FAIRFAX AFRICA
HOLDINGS CORPORATION

1

INTERIM REPORT

For the three months ended
March 31, 2020

Consolidated Balance Sheets
as at March 31, 2020 and December 31, 2019
(unaudited - US$ thousands)

	Notes	**March 31, 2020**	December 31, 2019
Assets			
Cash and cash equivalents	6, 14	**93,587**	44,334
Restricted cash	12	**12,392**	7,500
Short term investments	6	**38,990**	104,008
Loans	5, 6	**28,605**	41,984
Bonds	5, 6	**77,496**	78,820
Common stocks	5, 6	**138,893**	232,212
Derivatives	5, 6	**475**	1,541
Total cash and investments		**390,438**	510,399
Interest receivable		**6,196**	5,835
Deferred income taxes		**1,456**	1,665
Income tax refundable		**—**	380
Other assets		**2,111**	2,388
Total assets		**400,201**	520,667
Liabilities			
Accounts payable and accrued liabilities		**629**	297
Payable to related parties	12	**1,171**	1,555
Income taxes payable		**3,212**	—
Total liabilities		**5,012**	1,852
Equity			
Common shareholders' equity	8	**395,189**	518,815
		400,201	520,667

See accompanying notes.

Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)
for the three months ended March 31, 2020 and 2019
(unaudited - US$ thousands except per share amounts)

	Notes	First quarter 2020	First quarter 2019
Income			
Interest	6	**5,397**	5,470
Net realized losses on investments	6	**—**	(4,839)
Net change in unrealized losses on investments	6	**(68,564)**	(18,264)
Net foreign exchange losses	6	**(52,516)**	(484)
		(115,683)	(18,117)
Expenses			
Investment and advisory fees	12	**1,099**	1,795
General and administration expenses	13	**1,022**	1,227
Interest expense	7	**199**	617
		2,320	3,639
Loss before income taxes		**(118,003)**	(21,756)
Provision for (recovery of) income taxes	10	**3,801**	(276)
Net loss and comprehensive loss		**(121,804)**	(21,480)
Net loss per share (basic and diluted)	9	**$ (2.05)**	$ (0.35)
Shares outstanding (weighted average)	9	**59,392,568**	61,969,443

See accompanying notes.

Consolidated Statements of Changes in Equity
for the three months ended March 31, 2020 and 2019
(unaudited - US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings (deficit)	Common shareholders' equity
Balance as of January 1, 2020	**310,078**	**300,000**	**(427)**	**(90,836)**	**518,815**
Net loss for the period	**—**	**—**	**—**	**(121,804)**	**(121,804)**
Purchases for cancellation (note 8)	**(4,810)**	**—**	**—**	**2,960**	**(1,850)**
Amortization	**—**	**—**	**28**	**—**	**28**
Balance as of March 31, 2020	**305,268**	**300,000**	**(399)**	**(209,680)**	**395,189**
Balance as of January 1, 2019	340,518	300,000	(364)	(37,027)	603,127
Net loss for the period	—	—	—	(21,480)	(21,480)
Purchases for cancellation (note 8)	(17,760)	—	—	2,798	(14,962)
Amortization	—	—	22	—	22
Tax benefit on share issuance costs (note 10)	174	—	—	—	174
Balance as of March 31, 2019	322,932	300,000	(342)	(55,709)	566,881

See accompanying notes.

Consolidated Statements of Cash Flows
for the three months ended March 31, 2020 and 2019
(unaudited - US$ thousands)

	Notes	First quarter 2020	2019
Operating activities			
Net loss		**(121,804)**	(21,480)
Items not affecting cash and cash equivalents:			
Net bond discount accretion		**(296)**	(646)
Capitalized interest on loans and bonds	5	**(3,064)**	(2,158)
Deferred income taxes	10	**31**	27
Amortization of share-based payment awards		**28**	22
Net realized losses on investments	6	**—**	4,839
Net change in unrealized losses on investments	6	**68,564**	18,264
Net foreign exchange losses	6	**52,516**	484
Net sales (purchases) of short term investments		**65,137**	(49,466)
Purchases of investments	14	**(3,587)**	(66,057)
Increase in restricted cash in support of investments	12	**(4,892)**	—
Changes in operating assets and liabilities:			
Interest receivable		**(361)**	(1,238)
Income taxes payable		**3,592**	(478)
Payable to related parties		**(384)**	183
Other		**540**	184
Cash provided by (used in) operating activities		**56,020**	(117,520)
Financing activities			
Borrowings:	7		
Repayment		**—**	(30,000)
Subordinate voting shares:	8		
Purchases for cancellation		**(1,850)**	(14,962)
Cash used in financing activities		**(1,850)**	(44,962)
Increase (decrease) in cash and cash equivalents		**54,170**	(162,482)
Cash and cash equivalents - beginning of period		**44,334**	230,858
Foreign currency translation		**(4,917)**	1,902
Cash and cash equivalents - end of period		**93,587**	70,278

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 months ended March 31, 2020 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, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

These interim consolidated financial statements were approved for issue by the company's Board of Directors on April 30, 2020.

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, 2019, 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.

Financial guarantees - Financial guarantee contracts are commitments to reimburse the holder for potential losses the holder incurs because a specified debtor fails to meet debt obligations, and are measured at fair value.

New accounting pronouncements adopted in 2020

Conceptual Framework for Financial Reporting ("Conceptual Framework")
The revised Conceptual Framework includes revised definitions of an asset and a liability as well as new guidance on measurement, derecognition, presentation and disclosure. It does not constitute an accounting pronouncement and did not result in any immediate change to IFRS, and will be used by the IASB and IFRS Interpretations Committee in setting future standards. Adoption of the revised Conceptual Framework on January 1, 2020 did not have an impact on the company's consolidated financial statements. The revised Conceptual Framework will apply when the company has to develop an accounting policy for an issue not addressed by IFRS.

Definition of Material (Amendments to IAS 1 and IAS 8)
The amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarify the definition of "material". Prospective adoption of these amendments on January 1, 2020 did not have a significant impact on the company's consolidated financial statements.

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, 2019.

Valuation of Private African Investments

During the first quarter of 2020 the company faced added uncertainty in determining the discounted cash flows for assessing the fair values of its Private African Investments due to the economic and social impacts of the COVID-19 pandemic, including determining assumptions about discount rates, working capital requirements and other inputs. While the company's valuation techniques for Private African Investments remained unchanged during the first quarter of 2020 the development of market unobservable inputs included added uncertainty related to the economic disruption caused by the ongoing and developing COVID-19 pandemic. Estimates of the amount and timing of future cash flows, discount rates, growth rates and other inputs incorporated into fair value measurements of Private African Investments are inherently more difficult to determine due to the unpredictable duration and impacts of the COVID-19 pandemic, including further actions that may be taken by governments to contain it and the timing of the re-opening of the economy in various parts of the world. The company has assumed that the economic impacts of COVID-19 will remain for the duration of government mandated restrictions by jurisdiction as currently known, with gradual lifting of those restrictions. The uncertainty in those assumptions has been incorporated into the company's valuations of Private African Investments primarily through wider credit spreads and higher discount rates, as applicable. Additional volatility in the fair values of Private African Investments may arise in future periods if actual results differ materially from the company's estimates.

5. African Investments

Throughout the company's interim consolidated financial statements for the three months ended March 31, 2020, 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 first quarters of 2020 and 2019 were as follows:

	First quarter					
	2020					
	Balance as of January 1	Purchases	Accretion of discount/ (amortization of premium)(1)	Net change in unrealized gains (losses) on investments(2)	Net foreign exchange losses on investments	Balance as of March 31
Public African Investments:						
Common stocks:						
Atlas Mara	**78,075**	**—**	**—**	**(36,339)**	**—**	**41,736**
CIG	**19,562**	**614**	**—**	**(1,194)**	**(10,681)**	**8,301**
Total Public African Investments	**97,637**	**614**	**—**	**(37,533)**	**(10,681)**	**50,037**
Private African Investments:						
Loans:						
CIG Loan	**20,744**	**—**	**32**	**(3,333)**	**(4,578)**	**12,865**
PGR2 Loan	**21,240**	**—**	**—**	**(579)**	**(4,921)**	**15,740**
	41,984	**—**	**32**	**(3,912)**	**(9,499)**	**28,605**
Bonds:						
Atlas Mara 11.0% Convertible Bonds(3)	**18,296**	**493**	**(23)**	**211**	**—**	**18,977**
Atlas Mara 7.5% Bonds	**18,431**	**—**	**181**	**452**	**—**	**19,064**
Nova Pioneer Bonds(4)	**42,093**	**2,571**	**(15)**	**(5,194)**	**—**	**39,455**
	78,820	**3,064**	**143**	**(4,531)**	**—**	**77,496**
Common stocks:						
Indirect equity interest in AGH(5)	**104,976**	**—**	**—**	**(18,794)**	**(18,740)**	**67,442**
Philafrica	**19,271**	**—**	**—**	**(2,843)**	**(5,045)**	**11,383**
GroCapital Holdings	**10,328**	**3,133**	**—**	**115**	**(3,545)**	**10,031**
	134,575	**3,133**	**—**	**(21,522)**	**(27,330)**	**88,856**
Derivatives:						
Atlas Mara Warrants	**83**	**—**	**—**	**(81)**	**—**	**2**
Nova Pioneer Warrants	**1,458**	**—**	**—**	**(985)**	**—**	**473**
	1,541	**—**	**—**	**(1,066)**	**—**	**475**
Total Private African Investments	**256,920**	**6,197**	**175**	**(31,031)**	**(36,829)**	**195,432**
Total African Investments	**354,557**	**6,811**	**175**	**(68,564)**	**(47,510)**	**245,469**

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

(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 period.

(3) Purchases in the first quarter of 2020 of $493 related to capitalized interest.

(4) Purchases in the first quarter of 2020 of $2,571 related to capitalized interest.

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

	First quarter							
	2019							
	Balance as of January 1	Purchases	Repayments/ conversions	Accretion of discount/ (amortization of premium)[1]	Net realized loss on investment	Net change in unrealized gains (losses) on investments[2]	Net foreign exchange losses on investments	Balance as of March 31
Public African Investments:								
Common stocks:								
Atlas Mara	119,092	—	—	—	—	(8,635)	—	110,457
CIG[3]	3,886	44,905	—	—	—	(17,767)	(1,349)	29,675
Other[4]	28	—	—	—	—	(24)	(4)	—
Total Public African Investments	123,006	44,905	—	—	—	(26,426)	(1,353)	140,132
Private African Investments:								
Loans:								
AGH Facility	—	12,813	—	99	—	—	(585)	12,327
CIG Loan	21,068	—	—	23	—	(1,015)	(54)	20,022
PGR2 Loan	17,527	—	—	—	—	678	(48)	18,157
	38,595	12,813	—	122	—	(337)	(687)	50,506
Bonds:								
Atlas Mara 11.0% Convertible Bonds[5]	16,334	443	—	(44)	—	90	—	16,823
Atlas Mara 7.5% Bonds	17,499	—	—	167	—	(259)	—	17,407
Nova Pioneer Bonds[6]	26,023	5,048	—	(15)	—	1,729	—	32,785
	59,856	5,491	—	108	—	1,560	—	67,015
Common stocks:								
Indirect equity interest in AGH[7]	111,888	—	—	—	—	764	(284)	112,368
Philafrica	23,463	—	—	—	—	329	(56)	23,736
GroCapital Holdings	11,927	—	—	—	—	—	(30)	11,897
	147,278	—	—	—	—	1,093	(370)	148,001
Derivatives:								
Atlas Mara Warrants	1,016	—	—	—	—	(383)	—	633
Nova Pioneer Warrants	1,001	167	—	—	—	505	—	1,673
	2,017	167	—	—	—	122	—	2,306
Derivative Obligation:								
CIG forward derivative liability[3]	(5,724)	—	4,839	—	(4,839)	5,724	—	—
Total Private African Investments	242,022	18,471	4,839	230	(4,839)	8,162	(1,057)	267,828
Total African Investments	365,028	63,376	4,839	230	(4,839)	(18,264)	(2,410)	407,960

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

(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 period, except for $5,724 reversal of the prior period unrealized loss upon settlement of the CIG forward derivative liability.

(3) 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.

(4) 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.

(5) Purchases in the first quarter of 2019 of $443 related to capitalized interest.

(6) Purchases in the first quarter of 2019 included $1,715 related to capitalized interest.

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

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. 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 Limited (Debt Instruments and Warrants) later in note 5. The company has also entered into related party transactions with Atlas Mara, comprised of the Atlas Mara Zambia Fixed Deposit and a financial guarantee, which are discussed later in note 12.

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 March 31, 2020 the fair value of the company's investment in Atlas Mara was $41,736 (December 31, 2019 - $78,075), comprised of 71,958,670 common shares representing a 42.4% equity interest (December 31, 2019 - 42.4%). The changes in fair value of the company's investment in Atlas Mara for the first quarters of 2020 and 2019 are presented in the tables disclosed earlier in note 5.

Investment in Consolidated Infrastructure Group Limited (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. The company settled a CIG derivative obligation 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 Limited (Debt Instrument and Derivative Obligation) later in note 5.

During the first quarter of 2020 CIG's operations were substantially halted as South Africa and other countries' governments have imposed mandatory lockdowns for all trading and operations other than those deemed critical essential services for a period during the COVID-19 pandemic. CIG has seen extensions in the lockdown periods in South Africa and in some of its other markets.

