FAIRFAX AFRICA
HOLDINGS CORPORATION

3

INTERIM REPORT

For the nine months ended
September 30, 2020

Consolidated Balance Sheets
as at September 30, 2020 and December 31, 2019
(unaudited - US$ thousands)

	Notes	September 30, 2020	December 31, 2019
Assets			
Cash and cash equivalents	7, 15	**65,460**	44,334
Restricted cash	13	**6,562**	7,500
Term deposits	13	**12,392**	—
Short term investments	7	**—**	104,008
Loans	6, 7	**55,000**	41,984
Bonds	6, 7	**75,937**	78,820
Common stocks	6, 7	**105,264**	232,212
Derivatives	6, 7	**364**	1,541
Related party investments	7, 13	**28,233**	—
Total cash and investments		**349,212**	510,399
Interest receivable		**8,294**	5,835
Deferred income taxes		**1,038**	1,665
Income tax refundable		**—**	380
Other assets		**1,981**	2,388
Total assets		**360,525**	520,667
Liabilities			
Accounts payable and accrued liabilities		**11,880**	297
Payable to related parties	13	**3,651**	1,555
Income taxes payable		**3,517**	—
Total liabilities		**19,048**	1,852
Equity			
Common shareholders' equity	9	**341,477**	518,815
		360,525	520,667

See accompanying notes.

Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)
for the three and nine months ended September 30, 2020 and 2019
(unaudited - US$ thousands except per share amounts)

		Third quarter		First nine months	
	Notes	**2020**	2019	**2020**	2019
Income					
Interest	7	**4,736**	5,535	**15,739**	16,841
Dividends	7	**15**	—	**15**	—
Net realized losses on investments	7	**—**	—	**—**	(4,838)
Net change in unrealized losses on investments	7	**(47,424)**	(15,664)	**(126,879)**	(56,303)
Net foreign exchange gains (losses)	7	**8,016**	(18,560)	**(38,712)**	(13,273)
		(34,657)	(28,689)	**(149,837)**	(57,573)
Expenses					
Investment and advisory fees	13	**1,018**	1,566	**3,271**	5,048
General and administration expenses	14	**14,437**	711	**16,915**	2,480
Interest expense	8	**201**	131	**599**	951
		15,656	2,408	**20,785**	8,479
Loss before income taxes		**(50,313)**	(31,097)	**(170,622)**	(66,052)
Provision for (recovery of) income taxes	11	**(795)**	1,159	**4,886**	3,913
Net loss and comprehensive loss		**(49,518)**	(32,256)	**(175,508)**	(69,965)
Net loss per share (basic and diluted)	10	**$ (0.84)**	$ (0.54)	**$ (2.97)**	$ (1.15)
Shares outstanding (weighted average)	10	**59,032,975**	60,264,171	**59,152,402**	61,085,624

See accompanying notes.

Consolidated Statements of Changes in Equity
for the nine months ended September 30, 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	**—**	**—**	**—**	**(175,508)**	**(175,508)**
Purchases for cancellation (note 9)	**(4,810)**	**—**	**—**	**2,960**	**(1,850)**
Purchases and amortization	**—**	**—**	**20**	**—**	**20**
Balance as of September 30, 2020	**305,268**	**300,000**	**(407)**	**(263,384)**	**341,477**
Balance as of January 1, 2019	340,518	300,000	(364)	(37,027)	603,127
Net loss for the period	—	—	—	(69,965)	(69,965)
Purchases for cancellation (note 9)	(33,860)	—	—	7,171	(26,689)
Purchases and amortization	—	—	(91)	—	(91)
Tax benefit on share issuance costs (note 11)	2,230	—	—	—	2,230
Balance as of September 30, 2019	308,888	300,000	(455)	(99,821)	508,612

See accompanying notes.

Consolidated Statements of Cash Flows
for the three and nine months ended September 30, 2020 and 2019
(unaudited - US$ thousands)

		Third quarter		First nine months	
	Notes	**2020**	2019	**2020**	2019
Operating activities					
Net loss		**(49,518)**	(32,256)	**(175,508)**	(69,965)
Items not affecting cash and cash equivalents:					
Net bond discount accretion		**(366)**	(377)	**(1,031)**	(1,863)
Capitalized interest on loans and bonds	6	**(4,196)**	(2,651)	**(9,733)**	(6,680)
Deferred income taxes	11	**(1,165)**	(279)	**94**	271
Amortization of share-based payment awards		**32**	28	**92**	79
Net realized losses on investments	7	**—**	—	**—**	4,838
Net change in unrealized losses on investments	7	**47,424**	15,664	**126,879**	56,303
Net foreign exchange (gains) losses	7	**(8,016)**	18,560	**38,712**	13,273
Net sales (purchases) of short term investments		**—**	25,284	**104,095**	(34,041)
Purchases of investments	6, 15	**(919)**	—	**(61,022)**	(74,072)
Disposals of investments	6, 15	**—**	12,939	**—**	12,939
Decrease in restricted cash in support of investments	13	**12,067**	—	**938**	—
Increase in term deposits in support of investments	13	**(12,392)**	—	**(12,392)**	—
Changes in operating assets and liabilities:					
Interest receivable		**(45)**	(416)	**(2,459)**	(1,818)
Income taxes payable		**112**	(2,007)	**3,897**	(2,138)
Payable to related parties		**2,397**	(297)	**2,096**	(64)
Other		**11,112**	(63)	**12,619**	1,929
Cash provided by (used in) operating activities		**(3,473)**	34,129	**27,277**	(101,009)
Financing activities					
Borrowings:	8				
Repayment		**—**	—	**—**	(30,000)
Subordinate voting shares:	9				
Purchases for cancellation		**—**	(2,636)	**(1,850)**	(22,265)
Cash used in financing activities		**—**	(2,636)	**(1,850)**	(52,265)
Increase (decrease) in cash and cash equivalents		**(3,473)**	31,493	**25,427**	(153,274)
Cash and cash equivalents - beginning of period		**68,526**	48,053	**44,334**	230,858
Foreign currency translation		**407**	(1,571)	**(4,301)**	391
Cash and cash equivalents - end of period	15	**65,460**	77,975	**65,460**	77,975

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 13 for details on Fairfax's voting rights and equity interest in the company. Upon closing of the transaction with Helios Holdings Limited, the company will enter into an administration and investment advisory services agreement with a member of the Helios Holdings Group, which will replace the existing Investment Advisory Agreement with HWIC (see note 2).

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. Helios Transaction

On July 10, 2020 the company announced that it had entered into a purchase and sale agreement with Helios Holdings Limited (together with one or more of its affiliates, as the context requires, "Helios Holdings Group") pursuant to which the Helios Holdings Group is expected to contribute its entitlement to cash flows arising from certain fee streams (as summarized below) to Fairfax Africa in exchange for a 45.9% equity and voting interest in the share capital of Fairfax Africa upon closing (the "Transaction"). Following completion of the Transaction, Fairfax Africa will be renamed Helios Fairfax Partners Corporation ("HFP") and its subordinate voting shares will continue to be listed on the Toronto Stock Exchange.

Helios, an Africa-focused private investment firm led and predominantly staffed by African professionals, manages geographically diversified portfolios of private equity and credit investments in over 30 African countries.

Entitlements to the cash flows arising from the following fee streams expected to be contributed as consideration to Fairfax Africa by the Helios Holdings Group include the following:

- 100% of all management and other fees paid to Helios and its affiliates in connection with the management of any existing or future fund (including the management of HFP and its subsidiaries), less expenses, administrative fees, and other operation fees relating to the management of those funds;
- 25% of carried interest amounts generated by any existing fund managed by Helios or any of its affiliates, excluding Helios Investors IV, L.P.; and
- 50% of carried interest amounts generated by any future fund managed by Helios or any of its affiliates, including Helios Investors IV, L.P.

Fairfax Africa expects to call a special shareholder meeting (the “Meeting”) at which shareholders of Fairfax Africa (“Shareholders”) will be asked to approve, among other things, an amendment to Fairfax Africa’s articles and by-laws in order to give effect to the Transaction.

The Board of Directors of Fairfax Africa, upon recommendation from an independent special committee of the Board of Directors, which received independent legal and financial advice, determined (with interested directors abstaining) that the Transaction is in the best interests of Fairfax Africa and recommended that shareholders (other than Fairfax Financial and its affiliates) vote in favour of the Transaction at the Meeting.

