizing faster than any other continent; between 2015 and 2025 Africa is projected to add 187 million people to its cities, resulting in a projected 16 cities with a population between 5 and 10 million people. This influx of sophisticated urban consumers is expected to support ongoing demand for 21st century financial services across the continent.

These macro developments strengthen Atlas Mara's position as a significant pan-African financial services platform with ability to invest in currently underserviced sectors, including credit, trade finance, payments and identity.

Additional information can be accessed from Atlas Mara's website: www.atlasmara.com.

***Transaction Description***

*Investment in Atlas Mara Limited*

*Atlas Mara Convertible Bond*

On July 17, 2017 the company invested $100,000 in Atlas Mara Limited ("Atlas Mara") through the purchase of a mandatory convertible bond (the "Atlas Mara Convertible Bond") with an interest rate of 5% per annum increasing to 10% per annum on August 31, 2017. On August 31, 2017 concurrent with the closing of Atlas Mara Equity Offering (described below), the Atlas Mara Convertible Bond (including accrued interest) was converted into 44,722,222 ordinary shares of Atlas Mara at the Issue Price (defined below).

*Atlas Mara Equity Offering*

On August 31, 2017 the company acquired an additional 26,036,448 ordinary shares of Atlas Mara for $58,582 through participation in Atlas Mara's equity offering of $100,000 of new ordinary shares (the "Atlas Mara Equity Offering") at a price of $2.25 per share (the "Issue Price"). Fairfax Africa received a placing fee of $2,800 on agreement to acquire any shares not taken up by qualifying Atlas Mara shareholders and to purchase a minimum of 30% of the Atlas Mara Equity Offering, resulting in a net cash consideration of $55,782 (the "Commitment").

***Valuation and Interim Consolidated Financial Statement Impact***

*Atlas Mara Convertible Bond*

The company recorded interest income on the Atlas Mara Convertible Bond of $1,117 and a net realized gain on the conversion of the Atlas Mara Convertible bond of $5,098 in the consolidated statements of comprehensive income for both the three and nine months ended September 30, 2017.

*Atlas Mara Equity Offering*

The company's Commitment at a fixed price met the definition of a derivative. The change in fair value of the Commitment derivative between the date of initial recognition and the exercise date resulted in a net realized gain on investments of $6,055 in the consolidated statements of comprehensive income for both the three and nine months ended September 30, 2017. This reflected a change in fair value to $2.375 per share on the exercise date.

At September 30, 2017 the company held an aggregate of 70,758,670 ordinary shares of Atlas Mara with a fair value of $193,101 representing a 42.4% equity interest.

***Atlas Mara's Summarized Financial Information***

Atlas Mara and the company's fiscal years both end on December 31. Summarized below are Atlas Mara's balance sheets at June 30, 2017 and December 31, 2016.

**Balance Sheets**
*unaudited - US$ thousands*

| | **June 30, 2017** | December 31, 2016 |
|---|---|---|
| Current assets | **2,294,367** | 2,168,075 |
| Non-current assets | **618,995** | 587,917 |
| Current liabilities | **1,949,910** | 1,884,275 |
| Non-current liabilities | **390,370** | 345,662 |
| Shareholders' equity | **573,082** | 526,055 |

Current assets increased at June 30, 2017 from December 31, 2016 primarily driven by increase in investment securities partially offset by decline in financial assets held for trading and prepayments and other receivables.

Non-current assets increased at June 30, 2017 from December 31, 2016 primarily due to an increase in non-current assets held for sale and a higher investment in associate balance due to share of profits recorded from Atlas Mara's equity accounted investment in Union Bank of Nigeria.

Current liabilities increased at June 30, 2017 from December 31, 2016 primarily due to increase deposits held which were partially offset by lower accruals and payables.

Non-current liabilities increased at June 30, 2017 from December 31, 2016 primarily related to increased long-term borrowings.

Shareholders' equity increased at June 30, 2017 from December 31, 2016 primarily related to foreign exchange translations, share issuances and earnings for the period.

Summarized below are Atlas Mara's statements of earnings for the six months ended June 30, 2017 and 2016.