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 Limited (Debt Instrument and Derivative Obligation) later in note 5) of $4,839 (67.7 million South African rand).

In December 2019 the company acquired an additional 867,841 common shares of CIG for net consideration of $69 (1.0 million South African rand). In the first quarter of 2020 the company acquired an additional 13,419,815 common shares of CIG for net consideration of $614 (10.3 million South African rand). At March 31, 2020 the company held 208,810,137 common shares of CIG, representing a 52.7% equity interest in CIG for net consideration of $49,629 (696.0 million South African rand).

At March 31, 2020 the fair value of the company's investment in CIG was $8,301 (December 31, 2019 - $19,562), comprised of 208,810,137 common shares representing a 52.7% equity interest (December 31, 2019 - 49.3%). The changes in fair value of the company's investment in CIG for the first quarters of 2020 and 2019 are presented in the tables disclosed earlier in note 5.

Investment in Other Public African Investments

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 March 31, 2020 the fair value of the company's investment in Other Public African Investment was nil (December 31, 2019 - nil). The changes in fair value of the company's investment in the Other Public African Investment for the first quarter of 2019 are presented in the table disclosed earlier in note 5.

Subsequent to March 31, 2020

Subsequent to March 31, 2020 the company acquired less than 5.0% of the common shares of various public companies listed on the Johannesburg Stock Exchange for aggregate cash consideration of $10,055 (185.3 million South African rand).

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.

On December 13, 2019 Joseph Holdings redeemed and canceled 10,769,231 of its Class A shares on a pro rata basis at a price of $1.30 per share. The company received $10,317 on the redemption of 7,936,284 of its Class A shares of Joseph Holdings and as a result has recorded a return of capital of $7,936 with the remaining $2,381 received as a dividend. The redemption principally reflected a distribution from AGH of the proceeds received on the contribution of its grain storage assets to a strategic infrastructure platform during the first quarter of 2019.

At March 31, 2020 Fairfax Africa had invested $88,744 in Joseph Holdings (comprised of 74.6% of the common shares and 73.7% of the Class A shares of Joseph Holdings, providing a 74.6% voting interest). Fairfax Africa is the largest beneficial shareholder of AGH, through its investment in Joseph Holdings, with a 46.8% indirect equity interest (December 31, 2019 - 46.8%).

In the first quarter of 2020 AGH's businesses have been classified as essential services and have continued to operate through the lockdowns and travel restrictions imposed by governments across Africa in response to the COVID-19 pandemic, although AFGRI's retail sales of non-agricultural products are restricted.

At March 31, 2020 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 11.5% to 29.9% and a long term growth rate of 2.5% (December 31, 2019 - 11.1% to 26.9% and 2.5% respectively). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for AGH's business units prepared in the fourth quarter of 2019 (December 31, 2019 - fourth quarter of 2019) by AGH's management. These projections were updated by AGH's management in the first quarter of 2020 for downward revisions in EBITDA estimates for AGH's 2021 fiscal year, primarily reflecting the additional economic uncertainty due to the COVID-19 pandemic. Free cash flow projections beyond AGH's 2021 fiscal year were not revised as AGH's businesses have continued to operate through the COVID-19 pandemic. 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. These risk premiums were reflective of the increased uncertainty of the revised free cash flow projections as a result of the economic and social impacts of the COVID-19 pandemic.

At March 31, 2020 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 $67,442 (December 31, 2019 - $104,976), 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 first quarters of 2020 and 2019 are presented in the tables disclosed earlier in note 5.

AGH Facility

On January 21, 2019 the company completed a 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%. 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 first quarter of 2019 the company recorded interest income of $403 related to AGH Facility in interest within the consolidated statement of earnings (loss) and comprehensive income (loss).

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, and 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). 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 business in Mozambique. Philafrica has 16 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, a third party investor held a 14.0% equity interest and AGH's equity interest decreased from 100.0% to 60.0%. AGH continues to control Philafrica.

In the first quarter of 2020 Philafrica's businesses, which all operate in the food and agribusiness industries, have been classified as essential services and have continued to operate through the lockdowns and travel restrictions imposed by governments across Africa in response to the COVID-19 pandemic.

At March 31, 2020 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 13.6% to 26.1% and a long term growth rate of 2.5% (December 31, 2019 - 11.8% to 23.0% and 2.5%). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for Philafrica's business units prepared in the fourth quarter of 2019 (December 31, 2019 - fourth quarter of 2019) by Philafrica's management. Free cash flow projections were not revised in the first quarter of 2020 as Philafrica's businesses have continued to operate through the COVID-19 pandemic. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate in the countries of Philafrica's operations. These risk premiums reflected increased uncertainty of the free cash flow projections as a result of the economic and social impacts of the COVID-19 pandemic.

At March 31, 2020 the company's internal valuation model indicated that the fair value of its investment in Philafrica was $11,383 (December 31, 2019 - $19,271) for the 26.0% equity interest. The changes in fair value of the company's equity interest in Philafrica for the first quarters of 2020 and 2019 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"). 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 Holdings. Upon closing of this transaction, the company had invested aggregate cash consideration of $14,429 (204.4 million South African rand) in GroCapital Holdings.

On February 10, 2020 GroCapital Holdings obtained approval from the South African Reserve Bank ("SARB") for its acquisition of GroCapital Financial Services (Pty) Limited ("GCFS"), AGH's wholly-owned foreign exchange brokerage business, to establish its Agribusiness Banking Unit. The acquisition is to be funded with proceeds from Tier 1 Capital. On February 13, 2020 GroCapital Holdings issued a capital call to its shareholders to provide capital for the acquisition of GCFS. On February 28, 2020 Fairfax Africa funded $3,133 (49.3 million South African rand) and received an additional 2.6% equity interest in GroCapital Holdings. Upon closing of this transaction, the company held a 37.6% equity interest and had invested aggregate cash consideration of $17,562 (253.7 million South African rand) in GroCapital Holdings.

In the first quarter of 2020 Grobank was classified as an essential service and has continued to operate through the lockdown and travel restrictions imposed by the South African government in response to the COVID-19 pandemic.

At March 31, 2020 the company estimated the fair value of its investment in GroCapital Holdings by estimating the fair value of GroCapital Holdings' 99.9% investment in Grobank using a discounted cash flow analysis based on multi-year free cash flow projections with an assumed discount rate of 18.6% and a long term growth rate of 2.5% (December 31, 2019 - 17.3% and 2.5%). At March 31, 2020 free cash flow projections were based on pre-tax income estimates derived from financial information for Grobank prepared in the fourth quarter of 2019 (December 31, 2019 - fourth quarter of 2019) by Grobank's management. Free cash flow projections were not revised in the first quarter of 2020 as Grobank has continued to operate through the COVID-19 pandemic. Discount rates were based on the company's assessment of risk premiums to the South African risk-free rate. These risk premiums reflected increased uncertainty of the free cash flow projections as a result of the economic and social impacts of the COVID-19 pandemic and increased uncertainty in the extent of loan losses and delayed loan repayments.

At March 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in GroCapital Holdings was $10,031 (December 31, 2019 - $10,328) for the 37.6% (December 31, 2019 - 35.0%) equity interest. The changes in fair value of the company's equity interest in GroCapital Holdings for the first quarters of 2020 and 2019 are presented in the table disclosed earlier in note 5.

Capital Commitment

Pursuant to the terms of GroCapital Holdings' Subscription and Shareholders' Agreement and as required under South African banking regulations, the company is committed to fund its share of additional capital contributions in the event that GroCapital Holdings requires those capital contributions in order to meet capital adequacy requirements imposed by the South African Reserve Bank. At March 31, 2020 and December 31, 2019 no capital commitments to GroCapital Holdings (as required by the Subscription and Shareholders' Agreement and South African banking regulations) were recognized within the company's consolidated balance sheets.

Investment in Consolidated Infrastructure Group Limited (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 classified as Level 3 in the fair value hierarchy. The company settled a CIG derivative obligation on January 4, 2019 upon closing of the CIG Rights Offer (described below). The company's investment in CIG common shares is discussed in the Public African Investments section under the heading Investment in Consolidated Infrastructure Group Limited (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 March 31, 2020 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 15.8% (December 31, 2019 - 6.8%) and estimated historical share price volatility of 111.4% (December 31, 2019 - 112.3%). The estimated credit spread was based on a peer group of comparable companies adjusted for credit risk specific to CIG. At March 31, 2020 the company's internal valuation model indicated that the estimated fair value of the CIG Loan was $12,865 (December 31, 2019 - $20,744). The changes in fair value of the CIG Loan for the first quarters of 2020 and 2019 are presented in the tables disclosed earlier in note 5.

In the first quarter of 2020 the company recorded interest income of $582 (2019 - $666) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the CIG Loan.

CIG Rights Offer (Derivative Obligation)

At December 31, 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 Limited (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 quarter of 2019 the company's consolidated statements of earnings (loss) and comprehensive income (loss) 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 March 31, 2020 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 21.3% (December 31, 2019 - 13.7%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to PGR2. At March 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $15,740 (December 31, 2019 - $21,240). The changes in fair value of the PGR2 Loan for the first quarters of 2020 and 2019 are presented in the tables disclosed earlier in note 5.

In the first quarter of 2020 the company recorded interest income of $606 (2019 - $703) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) 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 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 ("Atlas Mara 11.0% Convertible Bonds"). On December 10, 2019, pursuant to the terms of the agreement, Atlas Mara extended the maturity of the bonds by an additional year to December 11, 2020, under substantially the same terms with the exception that Atlas Mara can now repay the principal at any time prior to maturity.

At March 31, 2020 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 10.3% (December 31, 2019 - 10.7%) 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 March 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 11.0% Convertible Bonds was $18,977 (December 31, 2019 - $18,296).

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.

In December 2019 the company provided Atlas Mara an extension to March 31, 2020 to pay $900 in interest, due on December 31, 2019. In March 2020, due to the impacts of COVID-19, the company provided Atlas Mara a further extension to September 30, 2020. The unpaid amounts accrue interest at 11.0% per annum.

At March 31, 2020 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 10.3% (December 31, 2019 - 10.7%) 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 March 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $19,064 (December 31, 2019 - $18,431).

At March 31, 2020 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 35.8% (December 31, 2019 - 33.3%). At March 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara warrants was $2 (December 31, 2019 - $83).

The changes in fair value of the company's bond and warrant investments in Atlas Mara in the first quarters of 2020 and 2019 are presented in the tables disclosed earlier in note 5.

In the first quarter of 2020 the company recorded interest income of $1,126 (2019 - $942) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Atlas Mara Bonds.

Atlas Mara Facility

On March 30, 2020 the company entered into a secured lending arrangement with Atlas Mara pursuant to which Fairfax Africa agreed to provide up to $40,000 of financing (the "Atlas Mara Facility"). The Atlas Mara Facility is secured by Atlas Mara's shares in the publicly-listed entity, African Banking Corporation Botswana Limited ("Atlas Mara Botswana"). The Atlas Mara Facility bears interest at a rate of 10.0% per annum, which is accrued and capitalized quarterly and matures on March 31, 2021 with the option of Atlas Mara to repay at any time prior to maturity. At March 31, 2020 the Atlas Mara Facility was undrawn.

Subsequent to March 31, 2020

On April 2, 2020 the company advanced $20,500 ($20,250, plus a $250 raising fee) under the Atlas Mara Facility.

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 2015. Since then, Nova Pioneer has expanded across South Africa and launched its first campus in Kenya in 2016. Nova Pioneer operates thirteen schools with a combined enrollment of approximately 4,500 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.

In January, April and June 2019 the company invested an aggregate 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 March 31, 2020 Fairfax Africa had invested an aggregate of $42,720 in Nova Pioneer, comprised of $41,433 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 March 31, 2020 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 22.1% (December 31, 2019 - 14.6%). 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 March 31, 2020 the company's internal valuation model indicated that the fair value of the investment in Nova Pioneer Bonds was $39,455 (December 31, 2019 - $42,093). The changes in fair value of the Nova Pioneer Bonds during the first quarters of 2020 and 2019 are presented in the tables disclosed earlier in note 5.

In the first quarter of 2020 the company recorded interest income of $2,110 (2019 - $1,555) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Nova Pioneer Bonds.