The Transaction is expected to close in the fourth quarter of 2020, subject to customary conditions, including receipt of applicable regulatory approvals, the approval of the Toronto Stock Exchange and approval by Shareholders at the Meeting.

In connection with the Transaction, Fairfax Africa entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for an aggregate purchase price of $40,000, of which half is expected to be paid upfront with the balance to be paid no later than three years from closing of the Transaction, giving rise to the Atlas Mara Forward Derivative (see note 13). In addition, Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Credit Swap (see note 13). Until closing of the Transaction, the company may not (without consent from the Helios Holdings Group), among other things, effect any recapitalizations, declare any dividends, purchase or dispose of African Investments, or enter into new material transactions. Furthermore, immediately prior to closing of the Transaction, the company must hold at least $102,000 in cash and cash equivalents, restricted cash and marketable securities, less any Transaction expenses.

Upon consummation of the Transaction, the company will enter into an administration and investment advisory services agreement ("New Investment Advisory Agreement"), with a member of the Helios Holdings Group (the "New Portfolio Advisor"). The New Investment Advisory Agreement will replace the existing Investment Advisory Agreement with HWIC. Pursuant to the New Investment Advisory Agreement, the New Portfolio Advisor will provide investment advisory services, including advice and recommendations relating to potential investment opportunities, to Fairfax Africa. The New Portfolio Advisor will have discretionary authority to negotiate and complete investments on behalf of Fairfax Africa. Notwithstanding the foregoing, the Portfolio Advisor: (A) will request approval from Fairfax Africa's board of directors, by simple majority, prior to making any investment in excess of the greater of (x) 10% of Fairfax Africa's Net Asset Value and (y) $50 million; and (B) will not make any insurance-related investment without the prior written consent of Fairfax.

Tope Lawani and Babatunde Soyoye (the co-founders and Managing Partners of the investment advisor to the Helios funds) will be appointed as co-Chief Executive Officers of HFP and Michael Wilkerson will be appointed Executive Vice Chairman of HFP.

3. Basis of Presentation

The company's interim consolidated financial statements for the three and nine months ended September 30, 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 October 29, 2020.

4. 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.

New accounting pronouncements issued but not yet effective

During the first nine months of 2020 the IASB issued the following amendments: *Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*, effective January 1, 2021; and *Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)* and *Annual Improvements to IFRS Standards 2018-2020*, which are effective January 1, 2022. The IASB also deferred the effective date of *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* to January 1, 2023. Adoption of these amendments is not expected to have a significant impact on the company's consolidated financial statements.

5. 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 6, 7 and 11 in a manner consistent with those as described in the company's annual consolidated financial statements for the year ended December 31, 2019, except as it relates to the valuation of Private African Investments due to the impacts of COVID-19. The broad effects of the COVID-19 pandemic on the company are described in note 12 and the effects on the company's development of critical estimates during the third quarter and first nine months of 2020 are described below.

Valuation of Private African Investments

While the company's valuation techniques for Private African Investments remained unchanged (with the exception of the company's investments in the PGR2 Loan and GroCapital Holdings) during the third quarter and first nine months of 2020 the development of unobservable inputs included added uncertainty related to the economic disruption caused by the ongoing 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 risk premiums, 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. Refer to notes 6 and 7 for details on the valuation of company's Private African Investments at September 30, 2020.

6. African Investments

Throughout the company's interim consolidated financial statements for the three and nine months ended September 30, 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 third quarters of 2020 and 2019 were as follows:

	Third quarter 2020					
	Balance as of July 1	Purchases	Accretion of discount/ (amortization of premium)[1]	Net change in unrealized gains (losses) on investments[2]	Net foreign exchange gains on investments	Balance as of September 30
Public African Investments:						
Common stocks:						
Atlas Mara[3]	34,396	—	—	(11,082)	—	23,314
CIG	6,450	—	—	(5,675)	1,680	2,455
Other	11,562	—	—	211	445	12,218
Total Public African Investments	52,408	—	—	(16,546)	2,125	37,987
Private African Investments:						
Loans:						
CIG Loan	15,567	—	29	(529)	701	15,768
PGR2 Loan	18,552	—	—	(17,326)	817	2,043
Atlas Mara Facility[4][5]	39,612	1,921	136	(10,614)	—	31,055
Philafrica Facility[6]	5,714	137	36	7	240	6,134
	79,445	2,058	201	(28,462)	1,758	55,000
Bonds:						
Atlas Mara 11.0% Convertible Bonds[7]	19,551	521	(24)	(5,027)	—	15,021
Atlas Mara 7.5% Bonds	19,420	—	193	(5,111)	—	14,502
Nova Pioneer Bonds[8]	43,774	2,536	(1)	105	—	46,414
	82,745	3,057	168	(10,033)	—	75,937
Common stocks:						
Indirect equity interest in AGH[9]	63,143	—	—	(8,858)	2,269	56,554
Philafrica	15,156	—	—	(6,445)	780	9,491
GroCapital Holdings	5,514	—	—	(4,967)	685	1,232
	83,813	—	—	(20,270)	3,734	67,277
Derivatives:						
Atlas Mara Warrants	3	—	—	(2)	—	1
Nova Pioneer Warrants	707	—	—	(344)	—	363
	710	—	—	(346)	—	364
Total Private African Investments	246,713	5,115	369	(59,111)	5,492	198,578
Total African Investments	299,121	5,115	369	(75,657)	7,617	236,565

(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) In connection with the Transaction with Helios Holdings Limited (see note 2), Fairfax Africa entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for an aggregate purchase price of $40,000, giving rise to the Atlas Mara Forward Derivative discussed later in note 13.

(4) Purchases in the third quarter of 2020 included $1,002 related to capitalized interest.

(5) In connection with the Transaction with Helios Holdings Limited (see note 2), Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Credit Swap discussed later in note 13.

(6) Purchases in the third quarter of 2020 of $137 related to capitalized interest.

(7) Purchases in the third quarter of 2020 of $521 related to capitalized interest.

(8) Purchases in the third quarter of 2020 of $2,536 related to capitalized interest.

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

	Third quarter						
	2019						
	Balance as of July 1	Purchases	Repayments/ conversions	Accretion of discount/ (amortization of premium)[(1)]	Net change in unrealized gains (losses) on investments[(2)]	Net foreign exchange gains (losses) on investments	Balance as of September 30
Public African Investments:							
Common stocks:							
Atlas Mara	102,182	—	—	—	(20,869)	—	81,313
CIG	14,485	—	—	—	4,950	(3,399)	16,036
Total Public African Investments	116,667	—	—	—	(15,919)	(3,399)	97,349
Private African Investments:							
Loans:							
AGH Facility	12,735	—	(12,939)	26	—	178	—
CIG Loan	20,757	—	—	27	(335)	(1,464)	18,985
PGR2 Loan	20,578	—	—	—	(411)	(1,463)	18,704
	54,070	—	(12,939)	53	(746)	(2,749)	37,689
Bonds:							
Atlas Mara 11.0% Convertible Bonds[(3)]	17,434	467	—	(48)	135	—	17,988
Atlas Mara 7.5% Bonds	17,870	—	—	168	114	—	18,152
Nova Pioneer Bonds[(4)]	39,124	2,184	—	(12)	536	—	41,832
	74,428	2,651	—	108	785	—	77,972
Common stocks:							
Indirect equity interest in AGH[(5)]	115,247	—	—	—	1,807	(8,182)	108,872
Philafrica	24,315	—	—	—	(1,293)	(1,614)	21,408
GroCapital Holdings	14,490	—	—	—	—	(1,013)	13,477
	154,052	—	—	—	514	(10,809)	143,757
Derivatives:							
Atlas Mara Warrants	405	—	—	—	(279)	—	126
Nova Pioneer Warrants	1,835	—	—	—	(16)	—	1,819
	2,240	—	—	—	(295)	—	1,945
Total Private African Investments	284,790	2,651	(12,939)	161	258	(13,558)	261,363
Total African Investments	401,457	2,651	(12,939)	161	(15,661)	(16,957)	358,712

(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 third quarter of 2019 of $467 related to capitalized interest.

