FAIRFAX AFRICA
HOLDINGS CORPORATION

INTERIM REPORT

For the nine months ended
September 30, 2019

Consolidated Balance Sheets
as at September 30, 2019 and December 31, 2018
(unaudited - US$ thousands)

	Notes	September 30, 2019	December 31, 2018
Assets			
Cash and cash equivalents	6, 14	**77,975**	230,858
Short term investments	6	**73,898**	38,723
Loans	5, 6	**37,689**	38,595
Bonds	5, 6	**77,972**	59,856
Common stocks	5, 6	**241,106**	270,284
Derivatives	5, 6	**1,945**	2,017
Total cash and investments		**510,585**	640,333
Interest receivable		**4,290**	2,472
Other assets		**1,434**	1,025
Total assets		**516,309**	643,830
Liabilities			
Accounts payable and accrued liabilities		**4,707**	531
Derivative obligation	5, 6	**—**	5,724
Payable to related parties	12	**1,594**	1,658
Deferred income taxes	10	**271**	—
Income taxes payable		**1,125**	3,263
Borrowings	7	**—**	29,527
Total liabilities		**7,697**	40,703
Equity			
Common shareholders' equity	8	**508,612**	603,127
		516,309	643,830

See accompanying notes.

Consolidated Statements of Earnings and Comprehensive Income
for the three and nine months ended September 30, 2019 and 2018
(unaudited - US$ thousands except per share amounts)

		Third quarter		First nine months	
	Notes	**2019**	2018	**2019**	2018
Income					
Interest	6	**5,535**	6,507	**16,841**	14,242
Net realized gains (losses) on investments	6	**—**	(2)	**(4,838)**	1,783
Net change in unrealized gains (losses) on investments	6	**(15,664)**	(11,125)	**(56,303)**	4,834
Net foreign exchange losses	6	**(18,560)**	(3,545)	**(13,273)**	(21,931)
		(28,689)	(8,165)	**(57,573)**	(1,072)
Expenses					
Investment and advisory fees	12	**1,566**	1,733	**5,048**	4,881
Performance fee recovery	12	**—**	—	**—**	(319)
General and administration expenses	13	**711**	908	**2,480**	3,286
Interest expense	7	**131**	751	**951**	2,952
		2,408	3,392	**8,479**	10,800
Loss before income taxes		**(31,097)**	(11,557)	**(66,052)**	(11,872)
Provision for income taxes	10	**1,159**	470	**3,913**	1,138
Net loss and comprehensive loss		**(32,256)**	(12,027)	**(69,965)**	(13,010)
Net loss per share (basic and diluted)	9	**$ (0.54)**	$ (0.19)	**$ (1.15)**	$ (0.24)
Shares outstanding (weighted average)	9	**60,264,171**	62,920,189	**61,085,624**	55,350,958

See accompanying notes.

Consolidated Statements of Changes in Equity
for the nine months ended September 30, 2019 and 2018
(unaudited - US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings (deficit)	Common shareholders' equity
Balance as of January 1, 2019	**340,518**	**300,000**	**(364)**	**(37,027)**	**603,127**
Net loss for the period	**—**	**—**	**—**	**(69,965)**	**(69,965)**
Purchases for cancellation (note 8)	**(33,860)**	**—**	**—**	**7,171**	**(26,689)**
Purchases and amortization	**—**	**—**	**(91)**	**—**	**(91)**
Tax benefit on share issuance costs (note 10)	**2,230**	**—**	**—**	**—**	**2,230**
Balance as of September 30, 2019	**308,888**	**300,000**	**(455)**	**(99,821)**	**508,612**
Balance as of January 1, 2018	193,326	300,000	—	23,410	516,736
Net loss for the period	—	—	—	(13,010)	(13,010)
Issuance of shares, net of issuance costs	148,316	—	—	—	148,316
Purchases and amortization	—	—	(386)	—	(386)
Balance as of September 30, 2018	341,642	300,000	(386)	10,400	651,656

See accompanying notes.

Consolidated Statements of Cash Flows
for the three and nine months ended September 30, 2019 and 2018
(unaudited - US$ thousands)

		Third quarter		First nine months	
	Notes	**2019**	2018	**2019**	2018
Operating activities					
Net loss		**(32,256)**	(12,027)	**(69,965)**	(13,010)
Items not affecting cash and cash equivalents:					
Net bond discount accretion		**(377)**	(1,357)	**(1,863)**	(2,705)
Payment in kind on loans and bonds	5	**(2,651)**	(1,487)	**(6,680)**	(2,250)
Deferred income taxes	10	**(279)**	—	**271**	—
Amortization of share-based payment awards		**28**	(42)	**79**	49
Net realized (gains) losses on investments	6	**—**	2	**4,838**	(1,783)
Net change in unrealized (gains) losses on investments	6	**15,664**	11,125	**56,303**	(4,834)
Net foreign exchange losses	6	**18,560**	3,545	**13,273**	21,931
Net sales (purchases) of short term investments		**25,284**	22,972	**(34,041)**	(107,113)
Purchases of investments	14	**—**	(32,699)	**(74,072)**	(145,806)
Disposals of investments	5, 14	**12,939**	—	**12,939**	25,399
Decrease in restricted cash in support of investments		**—**	—	**—**	162,519
Changes in operating assets and liabilities:					
Interest receivable		**(416)**	(1,474)	**(1,818)**	(1,473)
Income taxes payable		**(2,007)**	456	**(2,138)**	388
Payable to related parties		**(297)**	467	**(64)**	754
Other		**(63)**	(2,144)	**1,929**	(1,828)
Cash provided by (used in) operating activities		**34,129**	(12,663)	**(101,009)**	(69,762)
Financing activities					
Borrowings:	7				
Repayment		**—**	(150,000)	**(30,000)**	(150,000)
Decrease in restricted cash in support of term loan		**—**	151,762	**—**	150,481
Subordinate voting shares:	8				
Issuances		**—**	—	**—**	150,675
Issuance costs		**—**	—	**—**	(2,359)
Purchases for cancellation		**(2,636)**	—	**(22,265)**	—
Cash provided by (used in) financing activities		**(2,636)**	1,762	**(52,265)**	148,797
Increase (decrease) in cash and cash equivalents		**31,493**	(10,901)	**(153,274)**	79,035
Cash and cash equivalents - beginning of period		**48,053**	103,163	**230,858**	13,012
Foreign currency translation		**(1,571)**	2,157	**391**	2,372
Cash and cash equivalents - end of period		**77,975**	94,419	**77,975**	94,419

See accompanying notes.

Index to Notes to Interim Consolidated Financial Statements

1. Business Operations

Fairfax Africa Holdings Corporation (the "company" or "Fairfax Africa") is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities 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 include a South Africa based subsidiary Fairfax Africa Investments Proprietary Limited ("SA Sub" or "FSA") and a Mauritius based subsidiary Fairfax Africa Holdings Investments Limited ("Mauritius Sub" or "FMA").

Fairfax Financial Holdings Limited ("Fairfax") is Fairfax Africa's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. 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. Refer to note 12 for details on Fairfax's voting rights and equity interest in the company.

The company is federally incorporated and is 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

The company's interim consolidated financial statements for the three and nine months ended September 30, 2019 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 year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

These interim consolidated financial statements were approved for issue by the company’s Board of Directors on October 31, 2019.

3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these interim consolidated financial statements are as set out in the company's annual consolidated financial statements for the year ended December 31, 2018, prepared in accordance with IFRS as issued by the IASB. Those policies and methods of computation have been consistently applied to all periods presented except as described below.

New accounting pronouncements adopted in 2019

The company adopted the following new standards and amendments, effective January 1, 2019. These changes were adopted in accordance with the applicable transitional provisions of each amendment, and did not have a significant impact on the company's consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments ("IFRIC 23")
IFRIC 23 clarifies how IAS 12 *Income Taxes* should be applied when there is uncertainty over income tax treatments.

IFRS Annual Improvements 2015-2017
The Annual Improvements amended IAS 12 *Income Taxes* to clarify that the income tax consequences (if any) of dividend distributions are recognized at the same time as the liability to pay those dividends, and that the income tax consequences are recorded in profit or loss, other comprehensive income, or in equity, according to where the past transactions or events that generated those distributable profits were recorded.

4. Critical Accounting Estimates and Judgments

In the preparation of the company’s interim consolidated financial statements, management has made a number of critical estimates and judgments in the preparation of notes 5, 6 and 10 in a manner consistent with those as described in the company's annual consolidated financial statements for the year ended December 31, 2018.

5. African Investments

Throughout the company's interim consolidated financial statements for the three and nine months ended September 30, 2019, the term "African Investments" refers to deployed capital invested in Public and Private African Investments as disclosed within this note.

Summary of Changes in Fair Value of the Company's African Investments

A summary of changes in the fair value of the company's Public and Private African Investments for the third quarters of 2019 and 2018 were as follows:

	Third quarter												
	2019							2018					
	Balance as of July 1	**Purchases**	**Re-payments**	**Accretion of discount/ (amortization of premium)[1]**	**Net change in unrealized gains (losses) on investments[2]**	**Net foreign exchange gains (losses) on investments**	**Balance as of September 30**	Balance as of July 1	Purchases	Accretion of discount[1]	Net change in unrealized gains (losses) on investments[2]	Net foreign exchange losses on investments	Balance as of September 30
Public African Investments:													
Common stocks:													
Atlas Mara	**102,182**	**—**	**—**	**—**	**(20,869)**	**—**	**81,313**	177,018	—	—	(9,354)	—	167,664
CIG	**14,485**	**—**	**—**	**—**	**4,950**	**(3,399)**	**16,036**	2,200	51	—	(105)	(76)	2,070
Other[3]	**—**	**—**	**—**	**—**	**—**	**—**	**—**	234	—	—	(17)	(63)	154
Total Public African Investments	**116,667**	**—**	**—**	**—**	**(15,919)**	**(3,399)**	**97,349**	179,452	51	—	(9,476)	(139)	169,888
Private African Investments:													
Loans:													
AGH Facility	**12,735**	**—**	**(12,939)**	**26**	**—**	**178**	**—**	—	—	—	—	—	—
Philafrica Facility	**—**	**—**	**—**	**—**	**—**	**—**	**—**	36,628	—	238	—	(1,172)	35,694
CIG	**20,757**	**—**	**—**	**27**	**(335)**	**(1,464)**	**18,985**	23,230	—	21	(804)	(675)	21,772
PGR2	**20,578**	**—**	**—**	**—**	**(411)**	**(1,463)**	**18,704**	13,697	—	—	223	(436)	13,484
	54,070	**—**	**(12,939)**	**53**	**(746)**	**(2,749)**	**37,689**	73,555	—	259	(581)	(2,283)	70,950
Bonds:													
Atlas Mara 7.5% Convertible Bonds	**—**	**—**	**—**	**—**	**—**	**—**	**—**	15,106	18,800	266	5,313	—	39,485
Atlas Mara 11.0% Convertible Bonds[4]	**17,434**	**467**	**—**	**(48)**	**135**	**—**	**17,988**	—	—	—	—	—	—
Atlas Mara 7.5% Bonds	**17,870**	**—**	**—**	**168**	**114**	**—**	**18,152**	—	—	—	—	—	—
Nova Pioneer Bonds[5]	**39,124**	**2,184**	**—**	**(12)**	**536**	**—**	**41,832**	19,496	5,192	—	(420)	—	24,268
	74,428	**2,651**	**—**	**108**	**785**	**—**	**77,972**	34,602	23,992	266	4,893	—	63,753
Common stocks:													
Indirect equity interest in AGH[6]	**115,247**	**—**	**—**	**—**	**1,807**	**(8,182)**	**108,872**	105,837	—	—	(107)	(3,294)	102,436
Philafrica	**24,315**	**—**	**—**	**—**	**(1,293)**	**(1,614)**	**21,408**	—	—	—	—	—	—
GroCapital Holdings	**14,490**	**—**	**—**	**—**	**—**	**(1,013)**	**13,477**	—	9,848	—	—	—	9,848
	154,052	**—**	**—**	**—**	**514**	**(10,809)**	**143,757**	105,837	9,848	—	(107)	(3,294)	112,284
Derivatives:													
Atlas Mara Warrants	**405**	**—**	**—**	**—**	**(279)**	**—**	**126**	—	—	—	—	—	—
Nova Pioneer Warrants	**1,835**	**—**	**—**	**—**	**(16)**	**—**	**1,819**	872	295	—	508	—	1,675
	2,240	**—**	**—**	**—**	**(295)**	**—**	**1,945**	872	295	—	508	—	1,675
Derivative Obligation:													
CIG forward derivative liability[7]	**—**	**—**	**—**	**—**	**—**	**—**	**—**	—	—	—	(6,362)	—	(6,362)
Total Private African Investments	**284,790**	**2,651**	**(12,939)**	**161**	**258**	**(13,558)**	**261,363**	214,866	34,135	525	(1,649)	(5,577)	242,300
Total African Investments	**401,457**	**2,651**	**(12,939)**	**161**	**(15,661)**	**(16,957)**	**358,712**	394,318	34,186	525	(11,125)	(5,716)	412,188

(1) Recorded in interest within the consolidated statement of earnings and comprehensive income.

(2) For all Private African Investments classified as Level 3 in the fair value hierarchy, net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting periods.

(3) At September 30, 2018 comprised of common shares of a public company listed on the Johannesburg Stock Exchange. During the first quarter of 2019 the common shares of the public company were de-listed.

(4) Purchases during the three months ended September 30, 2019 of $467 related to capitalized interest.

(5) Purchases during the three months ended September 30, 2019 of $2,184 (2018 - $1,487) related to capitalized interest.

(6) Invested through the company's ownership in Joseph Holdings.

(7) At September 30, 2018 the CIG forward derivative liability related to the company's obligation to subscribe for 178,995,353 common shares of CIG as part of the CIG Rights Offer which was settled on January 4, 2019.

A summary of changes in the fair value of the company's Public and Private African Investments for the first nine months of 2019 and 2018 were as follows:

	First nine months														
	2019								2018						
	Balance as of January 1	**Purchases**	**Re-payments**	**Accretion of discount/ (amortization of premium)[(1)]**	**Net realized loss on investments**	**Net change in unrealized gains (losses) on investments[(2)]**	**Net foreign exchange losses on investments**	**Balance as of September 30**	Balance as of January 1	Purchases	Re-payments	Accretion of discount[(1)]	Net change in unrealized gains (losses) on investments[(2)]	Net foreign exchange gains (losses) on investments	Balance as of September 30
Public African Investments:															
Common stocks:															
Atlas Mara	**119,092**	**—**	**—**	**—**	**—**	**(37,779)**	**—**	**81,313**	168,671	—	—	—	(1,007)	—	167,664
CIG	**3,886**	**44,905**	**—**	**—**	**—**	**(29,085)**	**(3,670)**	**16,036**	2,563	51	—	—	(207)	(337)	2,070
Other[(3)]	**28**	**—**	**—**	**—**	**—**	**(24)**	**(4)**	**—**	2,369	69	—	—	(2,007)	(277)	154
Total Public African Investments	**123,006**	**44,905**	**—**	**—**	**—**	**(66,888)**	**(3,674)**	**97,349**	173,603	120	—	—	(3,221)	(614)	169,888
Private African Investments:															
Loans:															
AGH Facilities	**—**	**12,813**	**(12,939)**	**257**	**—**	**—**	**(131)**	**—**	24,233	—	(25,399)	—	—	1,166	—
Philafrica Facility	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	—	41,153	—	710	—	(6,169)	35,694
CIG	**21,068**	**—**	**—**	**81**	**—**	**(1,105)**	**(1,059)**	**18,985**	—	23,270	—	31	1,076	(2,605)	21,772
PGR2[(4)]	**17,527**	**1,416**	**—**	**—**	**—**	**806**	**(1,045)**	**18,704**	—	15,074	—	—	58	(1,648)	13,484
	38,595	**14,229**	**(12,939)**	**338**	**—**	**(299)**	**(2,235)**	**37,689**	24,233	79,497	(25,399)	741	1,134	(9,256)	70,950
Bonds:															
Atlas Mara 7.5% Convertible Bonds	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	—	33,840	—	313	5,332	—	39,485
Atlas Mara 11.0% Convertible Bonds[(5)]	**16,334**	**1,365**	**—**	**(137)**	**—**	**426**	**—**	**17,988**	—	—	—	—	—	—	—
Atlas Mara 7.5% Bonds	**17,499**	**—**	**—**	**592**	**—**	**61**	**—**	**18,152**	—	—	—	—	—	—	—
Nova Pioneer Bonds[(6)]	**26,023**	**12,620**	**—**	**27**	**—**	**3,162**	**—**	**41,832**	19,414	5,955	—	—	(1,101)	—	24,268
	59,856	**13,985**	**—**	**482**	**—**	**3,649**	**—**	**77,972**	19,414	39,795	—	313	4,231	—	63,753
Common stocks:															
Indirect equity interest in AGH[(7)]	**111,888**	**—**	**—**	**—**	**—**	**2,895**	**(5,911)**	**108,872**	88,314	20,304	—	—	8,192	(14,374)	102,436
Philafrica	**23,463**	**—**	**—**	**—**	**—**	**(896)**	**(1,159)**	**21,408**	—	—	—	—	—	—	—
GroCapital Holdings	**11,927**	**2,288**	**—**	**—**	**—**	**—**	**(738)**	**13,477**	—	9,848	—	—	—	—	9,848
	147,278	**2,288**	**—**	**—**	**—**	**1,999**	**(7,808)**	**143,757**	88,314	30,152	—	—	8,192	(14,374)	112,284
Derivatives:															
Atlas Mara Warrants	**1,016**	**—**	**—**	**—**	**—**	**(890)**	**—**	**126**	—	—	—	—	—	—	—
Nova Pioneer Warrants	**1,001**	**506**	**—**	**—**	**—**	**312**	**—**	**1,819**	520	295	—	—	860	—	1,675
	2,017	**506**	**—**	**—**	**—**	**(578)**	**—**	**1,945**	520	295	—	—	860	—	1,675
Derivative Obligation:															
CIG forward derivative liability[(8)]	**(5,724)**	**—**	**4,839**	**—**	**(4,839)**	**5,724**	**—**	**—**	—	—	—	—	(6,362)	—	(6,362)
Total Private African Investments	**242,022**	**31,008**	**(8,100)**	**820**	**(4,839)**	**10,495**	**(10,043)**	**261,363**	132,481	149,739	(25,399)	1,054	8,055	(23,630)	242,300
Total African Investments	**365,028**	**75,913**	**(8,100)**	**820**	**(4,839)**	**(56,393)**	**(13,717)**	**358,712**	306,084	149,859	(25,399)	1,054	4,834	(24,244)	412,188

(1) Recorded in interest within the consolidated statement of earnings and comprehensive income.