At March 31, 2020 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 $1.07 (December 31, 2019 - $1.72). At March 31, 2020 the company's internal valuation model indicated that the fair value of the investment in the Nova Pioneer Warrants was $473 (December 31, 2019 - $1,458). The changes in fair value of the Nova Pioneer Warrants during the first quarters of 2020 and 2019 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:

	March 31, 2020				December 31, 2019			
	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	**93,587**	**—**	**—**	**93,587**	44,334	—	—	44,334
Restricted cash	**12,392**			**12,392**	7,500	—	—	7,500
	105,979	**—**	**—**	**105,979**	51,834	—	—	51,834
Short term investments - U.S. treasury bills and notes	**38,990**	**—**	**—**	**38,990**	104,008	—	—	104,008
Loans:								
CIG Loan	**—**	**—**	**12,865**	**12,865**	—	—	20,744	20,744
PGR2 Loan	**—**	**—**	**15,740**	**15,740**	—	—	21,240	21,240
	—	**—**	**28,605**	**28,605**	—	—	41,984	41,984
Bonds:								
Atlas Mara 11.0% Convertible Bonds	**—**	**—**	**18,977**	**18,977**	—	—	18,296	18,296
Atlas Mara 7.5% Bonds	**—**	**—**	**19,064**	**19,064**	—	—	18,431	18,431
Nova Pioneer Bonds	**—**	**—**	**39,455**	**39,455**	—	—	42,093	42,093
	—	**—**	**77,496**	**77,496**	—	—	78,820	78,820
Common stocks:								
Atlas Mara	**41,736**	**—**	**—**	**41,736**	78,075	—	—	78,075
CIG	**8,301**	**—**	**—**	**8,301**	19,562	—	—	19,562
Indirect equity interest in AGH	**—**	**—**	**67,442**	**67,442**	—	—	104,976	104,976
Philafrica	**—**	**—**	**11,383**	**11,383**	—	—	19,271	19,271
GroCapital Holdings		**—**	**10,031**	**10,031**	—	—	10,328	10,328
	50,037	**—**	**88,856**	**138,893**	97,637	—	134,575	232,212
Derivatives:								
Atlas Mara Warrants	**—**	**—**	**2**	**2**	—	—	83	83
Nova Pioneer Warrants	**—**	**—**	**473**	**473**	—	—	1,458	1,458
	—	**—**	**475**	**475**	—	—	1,541	1,541
Total cash and investments	**195,006**	**—**	**195,432**	**390,438**	253,479	—	256,920	510,399
	49.9 %	**— %**	**50.1 %**	**100.0 %**	49.7 %	— %	50.3 %	100.0 %

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 three months of 2020 and 2019 there were no transfers of financial instruments between Level 1 and Level 2 and there were no transfers of financial instruments into 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 (loss) 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 March 31, 2020. The analysis assumes quarterly 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. To reflect increased market volatility due to the economic and social impacts of the COVID-19 pandemic in the first quarter of 2020, management widened its reasonably possible range of after-tax discount rates and discount rates to changes within 100 basis points at March 31, 2020 from changes within 50 basis points at December 31, 2019. The change reflects the additional uncertainty in determining the discounted cash flows for assessing the fair values of Private African Investments.

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 (loss) [(1)(2)]
Loans:						
CIG Loan	$12,865	Discounted cash flow and option pricing model	Credit spread	15.8%	(307) / 317	(266) / 275
			Historical share price volatility	111.4%	- / (44)	- / (38)
PGR2 Loan	$15,740	Discounted cash flow and option pricing model	Credit spread	21.3%	(162) / 165	(119) / 121
Bonds:						
Atlas Mara 11.0% Convertible Bond	$18,977	Discounted cash flow and option pricing model	Credit spread	10.3%	(116) / 107	(101) / 93
Atlas Mara 7.5% Bonds	$19,064	Discounted cash flow and option pricing model	Credit spread	10.3%	(276) / 280	(239) / 243
Nova Pioneer Bonds	$39,455	Discounted cash flow and option pricing model	Credit spread	22.1%	(1,119) / 1,166	(822) / 857
Common stocks:						
Indirect equity interest in AGH	$67,442	Discounted cash flow	After-tax discount rate	11.5% to 29.9%	(7,932) / 9,486	(6,881) / 8,229
			Long term growth rate	2.5%	1,507 / (1,441)	1,307 / (1,250)
Philafrica	$11,383	Discounted cash flow	After-tax discount rate	13.6% to 26.1%	(1,728) / 2,042	(1,499) / 1,771
			Long term growth rate	2.5%	317 / (303)	275 / (263)
GroCapital Holdings	$10,031	Discounted cash flow	Discount rate	18.6%	(1,893) / 2,195	(1,642) / 1,904
			Long term growth rate	2.5%	397 / (385)	345 / (334)
Derivatives:						
Atlas Mara Warrants	$2	Discounted cash flow and option pricing model	Historical share price volatility	35.8%	- / (2)	- / (2)
Nova Pioneer Warrants	$473	Discounted cash flow and option pricing model	Share price	$1.07	61 / (58)	45 / (43)

(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 (100 basis points), discount rate (100 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, discount rate, 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 (loss) 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 March 31, 2020 loans and bonds with fair values of $28,605 and $58,432 (December 31, 2019 - $41,984 and $60,389) contained call features. At March 31, 2020 and December 31, 2019 there were no debt instruments containing put features.

	March 31, 2020		December 31, 2019	
	Amortized cost	**Fair value**	Amortized cost	Fair value
Loans:				
Due in 1 year or less	**47,385**	**28,605**	47,354	41,984
Bonds:				
Due in 1 year or less	**18,506**	**18,977**	18,036	18,296
Due after 1 year through 5 years	**60,272**	**58,519**	57,534	60,524
	78,778	**77,496**	75,570	78,820

Investment Income

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

	First quarter	
	2020	2019
Interest:		
Cash and cash equivalents	**478**	785
Restricted cash	**141**	—
Short term investments	**354**	416
Loans	**1,188**	1,772
Bonds	**3,236**	2,497
	5,397	5,470

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

	First quarter					
	2020			2019		
	Net realized losses	**Net change in unrealized losses**	**Net losses**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:[1]						
Loans	**—**	**(3,912)**	**(3,912)**	—	(337)	(337)
Bonds	**—**	**(4,531)**	**(4,531)**	—	1,560	1,560
Common stocks	**—**	**(59,055)**	**(59,055)**	—	(25,333)	(25,333)
Derivatives	**—**	**(1,066)**	**(1,066)**	(4,839)	5,846	1,007
	—	**(68,564)**	**(68,564)**	(4,839)	(18,264)	(23,103)
Net foreign exchange gains (losses) on:[1]						
Cash and cash equivalents	**(4,917)**	**—**	**(4,917)**	1,902	—	1,902
Loans	**—**	**(9,499)**	**(9,499)**	—	(687)	(687)
Common stocks	**—**	**(38,011)**	**(38,011)**	—	(1,723)	(1,723)
Other	**—**	**(89)**	**(89)**	—	24	24
	(4,917)	**(47,599)**	**(52,516)**	1,902	(2,386)	(484)

(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 first quarters of 2020 and 2019.

7. Borrowings

Revolving Credit Facilities

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 was secured by way of a general lien on the holding company's assets. The Credit Facility as amended on March 28, 2019 contained a financial covenant that required the company to maintain common shareholders' equity of not less than $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 Credit Facility matured.

On December 20, 2019 the company entered into an $80,000 secured, revolving demand credit facility with a syndicate of Canadian lenders, bearing interest at a rate of LIBOR plus 450 basis points (the "Second Credit Facility") and containing a financial covenant that requires the company to maintain common shareholders' equity of not less than $450,000 when amounts are drawn under the Second Credit Facility. The Second Credit Facility is secured by way of a general lien on the holding company's assets. At March 31, 2020 the Second Credit Facility was undrawn and was not available for drawdown as the company would not meet the minimum common shareholders' equity requirement.

Interest Expense

In the first quarter of 2020 interest expense of $199 (2019 - $617) was comprised of amortization of issuance costs of $199 (2019 - $170) and interest expense of nil (2019 - $447).

8. Common Shareholders' Equity

Common stock

The number of shares outstanding was as follows:

	2020	2019
Subordinate voting shares - January 1	**29,496,481**	32,811,965
Purchases for cancellation	**(463,506)**	(1,711,412)
Subordinate voting shares - March 31	**29,032,975**	31,100,553
Multiple voting shares - March 31	**30,000,000**	30,000,000
Common shares effectively outstanding - March 31	**59,032,975**	61,100,553

Purchase of Shares

On July 3, 2018 the company announced that the TSX had accepted 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 that the TSX had accepted 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.

During the first quarter of 2020, under the terms of the normal course issuer bid, the company purchased for cancellation 463,506 subordinate voting shares (2019 - 1,711,412) for a net cost of $1,850 (2019 - $14,962) and $2,960 (2019 - $2,798) was recorded as a benefit in retained earnings.

9. Net Earnings per Share

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

	First quarter	
	2020	2019
Net loss – basic and diluted	**(121,804)**	(21,480)
Weighted average common shares outstanding – basic and diluted	**59,392,568**	61,969,443
Net loss per common share - basic and diluted	**$ (2.05)**	$ (0.35)

10. Income Taxes

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

	First quarter	
	2020	2019
Current income tax:		
Current year expense (recovery)	**3,770**	(303)
Adjustment to prior years' income taxes	**—**	—
	3,770	(303)
Deferred income tax:		
Origination of temporary differences	**31**	27
	31	27
Provision for (recovery of) income taxes	**3,801**	(276)

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 months ended March 31 are summarized in the following table:

	First quarter							
	2020				2019			
	Canada	**Mauritius**	**South Africa**	**Total**	Canada	Mauritius	South Africa	Total
Loss before income taxes	**(18,599)**	**(77,002)**	**(22,402)**	**(118,003)**	(1,277)	(5,154)	(15,325)	(21,756)
Provision for (recovery of) income taxes	**3,557**	**69**	**175**	**3,801**	(342)	39	27	(276)
Net loss	**(22,156)**	**(77,071)**	**(22,577)**	**(121,804)**	(935)	(5,193)	(15,352)	(21,480)

The increase in loss before income taxes in Canada in the first quarter of 2020 compared to the first quarter of 2019 primarily reflected unrealized foreign exchange losses (principally related to the company's intercompany loans), decreased intercompany interest income partially offset by lower interest expense, investment advisory fees and general and administration expenses.

The increase in loss before income taxes in Mauritius in the first quarter of 2020 compared to the first quarter of 2019 primarily reflected unrealized losses on Atlas Mara common shares, the indirect equity interest in AGH, and Nova Pioneer Bonds and net foreign exchange losses on African Investments, partially offset by unrealized gains on the Atlas Mara Bonds, increased interest income and decreased investment and advisory fees.

The increase in loss before income taxes in South Africa the first quarter of 2020 compared to the first quarter of 2019 primarily reflected net foreign exchange losses on African Investments and cash balances denominated in South African rand, unrealized losses on Nova Pioneer Bonds, CIG and PGR2 Loans, and CIG and Philafrica common shares, and a decrease in interest income, partially offset by unrealized foreign exchange gains on the company's intercompany loans.

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 months ended March 31 are summarized in the following table:

	First quarter	
	2020	2019
Canadian statutory income tax rate	**26.5%**	26.5%
Recovery of income taxes at the Canadian statutory income tax rate	**(31,271)**	(5,766)
Tax rate differential on losses incurred outside of Canada	**24,952**	6,128
Change in unrecorded tax benefit of losses and temporary differences	**1,970**	89
Foreign exchange effect	**8,143**	(733)
Other including permanent differences	**7**	6
Provision for (recovery of) income taxes	**3,801**	(276)

The tax rate differential on losses earned outside of Canada of $24,952 (2019 - $6,128) in the first quarter of 2020 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.

The change in unrecorded tax benefit of losses and temporary differences of $1,970 in the first quarter of 2020 (2019 - $89) principally reflected deferred tax assets in South Africa on investments of $1,402, changes in unrecorded deferred tax assets incurred related to foreign accrual property losses of $515 with respect to the company's wholly-owned subsidiaries, and temporary timing differences of $53 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 $89 in the first quarter of 2019 principally reflected changes in unrecorded deferred tax assets incurred related to foreign accrual property losses of $89 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. At March 31, 2020 deferred tax assets of $11,979 (December 31, 2019 - $10,009) were not recorded as it was considered not probable that those losses could be utilized by the company.

The foreign exchange effect of $8,143 in the first quarter of 2020 (2019 - $733) principally reflected the impact of fluctuations 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 March 31, 2020 compared to those identified and disclosed in the company's annual consolidated financial statements for the year ended December 31, 2019, except as described below.

COVID-19

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world. The company's African Investments rely, to a certain extent, on free movement of goods, services, and capital from around the world, which has been significantly restricted as a result of COVID-19.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and the company's African Investments in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in various parts of the world. Such further developments could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

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, but may also be affected, along with other financial statement items by fluctuations in foreign currency exchange rates, interest rates, and market prices.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument or another asset or liability will fluctuate due to changes in exchange rates and as a result, could produce an adverse effect on net earnings and common shareholders' equity when measured in U.S. dollars, the company's functional currency.

In the first quarter of 2020 the company's holdings in African Investments and cash and cash equivalents, which are partially denominated in South African rand, decreased. The decrease was primarily due to unrealized and foreign exchange losses on African Investments, primarily the company's indirect equity interest in AGH and its investments in Atlas Mara and CIG common shares, partially offset by additional purchases of African Investments, partially denominated in South African rand. The company's 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 March 31, 2020 compared to December 31, 2019.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Typically, as interest rates rise, the fair values of fixed income investments decline and, conversely, as interest rates decline, the fair values 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 March 31, 2020 compared to December 31, 2019.

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 March 31, 2020 compared to December 31, 2019 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. As discussed earlier, COVID-19 has increased uncertainty and may adversely impact the fair value or future cash flows of the company's equity investments.

The company's exposure to market price risk decreased to $138,893 at March 31, 2020 from $232,212 at December 31, 2019 primarily as a result of unrealized losses on the company's investments in Atlas Mara and CIG common shares (Level 1 investments in the fair value hierarchy), as well as unrealized losses on the company's investments in its indirect equity interest in AGH and Philafrica common shares (Level 3 investments in the fair value hierarchy), partially offset by additional investments in GroCapital Holdings and CIG common shares. Refer to note 6 for the potential impact on net earnings (loss) 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 with respect to cash and cash equivalents, restricted cash, 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 March 31, 2020 compared to December 31, 2019.