(4) Purchases in the third quarter of 2019 of $2,184 related to capitalized interest.

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

A summary of changes in the fair value of the company's Public and Private African Investments for the first nine months of 2020 and 2019 were as follows:

	First nine months					
	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 gains (losses) on investments**	**Balance as of September 30**
Public African Investments:						
Common stocks:						
Atlas Mara(3)	**78,075**	**—**	**—**	**(54,761)**	**—**	**23,314**
CIG	**19,562**	**866**	**—**	**(10,075)**	**(7,898)**	**2,455**
Other	**—**	**10,053**	**—**	**1,110**	**1,055**	**12,218**
Total Public African Investments	**97,637**	**10,919**	**—**	**(63,726)**	**(6,843)**	**37,987**
Private African Investments:						
Loans:						
CIG Loan	**20,744**	**—**	**100**	**(1,649)**	**(3,427)**	**15,768**
PGR2 Loan(4)	**21,240**	**1,358**	**—**	**(16,957)**	**(3,598)**	**2,043**
Atlas Mara Facility(5)(6)	**—**	**41,079**	**204**	**(10,228)**	**—**	**31,055**
Philafrica Facility(7)	**—**	**5,797**	**47**	**32**	**258**	**6,134**
	41,984	**48,234**	**351**	**(28,802)**	**(6,767)**	**55,000**
Bonds:						
Atlas Mara 11.0% Convertible Bonds(8)	**18,296**	**1,521**	**(71)**	**(4,725)**	**—**	**15,021**
Atlas Mara 7.5% Bonds	**18,431**	**—**	**555**	**(4,484)**	**—**	**14,502**
Nova Pioneer Bonds(9)	**42,093**	**5,107**	**65**	**(851)**	**—**	**46,414**
	78,820	**6,628**	**549**	**(10,060)**	**—**	**75,937**
Common stocks:						
Indirect equity interest in AGH(10)	**104,976**	**—**	**—**	**(33,670)**	**(14,752)**	**56,554**
Philafrica	**19,271**	**—**	**—**	**(6,023)**	**(3,757)**	**9,491**
GroCapital Holdings	**10,328**	**4,974**	**—**	**(11,606)**	**(2,464)**	**1,232**
	134,575	**4,974**	**—**	**(51,299)**	**(20,973)**	**67,277**
Derivatives:						
Atlas Mara Warrants	**83**	**—**	**—**	**(82)**	**—**	**1**
Nova Pioneer Warrants	**1,458**	**—**	**—**	**(1,095)**	**—**	**363**
	1,541	**—**	**—**	**(1,177)**	**—**	**364**
Total Private African Investments	**256,920**	**59,836**	**900**	**(91,338)**	**(27,740)**	**198,578**
Total African Investments	**354,557**	**70,755**	**900**	**(155,064)**	**(34,583)**	**236,565**

(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) In connection with the Transaction with Helios Holdings Limited (see note 2), Fairfax Africa entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for an aggregate purchase price of $40,000, giving rise to the Atlas Mara Forward Derivative discussed later in note 13.
(4) Purchases in the first nine months of 2020 of $1,358 related to capitalized interest.
(5) Purchases in the first nine months of 2020 included $1,572 related to capitalized interest.
(6) In connection with the Transaction with Helios Holdings Limited (see note 2), Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Credit Swap discussed later in note 13.
(7) Purchases in the first nine months of 2020 included $175 related to capitalized interest.
(8) Purchases in the first nine months of 2020 of $1,521 related to capitalized interest.
(9) Purchases in the first nine months of 2020 of $5,107 related to capitalized interest.
(10) Invested through the company's ownership in Joseph Holdings.

	First nine months							
	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 September 30
Public African Investments:								
Common stocks:								
Atlas Mara	119,092	—	—	—	—	(37,779)	—	81,313
CIG(3)	3,886	44,905	—	—	—	(29,085)	(3,670)	16,036
Other(4)	28	—	—	—	—	(24)	(4)	—
Total Public African Investments	123,006	44,905	—	—	—	(66,888)	(3,674)	97,349
Private African Investments:								
Loans:								
AGH Facility	—	12,813	(12,939)	257	—	—	(131)	—
CIG Loan	21,068	—	—	81	—	(1,105)	(1,059)	18,985
PGR2 Loan(5)	17,527	1,416	—	—	—	806	(1,045)	18,704
	38,595	14,229	(12,939)	338	—	(299)	(2,235)	37,689
Bonds:								
Atlas Mara 11.0% Convertible Bonds(6)	16,334	1,365	—	(137)	—	426	—	17,988
Atlas Mara 7.5% Bonds	17,499	—	—	592	—	61	—	18,152
Nova Pioneer Bonds(7)	26,023	12,620	—	27	—	3,162	—	41,832
	59,856	13,985	—	482	—	3,649	—	77,972
Common stocks:								
Indirect equity interest in AGH(8)	111,888	—	—	—	—	2,895	(5,911)	108,872
Philafrica	23,463	—	—	—	—	(896)	(1,159)	21,408
GroCapital Holdings	11,927	2,288	—	—	—	—	(738)	13,477
	147,278	2,288	—	—	—	1,999	(7,808)	143,757
Derivatives:								
Atlas Mara Warrants	1,016	—	—	—	—	(890)	—	126
Nova Pioneer Warrants	1,001	506	—	—	—	312	—	1,819
	2,017	506	—	—	—	(578)	—	1,945
Derivative Obligation:								
CIG forward derivative liability(3)	(5,724)	—	4,839	—	(4,839)	5,724	—	—
Total Private African Investments	242,022	31,008	(8,100)	820	(4,839)	10,495	(10,043)	261,363
Total African Investments	365,028	75,913	(8,100)	820	(4,839)	(56,393)	(13,717)	358,712

(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 nine months of 2019 of $1,416 related to capitalized interest.

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

(7) Purchases in the first nine months of 2019 included $3,899 related to capitalized interest.

(8) 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 6.

The company has 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 13.

In connection with the Helios Transaction, the company has also entered into related party investments with Fairfax with respect to its investment in the Atlas Mara common shares and the Atlas Mara Facility, which are discussed later in note 13.

Atlas Mara Common Shares

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

At September 30, 2020 the fair value of the company's investment in Atlas Mara was $23,314 (December 31, 2019 - $78,075), comprised of 71,958,670 common shares representing a 42.3% equity interest (December 31, 2019 - 42.4%). The changes in fair value of the company's investment in Atlas Mara for the third quarters and first nine months of 2020 and 2019 are presented in the tables disclosed earlier in note 6.

In connection with the Transaction with Helios Holdings Limited (see note 2), Fairfax Africa entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for an aggregate purchase price of $40,000, of which half is expected to be paid upfront with the balance to be paid no later than three years from closing of the Transaction, giving rise to the Atlas Mara Forward Derivative discussed later in note 13.

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, waste management of 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 6.

The lockdown in South Africa in response to COVID-19 has significantly impacted CIG and brought most of its operations and construction sites to a standstill for two months in April and May of 2020 which was followed by a slow restart thereafter.

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 6) 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 nine months of 2020 the company acquired an additional 20,126,948 common shares of CIG for net consideration of $866 (14.9 million South African rand). At September 30, 2020 the company held 215,517,270 common shares of CIG, representing a 54.4% equity interest in CIG for net consideration of $49,881 (700.6 million South African rand).

At September 30, 2020 the fair value of the company's investment in CIG was $2,455 (December 31, 2019 - $19,562), comprised of 215,517,270 common shares representing a 54.4% equity interest (December 31, 2019 - 49.3%). The changes in fair value of the company's investment in CIG for the third quarters and first nine months of 2020 and 2019 are presented in the tables disclosed earlier in note 6.

Subsequent to September 30, 2020

On October 23, 2020, Fairfax Africa terminated the appointment of three of its nominee directors from the board of CIG.

Investment in Other Public African Investments

In April 2020 the company acquired less than 5.0% of the common shares of public companies in various sectors, listed on the Johannesburg Stock Exchange (investment in "Other Public African Investments"), for aggregate cash consideration of $10,053 (185.3 million South African rand).

At September 30, 2020 the fair value of the company's investment in Other Public African Investments was $12,218. The changes in fair value of the company's investment in the Other Public African Investments for the third quarter of 2020 and first nine months of 2020 and 2019 are presented in the tables disclosed earlier in note 6.