**Statements of Earnings**
*unaudited - US$ thousands*

| | **Three months ended June 30, 2017** | Three months ended June 30, 2016 |
|---|---|---|
| Revenue | **120,860** | 116,861 |
| Earnings before taxes | **16,757** | 1,408 |
| Net earnings | **11,368** | 1,041 |

Atlas Mara's earnings before taxes increased for the three months ended June 30, 2017 compared to earnings before taxes in the three months ended June 30, 2016 principally due to increased net interest income largely attributable to the acquisition of Finance Bank Zambia ('FBZ') which was completed at the end of June 30, 2016 and earnings growth in Mozambique, Zambia and Zimbabwe due to higher yields on interest earning assets and reduction in cost of funds as a result of repricing efforts. The increase in earnings were partially offset by lower non-interest income due to a one-off fair value gain recognized in the prior period and declines in transaction volumes.

***Private African Investments***

**Cautionary Statement Regarding the Valuation of Private African Investments**

In the absence of an active market for its Private African Investments, fair values of these investments are 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 investments 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 amounts at which the company's private African Investments could be disposed of may differ from the fair values assigned and those differences may be material.

**AFGRI Holdings Proprietary Limited**

***Business Overview***

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 2017 of approximately ZAR 13 billion (approximately $1 billion) 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.

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

***Transaction Description***

On February 17, 2017, the company purchased from AgriGroupe LP the beneficial ownership interests held by Fairfax in 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 in exchange for 7,284,606 multiple voting shares at $10.00 per multiple voting share. The company also purchased additional ownership interests in Joseph Holdings from certain limited partners of AgriGroupe LP in exchange for 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). Subsequent to these transactions, the company had a 70.3% equity interest and 73.3% interest in the class A shares of Joseph Holdings through which it is the largest beneficial shareholder of AFGRI with a 42.2% indirect equity interest. Through its ownership of Joseph Holdings, Fairfax Africa controls 60% of the voting shares of AFGRI.

On June 21, 2017, Fairfax Africa, through a wholly owned subsidiary, entered into a secured lending arrangement with AFGRI, pursuant to which Fairfax Africa provided approximately $23,255 (300 million South African rand) of debt (the "AFGRI Facility"). AFGRI sought out the financing ahead of an expected future equity capital raise by AFGRI for growth initiatives. The AFGRI Facility matures on December 24, 2017 with an option for AFGRI to repay in shares, subject to certain conditions. The AFGRI Facility bears interest at a rate of South African Prime plus 2% per annum. Fairfax Africa is entitled to receive a fee equal to 2% of the loan proceeds. This fee will be paid on maturity or on repayment of the AFGRI Facility. The company earns interest on the fee at the same rate as the AFGRI Facility. Fairfax Africa anticipates that it will participate in the equity capital raise proportionate to its ownership, and that the proceeds of the equity capital raise would be used to repay the AFGRI Facility. The AFGRI Facility is not rated.

***Key Business Drivers, Events, and Risks***

On June 9, 2017, Moody's downgraded South Africa's sovereign credit rating from Baa2 to Baa3 with a negative watch. On August 15, 2017 Moody's warned of further downgrades if "cash-strapped SOEs (State-owned enterprises) call on government guarantees, if the government continues to delay growth-enhancing reforms, or if political interference erodes institutions further." South Africa's economy grew by 2.5% in the second quarter of 2017, largely due to positive contributions by the agriculture, forestry and fishing industries. The South African Reserve Bank ("SARB") noted on July 20, 2017 that the South African Rand remains vulnerable to "heightened political uncertainty, global monetary policy developments and possible further credit ratings downgrades."

AFGRI undertook a corporate restructuring during the fiscal year 2017 to create a holding company structure with independent invested companies, primarily comprising:

- AFGRI Agricultural Services (**"AAS"**): grain management, silos, equipment, UniGro (agricultural finance and insurance), retail and farmer development;
- Philafrica Foods (**"Philafrica"**): Nedan, Animal Feeds, Milling and Southern Proteins;
- AFGRI Investment Services (**"AIS"**): GroCapital, CMI, AFGRI Tech Services, and non-agri JVs; and Non-South African Operations.

The primary purpose of the restructuring is to create portfolios of similar businesses that are well-positioned to capture opportunities in the market and lead the next phase of AFGRI's growth, align management incentives and to better facilitate capital deployment at each company as required. This restructuring is expected to be completed before the end of the year.