Cash and Cash Equivalents, and Short Term Investments

At March 31, 2020 the company's cash and cash equivalents of $93,587 (December 31, 2019 - $44,334) were comprised of $66,956 (December 31, 2019 - $9,621) at the holding company (principally in major Canadian financial institutions) and $26,631 (December 31, 2019 - $34,713) at the company's wholly-owned subsidiaries, of which $7,810 (December 31, 2019 - $13,298) 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. From these reviews, the company may transfer balances from financial institutions where it perceives heightened credit risk to others considered to be more stable.

At March 31, 2020 the company's short term investments in U.S. treasury bills and notes of $38,990 (December 31, 2019 - $104,008) were rated Aaa by Moody's Investors Service Inc. ("Moody's") and AA+ by Standard & Poor's Financial Services LLC ("S&P").

Restricted Cash

On December 13, 2019 the company agreed to place up to $15,000 cash on deposit with African Banking Corporation Zambia Limited ("Atlas Mara Zambia"), a wholly-owned subsidiary of Atlas Mara (see note 12). At March 31, 2020 the company had $12,392 (December 31, 2019 - $7,500) on deposit, which was recorded in restricted cash within the consolidated balance sheet. At March 31, 2020 Atlas Mara Zambia had deposited Government of Zambia Eurobonds ("Zambia Eurobonds") for the benefit of the company. The company is working with Atlas Mara to address a shortfall in collateral due to a decline in the fair value of Zambia Eurobonds at March 31, 2020. The company will continue to monitor the credit risk associated with restricted cash by reviewing the financial strength and creditworthiness of Atlas Mara Zambia and the fair value of Zambia Eurobonds.

Guarantees

On December 31, 2019 the company agreed to guarantee up to $20,000 in principal on a facility provided to Atlas Mara by TLG Credit Opportunities Fund ("TLG Capital") (the "TLG Facility"). Atlas Mara requires the company's consent in order to draw more than $10,000 on the TLG Facility. The TLG Facility will be available until January 31, 2021 with the option for Atlas Mara to extend by an additional year. As consideration for providing the guarantee, the company earns a fee of 1.1% per annum on the drawn amount of the TLG Facility, which is secured by Atlas Mara's shares in Atlas Mara Botswana. At March 31, 2020 Atlas Mara had drawn $8,000 on the TLG Facility and the fair value of the Atlas Mara Botswana shares held as collateral was $10,172. This contract is a financial guarantee contract with a fair value of nil at March 31, 2020.

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 March 31, 2020 the company's debt instruments were all considered to be subject to credit risk with a fair value of $106,101 (December 31, 2019 - $120,804) representing 27.2% (December 31, 2019 - 23.7%) of the total cash and investments, net of derivative obligation. Management monitors restricted cash and has evaluated that the associated credit risk is limited due to existing collateral arrangements discussed above.

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

	March 31, 2020		December 31, 2019	
	Principal	**Fair value**	**Principal**	**Fair value**
Loans:[1]				
CIG Loan	**23,867**	**12,865**	23,867	20,744
PGR2 Loan[2]	**23,939**	**15,740**	23,939	21,240
	47,806	**28,605**	47,806	41,984
Bonds:[1]				
Atlas Mara 11.0% Convertible Bonds[2]	**18,436**	**18,977**	17,943	18,296
Atlas Mara 7.5% Bonds	**20,000**	**19,064**	20,000	18,431
Nova Pioneer Bonds[2]	**42,720**	**39,455**	40,149	42,093
	81,156	**77,496**	78,092	78,820
Total loans and bonds	**128,962**	**106,101**	125,898	120,804

(1) The company's African Investments in loans and bonds are not rated.
(2) Principal amounts are inclusive of capitalized interest.

The company's exposure to credit risk from its investment in fixed income securities decreased at March 31, 2020 compared to December 31, 2019 primarily reflecting unrealized losses on CIG and PGR2 Loans and the Nova Pioneer Bonds, partially offset by capitalized interest on the Nova Pioneer Bonds and Atlas Mara 11.0% Convertible Bonds, both 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.

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 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 March 31, 2020 compared to December 31, 2019.

The undeployed cash and investments at March 31, 2020 provide adequate liquidity to meet the company's remaining known significant commitments in 2020, which are principally comprised of the Atlas Mara Facility, investment and advisory fees, general and administration expenses and corporate income taxes. On December 20, 2019 the company entered into the Second Credit Facility (see note 7), which remains undrawn at March 31, 2020 and was not available for drawdown as the company would not meet the minimum common shareholders' equity requirement. 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.

The company may need to provide capital support to GroCapital Holdings as required by South African banking regulations as a result of loan impairments and losses attributable to COVID-19 and such investments may be substantial.

Refer to note 12 for details on the settlement of the performance fees, if any, at the end of the second calculation period, December 31, 2022.

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 March 31, 2020 and December 31, 2019 are summarized by the issuer's primary sector in the table below:

	March 31, 2020	December 31, 2019
Financial services	**89,810**	125,213
Food and agriculture	**78,825**	124,247
Education	**39,928**	43,551
Infrastructure	**21,166**	40,306
Other	**15,740**	21,240
	245,469	354,557

During the first three months of 2020 the company's concentration risk in the financial services sector decreased primarily due to change in unrealized losses on Atlas Mara common shares and foreign exchange losses on GroCapital Holdings common shares, partially offset by an additional investment in GroCapital Holdings common shares, unrealized gains on the Atlas Mara Bonds, and capitalized interest on the Atlas Mara 11.0% Convertible Bonds. The company's concentration risk in the food and agriculture sector decreased as a result of change in unrealized losses and foreign exchange losses on the company's indirect equity interest in AGH and its investment in Philafrica common shares. The company's concentration risk in the education sector decreased due to change in unrealized losses on Nova Pioneer Bonds and Warrants, partially offset by capitalized interest on Nova Pioneer Bonds. The company's concentration risk in the infrastructure sector decreased primarily due to unrealized and foreign exchange losses on CIG common shares and CIG Loan, partially offset by an additional investment in CIG common shares. The company's concentration risk in the other sector related to the PGR2 Loan.

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"). On April 15, 2020 the company received common shareholders' approval of a special resolution (the "Special Resolution") allowing the company to make additional investments in Atlas Mara where, after giving effect to such investment, the total invested amount in Atlas Mara (calculated on a fair value basis) would be less than or equal to 40.0% of the company's total assets at the time of such investment. The company's investment limit for an African Investment in accordance with the Investment Concentration Restriction decreased at March 31, 2020 from December 31, 2019 principally as a result of the net unrealized losses on investments and net foreign exchange losses 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 March 31, 2020 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 Second Credit Facility, was $395,189 at March 31, 2020 (December 31, 2019 - $518,815). The decrease was principally related to a net loss of $121,804, and purchases for cancellation of 463,506 subordinate voting shares for a net cost of $1,850.

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 Credit Facility matured. On December 20, 2019 the company entered into the Second Credit Facility (see note 7), which remains undrawn at March 31, 2020. At March 31, 2020 the company was in compliance with the financial covenant requirement to maintain common shareholders' equity of not less than $450,000 when the Second Credit Facility is drawn (see note 7 for details).

12. Related Party Transactions

Payable to Related Parties

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

	March 31, 2020	December 31, 2019
Investment and advisory fees	**1,099**	1,524
Other	**72**	31
	1,171	1,555

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 period from January 1, 2020 to December 31, 2022 (the "second calculation period") is the next consecutive three-year period after the first calculation period ended December 31, 2019 for which a performance fee, if applicable, will be accrued. The performance fee for the second calculation period will be calculated 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 March 31, 2020 the company determined that there was no performance fee accrual (December 31, 2019 - nil) as the book value per share of $6.69 (before factoring in the impact of the performance fee) at March 31, 2020 was less than the hurdle per share at that date of $11.69.

Under the Investment Advisory Agreement, the performance fee, if applicable, will be paid within 30 days after the company issues its annual audited consolidated financial statements for the year ended December 31, 2022, in subordinate voting shares of the company unless the market prices per share of those shares is more than two times the then book value per share, in which event Fairfax may elect to receive that fee in cash. The number of subordinate voting shares to be issued will be calculated based on the volume-weighted average trading price of the 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 March 31, 2020 there were no contingently issuable subordinate voting shares relating to the performance fee payable to Fairfax (December 31, 2019 - nil).

In the first quarter of 2020 the company did not record a performance fee (2019 - nil) within the consolidated statements of earnings (loss) and comprehensive income (loss).

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 first quarter of 2020 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 (loss) and comprehensive income (loss) in the first quarter of 2020 were $1,099 (2019 - $1,795).

Other

Other payable of $72 at March 31, 2020 (December 31, 2019 - $31) was primarily comprised of amounts due to related parties for expenses incurred by Fairfax and the Portfolio Advisor on behalf of the company.

Fairfax's Voting Rights and Equity Interest

At March 31, 2020 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares and 4,884,266 subordinate voting shares of Fairfax Africa (December 31, 2019 - 30,000,000 and 6,885,421 respectively). At March 31, 2020 Fairfax's holdings of multiple and subordinate voting shares represented 98.4% of the voting rights and 59.1% of the equity interest in Fairfax Africa (December 31, 2019 - 98.5% and 62.0%).

Other

Atlas Mara Zambia Fixed Deposit

On December 13, 2019 the company entered into a fixed deposit agreement with Atlas Mara Zambia whereby the company agreed to place up to $15,000 with Atlas Mara Zambia as a fixed deposit, bearing interest at a rate of LIBOR plus 400 basis points and maturing no later than six months from the date of initial deposit. The fixed deposit will be used to fund a potential African Investment that is subject to finalization. The fixed deposit is collateralized with Zambia Eurobonds. At March 31, 2020 the company had $12,392 (December 31, 2019 - $7,500) on deposit, which was recorded in restricted cash within the consolidated balance sheet.

Guarantor for Atlas Mara Loan from TLG Capital

On December 31, 2019 the company agreed to guarantee up to $20,000 in principal on a facility provided to Atlas Mara by TLG Capital. Atlas Mara requires the company's consent in order to draw more than $10,000 on the TLG Facility. The TLG Facility will be available until January 31, 2021 with the option for Atlas Mara to extend by an additional year. As consideration for providing the guarantee, the company earns a fee of 1.1% per annum on the drawn amount of the TLG Facility, which is secured by Atlas Mara's shares in Atlas Mara Botswana. At March 31, 2020 Atlas Mara had drawn $8,000 on the TLG Facility and the fair value of the Atlas Mara Botswana shares held as collateral was $10,172. This contract is a financial guarantee contract with a fair value of nil at March 31, 2020.

In the first quarter of 2020 the company recorded interest income of $14 (2019 - nil) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) related to financial guarantee.

Deposits on Account with Grobank

At March 31, 2020 the company held $7,810 (December 31, 2019 - $13,298) in deposit accounts with Grobank on commercial terms.

13. General and Administration Expenses

General and administration expenses for the three months ended March 31 were comprised as follows:

	First quarter	
	2020	2019
Audit, legal and tax professional fees	**295**	329
Administrative expenses	**129**	357
Salaries and employee benefit expenses	**588**	528
Brokerage fees	**10**	13
	1,022	1,227

14. Supplementary Cash Flow Information

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

	March 31, 2020	December 31, 2019
Cash and balances with banks	**63,533**	44,334
U.S. treasury bills and notes	**30,054**	—
	93,587	44,334

Details of certain cash flows included within the consolidated statements of cash flows for the three months ended March 31 were as follows:

	First quarter	
	2020	2019
Purchases of investments		
Loans	—	(12,813)
Bonds	—	(3,333)
Common stocks	**(3,587)**	(49,744)
Derivatives	—	(167)
	(3,587)	(66,057)
Net interest received		
Interest received	**1,669**	1,442
Interest paid on borrowings	—	(509)
Interest received	**1,669**	933

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

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

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the notes to the interim consolidated financial statements for the three months ended March 31, 2020 and the company's 2019 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. Those amounts are presented in the consolidated balance sheet and note 8 (Common Shareholders' Equity under the heading Common Stock) respectively within the consolidated financial statements for the three months ended March 31, 2020. 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 months ended March 31, 2020.

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 March 31, 2020 was $6.69 compared to $8.72 at December 31, 2019 representing a decrease of 23.3% in the first quarter of 2020, primarily reflecting a net loss of $121,804 (principally due to a net change in unrealized losses on the company's African Investments and net foreign exchange losses).

The following narrative sets out the company’s key business developments in the first quarter of 2020.

Capital Transactions

On December 20, 2019 the company entered into an $80,000 secured, revolving demand credit facility with a syndicate of Canadian lenders, bearing interest at a rate of LIBOR plus 450 basis points (the "Second Credit Facility") and containing a financial covenant that requires the company to maintain common shareholders' equity of not less than $450,000 when amounts are drawn under the Second Credit Facility. The Second Credit Facility is secured by way of a general lien on the holding company’s assets. At March 31, 2020 the Second Credit Facility was undrawn and was not available for drawdown as the company would not meet the minimum common shareholders' equity requirement. For further details refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2020.

African Investments

Full descriptions of the African Investments committed to and acquired in the first quarter of 2020 are provided in the African Investments section of this MD&A.