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 September 30, 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 43.8% indirect equity interest (December 31, 2019 - 46.8%).

During the first nine months of 2020 AGH's businesses were classified as essential services and 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 were temporarily restricted in the first quarter of 2020. In the second quarter of 2020 lockdowns were gradually eased and AFGRI resumed retail and wholesale sales of all inventory.

At September 30, 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 21.6% and a long term growth rate of 2.5% (December 31, 2019 - 11.1% to 26.9% and 2.5%). At September 30, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for AGH's business units prepared in the second quarter of 2020 (December 31, 2019 - fourth quarter of 2019) by AGH's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which AGH operates. 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 September 30, 2020 the company's internal valuation model indicated that the fair value of its 43.8% indirect equity interest in AGH, acquired through the company's ownership in Joseph Holdings, was $56,554 (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 third quarters and first nine months of 2020 and 2019 are presented in the tables disclosed earlier in note 6.

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 (180.0 million South African rand, inclusive of raising fees) and $485 (6.7 million South African rand) of accrued interest for total cash consideration of $13,424 (186.7 million South African rand). In the third quarter and first nine months of 2019 the company recorded interest income of $87 and $1,013 in interest within the consolidated statement of earnings (loss) and comprehensive income (loss) related to the AGH Facility.

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. Philafrica has 20 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 (325.0 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 nine months of 2020 Philafrica's businesses, all of which 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 September 30, 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 13.1% to 16.6% and a long term growth rate of 2.5% (December 31, 2019 - 11.8% to 23.0% and 2.5%). At September 30, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for Philafrica’s business units prepared in the second quarter of 2020 (December 31, 2019 - fourth quarter of 2019) by Philafrica’s management. 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 revised free cash flow projections as a result of the economic and social impacts of the COVID-19 pandemic.

At September 30, 2020 the company's internal valuation model indicated that the fair value of its investment in Philafrica was $9,491 (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 third quarter and first nine months of 2020 and 2019 are presented in the tables disclosed earlier in note 6.

Philafrica Facility

On May 27, 2020 the company entered into a secured lending arrangement with Philafrica pursuant to which Fairfax Africa agreed to provide up to $8,594 (150.0 million South African rand) of financing (the “Philafrica Facility”) during a commitment period which ended on June 17, 2020. The Philafrica Facility matures on March 31, 2021 with the option of Philafrica to repay at any time prior to maturity and bears interest at a rate of South African prime plus 2.0% per annum, which is accrued and capitalized monthly. The Philafrica Facility is secured by a general guarantee from AGH and AGH's pledge of equity interests in Philafrica. In the second quarter of 2020 the company advanced $5,622 (98.0 million South African rand), net of a 2.0% raising fee, under the Philafrica Facility.

At September 30, 2020 the company estimated the fair value of its investment in the Philafrica Facility using an industry accepted discounted cash flow and option pricing model that incorporated Philafrica's estimated credit spread of 6.7% and assumptions related to certain redemption options embedded in the facility. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Philafrica. At September 30, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Philafrica Facility was $6,134. The changes in fair value of the Philafrica Facility for the third quarter and first nine months of 2020 are presented in the tables disclosed earlier in note 6.

In the third quarter and first nine months of 2020 the company recorded interest income of $171 and $227 and within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Philafrica Facility.

Investment in GroCapital Holdings Limited

GroCapital Holdings 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") to acquire GroCapital Financial Services (Pty) Limited ("GCFS"), a foreign exchange brokerage business, wholly-owned by AGH, to establish its Agribusiness Banking Unit. On February 13, 2020 GroCapital Holdings issued a capital call to its shareholders to fund the GCFS acquisition. On February 28, 2020 the company funded $3,133 (49.3 million South African rand) and received an additional 2.6% equity interest in GroCapital Holdings. As the capital call did not receive the full support of shareholders, GroCapital Holdings unwound the GCFS acquisition in the second quarter of 2020.

On June 30, 2020 the company provided a letter of support to GroCapital Holdings (the "letter of support") whereby the company outlined the financial support it is willing to provide Grobank going forward. The financial support is limited to 100.0 million South African rand ($5,755 at period end exchange rates), available in three tranches on June 30, September 30, and December 30, 2020. The funding will be used to support Grobank in meeting its capital adequacy requirements. On June 30, 2020 pursuant to the letter of support, GroCapital Holdings issued a capital call to its shareholders and the company funded $1,841 (32.0 million South African rand). Upon closing of this transaction, the company held a 48.1% equity interest and had invested aggregate cash consideration of $19,403 (285.7 million South African rand) in GroCapital Holdings.

On September 29, 2020 GroCapital Holdings and Grobank entered into a subscription agreement with Access Bank Plc ("Access Bank"), a publicly listed Nigerian commercial bank, pursuant to which Access Bank will invest cash consideration of up to 400.0 million South African rand ($23,981 at period end exchange rates) to acquire a 90.4% equity interest in Grobank in two tranches, subject to regulatory and shareholder approval. Following completion of the first tranche, Grobank will be renamed Access Bank (South Africa) Limited ("Access Bank SA").

In the first nine months 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 September 30, 2020 the company estimated the fair value of its investment in GroCapital Holdings based on the recent transaction price of Grobank implied by the subscription agreement with Access Bank. At September 30, 2020 the recent transaction price indicated that the fair value of the company's investment in GroCapital Holdings was $1,232 for the 48.1% equity interest.

At December 31, 2019 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 17.3% and a long term growth rate of 2.5%. At December 31, 2019 free cash flow projections were based on pre-tax income estimates derived from financial information prepared in the fourth quarter of 2019 by Grobank's management. Discount rates were based on the company's assessment of risk premiums to the South African risk-free rate. At December 31, 2019 the company's internal valuation model indicated that the fair value of the company's investment in GroCapital Holdings was $10,328 for the 35.0% equity interest.

Grobank's plan to acquire GCFS was a significant underlying assumption in Grobank's multi-year free cash flow projections prepared in the fourth quarter of 2019. As a result of the cancellation of the GCFS acquisition in the second quarter of 2020 and the transaction with Access Bank in the third quarter of 2020 the company changed its valuation technique as explained above.

The changes in fair value of the company's equity interest in GroCapital Holdings for the third quarters and first nine months of 2020 and 2019 are presented in the tables disclosed earlier in note 6.

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 6.

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), net of a 2.5% raising fee (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.

In June 2020 due to the impacts of COVID-19, the company allowed CIG to defer interest payments due June 4, 2020 onwards. At September 30, 2020, deferred interest was $560 (9.3 million South African rand) and the company and CIG are negotiating revised payment terms. The unpaid amounts did not accrue interest.

At September 30, 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 10.8% (December 31, 2019 - 6.8%) and estimated historical share price volatility of 125.0% (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 September 30, 2020 the company's internal valuation model indicated that the estimated fair value of the CIG Loan was $15,768 (December 31, 2019 - $20,744). The changes in fair value of the CIG Loan for the third quarters and first nine months of 2020 and 2019 are presented in the tables disclosed earlier in note 6.

In the third quarter and first nine months of 2020 the company recorded interest income of $438 and $1,462 (2019 - $637 and 1,976) 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 6) gave rise to a forward derivative liability. On January 4, 2019 upon closing of the CIG Rights Offer the company settled the forward derivative liability with a fair value of $4,839, reducing the net consideration recorded for the shares acquired by the company in the CIG Rights Offer.

In the first nine months of 2019 the company's consolidated statements of earnings (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.

Subsequent to September 30, 2020

On October 23, 2020, Fairfax Africa terminated the appointment of three of its nominee directors from the board of CIG.

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 (260.0 million South African rand) of financing (the "PGR2 Loan"). The PGR2 Loan is partially secured by common shares of CIG held by PGR2 and associated parties and bears interest at a rate of 15.0% per annum, payable semi-annually in cash or in kind at PGR2's option, with a maturity date of May 24, 2021.

At September 30, 2020 the company estimated the fair value of its investment in the PGR2 Loan based on an expected recovery model, supported by the value of the underlying CIG common shares pledged as collateral. At September 30, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $2,043.