Drought conditions in southern Africa have eased in recent months, with rainfall substantially above historical averages in many countries in which AFGRI operates. As a result, management expects trading conditions to improve to normalized levels during the 2018 fiscal year. According to the South Africa Crop Estimates Committee, South Africa's national maize forecast is 15.6 million tonnes for calendar year 2017, a more than doubling from 2016's total, and representing one of South Africa's most productive grain outputs since 1981. AFGRI is already seeing the benefit of this turnaround in increased receipts in its grain silos and an uptick in equipment sales. The exceptional harvest is expected to positively impact profitability not only in grain management, but also in the mechanization businesses in the 2018 fiscal year, as farmers use their higher income to catch up on equipment purchases delayed during the prior two-year drought.

As part of a strategy to expand its financial services businesses, AFGRI announced in February 2017 that it had agreed to acquire National Bank of Greece Group's ("NBG's") 99.8% stake in the South African Bank of Athens ("SABA"). The sale by NBG, 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 was approved by the Competition authorities, with closing still expected by the end of 2017, subject to approvals from each of the SARB, and Ministry of Finance.

AFGRI also is continuing discussions with potential investors on the potential sale of its grain storage (i.e. silos) business, as well as various financial arrangements, including an invoice discount facility and the renewal of Unigro's service level agreement with the Land Bank.

Philafrica's recently appointed Roland DeCorvet as a new Chief Executive Officer to focus and to growth this segment.

***Valuation and Interim Consolidated Financial Statement Impact***

*Indirect investment in AFGRI*

At September 30, 2017, the company estimated the fair value of its indirect investment in AFGRI using a discounted cash flow analysis of multi-year, free cash flow projections of AFGRI's business units with assumed after-tax discount rates ranging from 11.5% to 25.1% and a long term growth rate of 3.0%. Free cash flow projections were based on EBITDA projections derived from financial information for AFGRI's business units prepared in the second 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 September 30, 2017, the company's internal valuation model indicated that the fair value of its indirect investment in AFGRI is $83,061.

*AFGRI Facility*

At September 30, 2017, the company determined the fair value of the AFGRI Facility based on market rates and creditworthiness of AFGRI to be $22,232. For the three and nine months ended September 30, 2017, the company also recognized interest income of $962 and $1,004, respectively. Each of these amounts were recorded in the consolidated statements of comprehensive income.

***AFGRI's 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 June 30, 2017 and March 31, 2017.

**Balance Sheets**
*unaudited - US$ thousands*

| | **June 30, 2017** | March 31, 2017 |
|---|---|---|
| Current assets | **430,991** | 400,236 |
| Non-current assets | **354,854** | 334,342 |
| Current liabilities | **376,961** | 339,121 |
| Non-current liabilities | **264,378** | 253,071 |
| Shareholders' equity | **144,506** | 142,386 |

The increase in current assets primarily reflected an increase by a buildup of inventory in certain markets. The increase in non-current assets primarily related to capital expenditures and loans granted to joint ventures and associates. The increase in current liabilities primarily related to increases in trade and other payables, and the short-term portion of long-term borrowings, partially offset by reduction in short-term borrowings. Non-current liabilities primarily comprised long-term loans and borrowings.

Summarized below are AFGRI's statements of earnings for the three months ended June 30, 2017.

**Statements of Earnings**
*unaudited - US$ thousands*

| | **Three months ended June 30, 2017** | Three months ended June 30, 2016 |
|---|---|---|
| Revenue | **225,640** | 176,070 |
| Earnings before taxes | **3,866** | (4,754) |
| Net earnings | **301** | (4,035) |

AFGRI's revenue and earnings were impacted better by rainfall substantially above historical averages partially offset by the depreciation of the South African Rand and high volatility of agricultural commodity prices.

**Nova Pioneer Education Group**

***Business Overview***

Nova Pioneer Education Group ("Nova Pioneer") is a Pan-African independent school network offering preschool through secondary education for students from ages 3 through 19. Nova Pioneer was started in 2014, and launched its first campus in 2015 in South Africa, and now operates 5 campuses with a combined approximately 1,300 students: approximately 390 in Kenya across 2 campuses (through Nova Academies) and approximately 900 in South Africa across 3 campuses (through Pioneer Academies). Average tuition is approximately $3,000 (whole U.S. dollars) per year and is priced to target middle to upper-middle income families.