(2) For all Private African Investments classified as Level 3 in the fair value hierarchy, net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting periods, with the exception of the $5,724 reversal of the prior period unrealized losses recorded on settlement of the CIG forward derivative liability.

(3) At September 30, 2018 comprised of common shares of a public company listed on the Johannesburg Stock Exchange. During the first quarter of 2019 the common shares of the public company were de-listed.

(4) Purchases during the first nine months of 2019 of $1,416 related to capitalized interest.

(5) Purchases during the first nine months of 2019 of $1,365 related to capitalized interest.

(6) Purchases during the first nine months of 2019 of $3,899 (2018 - $2,250) related to capitalized interest.

(7) Invested through the company's ownership in Joseph Holdings.

(8) Related to the company's obligation to subscribe for 178,995,353 common shares of CIG as part of the CIG Rights Offer which was settled on January 4, 2019.

Public African Investments

The fair values of Fairfax Africa's Public African Investments are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date.

Investment in Atlas Mara Limited (Common Shares)

Atlas Mara Limited ("Atlas Mara") is a Sub-Saharan African financial services group listed on the London Stock Exchange under the symbol ATMA. Atlas Mara was founded in 2013 with a vision to establish itself as a premier financial institution across key markets in Sub-Saharan Africa. Since its inception, Atlas Mara has acquired control or significant influence in banks across seven Sub-Saharan African countries: Nigeria, Botswana, Zimbabwe, Mozambique, Rwanda, Tanzania and Zambia.

The company's investment in Atlas Mara is comprised of common shares, debt instruments and warrants. The debt instruments and warrants are classified as Level 3 investments in the fair value hierarchy and are discussed in the Private African Investments section under the heading Investment in Atlas Mara (Debt Instruments and Warrants) later in note 5.

Atlas Mara Common Shares

In August and December 2017 the company acquired an aggregate of 71,958,670 common shares of Atlas Mara representing a 43.3% equity interest for net consideration of $159,335.

At September 30, 2019 the fair value of the company's investment in Atlas Mara was $81,313 (December 31, 2018 - $119,092), comprised of 71,958,670 common shares representing a 42.3% equity interest (December 31, 2018 - 42.4%). The changes in fair value of the company's investment in Atlas Mara for the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in Consolidated Infrastructure Group (Common Shares)

Consolidated Infrastructure Group Limited ("CIG") is a Pan-African engineering infrastructure company listed on the Johannesburg Stock Exchange under the stock symbol CIL. CIG has a diversified portfolio of operations including services and materials in power and electrical, oil and gas, building materials and the railway sector, with a footprint that spans over 20 African countries and the Middle East.

The company's investment in CIG is comprised of common shares and a debt instrument. At December 31, 2018 the company's investment in CIG also included a derivative obligation which was settled on January 4, 2019 upon closing of the CIG Rights Offer (described below). The debt instrument and derivative obligation are classified as Level 3 investments in the fair value hierarchy and are discussed in the Private African Investments section under the heading Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation) later in note 5.

CIG Common Shares

In 2017 and 2018 the company acquired 15,527,128 common shares representing a 7.9% equity interest in CIG for cash consideration of $4,041 (56.4 million South African rand).

On January 4, 2019 upon closing of the previously announced CIG rights offer the company acquired 178,995,353 common shares of CIG for net consideration of $44,905 (628.3 million South African rand), which was comprised of net cash consideration of $49,744 (696.0 million South African rand), partially offset by the settlement of the derivative obligation (refer to the Private African Investments section under the heading Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation) later in note 5) of $4,839 (67.7 million South African rand). Upon closing of this transaction the company held 194,522,481 common shares of CIG, representing a 49.1% equity interest in CIG for net consideration of $48,946 (684.7 million South African rand).

At September 30, 2019 the fair value of the company's investment in CIG was $16,036 (December 31, 2018 - $3,886), comprised of 194,522,481 common shares representing a 49.1% equity interest (December 31, 2018 - 7.9%). The changes in fair value of the company's investment in CIG for the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in an Other Public African Investment

In 2017 and 2018 the company acquired less than 5.0% of the common shares of a public company in the infrastructure sector, listed on the Johannesburg Stock Exchange ("Other Public African Investment") for aggregate cash consideration of $2,055.

In the first quarter of 2019 the Other Public African Investment was de-listed from the Johannesburg Stock Exchange. The company does not expect to recover any of its initial investment.

At September 30, 2019 the fair value of the company's investment in Other Public African Investment was nil (December 31, 2018 - $28). The changes in fair value of the company's investment in the Other Public African Investment for the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

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.

Investment in AFGRI Holdings Proprietary Limited

AFGRI Holdings Proprietary Limited ("AFGRI Holdings") is a private holding company based in South Africa that owns 100.0% of AFGRI Group Holdings Proprietary Limited ("AGH"), an investment holding company with interests in a number of agricultural and food-related companies providing products and services to ensure sustainable agriculture. AGH's core focus is grain commodities and it provides services across the entire grain production and storage cycle, offering financial support and solutions as well as high-tech equipment through the John Deere brand supported by a large retail footprint.

Indirect Equity Interest in AGH

In February 2017 Fairfax Africa acquired a 42.2% indirect equity interest in AGH for $74,968 through its purchase of 156,055,775 common shares and 49,942,549 Class A shares of Joseph Investment Holdings ("Joseph Holdings") for $25,001 and $49,967 in a non-cash transaction. In January 2018 the company participated in an AGH rights offer and invested an additional $20,304 (inclusive of a non-cash realized gain of $1,803) in AGH through its purchase of 79,743,201 common shares of Joseph Holdings. In November 2018 the company acquired an additional 5,260,679 common shares and 270,362 Class A shares of Joseph Holdings for aggregate cash consideration of $1,408 from an employee of the company's portfolio sub-advisor, Pactorum Ltd.

At September 30, 2019 Fairfax Africa had invested $96,680 in Joseph Holdings (comprised of 74.6% of the common shares and 73.7% of the Class A shares of Joseph Holdings). Fairfax Africa is the largest beneficial shareholder of AGH, through its investment in Joseph Holdings, with a 46.8% indirect equity interest (December 31, 2018 - 44.7%).

At September 30, 2019 the company estimated the fair value of its indirect equity interest in AGH using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 10.7% to 26.8% and a long term growth rate of 2.5% (December 31, 2018 - 11.7% to 26.0% and 3.0% respectively). At September 30, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for AGH's business units prepared in the second quarter of 2019 (December 31, 2018 - fourth quarter of 2018) by AGH'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 AGH operates. At September 30, 2019 the company's internal valuation model indicated that the fair value of its 46.8% indirect equity interest in AGH, acquired through the company's ownership in Joseph Holdings, was $108,872 (December 31, 2018 - $111,888), comprised of the Class A shares and common shares of Joseph Holdings. The changes in fair value of the company's indirect equity interest in AGH for the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

AGH Facilities

In June 2017 Fairfax Africa entered into a secured lending arrangement with AGH, pursuant to which Fairfax Africa provided $23,255 (300 million South African rand) of financing. On January 31, 2018 the facility was fully repaid with cash of $25,399 and the company recorded a realized foreign exchange gain of $1,166 in the consolidated statements of earnings and comprehensive income in the first nine months of 2018.

On January 21, 2019 the company completed a second secured lending arrangement with AGH pursuant to which Fairfax Africa provided $12,813 (176.4 million South African rand) of financing (the "AGH Facility"). The AGH Facility earned interest at a rate of South African prime plus 2.0% payable on maturity. On July 19, 2019 the AGH Facility was fully repaid with cash of $12,939 (180 million South African rand, inclusive of raising fees) and $485 (6.7 million South African rand) of accrued interest for total cash consideration of $13,424 (186.7 million South African rand).

In the third quarter and first nine months of 2019 the company recorded interest income of $87 and $1,013 (2018 - nil and $383) related to AGH Facilities within the consolidated statements of earnings and comprehensive income.

Investment in Philafrica Foods Proprietary Ltd.

Philafrica Foods Proprietary Ltd. ("Philafrica") is headquartered in South Africa, where it owns and operates maize mills, wheat mills, animal feed factories, snacking and bread production facilities, soya crushing and extraction plants, which process oil and other raw materials into edible oils, fats and proteins for human consumption (primarily for the food processing and quick-service restaurant industries), and a mussels farm and factory. Philafrica also has food-related businesses outside South Africa, consisting mainly of a cassava processing business in Côte d'Ivoire and Mozambique and a poultry joint venture in Mozambique. Philafrica has 14 production plants across the South African provinces of Gauteng, KwaZulu-Natal, Mpumalanga, Eastern Cape, Western Cape, the Free State and Limpopo.

Philafrica Common Shares

In November 2018 Fairfax Africa converted $23,254 (325 million South African rand) of its previously existing Philafrica secured lending facility into 26,000 common shares of Philafrica with the remainder of the facility fully paid with cash. Upon closing of this transaction the company held a 26.0% equity interest in Philafrica with AGH's equity interest decreasing from 100.0% to 60.0%, with AGH maintaining control of Philafrica.

At September 30, 2019 the company estimated the fair value of its investment in Philafrica using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 11.5% to 21.5% and a long term growth rate of 2.5% (December 31, 2018 - 13.7% to 24.4% and 3.0%). At September 30, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for Philafrica's business units prepared in the second quarter of 2019 (December 31, 2018 - fourth quarter of 2018) by Philafrica'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 Philafrica operates. At September 30, 2019 the company's internal valuation model indicated that the fair value of its investment in Philafrica was $21,408 (December 31, 2018 - $23,463) for the 26.0% equity interest. The changes in fair value of the company's equity interest in Philafrica for the third quarter and first nine months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in GroCapital Holdings Proprietary Limited

GroCapital Holdings Proprietary Limited ("GroCapital Holdings") is a bank holding company that owns 99.9% of Grobank Limited ("Grobank", formerly known as the South African Bank of Athens Limited or "SABA")**.** Operating as a South African bank since 1947, Grobank is focused on developing and delivering banking services to medium-sized businesses and individuals, specializing in the agri-business value chain and associated industries in the South African market, driven by a unique combination of retail, business and alliance banking and agri-business experience.

GroCapital Holdings Common Shares

In the third and fourth quarters of 2018 Fairfax Africa acquired a 35.0% equity interest in GroCapital Holdings and funded the company's pro rata contribution on capital calls, investing aggregate cash consideration of $12,141 (171.6 million South African rand).

On April 16, 2019 GroCapital Holdings issued a capital call to its shareholders to fund their pro rata contribution, which was invested by GroCapital Holdings into Grobank to support the bank's capital adequacy requirements under South African regulations. On April 23, 2019 Fairfax Africa funded its pro rata contribution of GroCapital Holdings' capital call of $2,288 (32.8 million South African rand) in order to maintain its 35.0% equity interest in GroCapital. Upon closing of this transaction, the company had invested aggregate cash consideration of $14,429 (204.4 million South African rand) in GroCapital Holdings.

At September 30, 2019 the initial transaction price for the company's investment in GroCapital Holdings was considered to approximate fair value as there were no significant changes to its investment in Grobank's business, capital structure or operating environment and the key assumptions in the company's acquisition valuation model continue to be valid. At September 30, 2019 the fair value of the company's investment in GroCapital Holdings was $13,477 (December 31, 2018 - $11,927). The changes in fair value of the company's equity interest in GroCapital Holdings for the third quarters and first nine months of 2019 and 2018 are presented in the table disclosed earlier in note 5.

Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation)

The company's investment in CIG is comprised of common shares classified as Level 1 in the fair value hierarchy and a debt instrument and derivative obligation (at December 31, 2018) classified as Level 3 in the fair value hierarchy. The company's investment in CIG common shares is discussed in the Public African Investments section under the heading Investment in Consolidated Infrastructure Group (Common Shares) earlier in note 5.

CIG Loan

In May 2018 the company entered into a secured lending arrangement with CIG, pursuant to which the company provided CIG with $23,270 (292.5 million South African rand, plus a 2.5% raising fee for aggregate financing of 300 million South African rand) (the "CIG Loan"). In August 2018 the conversion features in the CIG Loan were approved, setting the interest at a rate of South African prime plus 2.0% per annum and a maturity date of June 4, 2023.

At September 30, 2019 the company estimated the fair value of its investment in the CIG Loan using an industry accepted discounted cash flow and option pricing model that incorporated the security's estimated credit spread of 6.8% (December 31, 2018 - 7.8%) and estimated historical share price volatility of 85.7% (December 31, 2018 - 60.9%). The estimated credit spread was based on a peer group of comparable companies adjusted for company-specific credit risk. At September 30, 2019 the company's internal valuation model indicated that the estimated fair value of the CIG Loan was $18,985 (December 31, 2018 - $21,068). The changes in fair value of the CIG Loan for the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

In the third quarter and first nine months of 2019 the company recorded interest income of $637 and $1,976 (2018 - $744 and $980) in interest within the consolidated statements of earnings and comprehensive income related to the CIG Loan.

CIG Rights Offer (Derivative Obligation)

At September 30, 2018 the company's obligation to subscribe for 178,995,353 CIG common shares as part of the CIG Rights Offer (refer to the Public African Investments section under the heading Investment in Consolidated Infrastructure Group (Common Shares) earlier in note 5) gave rise to a forward derivative liability. On January 4, 2019 upon closing of the CIG Rights Offer the company settled the forward derivative liability with a fair value of $4,839, reducing the net consideration recorded for the shares acquired by the company in the CIG Rights Offer.

In the first nine months of 2019 the company's consolidated statements of earnings and comprehensive income included a net gain on investments of $885 relating to the CIG forward derivative liability which was comprised of: (i) an inception to date realized loss of $4,839 reported in net realized losses on investments; and (ii) a reversal of prior period unrealized losses of $5,724 reported in net change in unrealized gains on investments.

Investment in the PGR2 Loan (Debt Instrument)

In May 2018, in conjunction with the CIG Loan, Fairfax Africa entered into a partially secured lending agreement with PGR2 Investments Proprietary Limited ("PGR2"), the largest shareholder of CIG at the time of the transaction, pursuant to which the company provided PGR2 with $19,969 (260 million South African rand) of financing (the "PGR2 Loan"). The PGR2 Loan is partially secured by common shares of CIG held by PGR2 and associated parties and bears interest at a rate of 15.0% per annum, payable semi-annually in cash or in kind at PGR2's option, with a maturity date of May 24, 2021.

At September 30, 2019 the company estimated the fair value of its investment in the PGR2 Loan using an industry accepted discounted cash flow and option pricing model that incorporated PGR2's estimated credit spread of 11.1% (December 31, 2018 - 11.9%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for company-specific credit risk. At September 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $18,704 (December 31, 2018 - $17,527). The changes in fair value of the PGR2 Loan for the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

In the third quarter and first nine months of 2019 the company recorded interest income of $718 and $2,153 (2018 -$501 and $696) in interest within the consolidated statements of earnings and comprehensive income related to the PGR2 Loan.

Investment in Atlas Mara Limited (Debt Instruments and Warrants)

The company's investment in Atlas Mara is comprised of common shares classified as Level 1 in the fair value hierarchy and debt instruments and warrants classified as Level 3 in the fair value hierarchy. The company's investment in Atlas Mara common shares is discussed in the Public African Investments section under the heading Investment in Atlas Mara Limited (Common Shares) earlier in note 5. The Atlas Mara Bonds as discussed below are not rated.

Atlas Mara 11.0% Convertible Bonds

In April 2018 Fairfax Africa entered into a placing agreement pursuant to which the company invested $16,000 in Atlas Mara 7.5% convertible bonds (the "Atlas Mara 7.5% Convertible Bonds") and then in December 2018 amended the terms of the bonds. The amended bonds bear interest at a rate of 11.0% per annum accrued quarterly and payable in kind, and mature on December 11, 2019 with the option of Atlas Mara to extend the maturity by an additional year to December 11, 2020 ("Atlas Mara 11.0% Convertible Bonds").

At September 30, 2019 the company estimated the fair value of its investment in Atlas Mara 11.0% Convertible Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 11.2% (December 31, 2018 - 10.3%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the implied spread of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At September 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 11.0% Convertible Bonds was $17,988 (December 31, 2018 - $16,334).

Atlas Mara 7.5% Bonds plus Warrants

In July 2018 Fairfax Africa amended the terms of the placing agreement to provide an additional $20,000 in funding to Atlas Mara and then in November 2018 amended the terms for the $20,000 funding which included replacing the conversion feature of the bonds with 6,200,000 Atlas Mara warrants. The bonds bear interest at a rate of 7.5% per annum, with interest payable semi-annually and mature on November 6, 2021 with the option of Atlas Mara to extend the maturity by an additional year to November 6, 2022 ("Atlas Mara 7.5% Bonds"). The Atlas Mara warrants can be exercised by the company at a price of $3.20 per common share of Atlas Mara.

At September 30, 2019 the company estimated the fair value of its investment in the Atlas Mara 7.5% Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 11.2% (December 31, 2018 - 10.3%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At September 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $18,152 (December 31, 2018 - $17,499).

At September 30, 2019 the company estimated the fair value of its investment in the Atlas Mara warrants using an industry accepted discounted cash flow and option pricing model that incorporated estimated historical share price volatility of 33.2% (December 31, 2018 - 34.5%). At September 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara warrants was $126 (December 31, 2018 - $1,016).

The changes in fair value of the company's bond and warrant investments in Atlas Mara in the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed earlier in note 5. In the third quarter and first nine months of 2019 the company recorded interest income of $1,038 and $3,096 (2018 -$930 and $1,143) in interest within the consolidated statements of earnings and comprehensive income related to the Atlas Mara bonds.

Investment in Nova Pioneer Education Group

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 2013 with its first school opening in South Africa in 2014. Since then, Nova Pioneer has expanded across South Africa and launched its first campus in Kenya in 2015. Nova Pioneer currently operates ten schools with a combined enrollment of approximately 3,800 students.