At December 31, 2019 the company estimated the fair value of its investment in the PGR2 Loan using an industry accepted discounted cash flow and option pricing model that incorporated PGR2's estimated credit spread of 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 December 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $21,240.

The changes in fair value of the PGR2 Loan for the third quarters and first nine months of 2020 and 2019 are presented in the tables disclosed earlier in note 6.

As a result of the significant and prolonged decline in the fair value of CIG common shares pledged as security for the PGR2 Loan, at September 30, 2020, the company revised its expected recovery of outstanding amounts under the PGR2 Loan. The current fair value of the PGR2 Loan is supported by the fair value of the CIG common shares pledged as security. Accordingly, in the third quarter of 2020 the company changed its valuation technique as discussed above and reversed $200 in interest income within the consolidated statements of earnings (loss) and comprehensive income (loss) which related to previously accrued interest which had not been capitalized at September 30, 2020.

In the third quarter and first nine months of 2020 the company recorded interest income reversal of $200 and interest income of $1,118 (2019 - interest income of $718 and $2,153) 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 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 6. The Atlas Mara debt instruments 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 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 September 30, 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 28.4% (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 September 30, 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 $15,021 (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 7.5% Bonds are secured by Atlas Mara's shares in Union Bank of Nigeria ("UBN"). 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 the first six months of 2020, due to the impacts of COVID-19, the company provided Atlas Mara a further extension of all interest payable from December 31, 2019 onwards to September 30, 2020. The company and Atlas Mara are negotiating revised payment terms. The unpaid amount of $1,899 at September 30, 2020 accrues interest at 11.0% per annum.

At September 30, 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 28.4% (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 September 30, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $14,502 (December 31, 2019 - $18,431).

At September 30, 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 46.4% (December 31, 2019 - 33.3%). At September 30, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara warrants was $1 (December 31, 2019 - $83).

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 will mature on March 31, 2021 with the option of Atlas Mara to repay at any time prior to maturity. In the first nine months of 2020, the company advanced $39,507, net of $493 in raising fees, under the Atlas Mara Facility.

At September 30, 2020 the company estimated the fair value of its investment in the Atlas Mara Facility using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 28.4% and assumptions related to certain redemption options embedded in the facility. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At September 30, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara Facility was $31,055.

In the third quarter and first nine months of 2020 the company recorded interest income of $1,739 and $4,642 (2019 - $1,038 and $3,096) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Atlas Mara Bonds and the Atlas Mara Facility.

The changes in fair value of the company's loan, bonds and warrant investments in Atlas Mara in the third quarters and first nine months of 2020 and 2019 are presented in the tables disclosed earlier in note 6.
In connection with the Transaction with Helios Holdings Limited (see note 2), Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Credit Swap described later in note 13.

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 4,400 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 on or 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 September 30, 2020 Fairfax Africa had invested an aggregate of $45,256 in Nova Pioneer, comprised of $43,969 in Nova Pioneer Bonds (inclusive of capitalized accrued interest on the principal amount owing) and $1,287 in 3,400,000 Nova Pioneer Warrants.

In June 2020, due to the impacts of COVID-19, the company provided Nova Pioneer an extension to December 31, 2020 to pay $845 in interest, due on June 30, 2020. The unpaid amounts of $888 at September 30, 2020 accrue interest at 20.0% per annum.

During the first quarter of 2020 Nova Pioneer was not classified as an essential business and temporarily closed its schools in South Africa and Kenya due to COVID-19, pivoting toward a home-based learning program. In June 2020 Nova Pioneer commenced a phased reopening of its South African schools and have since fully re-opened, while its Kenyan schools commenced a phased reopening in October 2020.

At September 30, 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 15.9% (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 September 30, 2020 the company's internal valuation model indicated that the estimated fair value of the investment in Nova Pioneer Bonds was $46,414 (December 31, 2019 - $42,093). The changes in fair value of the Nova Pioneer Bonds during the third quarters and first nine months of 2020 and 2019 are presented in the tables disclosed earlier in note 6.

In the third quarter and first nine months of 2020 the company recorded interest income of $2,324 and $6,639 (2019 - $2,013 and $5,356) within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Nova Pioneer Bonds.

At September 30, 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 $0.93 (December 31, 2019 - $1.72). At September 30, 2020 the company's internal valuation model indicated that the fair value of the investment in the Nova Pioneer Warrants was $363 (December 31, 2019 - $1,458). The changes in fair value of the Nova Pioneer Warrants during the third quarters and first nine months of 2020 and 2019 are presented in the tables disclosed earlier in note 6.

7. Cash and Investments

Fair Value Disclosures

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

	September 30, 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	**65,460**	—	—	**65,460**	44,334	—	—	44,334
Restricted cash	**6,562**	—	—	**6,562**	7,500	—	—	7,500
	72,022	—	—	**72,022**	51,834	—	—	51,834
Term deposits[(1)]	—	**12,392**	—	**12,392**	—	—	—	—
Short term investments - U.S. treasuries	—	—	—	—	104,008	—	—	104,008
Loans:								
CIG Loan	—	—	**15,768**	**15,768**	—	—	20,744	20,744
PGR2 Loan	—	—	**2,043**	**2,043**	—	—	21,240	21,240
Atlas Mara Facility	—	—	**31,055**	**31,055**	—	—	—	—
Philafrica Facility	—	—	**6,134**	**6,134**	—	—	—	—
	—	—	**55,000**	**55,000**	—	—	41,984	41,984
Bonds:								
Atlas Mara 11.0% Convertible Bonds	—	—	**15,021**	**15,021**	—	—	18,296	18,296
Atlas Mara 7.5% Bonds	—	—	**14,502**	**14,502**	—	—	18,431	18,431
Nova Pioneer Bonds	—	—	**46,414**	**46,414**	—	—	42,093	42,093
	—	—	**75,937**	**75,937**	—	—	78,820	78,820
Common stocks:								
Atlas Mara	**23,314**	—	—	**23,314**	78,075	—	—	78,075
CIG	**2,455**	—	—	**2,455**	19,562	—	—	19,562
Other	**12,218**	—	—	**12,218**	—	—	—	—
Indirect equity interest in AGH	—	—	**56,554**	**56,554**	—	—	104,976	104,976
Philafrica	—	—	**9,491**	**9,491**	—	—	19,271	19,271
GroCapital Holdings	—	—	**1,232**	**1,232**	—	—	10,328	10,328
	37,987	—	**67,277**	**105,264**	97,637	—	134,575	232,212
Derivatives:								
Atlas Mara Warrants	—	—	**1**	**1**	—	—	83	83
Nova Pioneer Warrants	—	—	**363**	**363**	—	—	1,458	1,458
	—	—	**364**	**364**	—	—	1,541	1,541
Related party investments:								
Atlas Mara Forward Derivative	—	—	**15,786**	**15,786**	—	—	—	—
Atlas Mara Facility Credit Swap	—	—	**12,447**	**12,447**	—	—	—	—
	—	—	**28,233**	**28,233**	—	—	—	—
Total cash and investments	**110,009**	**12,392**	**226,811**	**349,212**	253,479	—	256,920	510,399
	31.5 %	**3.5 %**	**65.0 %**	**100.0 %**	49.7 %	— %	50.3 %	100.0 %

(1) Priced based the value of the cash placed on deposit with Atlas Mara Zambia and supported by the collateral held for the benefit of the company (see note 13).

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During the first nine months of 2020 there were no transfers of financial instruments into or out of Level 3 as a result of changes in the observability of valuation inputs. During the first nine months of 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. During the third quarter of 2020 the Atlas Mara Zambia Fixed Deposit with a fair value of $12,392 on September 30, 2020 was transferred from Level 1 to Level 2 for reasons disclosed in note 13. The changes in fair value of the company's Private African Investments (classified as Level 3) are disclosed in note 6.

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 and related party investments classified as Level 3 at September 30, 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 nine months of 2020, management widened its reasonably possible range of after-tax discount rates to changes within 100 basis points at September 30, 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. This sensitivity analysis excludes the company's investment in GroCapital Holdings and the PGR2 Loan as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis.