Additional information can be accessed from Nova Pioneer's website: www.novapioneer.com.

***Transaction Description***

*Nova Pioneer Facility*

On June 8, 2017,Fairfax Africa, through a wholly owned subsidiary, entered into a secured lending arrangement with Ascendant Learning Limited ("Ascendant"), the Mauritius based parent entity of Nova Pioneer. Pursuant to this, Ascendant was permitted to borrow up to $4,000 ("Nova Pioneer Facility"). The Nova Pioneer Facility had an initial interest rate of 5% per annum, which increased to 18% per annum on June 30, 2017. The Nova Pioneer Facility was secured against certain assets of Ascendant and its subsidiaries. On June 8, 2017 Ascendant borrowed $3,000. Subsequently, on August 10, 2017, Ascendant borrowed an additional $1,000.

On August 22, 2017 the Nova Pioneer Facility was converted into the Nova Pioneer Investment (discussed below). For the three and nine months ended September 30, 2017, the company recorded an interest income in the consolidated statements of comprehensive income on the Nova Pioneer Facility of $84 and $94.

*Nova Pioneer Bonds*

On June 30, 2017, Fairfax Africa had announced to invest $20,000 in Nova Pioneer which consisted of $20,000 of secured debentures (maturity date of December 31, 2024) and 2,000,000 warrants. On August 22, 2017 Ascendant issued $10,000 of secured debentures (the "Nova Pioneer Bonds") and 1,000,000 warrants (the "Nova Pioneer Warrants") (collectively, the "Nova Pioneer Investment").

The Nova Pioneer Bonds bear interest at a rate of 20% per annum and are redeemable by Ascendant at par at any time after June 30, 2021, except in circumstances relating to a change of control or a value realization event. Each Nova Pioneer Warrant can be exercised to acquire one ordinary share of Ascendant (an "Ascendant Share"). Other than in circumstances relating to a change of control or a value realization event, the Nova Pioneer Warrants may be exercised after June 30, 2021. The Nova Pioneer Bonds are not rated.

On October 10, 2017 Ascendant issued another $5,000 of Nova Pioneer Bonds and 500,000 of Nova Pioneer Warrants ("Tranche Two") to the company. Ascendant must issue the remaining $5,000 Nova Pioneer Bonds and 500,000 Nova Pioneer Warrants ("Tranche Three") to the company no later than December 15, 2017.

The proceeds of the Nova Pioneer Investment will be used to support Nova Pioneer's growth initiatives, as well as for working capital requirements and for general corporate purposes.

***Key Business Drivers, Events, and Risks***

The middle class has rapidly expanded across key regions in Africa. As a result, the demand for affordable, quality private education has grown in excess of available supply. Nova Pioneer is well-positioned to become a leading brand in the African education sector. Nova Pioneer's Management is targeting a rollout of 20+ new campuses across East, South, and West Africa over the next 5 years. The enrollment is expected to increase by approximately 11,000 students, with an enrollment capacity of approximately 25,000 students. Each African market will be approached with a specific entry plan tailored to local market, target community, and related political framework.

Companies in Africa must consider the local market conditions for success before transplanting an existing model that has worked elsewhere within the continent. Given this, the Nova Pioneer team intends to secure the right local partnerships before entering a market.

Nova Pioneer is committed to putting excellence above short term growth. Rigorous leadership and teacher training takes precedence over filling schools. Nova Pioneer schools typically enroll one grade at a time in order to infuse the right culture in the organization.

***Valuation and Interim Consolidated Financial Statement Impact***

*Nova Pioneer Facility*

On August 22, 2017 the Nova Pioneer Facility was converted into the Nova Pioneer Investment. For the three and nine months ended September 30, 2017, the company recorded an interest income in the consolidated statements of comprehensive income on the Nova Pioneer Facility of $84 and $94, respectively.

*Nova Pioneer Bonds*

As at September 30, 2017, the company estimated the fair value of Nova Pioneer Investment comprising of the Nova Pioneer Bonds and Nova Pioneer Warrants, using an industry accepted discounted cash flow and option pricing model. The fair value of the Nova Pioneer Bonds incorporated Nova Pioneer's estimated credit spread of 18.4% and the estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Nova Pioneer. At September 30, 2017, the company's internal valuation model indicates fair values of the Nova Pioneer Bonds of $9,990 and the Nova Pioneer Warrants of $296.