Operating Environment

Overview

The first quarter of 2020 was marked by the rapid surge of the global COVID-19 pandemic. Governments worldwide have responded with border closures, lockdowns, and restrictions on non-essential services in an effort to contain and mitigate the spread of COVID-19. In April 2020 the International Monetary Fund ("IMF") published its report, "*Regional Economic Outlook - Sub-Saharan Africa - COVID-19: An Unprecedented Threat to Development*" in which it projects that global GDP will contract by 3.0% in 2020, compared to GDP growth of 2.9% in 2019, lower than the 2008/2009 financial crisis. Against this backdrop, the West Texas Intermediate ("WTI") plunged to $20.48 at March 31, 2020 from $61.06 at December 31, 2019, lower than $26.21 at the peak of the 2016 oil crisis, as a result of the combined impact of price wars among large oil-producing countries and a severe global reduction in demand due to COVID-19 lockdowns. Financial conditions have tightened sharply in 2020 and investors have sold $41.7 billion of emerging market stocks and bonds since the beginning of the crisis.

Sub-Saharan Africa

The IMF noted that, in light of the global COVID-19 pandemic, Sub-Saharan Africa ("SSA") regional GDP is projected to contract by 1.6% in 2020, compared to GDP growth of 3.1% in 2019, before recovering to 4.1% growth in 2021. SSA's key trading partners, Europe and China, are forecasting GDP contraction and slowdown in growth respectively which is expected to significantly reduce demand. These region-wide forecasts mask considerable differences in the growth performance and prospects of countries across the region. The plunge in oil prices to an 18-year low may exacerbate the challenges brought on by COVID-19 for resource-intensive economies, such as Nigeria and Angola, while government-mandated travel restrictions may hamper the tourism industry for non-resource-intensive economies. The rapid outflow of investments from SSA compounds fiscal pressures and restricts the region's ability to finance spending needs to address the COVID-19 pandemic.

Global and regional organizations have reacted quickly and decisively to ease financial pressures and raise financing to combat the fallout from the viral outbreak. The African Development Bank sold a record $3 billion three-year Fight COVID-19 Social Bond; several countries have announced fiscal packages addressing tax reductions and extensions, wage supplements, and loan subsidies; and both the IMF and World Bank have made financing available to support countries addressing the COVID-19 crisis.

South Africa

The IMF projects that South Africa's GDP will contract by 5.8% in 2020, compared to GDP growth of 0.2% in 2019, with anticipated recovery to 4.0% growth in 2021. South Africa is among the SSA countries hardest hit by COVID-19 and it is highly susceptible to constrained global financial conditions. South Africa has been on lockdown since March 27, 2020, which is expected to ease gradually beginning May 1, 2020. Since December 31, 2019 the South African Reserve Bank ("SARB") has cut interest rates three times by an aggregate 225 basis points and the prime rate currently sits at 7.75%. The South African rand weakened relative to the U.S. dollar during the first quarter of 2020 from 13.98 to 17.86. The World Bank projects that low commodity prices, capital outflows, and reduced trade activity will dampen economic activity. Moody's Investors Service Inc. ("Moody's"), Fitch Ratings Inc. ("Fitch"), and Standard & Poor's Financial Services LLC ("S&P") have responded to South Africa's weakened fiscal condition and economic slowdown with downgrades to Ba1 with a negative outlook, BB with a negative outlook, and BB- with a stable outlook respectively.

Nigeria

Nigeria is SSA's largest economy and is historically heavily oil-dependent, with the industry comprising nearly half of fiscal revenue over the last three years. The IMF projects that Nigeria's GDP will contract by 3.4% in 2020, compared to GDP growth of 2.2% in 2019, with anticipated recovery to 2.4% growth in 2021. The anticipated decline in GDP mainly reflects the large drop in oil prices, spillover into non-oil industries, and the impact of containment and mitigation measures on economic activity. On March 20, 2020 the Central Bank of Nigeria devalued the Nigerian Naira by 15% in response to significant downward pressure following the sharp decline in oil prices. Nigeria's major cities and states have been on lockdown since March 30, 2020, which is expected to ease gradually beginning May 4, 2020. S&P and Fitch both downgraded Nigeria's credit rating to B- with a stable outlook and B with a negative outlook respectively, while Moody's maintained its B2 rating with a negative outlook. These downgrades were driven by reduced oil production as a result of the COVID-19 pandemic, a restrictive foreign exchange policy, and delayed fiscal stimulus.

Kenya

Kenya, one of the most economically diverse countries in SSA, is expected to fare better in the COVID-19 pandemic than its resource-intensive counterparts. The IMF projects that Kenya's GDP growth will slow to 1.0% in 2020 from 5.6% in 2019, and rebound swiftly to 6.1% in 2021. The tourism industry, which accounts for 14% of Kenya's GDP, has been heavily impacted by travel bans on major cities in an effort to contain the spread of COVID-19, and is projected to be a drag on Kenya's overall growth in 2021. Kenya implemented travel restrictions in major cities beginning April 6, 2020, which is in place until mid-May or further notice. Moody's, S&P, and Fitch have all maintained their ratings with a stable outlook at B2, B+ and B+ respectively due to Kenya's strong and diversified economy.

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"). On April 15, 2020 the company received common shareholders' approval of a special resolution (the "Special Resolution") allowing the company to make additional investments in Atlas Mara where, after giving effect to such investment, the total invested amount in Atlas Mara (calculated on a fair value basis) would be less than or equal to 40.0% of the company's total assets at the time of such investment. The company's investment limit for an African Investment in accordance with the Investment Concentration Restriction decreased at March 31, 2020 from December 31, 2019 principally as a result of the net unrealized losses on investments and net foreign exchange losses.

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 March 31, 2020 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 company's investments in AGH, CIG, and Atlas Mara have fiscal years which end on March 31, December 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:

	Date Acquired	March 31, 2020 Ownership %	March 31, 2020 Net cash consideration	March 31, 2020 Fair value	March 31, 2020 Net change	December 31, 2019 Ownership %	December 31, 2019 Net cash consideration	December 31, 2019 Fair value	December 31, 2019 Net change
Public African Investments:									
Common Stocks:									
Atlas Mara	August and December 2017	**42.4%**	**159,335**	**41,736**	**(117,599)**	42.4%	159,335	78,075	(81,260)
CIG	Fourth quarters of 2017 and 2018, January and December 2019, and first quarter of 2020	**52.7%**	**54,468**	**8,301**	**(46,167)**	49.3%	53,854	19,562	(34,292)
Other[1]	Various	**<5%**	**2,055**	**—**	**(2,055)**	<5%	2,055	—	(2,055)
			215,858	**50,037**	**(165,821)**		215,244	97,637	(117,607)
Private African Investments:									
Loans:									
CIG Loan	June 2018		**23,270**	**12,865**	**(10,405)**		23,270	20,744	(2,526)
PGR2 Loan	June and December 2018		**19,969**	**15,740**	**(4,229)**		19,969	21,240	1,271
			43,239	**28,605**	**(14,634)**		43,239	41,984	(1,255)
Bonds:									
Atlas Mara 11.0% Convertible Bonds	December 2018		**15,040**	**18,977**	**3,937**		15,040	18,296	3,256
Atlas Mara 7.5% Bonds	November 2018		**16,476**	**19,064**	**2,588**		16,476	18,431	1,955
Nova Pioneer Bonds	Third and fourth quarters of 2017 and 2018, and first and second quarters of 2019		**32,713**	**39,455**	**6,742**		32,713	42,093	9,380
			64,229	**77,496**	**13,267**		64,229	78,820	14,591
Common Stocks:									
Indirect equity interest in AGH[2]	February 2017, January and November 2018	**46.8%**	**86,941**	**67,442**	**(19,499)**	46.8%	86,941	104,976	18,035
Philafrica	November 2018	**26.0%**	**23,254**	**11,383**	**(11,871)**	26.0%	23,254	19,271	(3,983)
GroCapital Holdings	Fourth quarter of 2018, April 2019, and February 2020	**37.6%**	**17,562**	**10,031**	**(7,531)**	35.0%	14,429	10,328	(4,101)
			127,757	**88,856**	**(38,901)**		124,624	134,575	9,951
Derivatives:									
Atlas Mara Warrants	November 2018		**2,324**	**2**	**(2,322)**		2,324	83	(2,241)
Nova Pioneer Warrants	Third and fourth quarters of 2017 and 2018, and first and second quarters of 2019		**1,287**	**473**	**(814)**		1,287	1,458	171
			3,611	**475**	**(3,136)**		3,611	1,541	(2,070)
			238,836	**195,432**	**(43,404)**		235,703	256,920	21,217
Total African Investments			**454,694**	**245,469**	**(209,225)**		450,947	354,557	(96,390)

(1) 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.

(2) Net cash consideration includes a return of capital of $7,936 related to Joseph Holdings' December 2019 redemption of 7,936,284 Class A shares (see note 5 to the interim consolidated financial statements for the three months ended March 31, 2020).

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 first quarters of 2020 and 2019 were as follows:

	First quarter					
	2020					
	Balance as of January 1	Purchases	Accretion of discount/ (amortization of premium)[1]	Net change in unrealized gains (losses) on investments	Net foreign exchange losses on investments	Balance as of March 31
Public African Investments:						
Common stocks:						
Atlas Mara	78,075	—	—	(36,339)	—	41,736
CIG	19,562	614	—	(1,194)	(10,681)	8,301
Total Public African Investments	97,637	614	—	(37,533)	(10,681)	50,037
Private African Investments:						
Loans:						
CIG Loan	20,744	—	32	(3,333)	(4,578)	12,865
PGR2 Loan	21,240	—	—	(579)	(4,921)	15,740
	41,984	—	32	(3,912)	(9,499)	28,605
Bonds:						
Atlas Mara 11.0% Convertible Bonds[2]	18,296	493	(23)	211	—	18,977
Atlas Mara 7.5% Bonds	18,431	—	181	452	—	19,064
Nova Pioneer Bonds[3]	42,093	2,571	(15)	(5,194)	—	39,455
	78,820	3,064	143	(4,531)	—	77,496
Common stocks:						
Indirect equity interest in AGH[4]	104,976	—	—	(18,794)	(18,740)	67,442
Philafrica	19,271	—	—	(2,843)	(5,045)	11,383
GroCapital Holdings	10,328	3,133	—	115	(3,545)	10,031
	134,575	3,133	—	(21,522)	(27,330)	88,856
Derivatives:						
Atlas Mara Warrants	83	—	—	(81)	—	2
Nova Pioneer Warrants	1,458	—	—	(985)	—	473
	1,541	—	—	(1,066)	—	475
Total Private African Investments	256,920	6,197	175	(31,031)	(36,829)	195,432
Total African Investments	354,557	6,811	175	(68,564)	(47,510)	245,469

(1) Recorded in interest within the consolidated statement of earnings (loss) and comprehensive income (loss).
(2) Purchases in the first quarter of 2020 of $493 related to capitalized interest.
(3) Purchases in the first quarter of 2020 of $2,571 related to capitalized interest.
(4) Invested through the company's ownership in Joseph Holdings.

	First quarter							
	2019							
	Balance as of January 1	Purchases	Repayments/ conversions	Accretion of discount/ (amortization of premium)[1]	Net realized loss on investment	Net change in unrealized gains (losses) on investments	Net foreign exchange losses on investments	Balance as of March 31
Public African Investments:								
Common stocks:								
Atlas Mara	119,092	—	—	—	—	(8,635)	—	110,457
CIG[2]	3,886	44,905	—	—	—	(17,767)	(1,349)	29,675
Other[3]	28	—	—	—	—	(24)	(4)	—
Total Public African Investments	123,006	44,905	—	—	—	(26,426)	(1,353)	140,132
Private African Investments:								
Loans:								
AGH Facility	—	12,813	—	99	—	—	(585)	12,327
CIG Loan	21,068	—	—	23	—	(1,015)	(54)	20,022
PGR2 Loan	17,527	—	—	—	—	678	(48)	18,157
	38,595	12,813	—	122	—	(337)	(687)	50,506
Bonds:								
Atlas Mara 11.0% Convertible Bonds[4]	16,334	443	—	(44)	—	90	—	16,823
Atlas Mara 7.5% Bonds	17,499	—	—	167	—	(259)	—	17,407
Nova Pioneer Bonds[5]	26,023	5,048	—	(15)	—	1,729	—	32,785
	59,856	5,491	—	108	—	1,560	—	67,015
Common stocks:								
Indirect equity interest in AGH[5]	111,888	—	—	—	—	764	(284)	112,368
Philafrica	23,463	—	—	—	—	329	(56)	23,736
GroCapital Holdings	11,927	—	—	—	—	—	(30)	11,897
	147,278	—	—	—	—	1,093	(370)	148,001
Derivatives:								
Atlas Mara Warrants	1,016	—	—	—	—	(383)	—	633
Nova Pioneer Warrants	1,001	167	—	—	—	505	—	1,673
	2,017	167	—	—	—	122	—	2,306
Derivative Obligation:								
CIG forward derivative liability[2]	(5,724)	—	4,839	—	(4,839)	5,724	—	—
Total Private African Investments	242,022	18,471	4,839	230	(4,839)	8,162	(1,057)	267,828
Total African Investments	365,028	63,376	4,839	230	(4,839)	(18,264)	(2,410)	407,960

(1) Recorded in interest within the consolidated statement of earnings (loss) and comprehensive income (loss).
(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.
(3) 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 in the first quarter of 2019 of $443 related to capitalized interest.
(5) Purchases in the first quarter of 2019 included $1,715 related to capitalized interest.
(6) Invested through the company's ownership in Joseph Holdings.