Investments	Fair value of Investment	Valuation technique	Significant unobservable inputs	Significant unobservable inputs used in the internal valuation models	Hypothetical $ change effect on fair value measurement(1)	Hypothetical $ change effect on net earnings (loss) (1)(2)
Loans:						
CIG Loan	$15,768	Discounted cash flow and option pricing model	Credit spread	10.8%	(358) / 369	(311) / 320
			Historical share price volatility	125.0%	4 / (29)	3 / (25)
Atlas Mara Facility	$31,055	Discounted cash flow and option pricing model	Credit spread	28.4%	(466) / 474	(404) / 411
Philafrica Facility	$6,134	Discounted cash flow and option pricing model	Credit spread	6.7%	(30) / 28	(26) / 24
Bonds:						
Atlas Mara 11.0% Convertible Bonds	$15,021	Discounted cash flow and option pricing model	Credit spread	28.4%	(226) / 230	(196) / 200
Atlas Mara 7.5% Bonds	$14,502	Discounted cash flow and option pricing model	Credit spread	28.4%	(208) / 212	(180) / 184
Nova Pioneer Bonds	$46,414	Discounted cash flow and option pricing model	Credit spread	15.9%	(317) / 317	(233) / 233
Common stocks:						
Indirect equity interest in AGH	$56,554	Discounted cash flow	After-tax discount rate	11.5% to 21.6%	(8,208) / 9,925	(7,120) / 8,610
			Long term growth rate	2.5%	1,509 / (1,439)	1,309 / (1,248)
Philafrica	$9,491	Discounted cash flow	After-tax discount rate	13.1% to 16.6%	(2,487) / 2,951	(2,157) / 2,560
			Long term growth rate	2.5%	447 / (428)	388 / (371)
Derivatives:						
Atlas Mara Warrants	$1	Discounted cash flow and option pricing model	Historical share price volatility	46.4%	- / (1)	- / (1)
Nova Pioneer Warrants	$363	Discounted cash flow and option pricing model	Share price	$0.93	47 / (44)	35 / (32)
Related party investments:						
Atlas Mara Forward Derivative	$15,786	Discounted cash flow	Credit spread	2.1%	(417) / 430	(306) / 316
Atlas Mara Facility Credit Swap	$12,447	Discounted cash flow and option pricing model	Credit spread of the underlying Atlas Mara Facility	28.4%	466 / (474)	343 / (348)

(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), long term growth rates (25 basis points), estimated share price volatility (minimum and maximum historical volatility over a two year period from the balance sheet date), changes in share price (5.0%) and credit spreads (100 basis points), each in isolation, would hypothetically change the fair value of the company's investments as noted in the table above. Generally, an increase (decrease) in long term growth rates, estimated share price volatility or estimated share price, or a decrease (increase) in after-tax discount rates, or credit spreads would result in a higher (lower) fair value of the company's Private African Investments and related party 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 September 30, 2020 loans and bonds with fair values of $55,000 and $61,435 (December 31, 2019 - $41,984 and $60,389) contained call features. At September 30, 2020 and December 31, 2019 there were no debt instruments containing put features.

	September 30, 2020		December 31, 2019	
	Amortized cost	**Fair value**	Amortized cost	Fair value
Loans:				
Due in 1 year or less	**95,937**	**55,000**	47,354	41,984
Bonds:				
Due in 1 year or less	**63,649**	**61,435**	18,036	18,296
Due after 1 year through 5 years	**19,097**	**14,502**	57,534	60,524
	82,746	**75,937**	75,570	78,820

Investment Income

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

	Third quarter		**First nine months**	
	2020	2019	**2020**	2019
Interest:				
Cash and cash equivalents	**63**	512	**665**	1,818
Restricted cash	**66**	—	**448**	—
Term deposits	**135**	—	**135**	—
Short term investments - U.S. treasuries	—	530	**403**	1,429
Loans	**1,548**	1,442	**4,584**	5,142
Bonds	**2,924**	3,051	**9,504**	8,452
	4,736	5,535	**15,739**	16,841
Dividends: Common stocks	**15**	—	**15**	—

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

	Third quarter					
	2020			2019		
	Net realized gains	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized losses	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:[1]						
Short term investments - U.S. treasuries	—	—	—	—	(3)	(3)
Loans	—	**(28,462)**	**(28,462)**	—	(746)	(746)
Bonds	—	**(10,033)**	**(10,033)**	—	785	785
Common stocks	—	**(36,816)**	**(36,816)**	—	(15,405)	(15,405)
Derivatives	—	**(346)**	**(346)**	—	(295)	(295)
Related party investments	—	**28,233**	**28,233**	—	—	—
	—	**(47,424)**	**(47,424)**	—	(15,664)	(15,664)
Net foreign exchange gains (losses) on:[1]						
Cash and cash equivalents	**407**	—	**407**	(1,571)	—	(1,571)
Loans	—	**1,758**	**1,758**	(131)	(2,618)	(2,749)
Common stocks	—	**5,859**	**5,859**	—	(14,208)	(14,208)
Other	—	**(8)**	**(8)**	—	(32)	(32)
	407	**7,609**	**8,016**	(1,702)	(16,858)	(18,560)

	First nine months					
	2020			**2019**		
	Net realized losses	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:[1]						
Short term investments - U.S. treasuries	—	**(48)**	**(48)**	1	90	91
Loans	—	**(28,802)**	**(28,802)**	—	(299)	(299)
Bonds	—	**(10,060)**	**(10,060)**	—	3,649	3,649
Common stocks	—	**(115,025)**	**(115,025)**	—	(64,889)	(64,889)
Derivatives	—	**(1,177)**	**(1,177)**	(4,839)	5,146	307
Related party investments	—	**28,233**	**28,233**	—	—	—
	—	**(126,879)**	**(126,879)**	(4,838)	(56,303)	(61,141)
Net foreign exchange gains (losses) on:[1]						
Cash and cash equivalents	**(4,301)**	—	**(4,301)**	391	—	391
Loans	—	**(6,767)**	**(6,767)**	(131)	(2,104)	(2,235)
Common stocks	—	**(27,816)**	**(27,816)**	—	(11,482)	(11,482)
Other	—	**172**	**172**	—	53	53
	(4,301)	**(34,411)**	**(38,712)**	260	(13,533)	(13,273)

(1) Refer to note 6 for a summary of changes in the fair value of the company's Public and Private African Investments during the third quarters and first nine months of 2020 and 2019.

8. 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 September 30, 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 third quarter and first nine months of 2020 interest expense of $201 and $599 (2019 - $131 and $951) was comprised of amortization of issuance costs of $201 and $599 (2019 - $131 and $473) and no interest expense (2019 - nil and $447).

9. 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)**	(3,262,699)
Subordinate voting shares - September 30	**29,032,975**	29,549,266
Multiple voting shares - beginning and end of period	**30,000,000**	30,000,000
Common shares effectively outstanding - September 30	**59,032,975**	59,549,266

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. On June 30, 2020 the company announced that the TSX had accepted its intention to commence a normal course issuer bid to purchase up to 2,162,134 subordinate voting shares, representing approximately 10% of the public float of its subordinate voting shares, over a twelve month period from July 8, 2020 to July 7, 2021. 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 nine months of 2020, under the terms of the normal course issuer bid, the company purchased for cancellation 463,506 subordinate voting shares (2019 - 3,262,699) for a net cost of $1,850 (2019 - $26,689) and $2,960 (2019 - $7,171) was recorded as a benefit in retained earnings.