The company recorded an interest income on the Nova Pioneer Bonds of $219 in the consolidated statements of comprehensive income for both the three and nine months ended September 30, 2017.

***Partial Offer to Acquire Shares of PPC Limited and Support of Merger between PPC Limited and AfriSam Group Proprietary Limited***

PPC Limited ("PPC") is a leading supplier of cement and related products in southern Africa. PPC has 11 cement factories in South Africa, Botswana, DRC, Ethiopia, Rwanda and Zimbabwe. AfriSam Group Proprietary Limited ("AfriSam") is also a leading supplier of cement and related products in southern Africa, and the largest producer of aggregate materials and 2nd largest supplier of cement and ready mix concrete by volume in South Africa. AfriSam has facilities in South Africa, Swaziland, Lesotho and Tanzania.

On September 4, 2017, the company announced that it had, through SA Sub, submitted a partial offer (the "Partial Offer") to the board of directors of PPC to acquire ordinary shares of PPC for cash consideration of 5.75 South African rand (approximately $0.44) per ordinary share. The Partial Offer represents a value of 2 billion South African rand ($153.9 million). Simultaneously, the company entered into a letter of support with AfriSam Group Proprietary Limited ("AfriSam") and its major shareholders, whereby the company, its affiliates and certain allied co-investors would subscribe for 4 billion South African rand ($307.8 million) in ordinary shares representing 60% of AfriSam's equity capital and voting rights (together with the Partial Offer, the (" PPC Transactions").

As required under South African law, a South African bank has provided a cash guarantee to the South Africa Takeover Regulation Panel in respect of SA Sub's financial obligation to effect payment of the consideration for the Partial Offer. In connection with the cash guarantee, Fairfax Africa entered into the LC Facility in the aggregate amount of 2 billion South African rand ($153.9 million). The LC Facility is secured by $162 million of cash.

The PPC Transactions are subject to a number of conditions, and there can be no assurances that the PPC Transactions will be completed on the currently proposed terms, or at all.

**Results of Operations**

Fairfax Africa's consolidated statement of comprehensive income for the three months ended September 30, 2017 and 2016, nine months ended September 30, 2017 and the period April 28, 2016 (date of incorporation) to September 30, 2016 is shown in the following table:

| | **Third quarter** | | **First nine months** | April 28 - September 30 |
|---|---|---|---|---|
| **Income** | **2017** | 2016 | **2017** | 2016 |
| Interest income | **3,450** | — | **4,639** | — |
| Net realized gains on investments | **11,425** | — | **11,425** | — |
| Net change in unrealized gains on investments | **29,599** | — | **31,274** | — |
| Net foreign exchange (losses) gains | **(2,834)** | — | **942** | — |
| | **41,640** | — | **48,280** | — |
| **Expenses** | | | | |
| Investment and advisory fees | **825** | — | **2,005** | — |
| Performance fees | **5,633** | — | **5,633** | — |
| General and administration expenses | **839** | 3 | **1,440** | 3 |
| Interest expense | **892** | — | **892** | — |
| | **8,189** | 3 | **9,970** | 3 |
| **Earnings (loss) before income taxes** | **33,451** | (3) | **38,310** | (3) |
| Provision for income taxes | **432** | — | **977** | — |
| **Net earnings (loss) and comprehensive income (loss)** | **33,019** | (3) | **37,333** | (3) |
| **Net earnings per share** (basic and diluted) | **$ 0.65** | — | **$ 0.91** | — |
| **Shares outstanding** (weighted average) | **50,620,189** | 1 | **40,871,955** | 1 |

Total income of $41,640 and $48,280 in the third quarter and first nine months of 2017 related principally to a net changes in unrealized and realized gains on investments.

The net change in unrealized gains on investments of $29,599 and $31,274 primarily related to net change in unrealized gains on Atlas Mara ordinary shares of $25,049 for both the third quarter and first nine months of 2017 and a net change in unrealized gain on the indirect investment in AFGRI of $4,095 and $5,994 for the third quarter and first nine months of 2017.