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. 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.

The company has also entered into related party transactions with Atlas Mara, comprised of the Atlas Mara Zambia Fixed Deposit and a financial guarantee, which are discussed in the Related Party Transactions section later in this MD&A.

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 49.97% equity interest in associate UBN with continued execution of long term strategy and efforts to increase its shareholding.

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) Atlas Mara Zambia; (iii) BancABC Tanzania; and, (iv) BancABC Mozambique in a share exchange transaction with Equity Group. On January 2, 2020 it was announced that the existing term sheet related to the proposed strategic transaction had expired as both Atlas Mara and Equity Group had yet to sign detailed transaction agreements. Atlas Mara and Equity Group expect to continue further discussions in 2020 to reach mutually acceptable commercial terms with respect to the strategic transaction.

On January 28, 2020 UBN announced that it has entered into an agreement to divest its equity stake in Union Bank UK Plc. (‘‘UBN UK’’) which is aligned with UBN’s strategy to focus on growth opportunities in Nigeria. The completion of the sale is subject to regulatory approvals from the relevant regulatory authorities in Nigeria and the United Kingdom.

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. 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 legal tender purposes. The Zimbabwe dollar has since been under pressure with the country having entered a hyperinflation economy. At March 31, 2020 the interbank foreign exchange rate had declined to 25:1 RTGS to the U.S. dollar.

On March 20, 2020 the Central Bank of Nigeria devalued the Nigerian Naira by 15% in response to significant downward pressure following the sharp decline in oil prices. Atlas Mara is currently assessing the impact of the devaluation on its operations.

During the first quarter of 2020 Atlas Mara continued to operate during the COVID-19 pandemic.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the fair value of the company's investment in Atlas Mara was $41,736 (December 31, 2019 - $78,075), comprised of 71,958,670 common shares representing a 42.4% equity interest (December 31, 2019 - 42.4%). Atlas Mara's share price decreased by 46.8% from $1.09 per share at December 31, 2019 to $0.58 per share at March 31, 2020. The changes in fair value of the company's investment in Atlas Mara for the first quarters of 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Atlas Mara's Summarized Financial Information

As of April 30, 2020 Atlas Mara had not yet publicly released its annual consolidated financial statements for its 2019 fiscal year. Refer to the company's consolidated financial statements for the year ended December 31, 2019, in the MD&A under Public African Investments section under the heading Investment in Atlas Mara Limited (Common Shares) for an analysis of Atlas Mara's summarized financial information as at June 30, 2019 and December 31, 2018 and for the six months ended June 30, 2019 and 2018.

Investment in Consolidated Infrastructure Group Limited (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. Key markets for CIG outside South Africa include Angola, Ethiopia and Kenya.

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 (invests and oversees the development, construction and operation of power and electrical infrastructure projects) and Conlog Proprietary Limited ("Conlog") (metering solution provider);
- Consolidated Building Materials through Drift Supersand Proprietary Limited and West End Claybrick Proprietary Limited (producers of aggregates of crushed stone and rock and manufacturer of concrete roof tiles, face, semi-face and plaster clay bricks);
- Oil and Gas business through 35.0% equity interest in Angola Environmental Servicos Limitada (integrated waste management services to the oil and gas industry); and
- Rail electrification and maintenance.

The company's investment in CIG is comprised of common shares and a debt instrument. The company settled a CIG derivative obligation 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 Limited (Debt Instrument and Derivative Obligation) later in this MD&A) of $4,839 (67.7 million South African rand).

In December 2019 the company acquired an additional 867,841 common shares of CIG for net consideration of $69 (1.0 million South African rand). In the first quarter of 2020 the company acquired an additional 13,419,815 common shares of CIG for net consideration of $614 (10.3 million South African rand). At March 31, 2020 the company held 208,810,137 common shares of CIG, representing a 52.7% equity interest in CIG for net consideration of $49,629 (696.0 million South African rand).

Key Business Drivers, Events, and Risks

The CIG Rights Offer was intended to 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, the CIG Rights Offer allowed CIG to focus on:

- Right-sizing and stabilizing the operations of Conco to ensure it is positioned for the pipeline of new work expected, particularly in South Africa, where Conco has majority market share on renewable energy construction projects and the government has communicated allocations for new developments. 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, reducing working capital investments and borrowings;
- Organically growing its Conlog 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 AES as the oil sector recovers, leading to more rigs coming online in Angola.

During the first quarter of 2020 CIG's operations were substantially halted as South Africa and other countries' governments have imposed mandatory lockdowns for all trading and operations other than those deemed critical essential services for a period during the COVID-19 pandemic. CIG has seen extensions in the lockdown periods in South Africa and in some of its other markets.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the fair value of the company's investment in CIG was $8,301 (December 31, 2019 - $19,562), comprised of 208,810,137 common shares representing a 52.7% equity interest (December 31, 2019 - 49.3%). CIG's share price decreased by 49.3% from 1.40 South African rand per share at December 31, 2019 to 0.71 South African rand per share at March 31, 2020. The changes in fair value of the company's investment in CIG for the first quarters of 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

CIG's Summarized Financial Information

CIG's fiscal year end was changed to December 31 to align with the company, following its August 31, 2019 fiscal year end. CIG has publicly released financial statements for the four months ended December 31, 2019. The tables below present CIG's financial and operating results in both U.S. dollar and South African rand (CIG's presentation currency). At December 31, 2019 the South African rand had strengthened relative to the U.S. dollar compared to August 31, 2019. The discussion which follows refers to South African rand amounts unless indicated otherwise.

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

	South African rand		**US$**	
	December 31, 2019	**August 31, 2019**	**December 31, 2019[(1)]**	**August 31, 2019 [(1)]**
Current assets	2,151,930	3,003,467	153,928	197,857
Non-current assets	1,860,440	1,818,977	133,079	119,827
Current liabilities	3,194,655	3,704,810	228,516	244,059
Non-current liabilities	582,803	565,429	41,688	37,248
Shareholders' equity	234,912	552,205	16,803	36,377

(1) The net assets of CIG were translated at December 31, 2019 at $1 U.S. dollar = 13.98 South African rand and at August 31, 2019 at $1 U.S. dollar = 15.18 South African rand. The exchange rates used were the spot rates prevailing on those respective dates.

The decrease in current assets principally reflected a decrease in cash and cash equivalents primarily due to finance costs and the repayment of borrowings and a decrease in construction work in progress amounts principally related to the timing of construction contracts and progress billings. Non-current assets increased due to CIG's recognition of right of use assets on adoption of new lease accounting standards, partially offset by a decrease in investment associate balances, which principally reflected net foreign exchange losses and distribution of dividends. Current liabilities decreased principally due to decreased trade and other payables and repayment of short-term borrowings. Non-current liabilities increased principally due to CIG's recognition of lease liabilities on adoption of new lease accounting standards, partially offset by a decrease in the company's provisions. The decrease in shareholders' equity primarily reflected the net loss for the four months ended December 31, 2019.

Summarized below are CIG's statements of earnings for the four months ended December 31, 2019 and for the year ended August 31, 2019.

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

	South African rand		**US$**	
	Four months ended December 31, 2019	**Year ended August 31, 2019**	**Four months ended December 31, 2019[(1)]**	**Year ended August 31, 2019 [(1)]**
Revenue	955,417	3,168,574	64,862	221,269
Loss before taxes	(280,269)	(1,279,382)	(19,027)	(89,342)
Net loss	(284,131)	(1,342,985)	(19,289)	(93,784)

(1) Amounts for the four months ended December 31, 2019 and year ended August 31, 2019 were translated into US$ using the average exchange rates of $1 U.S. dollar = 14.73 South African rand and $1 U.S. dollar = 14.32 South African rand prevailing during those periods.

South Africa’s political and regulatory challenges coupled with a slowdown in South African spending added to the challenges faced by CIG and resulted in backlogs on substantial work from state-owned entities and municipalities and slower than anticipated contract awards. Revenues for the four months reflected these challenges, particularly in CIG’s power segment. The net loss for the period reflected under-recovery of operating and finance expenses principally within the Conco business segment.

Investment in Other Public African Investments

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 March 31, 2020 the fair value of the company's investment in Other Public African Investment was nil (December 31, 2019 - nil). The changes in fair value of the company's investment in the Other Public African Investment for the first quarter of 2020 are presented in the table disclosed at the outset of the African Investments section of this MD&A.

Subsequent to March 31, 2020

Subsequent to March 31, 2020 the company acquired less than 5.0% of the common shares of various public companies listed on the Johannesburg Stock Exchange for aggregate cash consideration of $10,055 (185.3 million South African rand).

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.

During the first quarter of 2020 the company faced added uncertainty in determining the discounted cash flows for assessing the fair values of its Private African Investments due to the economic and social impacts of the COVID-19 pandemic, including determining assumptions about discount rates, working capital requirements and other inputs. While the company's valuation techniques for Private African Investments remained unchanged during the first quarter of 2020 the development of market unobservable inputs included added uncertainty related to the economic disruption caused by the ongoing and developing COVID-19 pandemic. The uncertainty in those assumptions has been incorporated into the company's valuations of Private African Investments primarily through wider credit spreads and higher discount rates, as applicable.

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, and Côte d'Ivoire. 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:

- A 73.2% controlling interest in AFGRI Agri Services Proprietary Limited ("AFGRI") (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 and financial services, which manages the Land Bank's corporate debtors' book); 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.

On December 13, 2019 Joseph Holdings redeemed and canceled 10,769,231 of its Class A shares on a pro rata basis at a price of $1.30 per share. The company received $10,317 on the redemption of 7,936,284 of its Class A shares of Joseph Holdings and as a result has recorded a return of capital of $7,936 with the remaining $2,381 received as a dividend. The redemption principally reflected a distribution from AGH of the proceeds received on the contribution of its grain storage assets to a strategic infrastructure platform during the first quarter of 2019.

At March 31, 2020 Fairfax Africa had invested $88,744 in Joseph Holdings (comprised of 74.6% of the common shares and 73.7% of the Class A shares of Joseph Holdings, providing a 74.6% voting interest). Fairfax Africa is the largest beneficial shareholder of AGH, through its investment in Joseph Holdings, with a 46.8% indirect equity interest (December 31, 2019 - 46.8%).

AGH Facility

On January 21, 2019 the company completed a 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%. 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 first quarter of 2019 the company recorded interest income of $403 related to AGH Facility in interest within the consolidated statement of earnings (loss) and comprehensive income (loss).

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. Four 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. At March 31, 2020 AGH's remaining equity interest in AFGRI Grain Silo Company was 14.7%. AFGRI Operations will manage the storage facilities on behalf of AFGRI Grain Silo Company through a management service agreement.

In 2019 GroCapital Advisory entered into an agreement to sell its foreign exchange brokerage business to Grobank. On February 10, 2020 the SARB provided regulatory approval for the transaction to be funded with proceeds from Tier 1 Capital. The transaction is expected to be completed in 2020.

AGH's strategic focuses for 2020 are to (i) further incorporate Grobank into the group's financial services offering to AGH's farming base; re-positioning the bank to focus on serving the needs of the agricultural and food processing sectors; (ii) focus on its core business to ensure efficiencies; (iii) expand its grain storage footprint through AFGRI Grain Silo Company and diversify storage services into a broader commodity pool; and (iv) outside of South Africa, continue to streamline agricultural operations to ensure more efficient capital deployment.

AGH has been classified as an essential business and continues to operate during COVID-19, although AFGRI's retail sales of non-agricultural products are restricted. AGH anticipates potential volume and margin pressures at AFGRI International. South Africa's recent credit rating downgrades and the rapid deterioration of the South African rand are expected to negatively impact cost of funding and imports.

Valuation and Interim Consolidated Financial Statement Impact

Indirect Equity Interest in AGH

At March 31, 2020 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 11.5% to 29.9% and a long term growth rate of 2.5% (December 31, 2019 - 11.1% to 26.9% and 2.5%). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for AGH's business units prepared in the fourth quarter of 2019 (December 31, 2019 - fourth quarter of 2019) by AGH's management. These projections were updated by AGH's management in the first quarter of 2020 for downward revisions in EBITDA estimates for AGH's 2021 fiscal year, primarily reflecting the additional economic uncertainty due to the COVID-19 pandemic. Free cash flow projections beyond AGH's 2021 fiscal year were not revised as AGH's businesses have continued to operate through the COVID-19 pandemic. 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. These risk premiums were reflective of the increased uncertainty of the revised free cash flow projections as a result of the economic and social impacts of the COVID-19 pandemic. At March 31, 2020 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 $67,442 (December 31, 2019 - $104,976), 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 first quarters of 2020 and 2019 are presented in the tables at the outset of the African Investments section of this MD&A.

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 December 31, 2019 and March 31, 2019.

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

	South African rand		US$	
	December 31, 2019	March 31, 2019	**December 31, 2019 (1)**	March 31, 2019 (1)
Current assets	**7,216,710**	6,517,477	**516,217**	451,976
Non-current assets	**3,893,180**	3,840,600	**278,482**	266,338
Current liabilities	**6,836,057**	6,062,283	**488,988**	420,408
Non-current liabilities	**1,182,483**	772,893	**84,584**	53,599
Shareholders' equity	**3,091,350**	3,522,901	**221,127**	244,307

(1) The net assets of AGH were translated at December 31, 2019 at $1 U.S. dollar = 13.98 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 grain inventories and trade and other receivables. 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 an increase 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 due to the finalization of long term loan facilities at Philafrica. Shareholders' equity decreased primarily related to a redemption of shares for 202 million South African rand in November 2019.