10. Net Earnings (Loss) per Share

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

	Third quarter		**First nine months**	
	2020	2019	**2020**	2019
Net loss – basic and diluted	**(49,518)**	(32,256)	**(175,508)**	(69,965)
Weighted average common shares outstanding – basic and diluted	**59,032,975**	60,264,171	**59,152,402**	61,085,624
Net loss per common share - basic and diluted	**$ (0.84)**	$ (0.54)	**$ (2.97)**	$ (1.15)

11. Income Taxes

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

	Third quarter		First nine months	
	2020	2019	**2020**	2019
Current income tax:				
Current year expense	**262**	1,432	**4,674**	1,944
Adjustment to prior years' income taxes	**108**	6	**118**	1,698
	370	1,438	**4,792**	3,642
Deferred income tax:				
Origination of temporary differences	**(1,119)**	(279)	**140**	271
Adjustments to prior years' deferred income taxes	**(46)**	—	**(46)**	—
	(1,165)	(279)	**94**	271
Provision for (recovery of) income taxes	**(795)**	1,159	**4,886**	3,913

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 net loss before income taxes by jurisdiction and the associated provision for (recovery of) income taxes for the three and nine months ended September 30 are summarized in the following table:

	Third quarter							
	2020				2019			
	Canada	**Mauritius**	**South Africa**	**Total**	Canada	Mauritius	South Africa	Total
Loss before income taxes	**(7,847)**	**(9,985)**	**(32,481)**	**(50,313)**	(4,194)	(24,691)	(2,212)	(31,097)
Provision for (recovery of) income taxes	**(803)**	**64**	**(56)**	**(795)**	1,380	58	(279)	1,159
Net loss	**(7,044)**	**(10,049)**	**(32,425)**	**(49,518)**	(5,574)	(24,749)	(1,933)	(32,256)

	First nine months							
	2020				2019			
	Canada	**Mauritius**	**South Africa**	**Total**	Canada	Mauritius	South Africa	Total
Loss before income taxes	**(23,082)**	**(91,198)**	**(56,342)**	**(170,622)**	(3,071)	(32,542)	(30,439)	(66,052)
Provision for income taxes	**4,650**	**216**	**20**	**4,886**	3,493	149	271	3,913
Net loss	**(27,732)**	**(91,414)**	**(56,362)**	**(175,508)**	(6,564)	(32,691)	(30,710)	(69,965)

The increase in loss before income taxes in Canada in the third quarter of 2020 compared to the third quarter of 2019 primarily reflected increased general and administration expenses primarily related to the Helios Transaction, unrealized losses on the company's investment in the Atlas Mara Facility, partially offset by unrealized gains on the Atlas Mara Facility Credit Swap, unrealized foreign exchange gains (principally on the company's intercompany loan receivable), and increased interest income. The increase in loss before income taxes in Canada in the first nine months of 2020 compared to the first nine months of 2019 primarily reflected increased general and administration expenses primarily related to the Helios Transaction, unrealized losses on the company's investment in the Atlas Mara Facility and unrealized foreign exchange losses (principally on the company's intercompany loan receivable), partially offset by unrealized gains on the company's investments in Other Public African Investments and the Atlas Mara Facility Credit Swap and decreased investment and advisory fees.

The decrease in loss before income taxes in Mauritius in the third quarter of 2020 compared to the third quarter of 2019 primarily reflected unrealized gains on the Atlas Mara Forward Derivative and increased foreign exchange gains on the company's indirect equity interest in AGH, partially offset by unrealized losses on the company's investments in Atlas Mara common shares, the indirect equity interest in AGH, and Atlas Mara Bonds. The increase in loss before income taxes in Mauritius in the first nine months of 2020 compared to the first nine months of 2019 primarily reflected unrealized losses on the company's investments in Atlas Mara common shares, the indirect equity interest in AGH, Atlas Mara Bonds, and Nova Pioneer Bonds, and unrealized foreign exchange losses on the company's indirect equity interest in AGH, partially offset by unrealized gains on the Atlas Mara Forward Derivative, increased interest income and decreased investment and advisory fees.

The increase in loss before income taxes in South Africa in the third quarter of 2020 compared to the third quarter of 2019 primarily reflected increased unrealized losses on the company's investments in the PGR2 Loan, Philafrica common shares, CIG common shares, and GroCapital Holdings common shares, unrealized foreign exchange losses on the company's intercompany loan payable, and decreased interest income, partially offset by unrealized foreign exchange gains on the company's investments in CIG common shares, the PGR2 Loan, Philafrica common shares and cash and cash equivalents. The increase in loss before income taxes in South Africa in the first nine months of 2020 compared to the first nine months of 2019 primarily reflected unrealized losses and foreign exchange losses on the company's investments in the PGR2 Loan, GroCapital Holdings common shares, Philafrica common shares, and the CIG Loan, unrealized foreign exchange losses on cash and cash equivalents and decreased interest income, partially offset by unrealized foreign exchange gains on the company's intercompany loan payable.

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

	Third quarter		**First nine months**	
	2020	2019	**2020**	2019
Canadian statutory income tax rate	**26.5 %**	26.5 %	**26.5 %**	26.5 %
Recovery of income taxes at the Canadian statutory income tax rate	**(13,333)**	(8,241)	**(45,215)**	(17,504)
Tax rate differential on losses incurred outside of Canada	**8,233**	8,246	**37,025**	11,606
Provision relating to prior years	**62**	6	**72**	1,698
Change in unrecorded tax benefit of losses and temporary differences	**2,181**	(745)	**6,271**	7,871
Foreign exchange effect	**(1,271)**	1,867	**3,274**	201
Other including permanent differences	**3,333**	26	**3,459**	41
Provision for (recovery of) income taxes	**(795)**	1,159	**4,886**	3,913

The tax rate differential on losses earned outside of Canada of $8,233 and $37,025 in the third quarter and first nine months of 2020 (2019 - $8,246 and $11,606) principally reflected the impact of net investment losses taxed in Mauritius at lower rates, partially offset by losses incurred in South Africa taxed at marginally higher rates.

Provision relating to prior years of $62 and $72 in the third quarter and first nine months of 2020 (2019 - $6 and $1,698) principally reflected an adjustment to legal fees, foreign accrual property loss carryforward, and a reclassification of the tax benefit on JIH Redemption of Class A Shares at a premium as exempt income. Provision relating to prior years of $6 and $1,698 in the third quarter and first nine months of 2019 principally reflected a reclassification of the tax benefit on share issuance costs recorded directly in common shareholders' equity.

The change in unrecorded tax benefit of losses and temporary differences of $2,181 in the third quarter of 2020 principally reflected unrecorded deferred tax assets incurred relating to foreign accrual property losses of $3,255, partially offset by deferred tax assets in South Africa on investments of $748 and other temporary timing differences of $326 with respect to the company's wholly-owned subsidiaries that were not recorded by the company as the pre-tax losses did not meet the recognition criteria under IFRS. The change in unrecorded tax benefit of losses and temporary differences of $6,271 in the first nine months of 2020 principally reflected unrecorded tax assets incurred relating to foreign accrual property losses of $3,255, deferred tax assets in South Africa on investments of $1,367 and other temporary timing differences of $1,649 with respect to the company's wholly-owned subsidiaries that were not recorded by the company as the pre-tax losses did not meet the recognition criteria under IFRS.

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

At September 30, 2020 deferred tax assets of $16,317 (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 $1,271 and $3,274 in the third quarter and first nine months of 2020 (2019 - $1,867 and $201) 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.

12. Financial Risk Management

Overview

There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at September 30, 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 nine months of 2020 the company's holdings in African Investments and cash and cash equivalents, which are partially denominated in South African rand, decreased compared to December 31, 2019. The decrease was primarily due to unrealized and foreign exchange losses on African Investments, primarily the company's investments in the indirect equity interest in AGH, CIG common shares, the PGR2 Loan, the CIG Loan, Philafrica common shares, and GroCapital Holdings common shares, partially offset by purchases of African Investments, partially denominated in South African rand. The company's common shareholders' equity and net earnings (loss) may be significantly affected by foreign currency movements resulting from the company's South African rand-denominated investments. The company has not hedged its foreign currency risk. There were no significant changes to the company's framework used to monitor, evaluate and manage foreign currency risk at September 30, 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 (loss). The Portfolio Advisor and Fairfax actively monitor interest rates in African countries for the potential impact changes in interest rates may have on the company's investment portfolio. There were no significant changes to the company's framework used to monitor, evaluate and manage interest rate risk at September 30, 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 September 30, 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 $105,264 at September 30, 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, GroCapital Holdings and Philafrica common shares (Level 3 investments in the fair value hierarchy), partially offset by additional investments in Other Public African Investments, GroCapital Holdings and CIG common shares, as well as unrealized gains on the company's Other Public African Investments.

The company estimates the potential impact on net earnings (loss) from a 20% increase or decrease in the fair value of its investments classified as Level 1 in the fair value hierarchy at September 30, 2020 to be an increase or decrease in net earnings (loss) of $6,267 (December 31, 2019 - increase or decrease in net earnings (loss) of $8,470 from a 10% increase or decrease in the fair value of its investments classified as Level 1 in the fair value hierarchy). Refer to note 7 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 September 30, 2020 compared to December 31, 2019.