Nova Pioneer Bonds and Warrants

In December 2017 and the last six months of 2018 the company invested an aggregate of $27,023 in Ascendant Learning Limited ("Ascendant"), the Mauritius based parent entity of Nova Pioneer, which consisted of: (i) $26,242 in 20.0% debentures (inclusive of capitalized interest) due on December 31, 2024 (the "Nova Pioneer Bonds"); and (ii) $781 for 2,477,293 warrants (the "Nova Pioneer Warrants") with an exercise price of $2.06 per common share of Ascendant. In the absence of circumstances relating to a change of control or a value realization event, the Nova Pioneer Warrants may only be exercised after June 30, 2021. At December 31, 2018 the company's remaining investment commitment was $9,227 to invest in Nova Pioneer Bonds and Warrants.

In January, April and June 2019 the company funded its remaining investment commitment of $9,227 comprised of Nova Pioneer Bonds and 922,707 warrants with aggregate fair values on the dates of investment of $8,721 and $506 relating to the Nova Pioneer Bonds and Warrants respectively. At September 30, 2019 Fairfax Africa had invested an aggregate of $40,149 in Nova Pioneer, comprised of $38,862 in Nova Pioneer Bonds (inclusive of capitalized accrued interest on the principal amount owing) and $1,287 in 3,400,000 Nova Pioneer Warrants.

At September 30, 2019 the company estimated the fair value of its investment in the Nova Pioneer Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Nova Pioneer's estimated credit spread of 15.5% (December 31, 2018 - 18.5%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Ascendant and certain other assumptions related to the options embedded in the Nova Pioneer bonds. At September 30, 2019 the company's internal valuation model indicated that the fair value of the investment in Nova Pioneer Bonds was $41,832 (December 31, 2018 - $26,023). The changes in fair value of the Nova Pioneer Bonds during the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

In the third quarter and first nine months of 2019 the company recorded interest income of $2,013 and $5,356 (2018 - $1,190 and $3,249) in interest within the consolidated statements of earnings and comprehensive income related to the Nova Pioneer Bonds.

At September 30, 2019 the company estimated the fair value of its investment in the Nova Pioneer Warrants using an industry accepted discounted cash flow and option pricing model that incorporated an estimated share price of $1.81 (December 31, 2018 - $1.46). At September 30, 2019 the company's internal valuation model indicated that the fair value of the investment in the Nova Pioneer Warrants was $1,819 (December 31, 2018 - $1,001). The changes in fair value of the Nova Pioneer Warrants during the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed earlier in 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, 2019				December 31, 2018			
	Quoted prices (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value of assets**	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets
Cash and cash equivalents	**77,975**	**—**	**—**	**77,975**	230,858	—	—	230,858
Short term investments - U.S. treasury bills	**73,898**	**—**	**—**	**73,898**	38,723	—	—	38,723
Loans:								
CIG	**—**	**—**	**18,985**	**18,985**	—	—	21,068	21,068
PGR2	**—**	**—**	**18,704**	**18,704**	—	—	17,527	17,527
	—	**—**	**37,689**	**37,689**	—	—	38,595	38,595
Bonds:								
Atlas Mara 11.0% Convertible Bonds	**—**	**—**	**17,988**	**17,988**	—	—	16,334	16,334
Atlas Mara 7.5% Bonds	**—**	**—**	**18,152**	**18,152**	—	—	17,499	17,499
Nova Pioneer Bonds	**—**	**—**	**41,832**	**41,832**	—	—	26,023	26,023
	—	**—**	**77,972**	**77,972**	—	—	59,856	59,856
Common stocks:								
Atlas Mara	**81,313**	**—**	**—**	**81,313**	119,092	—	—	119,092
CIG	**16,036**	**—**	**—**	**16,036**	3,886	—	—	3,886
Other	**—**	**—**	**—**	**—**	28	—	—	28
Indirect equity interest in AGH	**—**	**—**	**108,872**	**108,872**	—	—	111,888	111,888
Philafrica	**—**	**—**	**21,408**	**21,408**	—	—	23,463	23,463
GroCapital Holdings	**—**	**—**	**13,477**	**13,477**	—	—	11,927	11,927
	97,349	**—**	**143,757**	**241,106**	123,006	—	147,278	270,284
Derivatives:								
Atlas Mara Warrants	**—**	**—**	**126**	**126**	—	—	1,016	1,016
Nova Pioneer Warrants	**—**	**—**	**1,819**	**1,819**	—	—	1,001	1,001
	—	**—**	**1,945**	**1,945**	—	—	2,017	2,017
Total cash and investments	**249,222**	**—**	**261,363**	**510,585**	392,587	—	247,746	640,333
Derivative obligation:								
CIG forward derivative liability[(1)]	**—**	**—**	**—**	**—**	—	—	(5,724)	(5,724)
Total cash and investments, net of derivative obligation	**249,222**	**—**	**261,363**	**510,585**	392,587	—	242,022	634,609
	48.8 %	**—**	**51.2 %**	**100.0 %**	61.9 %	—	38.1 %	100.0 %

(1) Related to the company's obligation to subscribe for 178,995,353 common shares of CIG as part of the CIG Rights Offer which was settled on January 4, 2019.

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During the first nine months of 2019 and 2018 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. The changes in fair value of the company's Private African Investments (classified as Level 3) are disclosed in note 5.

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 its Private African Investments classified as Level 3 at September 30, 2019. 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. This sensitivity analysis excludes the company's investment in GroCapital Holdings as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis.

Investments	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)(2)
Loans:						
CIG Loan	$18,985	Discounted cash flow and option pricing model	Credit spread	6.8%	(494) / 511	(429) / 443
			Historical share price volatility	85.7%	1 / (96)	1 / (83)
PGR2 Loan	$18,704	Discounted cash flow and option pricing model	Credit spread	11.1%	(268) / 273	(197) / 201
Bonds:						
Atlas Mara 11.0% Convertible Bond	$17,988	Discounted cash flow and option pricing model	Credit spread	11.2%	(29) / 30	(25) / 26
Atlas Mara 7.5% Bonds	$18,152	Discounted cash flow and option pricing model	Credit spread	11.2%	(335) / 341	(291) / 296
Nova Pioneer Bonds	$41,832	Discounted cash flow and option pricing model	Credit spread	15.5%	(600) / 612	(441) / 450
Common stocks:						
Indirect equity interest in AGH	$108,872	Discounted cash flow	After-tax discount rate	10.7% to 26.8%	(5,760) / 6,696	(4,997) / 5,809
			Long-term growth rate	2.5%	2,353 / (1,969)	2,041/ (1,708)
Philafrica	$21,408	Discounted cash flow	After-tax discount rate	11.5% to 21.5%	(1,550) / 1,725	(1,345) / 1,496
			Long-term growth rate	2.5%	581 / (551)	504 / (478)
Derivatives:						
Atlas Mara Warrants	$126	Discounted cash flow and option pricing model	Historical share price volatility	33.2%	162 / (27)	141 / (23)
Nova Pioneer Warrants	$1,819	Discounted cash flow and option pricing model	Share price	$1.81	175 / (171)	129 / (126)

(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), estimated share price volatility (minimum and maximum historical volatility over a two year period from the balance sheet date), changes in share price (5.0%) 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, estimated share price volatility or estimated share price, or a decrease (increase) in after-tax discount rates or credit spreads would result in a higher (lower) fair value of the company's Private African Investments classified as Level 3 in the fair value hierarchy.

(2) For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.

Fixed Income Maturity Profile

Loans and bonds 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, 2019 loans and bonds with fair values of $37,689 and $41,832 (December 31, 2018 - $38,595 and $42,357) contained call features. At September 30, 2019 and December 31, 2018 there were no debt instruments containing put features.

	September 30, 2019		December 31, 2018	
	Amortized cost	**Fair value**	Amortized cost	Fair value
Loans:				
Due in 1 year or less	**45,810**	**37,689**	44,313	38,595
Bonds:				
Due in 1 year or less	**17,500**	**17,988**	16,271	16,334
Due after 1 year through 5 years	**57,289**	**59,984**	44,049	43,522
	74,789	**77,972**	60,320	59,856

Investment Income

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

Interest

	Third quarter		First nine months	
	2019	2018	**2019**	2018
Interest:				
Cash and cash equivalents	**512**	440	**1,818**	1,250
Restricted cash	**—**	512	**—**	1,947
Short term investments	**530**	832	**1,429**	1,651
Loans	**1,442**	2,603	**5,142**	5,002
Bonds	**3,051**	2,120	**8,452**	4,392
	5,535	6,507	**16,841**	14,242

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

	Third quarter					
	2019			2018		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:[1]						
Short term investments - U.S. treasury bills:	**—**	**(3)**	**(3)**	(2)	—	(2)
Loans	**—**	**(746)**	**(746)**	—	(581)	(581)
Bonds	**—**	**785**	**785**	—	4,893	4,893
Common stocks	**—**	**(15,405)**	**(15,405)**	—	(9,583)	(9,583)
Derivatives	**—**	**(295)**	**(295)**	—	(5,854)	(5,854)
	—	**(15,664)**	**(15,664)**	(2)	(11,125)	(11,127)
Net foreign exchange gains (losses) on:[1]						
Cash and cash equivalents	**(1,571)**	**—**	**(1,571)**	2,157	—	2,157
Loans	**(131)**	**(2,618)**	**(2,749)**	—	(2,283)	(2,283)
Common stocks	**—**	**(14,208)**	**(14,208)**	—	(3,433)	(3,433)
Other	**—**	**(32)**	**(32)**	—	14	14
	(1,702)	**(16,858)**	**(18,560)**	2,157	(5,702)	(3,545)

	First nine months					
	2019			2018		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:[1]						
Short term investments - U.S. treasury bills	**1**	**90**	**91**	(20)	—	(20)
Loans	**—**	**(299)**	**(299)**	—	1,134	1,134
Bonds	**—**	**3,649**	**3,649**	—	4,231	4,231
Common stocks	**—**	**(64,889)**	**(64,889)**	1,803	4,971	6,774
Derivatives	**(4,839)**	**5,146**	**307**	—	(5,502)	(5,502)
	(4,838)	**(56,303)**	**(61,141)**	1,783	4,834	6,617
Net foreign exchange gains (losses) on:[1]						
Cash and cash equivalents	**391**	**—**	**391**	2,372	—	2,372
Loans	**(131)**	**(2,104)**	**(2,235)**	1,166	(10,422)	(9,256)
Common stocks	**—**	**(11,482)**	**(11,482)**	—	(14,988)	(14,988)
Other	**—**	**53**	**53**	—	(59)	(59)
	260	**(13,533)**	**(13,273)**	3,538	(25,469)	(21,931)

(1) *Refer to note 5 for a summary of changes in the fair value of the company's Public and Private African Investments during the third quarters and first nine months of 2019 and 2018.*

7. Borrowings

	September 30, 2019			December 31, 2018		
	Principal	**Carrying value**	**Fair value**	Principal	Carrying value(1)	Fair value(2)
Revolving Credit Facility, floating rate	**—**	**—**	**—**	30,000	29,527	30,000

(1) Principal net of unamortized issue costs.
(2) Principal approximated fair value at December 31, 2018.

Revolving Credit Facility

On September 7, 2018 the company entered into a $90,000 secured, revolving demand credit facility with a syndicate of Canadian lenders, bearing interest at a rate of LIBOR plus 400 basis points (the "Credit Facility"). The Credit Facility contained a financial covenant that required the company to maintain common shareholders' equity of not less than $600,000. On March 28, 2019 the Credit Facility was amended by reducing the financial covenant for common shareholders' equity to $500,000.

On December 21, 2018 the company drew $30,000 from the Credit Facility with a 3-month term that was repaid on March 21, 2019, along with accrued interest of $509.

On September 7, 2019 the company's Credit Facility matured.

Interest Expense

In the third quarter and first nine months of 2019 interest expense of $131 and $951 (2018 - $751 and $2,952) was principally comprised of interest expense of nil and $447 (2018 - $708 and $2,909) and amortization of issuance costs of $131 and $473 (2018 - $43 for both periods).

8. Common Shareholders' Equity

Common stock

The number of shares outstanding was as follows:

	2019	2018
Subordinate voting shares - January 1	**32,811,965**	20,620,189
Issuance of shares	**—**	12,300,000
Purchases for cancellation	**(3,262,699)**	—
Subordinate voting shares - September 30	**29,549,266**	32,920,189
Multiple voting shares - beginning and end of period	**30,000,000**	30,000,000
Common shares effectively outstanding - September 30	**59,549,266**	62,920,189

Capital Transactions

On July 3, 2018 the company announced its intention to commence a normal course issuer bid to purchase up to 2,536,996 subordinate voting shares representing approximately 10% of the public float of its subordinate voting shares over a twelve month period from July 6, 2018 to July 5, 2019.

On June 28, 2019 the company announced its intention to commence a normal course issuer bid to purchase up to 2,324,723 subordinate voting shares, representing approximately 10% of the public float of its subordinate voting shares over a twelve month period from July 8, 2019 to July 7, 2020.

Any subordinate voting shares that may be purchased under the normal course issuer bid will be canceled. The actual number of subordinate voting shares that may be purchased under the normal course issuer bid and the timing of such purchases will be determined at the discretion of the company, with no assurances that any such purchases will be completed.

Purchase of Shares

During the first nine months of 2019, under the normal course issuer bids, the company purchased for cancellation 3,262,699 subordinate voting shares (2018 - nil) for a net cost of $26,689 (2018 - nil) of which $7,171 was recorded as a benefit in retained earnings (2018 - nil).

9. Net Earnings per Share

Net loss per common share is calculated in the following table based on the weighted average common shares outstanding:

	Third quarter		First nine months	
	2019	2018	**2019**	2018
Net loss – basic and diluted	**(32,256)**	(12,027)	**(69,965)**	(13,010)
Weighted average common shares outstanding – basic and diluted	**60,264,171**	62,920,189	**61,085,624**	55,350,958
Net loss per common share - basic and diluted	**$ (0.54)**	$ (0.19)	**$ (1.15)**	$ (0.24)

10. Income Taxes

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

	Third quarter		First nine months	
	2019	2018	**2019**	2018
Current income tax:				
Current year expense	**1,432**	470	**1,944**	1,138
Adjustment to prior years' income taxes	**6**	—	**1,698**	—
	1,438	470	**3,642**	1,138
Deferred income tax:				
Origination and reversal of temporary differences	**(279)**	—	**271**	—
Provision for income taxes	**1,159**	470	**3,913**	1,138

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 (recovery of) income taxes for the three and nine months ended September 30 are summarized in the following table:

	Third quarter							
	2019				2018			
	Canada	**Mauritius**	**South Africa**	**Total**	Canada	Mauritius	South Africa	Total
Earnings (loss) before income taxes	**(4,194)**	**(24,691)**	**(2,212)**	**(31,097)**	1,167	(6,221)	(6,503)	(11,557)
Provision for (recovery of) income taxes	**1,380**	**58**	**(279)**	**1,159**	—	38	432	470
Net earnings (loss)	**(5,574)**	**(24,749)**	**(1,933)**	**(32,256)**	1,167	(6,259)	(6,935)	(12,027)

	First nine months							
	2019				2018			
	Canada	**Mauritius**	**South Africa**	**Total**	Canada	Mauritius	South Africa	Total
Earnings (loss) before income taxes	**(3,071)**	**(32,542)**	**(30,439)**	**(66,052)**	(6,972)	1,307	(6,207)	(11,872)
Provision for income taxes	**3,493**	**149**	**271**	**3,913**	—	52	1,086	1,138
Net earnings (loss)	**(6,564)**	**(32,691)**	**(30,710)**	**(69,965)**	(6,972)	1,255	(7,293)	(13,010)

The net loss before income taxes in Canada in the third quarter of 2019 compared to net earnings before income taxes in Canada in the third quarter of 2018 primarily reflected foreign exchange gains on cash held in the third quarter of 2018 and decreased interest income, partially offset by decreased interest expense and general and administration expenses. The decrease in loss before income taxes in Canada in the first nine months of 2019 compared to the first nine months of 2018 primarily reflected decreased interest and general and administration expenses, partially offset by foreign exchange gains on cash held in the first nine months of 2018.

The increase in loss before income taxes in Mauritius in the third quarter of 2019 compared to the third quarter of 2018 primarily reflected increased unrealized losses on Atlas Mara common shares and net foreign exchange losses on AGH, partially offset by unrealized gains on AGH and increased interest income related to Nova Pioneer and Atlas Mara bonds. The net loss before income taxes in Mauritius in the first nine months of 2019 compared to the net earnings before income taxes in Mauritius in the first nine months of 2018 principally reflected increased unrealized losses on Atlas Mara common shares and decreased unrealized gains on AGH, partially offset by decreased foreign exchange losses on AGH, increased interest income on the Nova Pioneer and Atlas Mara bonds and increased unrealized gains related to the Nova Pioneer Bonds.

The decrease in loss before income taxes in the third quarter of 2019 in South Africa compared to the third quarter of 2018 primarily reflected an unrealized loss on the CIG forward derivative obligation recognized in 2018 and gains related to CIG common shares, partially offset by increased foreign exchange losses related to CIG, Philafrica and GroCapital common shares and the PGR2 and CIG Loans, and a decrease in interest income. The increase in loss during the first nine months of 2019 in South Africa compared to the first nine months of 2018 primarily reflected increased unrealized losses on CIG common shares and the CIG Loan, realized loss on the CIG forward derivative liability and an increase in net foreign exchange losses on the company's investment in the CIG, Philafrica and GroCapital common shares and the CIG and PGR2 Loans, partially offset by the reversal of unrealized losses on settlement of the CIG forward derivative liability and an increase in interest income.

A reconciliation of the recovery of 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 three and nine months ended September 30 are summarized in the following table:

	Third quarter		First nine months	
	2019	2018	**2019**	2018
Canadian statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Recovery of income taxes at the Canadian statutory income tax rate	**(8,241)**	(3,063)	**(17,504)**	(3,146)
Tax rate differential on losses incurred outside of Canada	**8,246**	1,816	**11,606**	1,301
Provision relating to prior years	**6**	—	**1,698**	53
Change in unrecorded tax benefit of losses and temporary differences	**(745)**	3,420	**7,871**	(341)
Foreign exchange effect	**1,867**	(1,693)	**201**	3,258
Other including permanent differences	**26**	(10)	**41**	13
Provision for income taxes	**1,159**	470	**3,913**	1,138

The tax rate differential on losses earned outside of Canada of $8,246 and $11,606 (2018 - $1,816 and $1,301) in the third quarter and first nine months of 2019 principally reflected the impact of net investment losses taxed in Mauritius at lower rates, partially offset by losses incurred in South Africa taxed at marginally higher rates.