Realized gains on investments of $11,425 in the third quarter and first nine months of 2017 were primarily related to realized gains on the conversion of the Atlas Mara Convertible Bond of $5,098 and Atlas Mara Commitment derivative of $6,055 (see Atlas Mara Investment within African Investments section of this MD&A for further details).

Interest income of $3,450 and $4,639 in the third quarter and first nine months of 2017 primarily related to the Atlas Mara Convertible Bond, AFGRI Facility, Nova Facility, Nova Pioneer Bonds, cash and cash equivalents, and government of South Africa bonds.

Net foreign exchange loss of $2,834 and net foreign exchange gain of $942 for the third quarter and first nine months of 2017 primarily related to foreign exchange rate changes in the company's indirect investment in AFGRI and the AFGRI facility.

The investment and advisory fees of $825 and $2,005 for the third quarter and first nine months of 2017 were related to fees for administration and investment advisory services provided by Fairfax and the Portfolio Advisor. The investment and advisory fee is calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital.

The performance fee is accrued quarterly and paid for the period from February 17, 2017 to December 31, 2019 (the "first calculation period") and for each consecutive three-year period thereafter. It is calculated on a cumulative basis as 20% of any increase in common shareholders' equity per share (including distributions) above a 5% per annum increase. The amount of common shareholders' equity per share at any time which must be achieved before any performance fee would be payable is sometimes referred to as the "hurdle per share". The performance fee for the three and nine months ended September 30, 2017 was $5,633.

Interest expense of $892 for the third quarter and first nine months of 2017 related to the issuance costs and interest expenses on the company's Term Loan and LC Facility.

The provision for income taxes of $432 and $977 in the third quarter and first nine months of 2017, differed from the provision for income taxes determined by applying the company’s Canadian statutory income tax rate of 26.5% to the company's earnings before income taxes were primarily due to foreign exchange fluctuations, the unrecorded benefit of Canadian deferred tax assets, and income earned outside the local jurisdiction.

The company's reported net earnings of $33,019 (net earnings of $0.65 per basic and diluted share) and $37,333 (net earnings $0.91 per basic and diluted share) in the third quarter and first nine months of 2017 were primarily related to realized gains on investments, a net change in unrealized gains on investments and interest income, partially offset by performance fees, net foreign exchange losses, interest on the Term Loan and LC Facility, investment and advisory fees.

**Consolidated Balance Sheet Summary**

The assets and liabilities reflected on the company’s consolidated balance sheet at September 30, 2017 were impacted by the acquisition of Altas Mara ordinary shares, Indirect investment in AFGRI, AFGRI Facility and Nova Pioneer Investment, net proceeds from the Offerings (completed on February 17, 2017), the Term Loan, LC Facility, and the accrual of performance fees.

**Total Assets**

Total assets at September 30, 2017 of $689,241 were principally comprised of total cash and investments as follows:

| | September 30, 2017 | | |
|---|---|---|---|
| | **Africa** | **North America** | **Total** |
| Cash and cash equivalents | **11,013** | **39,089** | **50,102** |
| Restricted cash | **—** | **312,000** | **312,000** |
| Bonds: | | | |
| Government of South Africa | **16,070** | **—** | **16,070** |
| Nova Pioneer Investment | **10,286** | **—** | **10,286** |
| Loans - AFGRI Facility | **22,232** | **—** | **22,232** |
| Common stocks: | | | |
| Indirect investment in AFGRI | **83,061** | **—** | **83,061** |
| Atlas Mara ordinary shares | **193,101** | **—** | **193,101** |
| Total cash and investments | **335,763** | **351,089** | **686,852** |

**Cash and cash equivalents** of $50,102 at September 30, 2017 primarily reflected the net proceeds received from the Offerings completed in the first quarter of 2017 which have not yet been invested into African Investments.

**Restricted cash** of $312,000 at September 30, 2017 was comprised of cash posted as collateral to support the outstanding Term Loan and LC Facility.

**Bonds** of $16,070 and $10,286 at September 30, 2017 related to the investment in U.S. dollar denominated government of South Africa and Nova Pioneer Investment.

**Loans** of $22,232 at September 30, 2017 related to the AFGRI Facility.

**Common stocks** of $276,162 at September 30, 2017 were comprised of $193,101 relating to the 42.4% investment in Atlas Mara and $83,061 relating to the indirect investment in AFGRI.