Summarized below are AGH's statements of earnings for the nine months ended December 31, 2019 and 2018.

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

	South African rand		US$	
	Nine months ended December 31, 2019	Nine months ended December 31, 2018	**Nine months ended December 31, 2019 (1)**	Nine months ended December 31, 2018 (1)
Revenue from continuing operations	**10,911,040**	9,476,609	**748,870**	696,298
Earnings (loss) before taxes	**(54,675)**	43,692	**(3,753)**	3,210
Net loss	**(191,856)**	(14,333)	**(13,168)**	(1,053)

(1) Amounts for the nine months ended December 31, 2019 and 2018 were translated into US$ using the average exchange rates of $1 U.S. dollar = 14.57 South African rand and $1 U.S. dollar = 13.61 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 increased equipment sales volumes in Australia as well as higher volumes in Philafrica's Animal Feeds business. Earnings (loss) before taxes and net loss increased compared to the same period in the prior year primarily due to unfavourable agricultural conditions in South Africa that reduced demand in AFGRI Agri Services, negative crush margin at Nedan Foods, continued operational challenges at Philafrica's greenfield projects, and a reduction in the size of GroCapital Advisory Services' loan book.

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, and 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). 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 business in Mozambique. Philafrica has 16 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);
- Poultry Mozambique (integrated business across the entire Poultry value chain through its investment in Novos Horizontes);
- Snacking Manufacturing (through Pakworks, producing dry snacks exclusively for PepsiCo in SSA); 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, a third party investor held a 14.0% equity interest and AGH's equity interest decreased from 100.0% to 60.0%. AGH continues to control 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.

In the fourth quarter of 2019 Philafrica commenced the process of exiting the mussels farming and processing business, with the intention to exit the business in 2020.

In 2020, Philafrica will continue to focus on (i) developing and expanding existing business units by implementing operational improvements and maintaining disciplined procurement practices; (ii) integrating its acquisition of Sunshine Bakery; and (iii) improving the performance of its early stage investments including cassava and poultry businesses.

In South Africa, Philafrica has been classified as an essential business and has continued to operate through the COVID-19 pandemic, however lockdowns have disrupted DADTCO's distribution channels in South Africa, Mozambique and Côte d'Ivoire. Demand may be reduced at Pakworks, Nedan, Sunshine Bakery, and Grain Milling due to changes in consumer behaviour and business interruptions in the food service industry.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 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 13.6% to 26.1% and a long term growth rate of 2.5% (December 31, 2019 - 11.8% to 23.0% and 2.5%). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for Philafrica's business units prepared in the fourth quarter of 2019 (December 31, 2019 - fourth quarter of 2019) by Philafrica's management. Free cash flow projections were not revised in the first quarter of 2020 as Philafrica's businesses have continued to operate through the COVID-19 pandemic. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate in the countries of Philafrica's operations. These risk premiums reflected increased uncertainty of the free cash flow projections as a result of the economic and social impacts of the COVID-19 pandemic. At March 31, 2020 the company's internal valuation model indicated that the fair value of its investment in Philafrica was $11,383 (December 31, 2019 - $19,271) for the 26.0% equity interest. The changes in fair value of the company's equity interest in Philafrica for the first quarter of 2020 and 2019 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"). 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 Holdings. Upon closing of this transaction, the company had invested aggregate cash consideration of $14,429 (204.4 million South African rand) in GroCapital Holdings.

On February 10, 2020 GroCapital Holdings obtained approval from the South African Reserve Bank ("SARB") for its acquisition of GroCapital Financial Services (Pty) Limited ("GCFS"), AGH's wholly-owned foreign exchange brokerage business, to establish its Agribusiness Banking Unit. The acquisition is to be funded with proceeds from Tier 1 Capital. On February 13, 2020 GroCapital Holdings issued a capital call to its shareholders to provide capital for the acquisition of GCFS. On February 28, 2020 Fairfax Africa funded $3,133 (49.3 million South African rand) and received an additional 2.6% equity interest in GroCapital Holdings. Upon closing of this transaction, the company held a 37.6% equity interest and had invested aggregate cash consideration of $17,562 (253.7 million South African rand) in GroCapital Holdings.

Capital Commitment

Pursuant to the terms of GroCapital Holdings' Subscription and Shareholders' Agreement and as required under South African banking regulations, the company is committed to fund its share of additional capital contributions in the event that GroCapital Holdings requires those capital contributions in order to meet capital adequacy requirements imposed by the South African Reserve Bank. At March 31, 2020 and December 31, 2019 no capital commitments to GroCapital Holdings (as required by the Subscription and Shareholders' Agreement and South African banking regulations) were recognized within the company's consolidated balance sheets.

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 South Africa. Grobank's key business drivers relate to its ability to grow and penetrate the financial services industry in Africa, particularly through its Business Banking and Alliance Banking lines of businesses. As part of AGH's GroCapital Advisory Services line of business, Grobank intends to grow its customer base in the agricultural industry with a focus on SMEs. Grobank's Alliance Banking creates an opportunity to provide co-branded financial services to Grobank's customers in a strategic partnership with established retailers and FinTech companies.

In the first quarter of 2020 Grobank was classified as an essential service and has continued to operate through the lockdown and travel restrictions imposed by the South African government in response to the COVID-19 pandemic primarily remotely, with basic banking services offered in person. To support its clients facing COVID-19 challenges, Grobank has offered a four month principal and interest moratorium on a case-by-case basis. The SARB has supported Grobank and the broader banking industry by temporarily reducing liquidity coverage and capital adequacy requirements.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the company estimated the fair value of its investment in GroCapital Holdings by estimating the fair value of GroCapital Holdings' 99.9% investment in Grobank using a discounted cash flow analysis based on multi-year free cash flow projections with an assumed discount rate of 18.6% and a long term growth rate of 2.5% (December 31, 2019 - 17.3% and 2.5%). At March 31, 2020 free cash flow projections were based on pre-tax income estimates derived from financial information for Grobank prepared in the fourth quarter of 2019 (December 31, 2019 - fourth quarter of 2019) by Grobank's management. Free cash flow projections were not revised in the first quarter of 2020 as Grobank has continued to operate through the COVID-19 pandemic. Discount rates were based on the company's assessment of risk premiums to the South African risk-free rate. These risk premiums reflected increased uncertainty of the free cash flow projections as a result of the economic and social impacts of the COVID-19 pandemic and increased uncertainty in the extent of loan losses and delayed loan repayments. At March 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in GroCapital Holdings was $10,031 (December 31, 2019 - $10,328) for the 37.6% (December 31, 2019 - 35.0%) equity interest. The changes in fair value of the company's equity interest in GroCapital Holdings for the first quarters of 2020 and 2019 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 Limited (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 March 31, 2020 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 15.8% (December 31, 2019 - 6.8%) and estimated historical share price volatility of 111.4% (December 31, 2019 - 112.3%). The estimated credit spread was based on a peer group of comparable companies adjusted for credit risk specific to CIG. At March 31, 2020 the company's internal valuation model indicated that the estimated fair value of the CIG Loan was $12,865 (December 31, 2019 - $20,744). The changes in fair value of the CIG Loan for the first quarters of 2020 and 2019 are presented in the tables at the outset of the African Investments section of this MD&A.

In the first quarter of 2020 the company recorded interest income of $582 (2019 - $666) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the CIG Loan.

CIG Rights Offer (Derivative Obligation)

At December 31, 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 Limited (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 quarter of 2019 the company's consolidated statements of earnings (loss) and comprehensive income (loss) 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 March 31, 2020 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 21.3% (December 31, 2019 - 13.7%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to PGR2. At March 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $15,740 (December 31, 2019 - $21,240). The changes in fair value of the PGR2 Loan for the first quarters of 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In the first quarter of 2020 the company recorded interest income of $606 (2019 - $703) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) 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 ("Atlas Mara 11.0% Convertible Bonds"). On December 10, 2019, pursuant to the terms of the agreement, Atlas Mara extended the maturity of the bonds by an additional year to December 11, 2020, under substantially the same terms with the exception that Atlas Mara can now repay the principal at any time prior to maturity.

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.

In December 2019 the company provided Atlas Mara an extension to March 31, 2020 to pay $900 in interest, due on December 31, 2019. In March 2020, due to the impacts of COVID-19, the company provided Atlas Mara a further extension to September 30, 2020. The unpaid amounts accrue interest at 11.0% per annum.

Atlas Mara Facility

On March 30, 2020 the company entered into a secured lending arrangement with Atlas Mara pursuant to which Fairfax Africa agreed to provide up to $40,000 of financing (the "Atlas Mara Facility"). The Atlas Mara Facility is secured by Atlas Mara's shares in the publicly-listed entity, African Banking Corporation Botswana Limited ("Atlas Mara Botswana"). The Atlas Mara Facility bears interest at a rate of 10.0% per annum, which is accrued and capitalized quarterly and matures on March 31, 2021 with the option of Atlas Mara to repay at any time prior to maturity. At March 31, 2020 the Atlas Mara Facility was undrawn.

Subsequent to March 31, 2020

On April 2, 2020 the company advanced $20,500 ($20,250, plus a $250 raising fee) under the Atlas Mara Facility.

Valuation and Interim Consolidated Financial Statement Impact

Atlas Mara 11.0% Convertible Bonds

At March 31, 2020 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 10.3% (December 31, 2019 - 10.7%) 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 March 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 11.0% Convertible Bonds was $18,977 (December 31, 2019 - $18,296).

Atlas Mara 7.5% Bonds plus Warrants

At March 31, 2020 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 10.3% (December 31, 2019 - 10.7%) 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 March 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $19,064 (December 31, 2019 - $18,431).

At March 31, 2020 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 35.8% (December 31, 2019 - 33.3%). At March 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara warrants was $2 (December 31, 2019 - $83).

The changes in fair value of the company's bond and warrant investments in Atlas Mara in the first quarters of 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In the first quarter of 2020 the company recorded interest income of $1,126 (2019 - $942) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) 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 2015. Since then, Nova Pioneer has expanded across South Africa and launched its first campus in Kenya in 2016. Nova Pioneer operates thirteen schools with a combined enrollment of approximately 4,500 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 $3,460 per year 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.

In January, April and June 2019 the company invested an aggregate 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 March 31, 2020 Fairfax Africa had invested an aggregate of $42,720 in Nova Pioneer, comprised of $41,433 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 2019 Nova Pioneer progressed on several property financing initiatives with various institutional investors, and closed a property joint venture to fund six of its existing schools in South Africa. In January 2020 Nova Pioneer opened new schools in Eldoret, Kenya and Ruimsig, South Africa and expanded capacity at its existing schools. These initiatives have increased total potential student capacity by approximately 30% from approximately 10,000 to 13,000.

In the near term Nova Pioneer will continue to pursue growth opportunities in Kenya and in South Africa while ensuring each opportunity presents a strong business case.

Nova Pioneer was not classified as an essential business and has temporarily closed its schools in South Africa and Kenya in light of COVID-19 and instead pivoted towards a home-based learning program during the period of school closure. Economic slowdown in South Africa and Kenya may strain individuals' financial situation and impact tuition-paying families' ability to return upon re-opening.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 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 22.1% (December 31, 2019 - 14.6%). 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 March 31, 2020 the company's internal valuation model indicated that the fair value of the investment in Nova Pioneer Bonds was $39,455 (December 31, 2019 - $42,093). The changes in fair value of the Nova Pioneer Bonds during the first quarters of 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In the first quarter of 2020 the company recorded interest income of $2,110 (2019 - $1,555) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Nova Pioneer Bonds.

At March 31, 2020 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 $1.07 (December 31, 2019 - $1.72). At March 31, 2020 the company's internal valuation model indicated that the fair value of the investment in the Nova Pioneer Warrants was $473 (December 31, 2019 - $1,458). The changes in fair value of the Nova Pioneer Warrants during the first quarters of 2020 and 2019 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 (loss) and comprehensive income (loss) for the three months ended March 31 are shown in the following table:

		First quarter	
		2020	2019
Income			
Interest		**5,397**	5,470
Net realized losses on investments		**—**	(4,839)
Net change in unrealized losses on investments		**(68,564)**	(18,264)
Net foreign exchange losses		**(52,516)**	(484)
		(115,683)	(18,117)
Expenses			
Investment and advisory fees		**1,099**	1,795
General and administration expenses		**1,022**	1,227
Interest expense		**199**	617
		2,320	3,639
Loss before income taxes		**(118,003)**	(21,756)
Provision for (recovery of) income taxes		**3,801**	(276)
Net loss and comprehensive loss		**(121,804)**	(21,480)
Net loss per share (basic and diluted)		**$ (2.05)**	$ (0.35)

Total loss from income of $115,683 in the first quarter of 2020 increased from $18,117 in the first quarter of 2019 principally as a result of increased net change in unrealized losses on investments and increased net foreign exchange losses, partially offset by decreased net realized losses on investments.