Provision relating to prior years of $6 and $1,698 in the third quarter and first nine months of 2019 (2018 - nil and $53) reflected a reclassification of the tax benefit on share issuance costs recorded directly in common shareholders' equity.

The change in unrecorded tax benefit of losses and temporary differences of $745 and $7,871 in the third quarter and first nine months of 2019 (2018 - $3,420 and $341) principally reflected deferred tax assets in South Africa on investments of $932 and $7,684 in the third quarter and first nine months of 2019 and changes in unrecorded deferred tax assets incurred related to foreign accrual property losses of $187 in both the third quarter and first nine months of 2019 with respect to the company's wholly-owned subsidiaries that were not recorded by the company, as the related pre-tax losses did not meet the recognition criteria under IFRS.

The change in unrecorded tax benefit of losses and temporary differences of $3,420 and $341 in the third quarter and first nine months of 2018 principally reflected changes in unrecorded deferred tax assets incurred related to foreign accrual property losses of $1,533 in both the third quarter and first nine months of 2018 with respect to the company's wholly-owned subsidiaries and utilization of net operating loss carryforwards in Canada of $1,888 and $1,873 in the third quarter and first nine months of 2018 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS.

At September 30, 2019 deferred tax assets in Canada of $2,092 (December 31, 2018 - $4,626) and deferred tax assets in South Africa of $7,684 (December 31, 2018 - nil) were not recorded as it was considered not probable that those losses could be utilized by the company.

Foreign exchange effect of $1,867 and $201 in the third quarter and first nine months of 2019 (2018 - $1,693 and $3,258) 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.

11. Financial Risk Management

Overview

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, 2019 compared to those identified and disclosed in the company's annual consolidated financial statements for the year ended December 31, 2018.

Market Risk

Market risk, comprised of foreign currency risk, interest rate risk and other price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to 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 foreign exchange rates and produce an adverse effect on net earnings and common shareholders' equity when measured in U.S. dollars, the company's functional currency. At September 30, 2019 the company holdings in African Investments denominated in the South African rand increased compared to December 31, 2018, decreasing the amount of assets that are denominated in U.S. dollars. Accordingly, common shareholders' equity and net earnings may be significantly affected by foreign currency movements resulting from the company's South African rand-denominated investments. The company has not hedged its foreign currency risk. There were no significant changes to the company's framework used to monitor, evaluate and manage foreign currency risk at September 30, 2019 compared to December 31, 2018.

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. Typically, as interest rates rise, the fair value of fixed income investments decline and, conversely, as interest rates decline, the fair value of fixed income investments rise. In each case, the longer the maturity of the financial instrument, the greater the consequence of a change in interest rates. The company's interest rate risk management strategy is to position its fixed income portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements. General economic conditions, political conditions and many other factors can also adversely affect the bond markets and, consequently, the value of fixed income securities held. Interest rate movements in African countries may affect the company's common shareholders' 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. There were no significant changes to the company's framework used to monitor, evaluate and manage interest rate risk at September 30, 2019 compared to December 31, 2018.

Market Price Fluctuations

Market price fluctuation is the risk that the fair value or future cash flows of an equity investment will fluctuate due to 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. The company's exposure to equity price risk through its equity investments at September 30, 2019 compared to December 31, 2018 are described below.

The company holds significant equity investments. The market value and the liquidity of these investments are volatile and may vary dramatically either up or down in short periods, and their ultimate value will therefore only be known over a period of time or on disposition.

The company's exposure to market price risk decreased to $243,051 at September 30, 2019 from $272,301 at December 31, 2018 principally due to unrealized losses on the company's investments in Atlas Mara and CIG (Level 1 investments in the fair value hierarchy), partially offset by the company's additional investments in CIG (Level 1 investment in the fair value hierarchy), GroCapital Holdings and Nova Pioneer Warrants (Level 3 investments in the fair value hierarchy). Refer to note 6 for the potential impact on net earnings of various combinations of changes in significant unobservable inputs in the company's internal valuation models for the company's investments classified as Level 3 in the fair value hierarchy.

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 from cash and cash equivalents, short term investments and investments in debt instruments. There were no significant changes to the company's exposure to credit risk (except as set out in the discussion which follows) or the company's framework used to monitor, evaluate and manage credit risk at September 30, 2019 compared to December 31, 2018.

Cash and Cash Equivalents, and Short Term Investments

At September 30, 2019 the company's cash and cash equivalents of $77,975 (December 31, 2018 - $230,858) were comprised of $55,578 (December 31, 2018 - $169,398) at the holding company (principally in high credit quality Canadian financial institutions) and $22,397 (December 31, 2018 - $61,460) at the company's wholly-owned subsidiaries, of which $12,117 (December 31, 2018 - $55,032) was held in deposit accounts with Grobank. The company monitors risks associated with cash and cash equivalents, and short term investments by regularly reviewing the financial strength and creditworthiness of these financial institutions.

Investments in Debt Instruments

The company's risk management strategy for debt instruments is to limit the amount of credit exposure with respect to any one corporate issuer. While the company reviews third party credit ratings, it also carries out its own analysis and does not delegate the credit decision to rating agencies. The company endeavours to limit credit exposure by monitoring fixed income portfolio limits on individual corporate issuers and limits based on credit quality.

At September 30, 2019 the company's debt instruments were all considered to be subject to credit risk with a fair value of $115,661 (December 31, 2018 - $98,451) representing 22.7% (December 31, 2018 - 15.5%) of the total cash and investments, net of derivative obligation.

The composition of the company's fixed income portfolio, which is comprised of loans and bonds, is presented in the table below:

	September 30, 2019	December 31, 2018
Loans:[1]		
CIG	**18,985**	21,068
PGR2	**18,704**	17,527
	37,689	38,595
Bonds:[1]		
Atlas Mara 11.0% Convertible Bonds	**17,988**	16,334
Atlas Mara 7.5% Bonds	**18,152**	17,499
Nova Pioneer Bonds	**41,832**	26,023
	77,972	59,856
Total loans and bonds	**115,661**	98,451

(1) The company's African Investments in loans and bonds are not rated.

The company's exposure to credit risk from its investment in fixed income securities increased at September 30, 2019 compared to December 31, 2018 primarily reflecting the company's additional investments in Nova Pioneer Bonds and interest capitalized on the PGR2 loan and Atlas Mara 11.0% Convertible Bonds, all of which have specific collateral arrangements or guarantees that mitigate the company's exposure to credit risk. The company assesses the creditworthiness of each new counterparty prior to entering into contracts. Management monitors credit risk from its African investments in debt instruments through reviewing financial performance of its counterparties, collateral arrangements, diversification, and other credit risk mitigation techniques.

On July 19, 2019 the AGH Facility was fully repaid with cash of $12,939 (180 million South African rand, inclusive of raising fees) and $485 (6.7 million South African rand) of accrued interest for total cash consideration of $13,424 (186.7 million South African rand).

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 liquid assets 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, if any, must be remitted to the respective tax jurisdictions as they are due. There were no significant changes to the company's exposure to liquidity risk (except as set out in the discussion below) or the framework used to monitor, evaluate and manage liquidity risk at September 30, 2019 compared to December 31, 2018.

The undeployed cash and investments at September 30, 2019 provides adequate liquidity to meet the company's remaining known significant commitments in 2019, which are principally comprised of investment and advisory fees, general and administration expenses and corporate income taxes. On March 21, 2019 the company repaid the $30,000 of the drawn amount of the Credit Facility (which matured on September 7, 2019), along with accrued interest of $509. 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.

Concentration Risk

The company's cash and investments are 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 holdings of Public and Private African Investments (see note 5) at September 30, 2019 and December 31, 2018 are summarized by the issuer's primary sector in the table below:

	September 30, 2019	December 31, 2018
Financial services	**131,056**	165,868
Food and agriculture	**130,280**	135,351
Education	**43,651**	27,024
Infrastructure	**35,021**	19,258
Other	**18,704**	17,527
	358,712	365,028

During the first nine months of 2019 the company's concentration risk in the financial services sector decreased primarily due to unrealized losses on the company's investment in Atlas Mara common shares, partially offset by the additional investment in GroCapital Holdings and capitalized interest on the Atlas Mara 11.0% Convertible Bond. The company's concentration risk in the food and agriculture sector decreased primarily due to unrealized foreign exchange losses on the indirect equity investment in AGH and investment in Philafrica common shares, partially offset by unrealized gains on the company's indirect equity investment in AGH. The company's concentration risk in the education sector increased as a result of its additional investments and unrealized gains in the Nova Pioneer Bonds and Warrants. The company's concentration risk in the infrastructure sector increased primarily due to the additional investment in CIG, partially offset by unrealized losses and foreign exchange losses on its investments in CIG and the CIG Loan. The company's concentration risk in the other sector relates to the PGR2 Loan with the increase related to capitalized interest and unrealized gains on investments which was partially offset by foreign exchange losses.

The company will not make an African Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% 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 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an African Investment in accordance with the Investment Concentration Restriction decreased at September 30, 2019 from December 31, 2018 principally as a result of the net unrealized losses on investments and repayment of the drawn amount of the Credit Facility as described above.

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. At September 30, 2019 the company determined that it was in compliance with the Investment Concentration Restriction.

Capital Management

The company's objectives when managing capital are to protect its lenders, to safeguard its ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital in order to optimize returns for common shareholders. 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, comprised of common shareholders' equity and any funds drawn on the Credit Facility, was $508,612 at September 30, 2019 and $632,654 at December 31, 2018. The decrease was principally related to a net loss of $69,965, repayment of the credit facility on March 21, 2019 and purchases for cancellation of 3,262,699 subordinate voting shares for a net cost of $26,689 in the first nine months of 2019.

12. Related Party Transactions

Payable to Related Parties

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

	September 30, 2019	December 31, 2018
Investment and advisory fees	**1,566**	1,550
Other	**28**	108
	1,594	1,658

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 and its subsidiaries (the "Investment Advisory Agreement"). As compensation for the provision of these services, the company and its Mauritius Sub 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, if applicable, 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 20.0% of any increase in common shareholders' equity per share (including distributions) above a 5.0% 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". At September 30, 2019 the company determined that there was no performance fee accrual (December 31, 2018 - nil) as the book value per share of $8.54 (before factoring in the impact of the performance fee) at September 30, 2019 was less than the hurdle per share at that date of $11.42.

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 price 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 company's 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, 2019 there were no contingently issuable subordinate voting shares relating to the performance fee payable to Fairfax (December 31, 2018 - nil).

In the third quarter and first nine months of 2019 the company did not record a performance fee (2018 - nil and recovery of $319) within the consolidated statements of earnings and comprehensive income.

Investment and Advisory Fees

The investment and advisory fees are 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. In the third quarter of 2019 the company determined that a significant portion of its assets were invested in African Investments, which are considered deployed capital. The investment and advisory fees recorded within the consolidated statements of earnings and comprehensive income in the third quarter and first nine months of 2019 were $1,566 and $5,048 (2018 - $1,733 and $4,881).

Fairfax's Voting Rights and Equity Interest

At September 30, 2019 and December 31, 2018 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares and 6,885,421 subordinate voting shares of Fairfax Africa. At September 30, 2019 Fairfax's holdings of multiple and subordinate voting shares represented 98.5% of the voting rights and 61.9% of the equity interest in Fairfax Africa (December 31, 2018 - 98.3% and 58.7%).

Other

Deposits on Account with Grobank

At September 30, 2019 the company held $12,117 (December 31, 2018 - $55,032) in deposit accounts with Grobank.

13. General and Administration Expenses

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

	Third quarter		**First nine months**	
	2019	2018	**2019**	2018
Audit, legal and tax professional fees	**350**	487	**1,037**	1,541
Administrative expenses	**94**	281	**431**	1,051
Salaries and employee benefit expenses	**257**	130	**979**	661
Brokerage fees	**10**	10	**33**	33
	711	908	**2,480**	3,286

14. Supplementary Cash Flow Information

Cash and cash equivalents were included within the consolidated balance sheets and statements of cash flows as follows:

	September 30, 2019	December 31, 2018
Cash and balances with banks	**47,953**	76,389
U.S. treasury bills	**30,022**	154,469
	77,975	230,858

Details of certain cash flows included within the consolidated statements of cash flows for the three and nine months ended September 30 were as follows:

	Third quarter		**First nine months**	
	2019	2018	**2019**	2018
Purchases of investments				
Loans	**—**	—	**(12,813)**	(79,497)
Bonds	**—**	(22,505)	**(8,721)**	(37,545)
Common stocks	**—**	(9,899)	**(52,032)**	(28,469)
Derivatives	**—**	(295)	**(506)**	(295)
	—	(32,699)	**(74,072)**	(145,806)
Disposals of investments				
Loans	**12,939**	—	**12,939**	25,399
Net interest received				
Interest received	**2,340**	2,565	**7,122**	7,747
Interest paid on borrowings	**—**	(1,786)	**(509)**	(3,965)
	2,340	779	**6,613**	3,782
Income taxes paid	**3,288**	14	**3,549**	750

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, 2019 and the company's 2018 Annual Report.

(2) 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") applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting*, and is presented in U.S. dollars which is also the functional currency of the company and its consolidated subsidiaries.

(3) The MD&A contains references to book value per share. On any date, book value per share is calculated as common shareholders' equity at the end of the period, determined in accordance with IFRS, divided by the total number of common shares of the company effectively 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").

(4) Throughout this MD&A, the term "African Investments" refers to deployed capital in Public and Private African Investments as disclosed in note 5 (African Investments) to the interim consolidated financial statements for the three and nine months ended September 30, 2019.

Business Developments

Overview

Fairfax is Fairfax Africa's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. 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. Fairfax Africa's subordinate voting shares trade on the Toronto Stock Exchange ("TSX") under the symbol FAH.U. The multiple voting shares of the company are not traded.

The book value per share at September 30, 2019 was $8.54 compared to $9.60 at December 31, 2018 representing a decrease of 11.0% in the first nine months of 2019, primarily reflecting a net loss of $69,965 (principally due to a net change in unrealized losses on the company's Public African Investments and net foreign exchange losses).

The following narrative sets out the company's key business developments in the first nine months of 2019.

Capital Transactions

On December 21, 2018 the company drew $30,000 from its $90,000 secured revolving demand credit facility (the "Credit Facility") with a 3-month term that was repaid on March 21, 2019, along with accrued interest of $509. For further details refer to note 7 (Borrowings) to the interim consolidated financial statements for three and nine months ended September 30, 2019.

On September 7, 2019 the company's Credit Facility matured.

African Investments

Full descriptions of the African Investments committed to and acquired in the third quarter and first nine months of 2019 are provided in the African Investments section of this MD&A.

Operating Environment

Sub-Saharan Africa

In October 2019 the International Monetary Fund's report, "*Sub-Saharan Africa ("SSA") Regional Economic Outlook*" noted that regional GDP growth is expected to increase to 3.2% in 2019 from 3.0% in 2018, before stabilizing at close to 4.0% over the medium term. These region-wide numbers mask considerable differences in the growth performance and prospects of countries across the region. About half of the region's countries, mostly non-resource-intensive countries, are expected to grow at 5.0% or more, which would see per capita incomes rise faster than the rest of the world on average over the medium term. For all other countries, mostly resource-intensive countries which include Nigeria and South Africa, improvements in living standards will be constrained by policy uncertainties.

South Africa

In the second quarter of 2019 the South African economy grew by 3.1% on a quarter over quarter basis. According to "*Statistics South Africa"*, the four largest contributors to the increase in real GDP in the second quarter of 2019 were the mining, finance, trade, and general government services industries. Negative contributions to GDP growth came from the agriculture, construction, and transportation sectors. According to the South African Reserve Bank, escalation in global trade tensions, further domestic supply constraints and higher oil prices pose risks to growth. Effective July 19, 2019 the Monetary Policy Committee of the South African Reserve Bank reduced the South African prime lending rate by 25 basis points to 10.00% from 10.25%.

Nigeria

In the second quarter of 2019 according to Nigeria's National Bureau of Statistics, Nigeria's GDP grew 1.9% on a year over year basis lower than the 2.1% recorded in the first quarter of 2019 due to a slowdown in growth of non-oil sectors, specifically agriculture and manufacturing. Growth is anticipated to average 2.3% in 2019, primarily driven by recovering oil production and non-oil economy.

Kenya

In the second quarter of 2019 according to the Kenya's National Bureau of Statistics, the Kenyan economy grew by 5.6% compared to 6.4% in the second quarter of 2018. Overall growth was curtailed by a slowdown in agriculture, manufacturing and transportation activities. Agriculture was impacted by unfavourable weather which, in turn, negatively affected growth in agri-processing and manufacturing activities during the quarter. The transportation industry was negatively impacted by a rise in fuel prices.

Business Objectives

Investment Objective

Fairfax Africa is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities 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 include a South Africa based subsidiary Fairfax Africa Investments Proprietary Limited ("SA Sub" or "FSA") and a Mauritius based subsidiary Fairfax Africa Holdings Investments Limited ("Mauritius Sub" or "FMA").

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 20.0% 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 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an African Investment in accordance with the Investment Concentration Restriction decreased at September 30, 2019 from December 31, 2018 principally as a result of the net unrealized losses on investments and repayment of the drawn amount of the Credit Facility.

The company intends to make multiple different investments as part of its prudent investment strategy. 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. At September 30, 2019 the company determined that it was in compliance with the Investment Concentration Restriction.

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 Group Holdings Proprietary Limited ("AGH") and Consolidated Infrastructure Group Limited ("CIG") (a listed entity on the Johannesburg Stock Exchange), prepare their financial statements in accordance with IFRS as issued by IASB. Atlas Mara Limited ("Atlas Mara"), a listed entity on London Stock Exchange, prepares its financial statements in accordance with IFRS as adopted by the European Union (AGH, Atlas Mara and CIG collectively, "Significant African Investments"). The company is limited in respect to the amount of independent verification it is able to perform with respect to the financial statements of the Significant African Investments. Such unaudited financial information is the responsibility of the respective managements and has been prepared by them using recognition, measurement and presentation principles consistent with IFRS, and provided to the company in their underlying functional currencies.

The fiscal years of AGH, CIG and Atlas Mara end on March 31, August 31 and December 31 respectively. Summarized financial information of the company's Significant African Investments has generally been provided for the periods subsequent to the company's investment and to the extent that the most recent interim financial information is available to the company's management. Significant African Investments' summarized financial information should be read in conjunction with Fairfax Africa's historical interim and annual consolidated financial statements including the notes thereto and the related MD&A as well as Fairfax Africa's other public filings.