### Total Liabilities

Total liabilities at September 30, 2017 of $158,117 were comprised as follows:

**Accounts payable and accrued liabilities** of $1,221 at September 30, 2017 primarily related to interest payable and accrued legal fees.

**Payable to related parties** of $6,458 at September 30, 2017 primarily reflected the performance fees accrued and investment and advisory fees for the third quarter of 2017.

**Term loan** of $150,000 related to the term loan completed on August 31, 2017.

**Income tax payable** of $438 reflected an income tax liability related to the company's South African subsidiary investment in AFGRI Facility.

## Financial Condition

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 September 30, 2017 compared to those identified and disclosed in the company’s annual information form filed on March 31, 2017 and outlined in note 11 (Financial Risk Management) of the interim consolidated financial statements for the three and nine months ended September 30, 2017.

### 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 September 30, 2017, comprised of common shareholders’ equity was $531,124 compared to a deficit of $74 at December 31, 2016. The significant increase in total capital in the first nine months of 2017, primarily reflected the impact of the net proceeds of Offerings and net earnings for the period.

On August 31, 2017 the company completed a secured term loan (the ‘‘Term Loan’’) with a Canadian bank for a principal amount of $150,000, bearing an interest rate of LIBOR plus 100 basis points, and which matures on January 31, 2018. In connection with the the Term Loan the company is maintaining a cash collateral of $150,000. The cash collateral is classified as restricted cash in the consolidated balance sheet at September 30, 2017.

On August 31, 2017 the company entered into a non-revolving term letter of credit facility available by way of a letter of a letter of credit in the aggregate amount of 2 billion South African rand ($153.9 million) (the "LC Facility") with a Canadian bank in connection with the company's Partial Offer to acquire shares in PPC that expires on March 31, 2018, bearing interest at 100 basis points. Under the terms of the LC Facility, the company is required to contribute cash to a cash-collateral account equivalent to 105% of the LC Facility. At September 30, 2017 the company had $162 million in a cash-collateral account, which was classified as restricted cash in the consolidated balance sheet

The company will use its capital resources to acquire African Investments and pending such investments, the company will invest exclusively in permitted investments.

### Book Value per Share

Common shareholders’ equity and the book value per share at September 30, 2017 was as follows:

| | September 30, 2017 |
|---|---|
| Common shareholders' equity | **531,124** |
| Number of common shares outstanding | **50,620,189** |
| Book value per share | **$10.49** |

### Liquidity

The company believes that cash and cash equivalents at September 30, 2017 provides adequate liquidity to meet the company's remaining known significant commitments in 2017, which are principally comprised of the Nova Pioneer Investment, 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. Refer to the contractual obligations section of this MD&A for details on the settlement of the performance fees, if any, at the end of the first calculation period, December 31, 2019. Highlights in the first nine months of 2017 of major components of cash flow are presented in the following table:

| | First nine months 2017 |
|---|---|
| **Operating activities** | |
| Cash used in operating activities before the undernoted | **(764)** |
| Net sales of short term investments classified as FVTPL | **247** |
| Purchases of investments classified as FVTPL | **(238,311)** |
| Sales of bonds classified as FVTPL | **32,513** |
| Increase in restricted cash in support of investment | **(162,000)** |
| **Financing activities** | |
| Issuance of Term Loan, net of issuance costs | **149,775** |
| Increase in restricted cash in support of Term Loan | **(150,000)** |
| Issuance of subordinate voting shares, net of issuance costs | **191,488** |
| Issuance of multiple voting shares | **227,154** |
| **Increase in cash and cash equivalents during the period** | **50,102** |

Cash used in operating activities before the undernoted is comprised of net earnings adjusted for items not affecting cash and cash equivalents and changes in operating assets and liabilities. Cash used in operating activities before the undernoted of $764 in the first nine months are primarily related to payment of investment and advisory fees and general and administrative expenses partially offset by interest income received on the company's investments.

Net sales of short term investments classified as fair value through profit or loss ("FVTPL") of $247 in the first nine months of 2017 are related to net sales of U.S. treasury bills where the net proceeds were used to invest in African Investments.

Purchases of investments classified as FVTPL of $238,311 in the first nine months of 2017 related to the investment in Atlas Mara, the AFGRI Facility and the Nova Pioneer Facility and purchases of South African government bonds.