Net realized loss on investments were nil in the first quarter of 2020. Net realized loss on investments of $4,839 in the first quarter of 2019 related to the settlement of the CIG forward derivative obligation upon closing of the CIG Rights Offer.

Net change in unrealized losses on investments of $68,564 in the first quarter of 2020 was principally comprised of unrealized losses on the company's investments in Atlas Mara common shares ($36,339), indirect equity interest in AGH ($18,794), Nova Pioneer Bonds ($5,194), CIG Loan ($3,333), Philafrica common shares ($2,843), CIG common shares ($1,194), Nova Pioneer Warrants ($985) and the PGR2 Loan ($579), partially offset by unrealized gains on the company's investments in the Atlas Mara Bonds ($663). Net change in unrealized losses on investments of $18,264 in the first quarter of 2019 was principally comprised of unrealized losses on the company's investments in CIG common shares ($17,767), Atlas Mara common shares ($8,635) and the CIG Loan ($1,015), partially offset by the reversal of prior year unrealized loss on the CIG derivative obligation upon closing of the CIG Rights Offer ($5,724), unrealized gains on the company's investment in the Nova Pioneer Bonds ($1,729), the indirect equity interest in AGH ($764) and the PGR2 Loan ($678).

Net foreign exchange losses of $52,516 in the first quarter of 2020 were primarily 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 ($18,740), investments in CIG common shares ($10,681), Philafrica common shares ($5,045), PGR2 Loan ($4,921), CIG Loan ($4,578), and GroCapital Holdings common shares ($3,545) as well as holdings of cash and cash equivalents ($4,917). Net foreign exchange losses of $484 in the first quarter of 2019 were primarily 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 investments in CIG common shares ($1,349), the AGH Facility ($585) and the company's indirect equity interest in AGH ($284), partially offset by net foreign exchange gains on cash and cash equivalents ($1,902).

Net gains (losses) on investments and net foreign exchange gains (losses) for the three months ended March 31 were comprised as follows:

	First quarter					
	2020			2019		
	Net realized losses	**Net change in unrealized losses**	**Net losses**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Loans	**—**	**(3,912)**	**(3,912)**	—	(337)	(337)
Bonds	**—**	**(4,531)**	**(4,531)**	—	1,560	1,560
Common stocks	**—**	**(59,055)**	**(59,055)**	—	(25,333)	(25,333)
Derivatives	**—**	**(1,066)**	**(1,066)**	(4,839)	5,846	1,007
	—	**(68,564)**	**(68,564)**	(4,839)	(18,264)	(23,103)
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**(4,917)**	**—**	**(4,917)**	1,902	—	1,902
Loans	**—**	**(9,499)**	**(9,499)**	—	(687)	(687)
Common stocks	**—**	**(38,011)**	**(38,011)**	—	(1,723)	(1,723)
Other	**—**	**(89)**	**(89)**	—	24	24
	(4,917)	**(47,599)**	**(52,516)**	1,902	(2,386)	(484)

Total expenses of $2,320 in the first quarter of 2020 decreased compared to total expenses of $3,639 in the first quarter of 2019 principally as a result of decreased investment and advisory fees as a result of unrealized losses on African Investments, and decreased interest and general and administration expenses.

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 first quarter of 2020 the company determined that a significant portion of its assets were invested in African Investments, which are considered deployed capital. In the first quarter of 2020 the investment and advisory fees recorded in the consolidated statements of earnings (loss) and comprehensive income (loss) was $1,099 (2019 - $1,795).

At March 31, 2020 the company determined that there was no performance fee accrual (December 31, 2019 - nil) as the book value per share of $6.69 (before factoring in the impact of the performance fee) at March 31, 2020 was less than the hurdle per share at that date of $11.69. In the first quarter of 2020 the company did not record a performance fee (2019 - nil) within the consolidated statements of earnings (loss) and comprehensive income (loss).

Interest expense of $199 in the first quarter of 2020 related to amortization of issuance costs. Interest expense of $617 in the first quarter of 2019 principally related to $30,000 drawn from the company's $90,000 Credit Facility which was repaid on March 21, 2019.

The provision for income taxes of $3,801 in the first quarter of 2020 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 losses earned outside of Canada, foreign exchange fluctuations and the change in unrecorded tax benefit of losses and temporary differences. The recovery of income taxes of $276 in the first 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 primarily due to tax rate differential on losses incurred outside of Canada, partially offset by foreign exchange fluctuations.

The company reported a net loss of $121,804 (a net loss of $2.05 per basic and diluted share) in the first quarter of 2020 compared to a net loss of $21,480 (a net loss of $0.35 per basic and diluted share) in the first quarter of 2019. The year-over-year increase in net loss primarily reflected increased net change in unrealized losses on investments, increased net foreign exchange losses, and increased provision for income taxes, partially offset by decreased net realized losses on investments and decreased investment and advisory fees, interest expense, and general and administration expenses.

Consolidated Balance Sheet Summary

Total Assets

Total assets at March 31, 2020 of $400,201 (December 31, 2019 - $520,667) were principally comprised as follows:

Total cash and investments decreased to $390,438 at March 31, 2020 from $510,399 at December 31, 2019. The movements in the company's cash and investments were principally as follows:

Cash and cash equivalents increased to $93,587 at March 31, 2020 from $44,334 at December 31, 2019 primarily as a result of the company's net sales of short term investments in U.S. treasury bills and notes, partially offset by the company's additional investments in African Investments (GroCapital Holdings and CIG common shares), net foreign exchange losses on cash and cash equivalents, and purchases of subordinate voting shares for cancellation under the terms of the normal course issuer bid.

Restricted cash increased to $12,392 at March 31, 2020 from $7,500 at December 31, 2019 reflecting additional amounts placed on deposit for a fixed period with African Banking Corporation Zambia Limited (''Atlas Mara Zambia''). See note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2020.

Short term investments decreased to $38,990 at March 31, 2020 from $104,008 at December 31, 2019 reflecting net sales of U.S. treasury bills and notes.

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 $6,196 at March 31, 2020 primarily related to interest receivable on the company's investments in Nova Pioneer and Atlas Mara Bonds, PGR2 and CIG Loans, U.S. treasury bills and notes, and restricted cash. Interest receivable of $5,835 at December 31, 2019 primarily related to interest receivable on the company's investments in Nova Pioneer and Atlas Mara Bonds, and CIG and PGR2 Loans.

Deferred income taxes decreased to $1,456 at March 31, 2020 from $1,665 at December 31, 2019 primarily related to the amortization of tax benefit on share issuance costs.

Total Liabilities

Total liabilities at March 31, 2020 of $5,012 (December 31, 2019 - $1,852) were principally comprised as follows:

Payable to related parties decreased to $1,171 at March 31, 2020 from $1,555 at December 31, 2019, principally as a result of decreased investment and advisory fees.

Income tax payable increased to $3,212 at March 31, 2020 from a refundable position of $380 at December 31, 2019 primarily as a result of timing of income tax payments and increase in current taxes recorded in the consolidated statements of earnings (loss) and comprehensive income (loss) for the three months ended March 31, 2020.

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 March 31, 2020 compared to those identified at December 31, 2019 and disclosed in the company's 2019 Annual Report, other than as outlined in note 11 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2020.

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 months ended March 31, 2020.

Book Value per Share

Common shareholders' equity at March 31, 2020 was $395,189 (December 31, 2019 - $518,815). The book value per share at March 31, 2020 was $6.69 compared to $8.72 at December 31, 2019, a decrease of 23.3% in the first three months of 2020, primarily reflecting a net loss of $121,804 in the first three months of 2020 (principally due to a net change in unrealized losses on the company's African Investments and net foreign exchange losses).

	March 31, 2020	December 31, 2019
Common shareholders' equity	**395,189**	518,815
Number of common shares outstanding	**59,032,975**	59,496,481
Book value per share	**$6.69**	$8.72

On June 28, 2019 the company announced that the TSX had accepted 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. 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 three months of 2020, under the terms of the normal course issuer bid, the company purchased for cancellation 463,506 subordinate voting shares (2019 - 1,711,412) for a net cost of $1,850 (2019 - $14,962) and $2,960 (2019 - $2,798) was recorded as a benefit in retained earnings.

Liquidity

The undeployed cash and investments at March 31, 2020 provide adequate liquidity to meet the company's remaining known significant commitments in 2020, which are principally comprised of the Atlas Mara Facility, investment and advisory fees, general and administration expenses and corporate income taxes. On December 20, 2019 the company entered into the Second Credit Facility, which remains undrawn at March 31, 2020 and was not available for drawdown as the company would not meet the minimum common shareholders' equity requirement. 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 second calculation period, December 31, 2022.

Highlights in the first three months of 2020 (with comparisons to the first three months of 2019 except as otherwise noted) of major components of cash flow are presented in the following table:

	First three months	
	2020	2019
Operating activities		
Cash used in operating activities before the undernoted	**(638)**	(1,997)
Net sales (purchases) of short term investments	**65,137**	(49,466)
Purchases of investments	**(3,587)**	(66,057)
Increase in restricted cash in support of investments	**(4,892)**	—
Financing activities		
Repayment of the Credit Facility	—	(30,000)
Purchases of subordinate voting shares for cancellation	**(1,850)**	(14,962)
Increase (decrease) in cash and cash equivalents during the period	**54,170**	(162,482)

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 $638 in the first three months of 2020 decreased compared to $1,997 in the first three months of 2019, primarily due to an increase in cash interest received and decreased interest paid on borrowings.

Net sales of short term investments of $65,137 in the first three months of 2020 related to net sales of short term U.S. treasury bills and notes for deployment into African Investments and reinvestment into cash equivalent U.S. treasury bills and notes. Net purchases of short term investments of $49,466 in the first three months of 2019 related to net purchases of U.S. treasury bills and notes that had not yet been deployed into African Investments.

Purchases of investments of $3,587 in the first three months of 2020 related to the company's additional investments in GroCapital Holdings and CIG common shares. Purchases of investments of $66,057 in the first three months of 2019 primarily related to the company's investments in the CIG common shares acquired through the CIG Rights Offer, AGH Facility that was fully repaid on July 19, 2019, and the Nova Pioneer Bonds and Warrants.

Increase in restricted cash in support of investments of $4,892 in the first three months of 2020 reflected additional amounts placed on deposit for a fixed period with Atlas Mara Zambia. Refer to note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2020 for details.

Repayment of the Credit Facility of $30,000 in the first three months of 2019 related to the repayment upon maturity on March 21, 2019.

Purchases of subordinate voting share of $1,850 in the first three months of 2020 related to the cash paid for the company's purchases for cancellation of 463,506 subordinate voting shares under the terms of the normal course issuer bid that were settled in the period. Purchases of subordinate voting share of $14,962 in the first three months of 2019 related to the cash paid for the company's purchases for cancellation of 1,711,412 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 months ended March 31, 2020 for details.

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 months ended March 31, 2020), 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 (loss) and comprehensive income (loss) in the first quarter of 2020 were $1,099 (2019 - $1,795).

At March 31, 2020 the company determined that there was no performance fee accrual (December 31, 2019 - nil) as the book value per share of $6.69 (before factoring in the impact of the performance fee) at March 31, 2020 was less than the hurdle per share at that date of $11.69. Refer to note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2020 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 months ended March 31, 2020.

Other

Quarterly Data (unaudited)

US$ thousands, except per share amounts	**March 31, 2020**	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Income (loss)	**(115,683)**	11,331	(28,689)	(10,767)	(18,117)	(41,036)	(8,165)	(46,823)
Expenses (recovery)	**2,320**	2,747	2,408	2,432	3,639	2,802	3,392	(5,327)
Provision for (recovery of) income taxes	**3,801**	(182)	1,159	3,030	(276)	3,732	470	337
Net earnings (loss)	**(121,804)**	8,766	(32,256)	(16,229)	(21,480)	(47,570)	(12,027)	(41,833)
Net earnings (loss) per share	**$ (2.05)**	$ 0.15	$ (0.54)	$ (0.27)	$ (0.35)	$ (0.76)	$ (0.19)	$ (0.80)
Net earnings (loss) per diluted share	**$ (2.05)**	$ 0.15	$ (0.54)	$ (0.27)	$ (0.35)	$ (0.76)	$ (0.19)	$ (0.80)

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 first quarter of 2020 were primarily a result of increased net change in unrealized losses on investments on the company's investments in Atlas Mara common shares, indirect equity interest in AGH, Nova Pioneer Bonds, CIG Loan, Philafrica and CIG common shares, and increased 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: taxation of the company, its shareholders and subsidiaries; risk of substantial loss of capital; geographic concentration of investments; risks associated with the global pandemic caused by COVID-19, and the related global reduction in commerce and substantial downturns in stock markets worldwide; financial market fluctuations; control or significant influence position risk; minority investments; risks upon dispositions of investments; bridge financings; reliance on key personnel and risks associated with the Investment Advisory Agreement; effect of fees; operating and financial risks of investments; valuation methodologies involve subjective judgments; lawsuits; foreign currency fluctuation; unknown merits and risks of future investments; illiquidity of investments; competitive market for investment opportunities; use of leverage; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; trading price of subordinate voting shares relative to book value per share; emerging markets; volatility of African securities markets; political, economic, social and other factors; natural disaster risks; sovereign debt risk; economic risk; weather risk, oil price risk and adverse consequences to the company's business, investments and personnel resulting from or related to the COVID-19 pandemic. Additional risks and uncertainties are described in the company's annual information form dated March 6, 2020 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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