Fairfax Africa has no knowledge that would indicate that the Significant African Investments' summarized financial information contained herein requires material modifications. However, readers are cautioned that the Significant African Investments' summarized financial information contained in this MD&A may not be appropriate for their purposes.

Summary of African Investments

The table below provides a summary of the company's African Investments:

		September 30, 2019				December 31, 2018			
	Date Acquired	**Ownership %**	**Net cash consideration**	**Fair value**	**Net change**	Ownership %	Net cash consideration	Fair value	Net change
Public African Investments:									
Common Stocks:									
Atlas Mara	August and December 2017	**42.3%**	**159,335**	**81,313**	**(78,022)**	42.4%	159,335	119,092	(40,243)
CIG	Fourth quarters of 2017 and 2018, and January 2019	**49.1%**	**53,785**	**16,036**	**(37,749)**	7.9%	4,041	3,886	(155)
Other(1)	Various	**<5%**	**2,055**	**—**	**(2,055)**	<5%	2,055	28	(2,027)
			215,175	**97,349**	**(117,826)**		165,431	123,006	(42,425)
Private African Investments:									
Loans:									
CIG	June 2018		**23,270**	**18,985**	**(4,285)**		23,270	21,068	(2,202)
PGR2	June and December 2018		**19,969**	**18,704**	**(1,265)**		19,969	17,527	(2,442)
			43,239	**37,689**	**(5,550)**		43,239	38,595	(4,644)
Bonds:									
Atlas Mara 11.0% Convertible Bonds	December 2018		**15,040**	**17,988**	**2,948**		15,040	16,334	1,294
Atlas Mara 7.5% Bonds	November 2018		**16,476**	**18,152**	**1,676**		16,476	17,499	1,023
Nova Pioneer Bonds	Third and fourth quarters of 2017 and 2018, and first and second quarters of 2019		**32,713**	**41,832**	**9,119**		23,992	26,023	2,031
			64,229	**77,972**	**13,743**		55,508	59,856	4,348
Common Stocks:									
Indirect equity interest in AGH	February 2017, January and November 2018	**46.8%**	**94,877**	**108,872**	**13,995**	44.7%	94,877	111,888	17,011
Philafrica	November 2018	**26.0%**	**23,254**	**21,408**	**(1,846)**	26.0%	23,254	23,463	209
GroCapital Holdings	Fourth quarter of 2018 and April 2019	**35.0%**	**14,429**	**13,477**	**(952)**	35.0%	12,141	11,927	(214)
			132,560	**143,757**	**11,197**		130,272	147,278	17,006
Derivatives:									
Atlas Mara Warrants	November 2018		**2,324**	**126**	**(2,198)**		2,324	1,016	(1,308)
Nova Pioneer Warrants	Third and fourth quarters of 2017 and 2018, and first and second quarters of 2019		**1,287**	**1,819**	**532**		781	1,001	220
			3,611	**1,945**	**(1,666)**		3,105	2,017	(1,088)
Derivative Obligation:									
CIG forward derivative liability(2)	May 2018		**—**	**—**	**—**		—	(5,724)	(5,724)
			243,639	**261,363**	**17,724**		232,124	242,022	9,898
Total African Investments			**458,814**	**358,712**	**(100,102)**		397,555	365,028	(32,527)

(1) At December 31, 2018 comprised of common shares of a public company listed on the Johannesburg Stock Exchange. Subsequently during the first quarter of 2019 the common shares of the public company were de-listed.

(2) Related to the company's obligation to subscribe for 178,995,353 common shares of CIG as part of the CIG Rights Offer which was settled on January 4, 2019.

Summary of Changes in the Fair Value of the Company's African Investments

A summary of changes in the fair value of the company's Public and Private African Investments for the third quarters of 2019 and 2018 were as follows:

	Third quarter												
	2019							2018					
	Balance as of July 1	**Purchases**	**Re-payments**	**Accretion of discount/ (amortization of premium)[1]**	**Net change in unrealized gains (losses) on investments**	**Net foreign exchange gains (losses) on investments**	**Balance as of September 30**	Balance as of July 1	Purchases	Accretion of discount[1]	Net change in unrealized gains (losses) on investments	Net foreign exchange losses on investments	Balance as of September 30
Public African Investments:													
Common stocks:													
Atlas Mara	**102,182**	**—**	**—**	**—**	**(20,869)**	**—**	**81,313**	177,018	—	—	(9,354)	—	167,664
CIG	**14,485**	**—**	**—**	**—**	**4,950**	**(3,399)**	**16,036**	2,200	51	—	(105)	(76)	2,070
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	234	—	—	(17)	(63)	154
Total Public African Investments	**116,667**	**—**	**—**	**—**	**(15,919)**	**(3,399)**	**97,349**	179,452	51	—	(9,476)	(139)	169,888
Private African Investments:													
Loans:													
AGH Facility	**12,735**	**—**	**(12,939)**	**26**	**—**	**178**	**—**	—	—	—	—	—	—
Philafrica Facility	**—**	**—**	**—**	**—**	**—**	**—**	**—**	36,628	—	238	—	(1,172)	35,694
CIG	**20,757**	**—**	**—**	**27**	**(335)**	**(1,464)**	**18,985**	23,230	—	21	(804)	(675)	21,772
PGR2	**20,578**	**—**	**—**	**—**	**(411)**	**(1,463)**	**18,704**	13,697	—	—	223	(436)	13,484
	54,070	**—**	**(12,939)**	**53**	**(746)**	**(2,749)**	**37,689**	73,555	—	259	(581)	(2,283)	70,950
Bonds:													
Atlas Mara 7.5% Convertible Bonds	**—**	**—**	**—**	**—**	**—**	**—**	**—**	15,106	18,800	266	5,313	—	39,485
Atlas Mara 11.0% Convertible Bonds[2]	**17,434**	**467**	**—**	**(48)**	**135**	**—**	**17,988**	—	—	—	—	—	—
Atlas Mara 7.5% Bonds	**17,870**	**—**	**—**	**168**	**114**	**—**	**18,152**	—	—	—	—	—	—
Nova Pioneer Bonds[3]	**39,124**	**2,184**	**—**	**(12)**	**536**	**—**	**41,832**	19,496	5,192	—	(420)	—	24,268
	74,428	**2,651**	**—**	**108**	**785**	**—**	**77,972**	34,602	23,992	266	4,893	—	63,753
Common stocks:													
Indirect equity interest in AGH[4]	**115,247**	**—**	**—**	**—**	**1,807**	**(8,182)**	**108,872**	105,837	—	—	(107)	(3,294)	102,436
Philafrica	**24,315**	**—**	**—**	**—**	**(1,293)**	**(1,614)**	**21,408**	—	—	—	—	—	—
GroCapital Holdings	**14,490**	**—**	**—**	**—**	**—**	**(1,013)**	**13,477**	—	9,848	—	—	—	9,848
	154,052	**—**	**—**	**—**	**514**	**(10,809)**	**143,757**	105,837	9,848	—	(107)	(3,294)	112,284
Derivatives:													
Atlas Mara Warrants	**405**	**—**	**—**	**—**	**(279)**	**—**	**126**	—	—	—	—	—	—
Nova Pioneer Warrants	**1,835**	**—**	**—**	**—**	**(16)**	**—**	**1,819**	872	295	—	508	—	1,675
	2,240	**—**	**—**	**—**	**(295)**	**—**	**1,945**	872	295	—	508	—	1,675
Derivative Obligation:													
CIG forward derivative liability[5]	**—**	**—**	**—**	**—**	**—**	**—**	**—**	—	—	—	(6,362)	—	(6,362)
Total Private African Investments	**284,790**	**2,651**	**(12,939)**	**161**	**258**	**(13,558)**	**261,363**	214,866	34,135	525	(1,649)	(5,577)	242,300
Total African Investments	**401,457**	**2,651**	**(12,939)**	**161**	**(15,661)**	**(16,957)**	**358,712**	394,318	34,186	525	(11,125)	(5,716)	412,188

(1) Recorded in interest within the consolidated statement of earnings and comprehensive income.

(2) Purchases during the three months ended September 30, 2019 of $467 related to capitalized interest.

(3) Purchases during the three months ended September 30, 2019 of $2,184 related to capitalized interest (2018 - $1,487).

(4) Invested through the company's ownership in Joseph Holdings.

(5) At September 30, 2018 the CIG forward derivative liability related to the company's obligation to subscribe for 178,995,353 common shares of CIG as part of the CIG Rights Offer which was settled on January 4, 2019.

A summary of changes in the fair value of the company’s Public and Private African Investments for the first nine months of 2019 and 2018 were as follows:

	First nine months														
	2019								2018						
	Balance as of January 1	**Purchases**	**Re-payments**	**Accretion of discount/ (amort-ization of premium)[(1)]**	**Net realized loss on investments**	**Net change in unrealized gains (losses) on investments**	**Net foreign exchange losses on investments**	**Balance as of September 30**	Balance as of January 1	Purchases	Re-payments	Accretion of discount[(1)]	Net change in unrealized gains (losses) on investments	Net foreign exchange gains (losses) on investments	Balance as of September 30
Public African Investments:															
Common stocks:															
Atlas Mara	**119,092**	**—**	**—**	**—**	**—**	**(37,779)**	**—**	**81,313**	168,671	—	—	—	(1,007)	—	167,664
CIG	**3,886**	**44,905**	**—**	**—**	**—**	**(29,085)**	**(3,670)**	**16,036**	2,563	51	—	—	(207)	(337)	2,070
Other	**28**	**—**	**—**	**—**	**—**	**(24)**	**(4)**	**—**	2,369	69	—	—	(2,007)	(277)	154
Total Public African Investments	**123,006**	**44,905**	**—**	**—**	**—**	**(66,888)**	**(3,674)**	**97,349**	173,603	120	—	—	(3,221)	(614)	169,888
Private African Investments:															
Loans:															
AGH Facilities	**—**	**12,813**	**(12,939)**	**257**	**—**	**—**	**(131)**	**—**	24,233	—	(25,399)	—	—	1,166	—
Philafrica Facility	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	—	41,153	—	710	—	(6,169)	35,694
CIG	**21,068**	**—**	**—**	**81**	**—**	**(1,105)**	**(1,059)**	**18,985**	—	23,270	—	31	1,076	(2,605)	21,772
PGR2[(2)]	**17,527**	**1,416**	**—**	**—**	**—**	**806**	**(1,045)**	**18,704**	—	15,074	—	—	58	(1,648)	13,484
	38,595	**14,229**	**(12,939)**	**338**	**—**	**(299)**	**(2,235)**	**37,689**	24,233	79,497	(25,399)	741	1,134	(9,256)	70,950
Bonds:															
Atlas Mara 7.5% Convertible Bonds	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	—	33,840	—	313	5,332	—	39,485
Atlas Mara 11.0% Convertible Bonds[(3)]	**16,334**	**1,365**	**—**	**(137)**	**—**	**426**	**—**	**17,988**	—	—	—	—	—	—	—
Atlas Mara 7.5% Bonds	**17,499**	**—**	**—**	**592**	**—**	**61**	**—**	**18,152**	—	—	—	—	—	—	—
Nova Pioneer Bonds[(4)]	**26,023**	**12,620**	**—**	**27**	**—**	**3,162**	**—**	**41,832**	19,414	5,955	—	—	(1,101)	—	24,268
	59,856	**13,985**	**—**	**482**	**—**	**3,649**	**—**	**77,972**	19,414	39,795	—	313	4,231	—	63,753
Common stocks:															
Indirect equity interest in AGH[(5)]	**111,888**	**—**	**—**	**—**	**—**	**2,895**	**(5,911)**	**108,872**	88,314	20,304	—	—	8,192	(14,374)	102,436
Philafrica	**23,463**	**—**	**—**	**—**	**—**	**(896)**	**(1,159)**	**21,408**	—	—	—	—	—	—	—
GroCapital Holdings	**11,927**	**2,288**	**—**	**—**	**—**	**—**	**(738)**	**13,477**	—	9,848	—	—	—	—	9,848
	147,278	**2,288**	**—**	**—**	**—**	**1,999**	**(7,808)**	**143,757**	88,314	30,152	—	—	8,192	(14,374)	112,284
Derivatives															
Atlas Mara Warrants	**1,016**	**—**	**—**	**—**	**—**	**(890)**	**—**	**126**	—	—	—	—	—	—	—
Nova Pioneer Warrants	**1,001**	**506**	**—**	**—**	**—**	**312**	**—**	**1,819**	520	295	—	—	860	—	1,675
	2,017	**506**	**—**	**—**	**—**	**(578)**	**—**	**1,945**	520	295	—	—	860	—	1,675
Derivative Obligation:															
CIG forward derivative liability[(6)]	**(5,724)**	**—**	**4,839**	**—**	**(4,839)**	**5,724**	**—**	**—**	—	—	—	—	(6,362)	—	(6,362)
Total Private African Investments	**242,022**	**31,008**	**(8,100)**	**820**	**(4,839)**	**10,495**	**(10,043)**	**261,363**	132,481	149,739	(25,399)	1,054	8,055	(23,630)	242,300
Total African Investments	**365,028**	**75,913**	**(8,100)**	**820**	**(4,839)**	**(56,393)**	**(13,717)**	**358,712**	306,084	149,859	(25,399)	1,054	4,834	(24,244)	412,188

(1) Recorded in interest within the consolidated statement of earnings and comprehensive income.
(2) Purchases during the first nine months of 2019 of $1,416 related to capitalized interest.
(3) Purchases during the first nine months of 2019 of $1,365 related to capitalized interest.
(4) Purchases during the first nine months of 2019 of $3,899 (2018 - $2,250) related to capitalized interest.
(5) Invested through the company's ownership in Joseph Holdings.
(6) Related to the company's obligation to subscribe for 178,995,353 common shares of CIG as part of the CIG Rights Offer which was settled on January 4, 2019.

Public African Investments

The fair values of Fairfax Africa's Public African Investments are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date.

Investment in Atlas Mara Limited (Common Shares)

Business Overview

Atlas Mara Limited ("Atlas Mara") is a Sub-Saharan African financial services group listed on the London Stock Exchange under the symbol ATMA. Atlas Mara was founded in 2013 with a vision to establish itself as a premier financial institution across key markets in Sub-Saharan Africa. Since its inception, Atlas Mara has acquired control or significant influence in banks across seven Sub-Saharan African countries: Nigeria, Botswana, Zimbabwe, Mozambique, Rwanda, Tanzania and Zambia.

Atlas Mara's principal lines of business are comprised of:

- Retail and commercial banking, operating under the brand names ABC Holdings Limited ("BancABC") (across Botswana, Zambia, Zimbabwe, Mozambique and Tanzania); Banque Populaire du Rwanda ("BPR") and its associate investment in Union Bank of Nigeria ("UBN");
- Markets and treasury segment; and
- Digital Banking operations.

The company's investment in Atlas Mara is comprised of common shares, debt instruments and warrants. The debt instruments and warrants are discussed in the Private African Investments section under the heading Investment in Atlas Mara Limited (Debt Instruments and Warrants) later in this MD&A.

Transaction Description

Atlas Mara Common Shares

In August and December 2017 the company acquired an aggregate of 71,958,670 common shares of Atlas Mara representing a 43.3% equity interest for net consideration of $159,335.

Key Business Drivers, Events, and Risks

Atlas Mara is focused on advancing the progress on its stated strategic goals, including: the streamlining of the group as a narrowly focused holding company rather than a bank operating group; protecting core operations in Botswana and Zimbabwe; and increasing support of and involvement with UBN. A significant component of Atlas Mara's portfolio is its investment in associate UBN with continued execution of long-term strategy and efforts to increase its shareholding. In the first nine months of 2019 Atlas Mara has increased its existing position in UBN from 49.0% at December 31, 2018 to 49.9% at September 30, 2019.

On April 30, 2019 Atlas Mara announced a proposed strategic transaction with Equity Group Holdings Plc ("Equity Group") whereby Equity Group will acquire Atlas Mara's shareholdings in: (i) BPR; (ii) BancABC Zambia; (iii) BancABC Tanzania; and, (iv) BancABC Mozambique in a share exchange transaction with Equity Group. The transaction is expected to close in the fourth quarter of 2019 or the first quarter of 2020, subject to confirmatory due diligence, customary closing conditions and regulatory approval depending on the jurisdiction.

The rationale for the share exchange transaction with Equity Group is to achieve scale benefits in Rwanda and Tanzania, while leveraging Equity Group's operational expertise and innovative digital and retail strategy to improve profitability in Zambia and Mozambique. In addition, shareholdings in Equity Group would diversify Atlas Mara's country exposures in Africa including Kenya, Uganda, Democratic Republic of the Congo and South Sudan. This transaction will allow Atlas Mara to focus group resources and efforts on driving greater profitability and returns to shareholders from the remaining banking operations.

Zimbabwe's economy is at a crossroads as the country faces challenges relating to: (i) fiscal consolidation and financial sector stabilization; (ii) stimulating growth and investment to increase revenue collection and foreign exchange generation; (iii) protecting social gains; and (iv) improving governance outcomes through continued legislative and institutional reforms.

In February 2019 the Reserve Bank of Zimbabwe ("RBZ") announced the establishment of an interbank foreign exchange market which would formalize the trading of the Real-time Gross Settlement dollars ("RTGS") with the U.S. dollar. This effectively resulted in the replacement of the 1:1 peg of the RTGS dollar to the U.S. dollar which has been in circulation within the banking system of Zimbabwe, with a formal interbank foreign currency market at a rate of 2.5:1 RTGS to the U.S. dollar. At June 30, 2019 the interbank foreign exchange rate further declined to 6.6:1 RTGS to the U.S. dollar. In June 2019 the RBZ issued a statutory instrument which indicated that the Zimbabwe dollar (at 1:1 par with RTGS) to be the sole currency for the legal tender purposes. The British pound, U.S. dollar, South African rand, Botswana pula and any other foreign currency that was part of Zimbabwe's multi-currency system will no longer be legal tender alongside the Zimbabwe dollar in any transactions in Zimbabwe. Atlas Mara's banking operation in Zimbabwe had negatively impacted Atlas Mara's consolidated financial position as a result of this change in the foreign currency regime of the country.