Sales of bonds classified as FVTPL of $32,513 in the first nine months of 2017 are related to net proceeds from the sale of South African government bonds.

Increase in restricted cash in support of investment of $162,000 is related to cash collateral in support of the company's investment in PPC. Refer to note 7 (Borrowings) of the interim consolidated financial statements for the three and nine months ended September 30, 2017 for details.

Issuance of Term Loan (net of issuance costs) related to a secured term loan with a Canadian bank for $150,000 in respect of which a cash collateral of $150,000 is maintained by the company. The cash collateral is classified as restricted cash as at September 30, 2017. The company has incurred issuance costs of $225 relating to the Term Loan. Refer to note 7 (Borrowings) of the interim consolidated financial statements for the three and nine months ended September 30, 2017 for details.

Issuance of subordinate voting shares, net of issuance costs of $191,488 and issuance of multiple voting shares of $227,154 in the first nine months reflected net proceeds received from the Offerings. Issuance costs were primarily comprised of fees paid to underwriters of the subordinate voting shares. Refer to note 8 (Total Equity) of the interim consolidated financial statements for the three and nine months ended September 30, 2017 for details.

### Contractual Obligations

Under the terms of the Investment Advisory Agreement, the company and its subsidiaries are contractually obligated to pay Fairfax an 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 and nine months ended September 30, 2017 the investment and advisory fee recorded in the consolidated statement of comprehensive income were $825 and $2,005, respectively.

The performance fee is accrued quarterly and paid for the period from February 17, 2017 to December 31, 2019 (the "first calculation period") and for each consecutive three-year period thereafter. It is calculated on a cumulative basis as 20% of any increase in common shareholders' equity per share (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". The company determined that a performance fee of $5,633 should be accrued at September 30, 2017 as the book value per share of $10.60 (before factoring in the impact of the performance fee) at September 30, 2017 was greater than the hurdle per share at that date of $10.05.

If a performance fee is payable for the first calculation period, it will be paid within 30 days after the company issues its annual audited consolidated financial statements, in subordinate voting shares of the company unless the market prices per share of those shares is more than two times the then book value per share, in which event Fairfax may elect to receive that fee in cash. The number of subordinate voting shares to be issued will be calculated based on the volume-weighted average trading price of the subordinate voting shares for the 10 trading days prior to and including the last day of the calculation period in respect of which the performance fee is paid. At September 30, 2017, there were 403,346 contingently issuable subordinate voting shares relating to the performance fee payable to Fairfax.

At September 30, 2017 under the terms of Nova Pioneer Investment the company has a contractual obligations of $10,000 (see the details provided in the African Investments section of this MD&A). Subsequent to September 30, 2017, on October 10, 2017, Ascendant issued another $5,000 of Nova Pioneer Bonds and 500,000 of Nova Pioneer Warrants ("Tranche Two") to the company. Ascendant must issue the remaining $5,000 Nova Pioneer Bonds and 500,000 Nova Pioneer Warrants ("Tranche Three") to the company no later than December 15, 2017.

**Related Party Transactions**

The company's related party transactions are disclosed in note 12 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2017.

**Other**

**Quarterly Data** (unaudited)

| | **September 30, 2017** | June 30, 2017 | March 31, 2017 |
|---|---|---|---|
| Income | **41,640** | 4,139 | 2,501 |
| Expenses | **8,189** | 1,187 | 594 |
| Provision for (recovery of) income taxes | **432** | (812) | 1,357 |
| Net earnings | **33,019** | 3,764 | 550 |
| Net earnings per share (basic and diluted) | **$ 0.65** | $ 0.07 | $ 0.02 |

Income was primarily comprised of realized gains on investments including Atlas Mara Commitment derivative, net change in unrealized gains on investments (principally relating to the company's investment in Atlas Mara ordinary shares and indirect investment in AFGRI), interest, and other income which were partially offset by foreign exchange losses and net unrealized losses on Atlas Mara ordinary shares in both the third quarter and first nine months of 2017. Individual quarterly results have been (and may in the future be) affected by increased expenses that are impacted by the growth in the company's African Investments, which may result in higher performance fees and investment and advisory fees.

**Forward-Looking Statements**

*This interim 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 interim 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; African 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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