Valuation and Interim Consolidated Financial Statement Impact

At September 30, 2019 the fair value of the company's investment in Atlas Mara was $81,313 (December 31, 2018 - $119,092), comprised of 71,958,670 common shares representing a 42.3% equity interest (December 31, 2018 - 42.4%). Atlas Mara's share price decreased by 31.9% from $1.66 per share at December 31, 2018 to $1.13 per share at September 30, 2019. The changes in fair value of the company's investment in Atlas Mara for the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Atlas Mara's Summarized Financial Information

Atlas Mara's fiscal year ends on December 31. Summarized below are Atlas Mara's balance sheets at June 30, 2019 and December 31, 2018.

Balance Sheets
(US$ thousands)

	June 30, 2019	December 31, 2018
Financial Assets	**880,340**	1,936,454
Non-Financial Assets	**701,078**	868,272
Assets included in disposal groups held for sale	**915,225**	—
Financial Liabilities	**1,103,310**	2,048,490
Non-Financial Liabilities	**37,750**	67,298
Liabilities included in disposal groups held for sale	**809,815**	—
Shareholders' equity	**545,768**	688,938

As at June 30, 2019 asset and liability balances of Atlas Mara which were identified as disposal groups related to the proposed strategic transaction with Equity Group were reclassified and presented separately as assets and liabilities held for sale on Atlas Mara's balance sheet.

Excluding the impact of the reclassification of assets and liabilities identified as disposal groups held for sale, financial and non-financial assets decreased primarily reflecting the continued devaluation of the RTGS in Zimbabwe and decreased customer loans and advances, partially offset by increased earnings recorded in UBN during the period.

Excluding the impact of the reclassification of assets and liabilities identified as disposal groups held for sale, financial liabilities and non-financial liabilities decreased primarily reflecting decreased deposits in Tanzania and Botswana coupled with the devaluation of the RTGS in Zimbabwe, partially offset by increased borrowings. Shareholders' equity decreased primarily due to the loss on remeasurement of disposal groups held for sale and foreign currency translation losses principally relating to the devaluation of the RTGS in Zimbabwe.

Summarized below are Atlas Mara's statements of earnings for the six month periods ended June 30, 2019 and June 30, 2018.

Statements of Earnings
(US$ thousands)

	Six months ended June 30, 2019			Six months ended June 30, 2018		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
Revenue	**38,483**	**56,990**	**95,473**	44,081	68,139	112,220
Earnings (loss) before taxes	**16,899**	**(8,513)**	**8,386**	35,057	1,035	36,092
Loss on remeasurement to fair value less costs to sell	**—**	**(125,567)**	**(125,567)**	—	—	—
Net earnings (loss)	**9,498**	**(135,052)**	**(125,554)**	29,651	(452)	29,199

Revenues for the six months ended June 30, 2019 decreased compared to the same period in 2018 primarily due to lower interest income on loans driven by contraction of the loan book, lower net interest margins and higher cost of funds, partially offset by increased non-interest income as a result of higher trading income. Net earnings decreased primarily due to the loss on remeasurement of disposal groups held for sale. Net earnings for the six months ended June 30, 2018 included a gain on Atlas Mara's acquisition of UBN.

Investment in Consolidated Infrastructure Group (Common Shares)

Business Overview

Consolidated Infrastructure Group Limited ("CIG") is a Pan-African engineering infrastructure company listed on the Johannesburg Stock Exchange under the stock symbol CIL. CIG has a diversified portfolio of operations including services and materials in power and electrical, oil and gas, building materials and the railway sector, with a footprint that spans over 20 African countries and the Middle East. Historically, over 71% of CIG's net earnings has been derived outside of South Africa.

CIG's principal lines of business are comprised of:

- Power business that includes Conco Group ("Conco") (a power infrastructure services provider), Consolidated Power Maintenance Proprietary Limited (operational and maintenance services to wind farms, solar parks, municipalities and utilities), CIGenCo SA Proprietary Limited (renewable energy provider) and Conlog Proprietary Limited ("Conlog") (metering solution provider);
- Consolidated Building Materials through Drift Supersand Proprietary Limited and West End Claybrick Proprietary Limited;
- Oil and Gas business through 35.0% equity interest in Angola Environmental Servicos Limitada; and
- Rail electrification and maintenance.

The company's investment in CIG is comprised of common shares and a debt instrument. At December 31, 2018 the company's investment in CIG also included a derivative obligation which was settled on January 4, 2019 upon closing of the CIG Rights Offer (described below). The debt instrument and derivative obligation are discussed in the Private African Investments section under the heading Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation) later in this MD&A.

Transaction Description

CIG Common Shares

In 2017 and 2018 the company acquired 15,527,128 common shares representing a 7.9% equity interest in CIG for cash consideration of $4,041 (56.4 million South African rand).

On January 4, 2019 upon closing of the previously announced CIG rights offer the company acquired 178,995,353 common shares of CIG for net consideration of $44,905 (628.3 million South African rand), which was comprised of net cash consideration of $49,744 (696.0 million South African rand), partially offset by the settlement of the derivative obligation (refer to the Private African Investments section under the heading Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation) later in this MD&A) of $4,839 (67.7 million South African rand). Upon closing of this transaction the company held 194,522,481 common shares of CIG, representing a 49.1% equity interest in CIG for net consideration of $48,946 (684.7 million South African rand).

Key Business Drivers, Events, and Risks

The CIG Rights Offer will enable the company to establish a strong and sustainable capital structure that will allow CIG to take advantage of long-term value creation opportunities in the markets that it serves through its diversified portfolio of businesses. Specifically:

- Right-sizing the operations of Conco to ensure that it is running at optimum levels. Conco in the past had grown too fast and was in too many regions and countries, resulting in margin pressures, increased investments in working capital, and increased complexity in its operations. CIG is addressing the risks associated with restructuring Conco by assessing office and division closures, and reducing working capital requirements and borrowings;
- Organically growing Conlog's smart metering business by establishing a prepaid meter leasing platform and funding additional capital expenditures to increase plant capacity;
- Investing in its pipeline of 7 renewable energy projects (219.5 megawatts) to generate annuity income; and
- Focusing on providing waste management services through Angola Environmental Servicos Limitada, an investment in associate, as the oil sector recovers, leading to more rigs coming online in Angola.

CIG's footprint extends across 20 African countries in addition to South Africa and the Middle East. Key markets for CIG outside South Africa include Angola, Ethiopia and Kenya.

Valuation and Interim Consolidated Financial Statement Impact

At September 30, 2019 the fair value of the company's investment in CIG was $16,036 (December 31, 2018 - $3,886), comprised of 194,522,481 common shares representing a 49.1% equity interest (December 31, 2018 - 7.9%). CIG's share price decreased by 65.3% from 3.60 South African rand per share at December 31, 2018 to 1.25 South African rand per share at September 30, 2019. The changes in fair value of the company's investment in CIG for the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

CIG's Summarized Financial Information

The company's fiscal year ends on December 31 and CIG's fiscal year ends on August 31. As of October 31, 2019 CIG had not yet publicly released its annual consolidated financial statements for its 2019 fiscal year. Refer to the company's interim report for the three and six months ended June 30, 2019, in the MD&A under Public African Investments section under the heading Investment in Consolidated Infrastructure Group (Common Shares) for an analysis of CIG's summarized financial information as at February 28, 2019 and August 31, 2018 and for the six months ended February 28, 2019 and 2018.

Investment in an Other Public African Investment

In 2017 and 2018 the company acquired less than 5.0% of the common shares of a public company in the infrastructure sector, listed on the Johannesburg Stock Exchange ("Other Public African Investment") for aggregate cash consideration of $2,055. In the first quarter of 2019 the Other Public African Investment was de-listed from the Johannesburg Stock Exchange. The company does not expect to recover any of its initial investment.

At September 30, 2019 the fair value of the company's investment in Other Public African Investment was nil (December 31, 2018 - $28). The changes in fair value of the company's investment in the Other Public African Investment for the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Private African Investments

Cautionary Statement Regarding the Valuation of Private African Investments

In the absence of an active market for the Company's Private African Investments, fair values of these investments are determined by management using industry accepted 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.

Investment in AFGRI Holdings Proprietary Limited

Business Overview

AFGRI Holdings Proprietary Limited ("AFGRI Holdings") is a private holding company based in South Africa that owns 100.0% of AFGRI Group Holdings Proprietary Limited ("AGH"), an investment holding company with interests in a number of agricultural and food-related companies providing products and services to ensure sustainable agriculture. AGH's core focus is grain commodities and it provides services across the entire grain production and storage cycle, offering financial support and solutions as well as high-tech equipment through the John Deere brand supported by a large retail footprint. AGH is one of the largest John Deere distributors outside of the United States, with presence in several markets in Africa and Western Australia.

AGH’s investment philosophy is to create long term sustainable value by targeting investments in agriculture, food processing and financial services, by building or acquiring equity interests in companies which provide the company with control or significant influence. AGH’s long term growth strategy is based on a vision to ensure sustainable agriculture and enable food security across Africa. In addition to South Africa, AGH currently has operational activities aimed at supporting agriculture in Zambia, Zimbabwe, Mozambique, Congo-Brazzaville, Botswana, Côte d'Ivoire and Uganda. AGH 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. AGH’s current strategic initiatives also include 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.

AGH's principal lines of business are comprised of:

- AFGRI Proprietary Limited (agricultural services company which focuses on grain management, silos, equipment, agricultural finance and insurance, retail and farmer development);
- A 60.0% controlling interest in Philafrica Foods Proprietary Ltd. ("Philafrica") (a food processing provider throughout the African continent, most notably in South Africa, Mozambique, Ghana and Côte d'Ivoire);
- GroCapital Advisory Services (collateral management solutions provider);
- Corbium Business Services (a service company responsible for the group's internal functions); and
- AFGRI International Proprietary Limited (focus on operations outside of South Africa).

Transaction Description

Indirect Equity Interest in AGH

In February 2017 Fairfax Africa acquired a 42.2% indirect equity interest in AGH for $74,968 through its purchase of 156,055,775 common shares and 49,942,549 Class A shares of Joseph Investment Holdings ("Joseph Holdings") for $25,001 and $49,967 in a non-cash transaction. In January 2018 the company participated in an AGH rights offer and invested an additional $20,304 (inclusive of a non-cash realized gain of $1,803) in AGH through its purchase of 79,743,201 common shares of Joseph Holdings. In November 2018 the company acquired an additional 5,260,679 common shares and 270,362 Class A shares of Joseph Holdings for aggregate cash consideration of $1,408 from an employee of the company's portfolio sub-advisor, Pactorum Ltd.

At September 30, 2019 Fairfax Africa had invested $96,680 in Joseph Holdings (comprised of 74.6% of the common shares and 73.7% of the Class A shares of Joseph Holdings). Fairfax Africa is the largest beneficial shareholder of AGH, through its investment in Joseph Holdings, with a 46.8% indirect equity interest (December 31, 2018 - 44.7%).

AGH Facilities

In June 2017 Fairfax Africa entered into a secured lending arrangement with AGH, pursuant to which Fairfax Africa provided $23,255 (300 million South African rand) of financing. On January 31, 2018 the facility was fully repaid with cash of $25,399 and the company recorded a realized foreign exchange gain of $1,166 in the consolidated statements of earnings and comprehensive income in the first nine months of 2018.

On January 21, 2019 the company completed a second secured lending arrangement with AGH pursuant to which Fairfax Africa provided $12,813 (176.4 million South African rand) of financing (the "AGH Facility"). The AGH Facility earned interest at a rate of South African prime plus 2.0% payable on maturity. On July 19, 2019 the AGH Facility was fully repaid with cash of $12,939 (180 million South African rand, inclusive of raising fees) and $485 (6.7 million South African rand) of accrued interest for total cash consideration of $13,424 (186.7 million South African rand).

Key Business Drivers, Events, and Risks

AGH's key business drivers relate to its ability to sustain and grow its grain management and equipment operations through capital upgrades, support the growth of Philafrica and expand its financial services offerings to the agricultural sector.

On April 8, 2019 AGH announced plans to form a grain storage platform to grow capacity in South Africa and improve food security. AFGRI Grain Silo Company Proprietary Limited ("AFGRI Grain Silo Company") plans to expand its current storage from 4.7 million tonnes to 6.0 million tonnes in the near future. The current storage footprint consists of grain silos and bunker complexes throughout six provinces in South Africa. Three new institutional investors have committed to invest alongside AGH and its current Black Economic Empowerment ("BEE") employee partner, Izitsalo Employee Investments. This investment consortium initially will own storage facilities acquired from AFGRI Operations Proprietary Limited ("AFGRI Operations"), AGH's grain management division. Upon closing of this transaction, AGH's remaining equity interest in AFGRI Grain Silo Company was 26.5%. AFGRI Operations will manage the storage facilities on behalf of AFGRI Grain Silo Company through a management service agreement.

AGH's strategic focus for the remainder of 2019 is as follows:

- Fully incorporate Grobank into the group's financial services offering to AGH's farming base; re-branding and re-positioning the bank to focus on serving the needs of the agricultural and food processing sectors;
- Continue to develop and expand AGH's digital platform and product and services offering to create a strong foundation for revenue growth within financial services;
- Expand its grain storage footprint through AFGRI Grain Silo Company and diversify storage services into a broader commodity pool; and
- Outside of South Africa, continue to streamline agricultural operations to ensure more efficient capital deployment.

Valuation and Interim Consolidated Financial Statement Impact

Indirect Equity Interest in AGH

At September 30, 2019 the company estimated the fair value of its indirect equity interest in AGH using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 10.7% to 26.8% and a long term growth rate of 2.5% (December 31, 2018 - 11.7% to 26.0% and 3.0%). At September 30, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for AGH's business units prepared in the second quarter of 2019 (December 31, 2018 - fourth quarter of 2018) by AGH'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 AGH operates.

At September 30, 2019 the company's internal valuation model indicated that the fair value of its 46.8% indirect equity interest in AGH, acquired through the company's ownership in Joseph Holdings, was $108,872 (December 31, 2018 - $111,888), comprised of the Class A shares and common shares of Joseph Holdings. The changes in fair value of the company's indirect equity interest in AGH for the third quarters and first nine months of 2019 and 2018 are presented in the tables at the outset of the African Investments section of this MD&A.

AGH Facilities

In the third quarter and first nine months of 2019 the company recorded interest income of $87 and $1,013 (2018 - nil and $383) within the consolidated statements of earnings and comprehensive income.

AGH's Summarized Financial Information

To avoid the distortion caused by foreign currency translation, the tables below present AGH's financial and operating results in both U.S. dollars and South African rand (AGH's functional currency). The discussion which follows refers to those South African rand figures unless indicated otherwise.

The company's fiscal year ends on December 31 and AGH's fiscal year ends on March 31. Summarized below are AGH's balance sheets at June 30, 2019 and March 31, 2019.

Balance Sheets
(unaudited - South African rand and US$ thousands)

	South African rand		US$	
	June 30, 2019	March 31, 2019 (1)	**June 30, 2019 (2)**	March 31, 2019 (2)
Current assets	**7,819,941**	6,552,656	**554,557**	454,375
Non-current assets	**4,147,133**	3,817,548	**294,097**	264,717
Current liabilities	**7,254,855**	6,122,996	**514,483**	424,582
Non-current liabilities	**1,183,271**	681,704	**83,912**	47,271
Shareholders' equity	**3,528,948**	3,565,504	**250,259**	247,239

(1) Based on consolidated financial statements for the year ended March 31, 2019.

(2) The net assets of AGH were translated at June 30, 2019 at $1 U.S. dollar = 14.10 South African rand and at March 31, 2019 at $1 U.S. dollar = 14.42 South African rand. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily reflecting an increase in inventories arising from AGH's Australia business, an increase in trade and other receivables, and an increase in cash and cash equivalents. Non-current assets increased primarily due to the acquisition of SunShine Bakery in Philafrica which closed on April 1, 2019. Current liabilities increased primarily related to increases in trade and other payables as a result of increased purchases of inventory and timing differences between purchases and sales of commodities from farmers and to customers during the South African harvest. Non-current liabilities increased primarily related to recognition of a put option liability provided to the non-controlling interest shareholders of Pakworks in Philafrica.

Summarized below are AGH's statements of earnings for the three months ended June 30, 2019 and 2018.

Statements of Earnings
(unaudited - South African rand and US$ thousands)

	South African rand		US$	
	Three months ended June 30, 2019	Three months ended June 30, 2018	**Three months ended June 30, 2019 (1)**	Three months ended June 30, 2018 (1)
Revenue	**3,721,021**	2,955,866	**258,820**	233,896
Earnings (loss) before taxes	**11,961**	(7,571)	**832**	(599)
Net loss	**(24,901)**	(31,636)	**(1,732)**	(2,502)

(1) Amounts for the three months ended June 30, 2019 and 2018 were translated into US$ using the average exchange rates of $1 U.S. dollar = 14.38 South African rand and $1 U.S. dollar = 12.64 South African rand prevailing during those periods.

Revenues increased primarily due the inclusion of revenue from Pakworks and Sunshine Bakery which were acquired in July 2018 and April 2019, respectively, and a strong performance by AFGRI International's equipment business in Australia. Earnings (loss) before taxes and net loss changed favourably from the same period in the prior year primarily due to lower interest expense incurred in the current period as a result of the decrease in borrowings compared to the three months ended June 30, 2018 in connection with AGH's sale of its silo and bunker infrastructure assets that occurred in March 2019 and due to strong performance by AFGRI International's equipment business in Australia.

Investment in Philafrica Foods Proprietary Ltd.

Business Overview

Philafrica is headquartered in South Africa, where it owns and operates maize mills, wheat mills, animal feed factories, snacking and bread production facilities, soya crushing and extraction plants, which process oil and other raw materials into edible oils, fats and proteins for human consumption (primarily for the food processing and quick-service restaurant industries), and a mussels farm and factory. Philafrica also has food-related businesses outside South Africa, consisting mainly of a cassava processing business in Côte d'Ivoire and Mozambique and a poultry joint venture in Mozambique. Philafrica has 14 production plants across the South African provinces of Gauteng, KwaZulu-Natal, Mpumalanga, Eastern Cape, Western Cape, the Free State and Limpopo.

Philafrica's principal lines of business are comprised of:

- Cassava Processing (mobile processing technology through Dadtco Philafrica);
- Grain Milling (involved in the industrial milling of yellow corn (maize) and wheat);
- Oil and Protein (soya crushing and oil extraction through Nedan Foods);
- Animal Feeds (production of balanced feed for animal production);
- Dog Food Production (full line of dog food products under the *Jock* brand);
- Poultry Mozambique (integrated business across the entire Poultry value chain through its joint venture with Novos Horizontes);
- Snacking Manufacturing (through PakWorks, producing dry snacks exclusively for PepsiCo in SSA);

- a Mussel Farming and Processing business; and
- Bread Production (through Sunshine Bakery).

Transaction Description

Philafrica Common Shares

In November 2018 Fairfax Africa converted $23,254 (325 million South African rand) of its previously existing Philafrica secured lending facility into 26,000 common shares of Philafrica with the remainder of the facility fully paid with cash. Upon closing of this transaction the company held a 26.0% equity interest in Philafrica with AGH's equity interest decreasing from 100.0% to 60.0%, with AGH maintaining control of Philafrica.

Key Business Drivers, Events, and Risks

Philafrica's key business drivers relate to its ability to grow and vertically integrate its share in the food value chain across the African continent. Philafrica's recent acquisition of Sunshine Bakery in April 2019, a branded regional manufacturer and distributor of Vitamin D enriched bread under the Sunshine Brand with the potential to expand nationally, forms part of its strategic drive to participate meaningfully with branded offerings in the fast moving consumer goods market.

During the third quarter of 2019, Philafrica continued to focus on:

- Developing and expanding existing business units by implementing operational improvements and maintaining disciplined procurement practices;
- Integrating its recent acquisition of Sunshine Bakery; and
- Improving the performance of its early stage investments including mussels, cassava and poultry businesses.

Valuation and Interim Consolidated Financial Statement Impact

At September 30, 2019 the company estimated the fair value of its investment in Philafrica using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 11.5% to 21.5% and a long term growth rate of 2.5% (December 31, 2018 - 13.7% to 24.4% and 3.0%). At September 30, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for Philafrica's business units prepared in the second quarter of 2019 (December 31, 2018 - fourth quarter of 2018) by Philafrica'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 Philafrica operates. At September 30, 2019 the company's internal valuation model indicated that the fair value of its investment in Philafrica was $21,408 (December 31, 2018 - $23,463) for the 26.0% equity interest. The changes in fair value of the company's equity interest in Philafrica for the third quarter and first nine months of 2019 and 2018 are presented in the tables at the outset of the African Investments section of this MD&A.

Investment in GroCapital Holdings Proprietary Limited

Business Overview

GroCapital Holdings Proprietary Limited ("GroCapital Holdings") is a bank holding company that owns 99.9% of Grobank Limited ("Grobank", formerly known as the South African Bank of Athens Limited or "SABA")**.** Operating as a South African bank since 1947, Grobank is focused on developing and delivering banking services to medium-sized businesses and individuals, specializing in the agri-business value chain and associated industries in the South African market, driven by a unique combination of retail, business and alliance banking and agri-business experience.

Transaction Description

GroCapital Holdings Common Shares

In the third and fourth quarters of 2018 Fairfax Africa acquired a 35.0% equity interest in GroCapital Holdings and funded the company's pro rata contribution on capital calls, investing aggregate cash consideration of $12,141 (171.6 million South African rand).

On April 16, 2019 GroCapital Holdings issued a capital call to its shareholders to fund their pro rata contribution, which was invested by GroCapital Holdings into Grobank to support the bank's capital adequacy requirements under South African regulations. On April 23, 2019 Fairfax Africa funded its pro rata contribution of GroCapital Holdings' capital call of $2,288 (32.8 million South African rand) in order to maintain its 35.0% equity interest in GroCapital. Upon closing of this transaction, the company had invested aggregate cash consideration of $14,429 (204.4 million South African rand) in GroCapital Holdings.

Key Business Drivers, Events, and Risks

On April 8, 2019 Grobank embarked on a new positioning and strategy to become the leading food and agriculture industry business bank in the South African market. Grobank's key business drivers relate to its ability to leverage its extensive banking experience and accessing the deep food and agri-business knowledge of its partners in order to grow its customer base in the agricultural industry with a focus on small to medium-sized enterprises. Grobank's alliance banking offering creates an opportunity to provide co-branded financial services to the agricultural sector and other distribution channels in strategic partnership with established retailers and FinTech companies.

Valuation and Interim Consolidated Financial Statement Impact

At September 30, 2019 the initial transaction price for the company's investment in GroCapital Holdings was considered to approximate fair value as there were no significant changes to its investment in Grobank's business, capital structure or operating environment and the key assumptions in the company's acquisition valuation model continue to be valid. At September 30, 2019 the fair value of the company's investment in GroCapital Holdings was $13,477 (December 31, 2018 - $11,927). The changes in fair value of the company's equity interest in GroCapital Holdings for the third quarters and first nine months of 2019 and 2018 are presented in the table at the outset of the African Investments section of this MD&A.

Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation)

Business Overview

The company's investment in CIG is comprised of common shares and a debt instrument. The company's investment in CIG common shares is discussed in the Public African Investments section under the heading Investment in Consolidated Infrastructure Group (Common Shares) presented earlier in this MD&A.

Transaction Description

CIG Loan

In May 2018 the company entered into a secured lending arrangement with CIG, pursuant to which the company provided CIG with $23,270 (292.5 million South African rand, plus a 2.5% raising fee for aggregate financing of 300 million South African rand) (the "CIG Loan"). In August 2018 the conversion features in the CIG Loan were approved, setting the interest at a rate of South African prime plus 2.0% per annum and a maturity date of June 4, 2023.

Valuation and Interim Consolidated Financial Statement Impact

CIG Loan

At September 30, 2019 the company estimated the fair value of its investment in the CIG Loan using an industry accepted discounted cash flow and option pricing model that incorporated the security's estimated credit spread of 6.8% (December 31, 2018 - 7.8%) and estimated historical share price volatility of 85.7% (December 31, 2018 - 60.9%). The estimated credit spread was based on a peer group of comparable companies adjusted for company-specific credit risk. At September 30, 2019 the company's internal valuation model indicated that the estimated fair value of the CIG Loan was $18,985 (December 31, 2018 - $21,068). The changes in fair value of the CIG Loan for the third quarters and first nine months of 2019 and 2018 are presented in the tables at the outset of the African Investments section of this MD&A.

In the third quarter and first nine months of 2019 the company recorded interest income of $637 and $1,976 (2018 - $744 and $980) in interest within the consolidated statements of earnings and comprehensive income related to the CIG Loan.

CIG Rights Offer (Derivative Obligation)

At September 30, 2018 the company's obligation to subscribe for 178,995,353 CIG common shares as part of the CIG Rights Offer (refer to the Public African Investments section under the heading Investment in Consolidated Infrastructure Group (Common Shares) earlier in this MD&A) gave rise to a forward derivative liability. On January 4, 2019 upon closing of the CIG Rights Offer the company settled the forward derivative liability with a fair value of $4,839, reducing the net consideration recorded for the shares acquired by the company in the CIG Rights Offer.

In the first nine months of 2019 the company's consolidated statements of earnings and comprehensive income included a net gain on investments of $885 relating to the CIG forward derivative liability which was comprised of: (i) an inception to date realized loss of $4,839 reported in net realized losses on investments; and (ii) a reversal of prior period unrealized losses of $5,724 reported in net change in unrealized gains on investments.

Investment in the PGR2 Loan (Debt Instrument)

Transaction Description

In May 2018, in conjunction with the CIG Loan, Fairfax Africa entered into a partially secured lending agreement with PGR2 Investments Proprietary Limited ("PGR2"), the largest shareholder of CIG at the time of the transaction, pursuant to which the company provided PGR2 with $19,969 (260 million South African rand) of financing (the "PGR2 Loan"). The PGR2 Loan is partially secured by common shares of CIG held by PGR2 and associated parties and bears interest at a rate of 15.0% per annum, payable semi-annually in cash or in kind at PGR2's option, with a maturity date of May 24, 2021.

Valuation and Interim Consolidated Financial Statement Impact

At September 30, 2019 the company estimated the fair value of its investment in the PGR2 Loan using an industry accepted discounted cash flow and option pricing model that incorporated PGR2's estimated credit spread of 11.1% (December 31, 2018 - 11.9%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for company-specific credit risk. At September 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $18,704 (December 31, 2018 - $17,527). The changes in fair value of the PGR2 Loan for the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In the third quarter and first nine months of 2019 the company recorded interest income of $718 and $2,153 (2018 -$501 and $696) in interest within the consolidated statements of earnings and comprehensive income related to the PGR2 Loan.

Atlas Mara Limited (Debt Instruments and Warrants)

The company's investment in Atlas Mara is comprised of common shares, debt instruments and warrants. The common shares are discussed in the Public African Investments section under the heading Investment in Atlas Mara Limited (Common Shares) earlier in this MD&A. The Atlas Mara bonds discussed below are not rated.

Transaction Description

Atlas Mara 11.0% Convertible Bonds

In April 2018 Fairfax Africa entered into a placing agreement pursuant to which the company invested $16,000 in Atlas Mara 7.5% convertible bonds (the "Atlas Mara 7.5% Convertible Bonds") and then in December 2018 amended the terms of the bonds. The amended bonds bear interest at a rate of 11.0% per annum accrued quarterly and payable in kind, and mature on December 11, 2019 with the option of Atlas Mara to extend the maturity by an additional year to December 11, 2020 ("Atlas Mara 11.0% Convertible Bonds").

Atlas Mara 7.5% Bonds plus Warrants

In July 2018 Fairfax Africa amended the terms of the placing agreement to provide an additional $20,000 in funding to Atlas Mara and then in November 2018 amended the terms for the $20,000 funding which included replacing the conversion feature of the bonds with 6,200,000 Atlas Mara warrants. The bonds bear interest at a rate of 7.5% per annum, with interest payable semi-annually and mature on November 6, 2021 with the option of Atlas Mara to extend the maturity by an additional year to November 6, 2022 ("Atlas Mara 7.5% Bonds"). The Atlas Mara warrants can be exercised by the company at a price of $3.20 per common share of Atlas Mara.

Valuation and Interim Consolidated Financial Statement Impact

Atlas Mara 11.0% Convertible Bonds

At September 30, 2019 the company estimated the fair value of its investment in Atlas Mara 11.0% Convertible Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 11.2% (December 31, 2018 - 10.3%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the implied spread of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At September 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 11.0% Convertible Bonds was $17,988 (December 31, 2018 - $16,334).

Atlas Mara 7.5% Bonds plus Warrants

At September 30, 2019 the company estimated the fair value of its investment in the Atlas Mara 7.5% Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 11.2% (December 31, 2018 - 10.3%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At September 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $18,152 (December 31, 2018 - $17,499).

At September 30, 2019 the company estimated the fair value of its investment in the Atlas Mara warrants using an industry accepted discounted cash flow and option pricing model that incorporated estimated historical share price volatility of 33.2% (December 31, 2018 - 34.5%). At September 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara warrants was $126 (December 31, 2018 - $1,016).

The changes in fair value of the company's bond and warrant investments in Atlas Mara in the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In the third quarter and first nine months of 2019 the company recorded interest income of $1,038 and $3,096 (2018 -$930 and $1,143) in interest within the consolidated statements of earnings and comprehensive income related to the Atlas Mara bonds.

Investment in 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 2013 with its first school opening in South Africa in 2014. Since then, Nova Pioneer has expanded across South Africa and launched its first campus in Kenya in 2015. Nova Pioneer currently operates ten schools with a combined enrollment of approximately 3,800 students.

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. Average tuition per student is approximately $3,375 per year (2018 - $3,250) and is priced to target emerging middle to upper-middle income families.

Transaction Description

Nova Pioneer Bonds and Warrants

In December 2017 and the last six months of 2018 the company invested an aggregate of $27,023 in Ascendant Learning Limited ("Ascendant"), the Mauritius based parent entity of Nova Pioneer, which consisted of: (i) $26,242 in 20.0% debentures (inclusive of capitalized interest) due on December 31, 2024 (the "Nova Pioneer Bonds"); and (ii) $781 for 2,477,293 warrants (the "Nova Pioneer Warrants") with an exercise price of $2.06 per common share of Ascendant. In the absence of circumstances relating to a change of control or a value realization event, the Nova Pioneer Warrants may only be exercised after June 30, 2021. At December 31, 2018 the company's remaining investment commitment was $9,227 to invest in Nova Pioneer Bonds and Warrants.

In January, April and June 2019 the company funded its remaining investment commitment of $9,227 comprised of Nova Pioneer Bonds and 922,707 warrants with aggregate fair values on the dates of investment of $8,721 and $506 relating to the Nova Pioneer Bonds and Warrants respectively. At September 30, 2019 Fairfax Africa had invested an aggregate of $40,149 comprised of $38,862 in Nova Pioneer Bonds (inclusive of capitalized accrued interest on the principal amount owing) and $1,287 in 3,400,000 Nova Pioneer Warrants.

Key Business Drivers, Events, and Risks

Nova Pioneer's key business drivers relate to its success in meeting its enrollment targets, scaling and expanding its operations across multiple campuses in Kenya and South Africa through efficient sourcing of financing and capital to support the planned expansion, and building its talent pool of teachers and administrators. During the second quarter of 2019 Nova Pioneer began development on new schools in Eldoret, Kenya and Ruimsig, South Africa as well as expanding its existing schools in South Africa. Once completed, these initiatives will increase total potential student capacity from approximately 10,000 to 13,000, an increase of approximately 30%.

In the near term Nova Pioneer will continue to pursue growth opportunities in Kenya while being selective of opportunities in South Africa, mitigating the impact of the market dynamics in the region.

Valuation and Interim Consolidated Financial Statement Impact

At September 30, 2019 the company estimated the fair value of its investment in the Nova Pioneer Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Nova Pioneer's estimated credit spread of 15.5% (December 31, 2018 - 18.5%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Ascendant and certain other assumptions related to the options embedded in the Nova Pioneer bonds. At September 30, 2019 the company's internal valuation model indicated that the fair value of the investment in Nova Pioneer Bonds was $41,832 (December 31, 2018 - $26,023). The changes in fair value of the Nova Pioneer Bonds during the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In the third quarter and first nine months of 2019 the company recorded interest income of $2,013 and $5,356 (2018 - $1,190 and $3,249) in interest within the consolidated statements of earnings and comprehensive income related to the Nova Pioneer Bonds.

At September 30, 2019 the company estimated the fair value of its investment in the Nova Pioneer Warrants using an industry accepted discounted cash flow and option pricing model that incorporated an estimated share price of $1.81 (December 31, 2018 - $1.46). At September 30, 2019 the company's internal valuation model indicated that the fair value of the investment in the Nova Pioneer Warrants was $1,819 (December 31, 2018 - $1,001). The changes in fair value of the Nova Pioneer Warrants during the third quarters and first nine months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Results of Operations

Fairfax Africa's consolidated statements of earnings and comprehensive income for the three and nine months ended September 30 are shown in the following table:

	Third quarter		First nine months	
	2019	2018	**2019**	2018
Income				
Interest	**5,535**	6,507	**16,841**	14,242
Net realized gains (losses) on investments	**—**	(2)	**(4,838)**	1,783
Net change in unrealized gains (losses) on investments	**(15,664)**	(11,125)	**(56,303)**	4,834
Net foreign exchange losses	**(18,560)**	(3,545)	**(13,273)**	(21,931)
	(28,689)	(8,165)	**(57,573)**	(1,072)
Expenses				
Investment and advisory fees	**1,566**	1,733	**5,048**	4,881
Performance fee recovery	**—**	—	**—**	(319)
General and administration expenses	**711**	908	**2,480**	3,286
Interest expense	**131**	751	**951**	2,952
	2,408	3,392	**8,479**	10,800
Loss before income taxes	**(31,097)**	(11,557)	**(66,052)**	(11,872)
Provision for income taxes	**1,159**	470	**3,913**	1,138
Net loss	**(32,256)**	(12,027)	**(69,965)**	(13,010)
Net loss per share (basic and diluted)	**$ (0.54)**	$ (0.19)	**$ (1.15)**	$ (0.24)

Total loss from income of $28,689 in the third quarter of 2019 increased from total loss from income of $8,165 in the third quarter of 2018 principally as a result of increased net foreign exchange losses (arising from the weakening of the South African rand relative to the U.S. dollar during the third quarter of 2019), increased net change in unrealized losses on investments and decreased interest income (principally relating to interest income earned on the Philafrica Facility which was fully repaid in the fourth quarter of 2018). Net change in unrealized losses on investments of $15,664 in the third quarter of 2019 was principally comprised of unrealized losses on the company's investment in Atlas Mara common shares ($20,869), partially offset by unrealized gains on the company's investment in CIG common shares ($4,950). The net change in unrealized losses on investments of $11,125 in the third quarter of 2018 was principally comprised of unrealized losses on the company's investment in Atlas Mara commons shares ($9,354) and the forward derivative obligation related to the CIG Rights Offer ($6,362), partially offset by unrealized gains on the company's investment in Atlas Mara 7.5% Convertible Bonds ($5,313). Net foreign exchange losses in the third quarter of 2019 were principally a result of the weakening of the South African rand relative to the U.S. dollar during the period (principally related to the company's indirect equity interest in AGH ($8,182), investments in CIG common shares ($3,399), Philafrica common shares ($1,614), CIG Loan ($1,464), PGR2 Loan ($1,463) and GroCapital Holdings common shares ($1,013)). Net foreign exchange losses in the third quarter of 2018 were principally a result of the weakening of the South African rand relative to the U.S. dollar during the period (principally related to the company's indirect equity interest in AGH ($3,294), investments in the Philafrica Facility ($1,172), CIG Loan ($675) and PGR2 Loan ($436)), partially offset by net foreign exchange gains relating to the company's cash and cash equivalents ($2,157).

Total loss from income of $57,573 in the first nine months of 2019 increased from total loss from income of $1,072 in the first nine months of 2018 principally as a result of increased unrealized losses on investments and a net realized loss on investments related to the settlement of the CIG forward derivative obligation, partially offset by decreased net foreign exchange losses (arising from foreign exchange rate fluctuations of the South African rand relative to the U.S. dollar) and increased interest income (principally relating to the Nova Pioneer Bonds, Atlas Mara Bonds, the CIG Loan, and the PGR2 Loan). Net realized losses on investments of $4,838 in the first nine months of 2019 principally related to the settlement of the CIG forward derivative obligation upon closing of the CIG Rights Offer. Net realized gains on investments of $1,783 in the first nine months of 2018 principally related to the settlement of a forward derivative liability as a result of the company's participation in the AGH rights offering through its investment in Joseph Holdings. Net change in unrealized losses on investments of $56,303 in the first nine months of 2019 was principally comprised of unrealized losses on the company's investments in Atlas Mara common shares ($37,779), CIG common shares ($29,085), the CIG Loan ($1,105), Philafrica common shares ($896) and the Atlas Mara Warrants ($890), partially offset by the reversal of the prior year unrealized loss related to the settlement of the CIG forward derivative obligation ($5,724) and unrealized gains on the company's indirect equity interest in AGH ($2,895) and the company's investments in the Nova Pioneer Bonds ($3,162), and the PGR2 Loan ($806). Net change in unrealized gains on investments of $4,834 in the first nine months of 2018 was principally comprised of unrealized gains on the company's indirect equity interest in AGH ($8,192) and the company's investments in the Atlas Mara 7.5% Convertible Bonds ($5,332) and the CIG Loan ($1,076), partially offset by the forward derivative obligation related to the CIG Rights Offer ($6,362), unrealized losses on the company's investments in the Other Public African Investment ($2,007), Atlas Mara common shares ($1,007) and the Nova Pioneer Bonds ($1,101). Net foreign exchange losses of $13,273 in the first nine months of 2019 were principally a result of the weakening of the South African rand relative to the U.S. dollar during the period (principally relating to the company's indirect equity interest in AGH ($5,911) and the company's investments in CIG common shares ($3,670), Philafrica common shares ($1,159), the CIG Loan ($1,059), the PGR2 Loan ($1,045) and GroCapital Holdings common shares ($738)). Net foreign exchange losses of $21,931 in the first nine months of 2018 were principally a result of the weakening of the South African rand relative to the U.S. dollar during the period (principally relating to the company's indirect equity interest in AGH ($14,374), the Philafrica Facility ($6,169), the CIG Loan ($2,605) and the PGR2 Loan ($1,648), partially offset by net foreign exchange gains relating to the company's cash and cash equivalents ($2,372) and the AGH facility which matured on January 31, 2018 ($1,166).

Net gains (losses) on investments and net foreign exchange gains (losses) for the three and nine months ended September 30 were comprised as follows:

	Third quarter					
	2019			2018		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments - U.S. treasury bills:	—	**(3)**	**(3)**	(2)	—	(2)
Loans	—	**(746)**	**(746)**	—	(581)	(581)
Bonds	—	**785**	**785**	—	4,893	4,893
Common stocks	—	**(15,405)**	**(15,405)**	—	(9,583)	(9,583)
Derivatives	—	**(295)**	**(295)**	—	(5,854)	(5,854)
	—	**(15,664)**	**(15,664)**	(2)	(11,125)	(11,127)
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**(1,571)**	—	**(1,571)**	2,157	—	2,157
Loans	**(131)**	**(2,618)**	**(2,749)**	—	(2,283)	(2,283)
Common stocks	—	**(14,208)**	**(14,208)**	—	(3,433)	(3,433)
Other	—	**(32)**	**(32)**	—	14	14
	(1,702)	**(16,858)**	**(18,560)**	2,157	(5,702)	(3,545)

	First nine months					
	2019			2018		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments - U.S. treasury bills	**1**	**90**	**91**	(20)	—	(20)
Loans	—	**(299)**	**(299)**	—	1,134	1,134
Bonds	—	**3,649**	**3,649**	—	4,231	4,231
Common stocks	—	**(64,889)**	**(64,889)**	1,803	4,971	6,774
Derivatives	**(4,839)**	**5,146**	**307**	—	(5,502)	(5,502)
	(4,838)	**(56,303)**	**(61,141)**	1,783	4,834	6,617
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**391**	—	**391**	2,372	—	2,372
Loans	**(131)**	**(2,104)**	**(2,235)**	1,166	(10,422)	(9,256)
Common stocks	—	**(11,482)**	**(11,482)**	—	(14,988)	(14,988)
Other	—	**53**	**53**	—	(59)	(59)
	260	**(13,533)**	**(13,273)**	3,538	(25,469)	(21,931)

Total expenses of $2,408 in the third quarter of 2019 decreased compared to total expenses of $3,392 in the third quarter of 2018 principally as a result of decreased interest expense and general and administrative expenses. Total expenses of $8,479 in the first nine months of 2019 decreased compared to total expenses of $10,800 in the first nine months of 2018 principally due to decreased interest expense and general and administration expenses, partially offset by increased investment and advisory fees as a result of increased holdings of African Investments and performance fee recovery recorded in the first nine months of 2018.

The investment and advisory fees are 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. In the third quarter and first nine months of 2019 the investment and advisory fees recorded in the consolidated statements of earnings and comprehensive income was $1,566 and $5,048 (2018 - $1,733 and $4,881).

At September 30, 2019 the company determined that there was no performance fee accrual as the book value per share of $8.54 (before factoring in the impact of the performance fee) at September 30, 2019 was less than the hurdle per share at that date of $11.42. In the third quarter and first nine months of 2018 the company recorded a performance fee recovery of nil and $319 within the consolidated statements of earnings and comprehensive income.

Interest expense of $131 in the third quarter of 2019 related principally to amortization of issuance costs. Interest expense of $951 in the first nine months of 2019 related to $30,000 drawn from the company's $90,000 Credit Facility which was repaid on March 21, 2019 and the amortization of issuance costs. Interest expense of $751 and $2,952 in the third quarter and first nine months of 2018 related to the company's $150,000 secured term loan which was repaid on August 29, 2018.

The provision for income taxes of $1,159 in the third quarter of 2019 differed from the recovery for income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes principally due to the tax rate differential on income earned outside of Canada and foreign exchange fluctuations, partially offset by the change in unrecorded tax benefit of losses and temporary differences. The provision for income taxes of $3,913 in the first nine months of 2019 differed from the recovery for income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes principally due to the tax rate differential on income earned outside of Canada, the change in unrecorded tax benefit of losses and temporary differences, and provision relating to prior years. The provision for income taxes of $470 in the third quarter of 2018 differed from the recovery for income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes principally due to the change in unrecorded tax benefit of losses and temporary differences and the tax rate differential on losses incurred outside of Canada, partially offset by foreign exchange fluctuations. The provision for income taxes of $1,138 in the first nine months of 2018 differed from the recovery for income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes principally due to foreign exchange fluctuations and the tax rate differential on income earned outside of Canada, partially offset by the change in unrecorded tax benefit of losses and temporary differences.

The company reported a net loss of $32,256 (a net loss of $0.54 per basic and diluted share) in the third quarter of 2019 compared to a net loss of $12,027 (a net loss of $0.19 per basic and diluted share) in the third quarter of 2018. The year-over-year increase in net loss reflected increased net foreign exchange losses, increased net change in unrealized losses on investments, decreased interest income and increased provision for income taxes, partially offset by decreased interest expense, general and administration expenses and investment and advisory fees. The company reported a net loss of $69,965 (a net loss of $1.15 per basic and diluted share) in the first nine months of 2019 compared to a net loss of $13,010 (a net loss of $0.24 per basic and diluted share) in the first nine months of 2018. The year-over-year increase in net loss principally reflected increased net change in unrealized losses on investments and net realized losses on investments, increased provision for income taxes, increased investment and advisory fees and decreased performance fee recovery, partially offset by decreased net foreign exchange losses, increased interest income and decreased interest expense and general and administration expenses.

Consolidated Balance Sheet Summary

Total Assets

Total assets at September 30, 2019 of $516,309 (December 31, 2018 - $643,830) were principally comprised as follows:

Total cash and investments decreased to $510,585 at September 30, 2019 from $634,609 (net of the derivative obligation of $5,724) at December 31, 2018. The movements in the company's cash and investments were principally as follows:

Cash and cash equivalents decreased to $77,975 at September 30, 2019 from $230,858 at December 31, 2018 primarily as a result of the company's investment in African Investments (CIG common shares, GroCapital Holdings common shares, Nova Pioneer Bonds and Warrants), net purchase of short term U.S. treasury bills, repayment of the Credit Facility and purchases of subordinate voting shares for cancellation, partially offset by the repayment of the AGH Facility on July 19, 2019.

Short term investments increased to $73,898 at September 30, 2019 from $38,723 at December 31, 2018 reflecting net purchases of U.S. treasury bills.

Loans, Bonds, Common Stocks and Derivatives - The company is actively seeking investment opportunities in Africa and will continue to redirect capital from its cash and cash equivalents, and short term investments portfolio into African Investments as and when those opportunities are identified. For more information about recent African Investments, see the African Investments section of this MD&A.

Interest receivable of $4,290 at September 30, 2019 primarily related to interest receivable on the Nova Pioneer Bonds, the Atlas Mara bonds, the PGR2 Loan, and U.S. treasury bills. Interest receivable of $2,472 at December 31, 2018 primarily related to interest receivable on the Nova Pioneer Bonds, the CIG Loan and the PGR2 Loan.

Total Liabilities

Total liabilities at September 30, 2019 of $7,697 (December 31, 2018 - $40,703) were principally comprised as follows:

Derivative obligation of nil at September 30, 2019 (December 31, 2018 - $5,724) related to the company's settlement of its forward derivative liability on January 4, 2019 upon closing of the CIG Rights Offer (see Private African Investments section under the heading Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation) earlier in this MD&A).

Payable to related parties decreased to $1,594 at September 30, 2019 from $1,658 at December 31, 2018, principally as a result decreased other payables.

Deferred income taxes of $271 at September 30, 2019 (December 31, 2018 - nil) related to estimated future net tax liabilities in the SA Sub on its underlying investments and unrecognized deferred income tax assets related to the company's investments held in SA Sub.

Income taxes payable decreased to $1,125 at September 30, 2019 from $3,263 at December 31, 2018 primarily due to payments made to settle Canadian income taxes payable, partially offset by current income tax expense incurred during the first nine months of 2019.

Borrowings decreased to nil at September 30, 2019 from $29,527 at December 31, 2018 which reflected the company's repayment of the drawn amount of the Credit Facility on March 21, 2019.

Financial Risk Management

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, 2019 compared to those identified at December 31, 2018 and disclosed in the company's 2018 Annual Report, other than as outlined in note 11 (Financial Risk Management) to the interim consolidated financial statements for the three and nine months ended September 30, 2019.

Capital Resources and Management

For a detailed analysis, refer to note 11 (Financial Risk Management, under the heading Capital Management) to the interim consolidated financial statements for the three and nine months ended September 30, 2019.

Book Value per Share

Common shareholders' equity at September 30, 2019 was $508,612 (December 31, 2018 - $603,127). The book value per share at September 30, 2019 was $8.54 compared to $9.60 at December 31, 2018, a decrease of 11.0% in the first nine months of 2019, primarily reflecting a net loss of $69,965 in the first nine months of 2019 (principally due to a net change in unrealized losses on the company's Public African Investments and net foreign exchange losses).

	September 30, 2019	December 31, 2018
Common shareholders' equity	**508,612**	603,127
Number of common shares outstanding	**59,549,266**	62,811,965
Book value per share	**$8.54**	$9.60

On June 28, 2019 the company announced that the TSX accepted a notice filed by Fairfax Africa of its intention to commence a normal course issuer bid for its subordinate voting shares by which it is authorized, until expiry of the bid on July 7, 2020, to acquire up to 2,324,723 subordinate voting shares representing at that date approximately 10% of the public float in respect of the subordinate voting shares. Decisions regarding any future repurchases will be based on market conditions, share price and other factors including opportunities to invest capital for growth. The Notice of Intention to Make a Normal Course Issuer Bid is available, without charge, by contacting the Corporate Secretary of the company.

During the first nine months of 2019, under the terms of the normal course issuer bid, the company purchased for cancellation 3,262,699 (2018 - nil) subordinate voting shares for a net cost of $26,689 (2018 - nil) of which $7,171 was recorded as a benefit in retained earnings (2018 - nil).

Liquidity

The undeployed cash and investments at September 30, 2019 provides adequate liquidity to meet the company's remaining known significant commitments in 2019, which are principally comprised of investment and advisory fees, general and administration expenses and corporate income taxes. On March 21, 2019 the company repaid the $30,000 of the drawn amount of the Credit Facility (which matured on September 7, 2019, along with accrued interest of $509. 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 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 2019 (with comparisons to the first nine months of 2018 except as otherwise noted) of major components of cash flow are presented in the following table:

	First nine months	
	2019	2018
Operating activities		
Cash used in operating activities before the undernoted	**(5,835)**	(4,761)
Net purchases of short term investments	**(34,041)**	(107,113)
Purchases of investments	**(74,072)**	(145,806)
Sales of investments	**12,939**	25,399
Decrease in restricted cash in support of investments	**—**	162,519
Financing activities		
Decrease in restricted cash in support of term loan	**—**	150,481
Repayment of the Credit Facility	**(30,000)**	(150,000)
Purchases of subordinate voting shares for cancellation	**(22,265)**	—
Issuance of subordinate voting shares, net of issuance costs	**—**	148,316
Increase (decrease) in cash and cash equivalents during the period	**(153,274)**	79,035

Cash used in operating activities before the undernoted is comprised of net loss 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 $5,835 in the first nine months of 2019 increased compared to cash used in operating activities before the undernoted of $4,761 in the first nine months of 2018, with the change principally related to increased income taxes paid, partially offset by decreased interest expense and general and administration expenses.

Net purchases of short term investments of $34,041 and $107,113 in the first nine months of 2019 and 2018 related to net purchases of U.S. treasury bills that had not yet been deployed into African Investments. Purchases of investments of $74,072 in the first nine months of 2019 primarily related to the company's investments in the CIG common shares acquired through the CIG Rights Offer, AGH Facility, Nova Pioneer Bonds and Warrants and additional investment in GroCapital Holdings common shares. Purchases of investments of $145,806 in the first nine months of 2018 primarily related to the company's investments in loans that included Philafrica Facility, CIG and PGR2 loans, investment in the Atlas Mara 7.5% Convertible Bonds and investment in GroCapital Holdings common shares. In addition, in the first nine months of 2018 the company had also participated in the AGH rights offering (through its ownership in Joseph Holdings) and purchased additional common shares of Joseph Holdings. Sales of investments of $12,939 in the first nine months of 2019 related to the proceeds received on July 19, 2019 on maturity of the second AGH facility. Sales of investments of $25,399 in the first nine months of 2018 related to the proceeds received on January 31, 2018 on maturity of the first AGH facility.

Decrease in restricted cash in support of investment of $162,519 in the first nine months of 2018 reflected the release of cash collateral from restricted cash related to the termination of the company’s non-revolving letter of credit facility. Decrease in restricted cash in support of term loan of $150,481 and repayment of the Term Loan of $150,000 in the first nine months of 2018 related to the proceeds from the cash collateral, including interest received, which was released from restricted cash and used to fully repay the Term Loan.

Repayment of the Credit Facility of $30,000 in the first nine months of 2019 related to the repayment of the amount drawn from the Credit Facility at its maturity on March 21, 2019. Purchases of subordinate voting share of $22,265 in the first nine months of 2019 related to the cash paid for the company's purchases for cancellation of 2,632,500 subordinate voting shares under the terms of the normal course issuer bid that were settled in the period. Refer to note 8 (Common Shareholders' Equity) to the interim consolidated financial statements for the three and nine months ended September 30, 2019 for details. Issuance of subordinate voting shares, net of issuance costs of $148,316 in the first nine months of 2018 related to the net proceeds received from the secondary offering. Issuance costs of $2,359 relating to the secondary offering were primarily comprised of fees paid to underwriters of the subordinate voting shares.

Contractual Obligations

Under the terms of the Investment Advisory Agreement (defined in note 12 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2019), the company and Mauritius Sub are contractually obligated to pay Fairfax an investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the company's common shareholders' equity and book value per share.

The investment and advisory fees recorded within the consolidated statements of earnings and comprehensive income in the third quarter and first nine months of 2019 were $1,566 and $5,048 (2018 - $1,733 and $4,881).

At September 30, 2019 the company determined that there was no performance fee accrual (December 31, 2018 - nil) as the book value per share of $8.54 (before factoring in the impact of the performance fee) at September 30, 2019 was less than the hurdle per share at that date of $11.42. Refer to note 12 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2019 for discussion on the performance fee.

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, 2019.

Other

Quarterly Data (unaudited)

US$ thousands, except per share amounts	**September 30, 2019**	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Income (loss)	**(28,689)**	(10,767)	(18,117)	(41,036)	(8,165)	(46,823)	53,916	(16,429)
Expenses (recovery)	**2,408**	2,432	3,639	2,802	3,392	(5,327)	12,735	(2,088)
Provision for (recovery of) income taxes	**1,159**	3,030	(276)	3,732	470	337	331	(492)
Net earnings (loss)	**(32,256)**	(16,229)	(21,480)	(47,570)	(12,027)	(41,833)	40,850	(13,849)
Net earnings (loss) per share	**$ (0.54)**	$ (0.27)	$ (0.35)	$ (0.76)	$ (0.19)	$ (0.80)	$ 0.81	$ (0.27)
Net earnings (loss) per diluted share	**$ (0.54)**	$ (0.27)	$ (0.35)	$ (0.76)	$ (0.19)	$ (0.80)	$ 0.80	$ (0.27)

Income (loss) continues to be primarily comprised of net change in unrealized gains (losses) on investments, net foreign exchange gains (losses), net realized gains (losses) on investments and interest income. Net losses in the third quarter were primarily due to net foreign exchange losses and net change in unrealized losses on the company's investment in Atlas Mara common shares, partially offset by the net change in unrealized gains on the company's investment in CIG common shares. Net losses in the first nine months of 2019 were primarily due to the net change in unrealized losses on the company's investments in Atlas Mara and CIG common shares and net foreign exchange losses, the timing of which are not predictable. Individual quarterly results have been (and may in the future be) affected by increased expenses impacted by the change in fair value of the company's African Investments which result in higher performance fees, if applicable, and investment and advisory fees.

Forward-Looking Statements

This interim report may contain forward-looking statements 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 our opinions and estimates 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: geographic concentration of investments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; operating and financial risks of African investments; valuation methodologies involve subjective judgments; lawsuits; use of leverage; foreign currency fluctuation; investments may be made in foreign private businesses where information is unreliable or unavailable; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; emerging markets; South African black economic empowerment; economic risk; weather risk; taxation risks; and trading price of common shares relative to book value per share. Additional risks and uncertainties are described in the company's annual information form dated March 8, 2019 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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