Cash and Cash Equivalents, and Short Term Investments

At September 30, 2020 the company's cash and cash equivalents of $65,460 (December 31, 2019 - $44,334) were comprised of $53,355 (December 31, 2019 - $9,621) at the holding company (principally in major Canadian financial institutions) and $12,105 (December 31, 2019 - $34,713) at the company's wholly-owned subsidiaries. At September 30, 2020 the company held $6,562 (December 31, 2019 - $13,298) in deposit accounts with Grobank, which was reclassified as restricted cash within the consolidated balance sheet at September 30, 2020 to reflect a lack of liquidity in the short-term. 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 September 30, 2020 the company's short term investments in U.S. treasuries of nil (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

At September 30, 2020 the company's restricted cash of $6,562 was comprised of amounts in deposit accounts with Grobank (see note 13), classified as cash and cash equivalents at December 31, 2019. At December 31, 2019 the company's restricted cash of $7,500 was comprised of amounts in a deposit account with African Banking Corporation Zambia Limited ("Atlas Mara Zambia"), a wholly-owned subsidiary of Atlas Mara (see note 13), classified as term deposits at September 30, 2020. The company will continue to monitor the credit risk associated with restricted cash by reviewing the financial strength and creditworthiness of the counterparties.

Term Deposits

At September 30, 2020 the company's term deposits of $12,392 (December 31, 2019 - nil) was comprised of amounts in a deposit account with Atlas Mara Zambia. At September 30, 2020 Atlas Mara Zambia had deposited Government of Zambia Eurobonds ("Zambia Eurobonds") with a fair value of $11,513 for the benefit of the company and cash collateral of $991 recorded within cash and cash equivalents. The company will continue to monitor the credit risk associated with term deposits by reviewing the financial strength and creditworthiness of the counterparties and the fair value of collateral deposited for the benefit of the company.

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 September 30, 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 $10,345. This contract is a financial guarantee contract with a nominal fair value at September 30, 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 September 30, 2020 the company's debt instruments were all considered to be subject to credit risk with a fair value of $130,937 (December 31, 2019 - $120,804) representing 37.5% (December 31, 2019 - 23.7%) of the total cash and investments. 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:

	September 30, 2020		**December 31, 2019**	
	Principal	**Fair value**	**Principal**	**Fair value**
Loans:(1)				
CIG Loan	**23,867**	**15,768**	23,867	20,744
PGR2 Loan(2)	**25,297**	**2,043**	23,939	21,240
Atlas Mara Facility(2)	**41,572**	**31,055**	—	—
Philafrica Facility(2)	**5,912**	**6,134**	—	—
	96,648	**55,000**	47,806	41,984
Bonds:(1)				
Atlas Mara 11.0% Convertible Bonds(2)	**19,464**	**15,021**	17,943	18,296
Atlas Mara 7.5% Bonds	**20,000**	**14,502**	20,000	18,431
Nova Pioneer Bonds(2)	**45,256**	**46,414**	40,149	42,093
	84,720	**75,937**	78,092	78,820
Total loans and bonds	**181,368**	**130,937**	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 increased at September 30, 2020 compared to December 31, 2019 primarily reflecting investments in the Atlas Mara Facility and the Philafrica Facility, and capitalized interest on Nova Pioneer Bonds, the PGR2 Loan, Atlas Mara 11.0% Convertible Bonds, the Atlas Mara Facility, and the Philafrica Facility, partially offset by unrealized losses on the fixed income securities and foreign exchange losses on the PGR2 Loan and the CIG Loan. 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. At September 30, 2020 the company had granted interest deferrals of $1,899 related to the Atlas Mara 7.5% Bonds, $888 related to the Nova Pioneer Bonds and $560 (9.3 million South African rand) related to the CIG Loan (see note 6).

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 September 30, 2020 compared to December 31, 2019.

The undeployed cash and investments at September 30, 2020 provide adequate liquidity to meet the company's remaining known significant commitments in 2020, which are principally comprised of the 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 8), which remains undrawn at September 30, 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. In connection with the Transaction with Helios Holdings Limited, the company must hold at least $102,000 in cash and cash equivalents, restricted cash and marketable securities, less any Transaction expenses. Refer to note 2 for details.

Refer to note 13 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 6) at September 30, 2020 and December 31, 2019 are summarized by the issuer's primary sector in the table below:

	September 30, 2020	December 31, 2019
Financial services	**85,125**	125,213
Food and agriculture	**72,179**	124,247
Education	**46,777**	43,551
Infrastructure	**18,223**	40,306
Other	**14,261**	21,240
	236,565	354,557

During the first nine months of 2020 the company's concentration risk in the financial services sector decreased primarily due to unrealized losses on Atlas Mara common shares, the Atlas Mara Facility, GroCapital Holdings common shares, and Atlas Mara Bonds, and foreign exchange losses on GroCapital Holdings common shares, partially offset by additional investments in the Atlas

Mara Facility and GroCapital Holdings common shares, and capitalized interest on the Atlas Mara Facility and Atlas Mara 11.0% Convertible Bonds. The company's concentration risk in the food and agriculture sector decreased as a result of unrealized losses and foreign exchange losses on the company's indirect equity interest in AGH and Philafrica common shares, partially offset by investments in the Philafrica Facility, and unrealized gains and foreign exchange gains on the Philafrica Facility. The company's concentration risk in the education sector increased due to capitalized interest on Nova Pioneer Bonds, partially offset by unrealized losses on Nova Pioneer Bonds and Warrants. The company's concentration risk in the infrastructure sector decreased primarily due to unrealized and foreign exchange losses on CIG common shares and the CIG Loan, partially offset by additional investments in CIG common shares. The company's concentration risk in the other sector related to the PGR2 Loan and Other Public African Investments.

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 September 30, 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 September 30, 2020 the company determined that it was in compliance with the Investment Concentration Restriction.

Until closing of the Transaction, the company may not (without consent from the Helios Holdings Group), among other things, effect any recapitalizations, declare any dividends, purchase or dispose of African Investments, or enter into new material transactions.

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 $341,477 at September 30, 2020 (December 31, 2019 - $518,815). The decrease was principally related to a net loss of $175,508, 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 8), which remains undrawn at September 30, 2020. At September 30, 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 (see note 8 for details).

13. Related Party Transactions

Payable to Related Parties

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

	September 30, 2020	December 31, 2019
Investment and advisory fees	**1,018**	1,524
Helios Transaction fees	**2,532**	—
Other	**101**	31
	3,651	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 September 30, 2020 the company determined that there was no performance fee accrual (December 31, 2019 - nil) as the book value per share of $5.78 (before factoring in the impact of the performance fee) at September 30, 2020 was less than the hurdle per share at that date of $11.94.

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 September 30, 2020 there were no contingently issuable subordinate voting shares relating to the performance fee payable to Fairfax (December 31, 2019 - nil).

In the third quarter and first nine months of 2020 the company did not record a performance fee (2019 - nil in both periods) 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 third quarter and first nine months 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 third quarter and first nine months of 2020 were $1,018 and $3,271 (2019 - $1,566 and $5,048).

Helios Transaction Fees

Helios Transaction fees payable of $2,532 at September 30, 2020 (December 31, 2019 - nil) was comprised of amounts due to related parties for Helios Transaction expenditures paid by Fairfax on behalf of the company.

Other

Other payable of $101 at September 30, 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 September 30, 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). At September 30, 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 Forward Derivative

On July 10, 2020 in connection with the Transaction with Helios Holdings Limited (see note 2), Fairfax Africa entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for an aggregate purchase price of $40,000, of which half is expected to be paid upfront with the balance to be paid no later than three years from closing of the Transaction, giving rise to a forward derivative (the "Atlas Mara Forward Derivative"). Given the expected closing of the Transaction, the Atlas Mara Forward Derivative was recorded at fair value in related party investments within the consolidated balance sheet.

At September 30, 2020 the company estimated the fair value of its investment in the Atlas Mara Forward Derivative using the fair value at that date of the Atlas Mara common shares compared to the present value of the $40,000 aggregate purchase price to be paid by Fairfax, discounted using an estimated credit spread of 2.1%. The estimated credit spread was based on observable yields on publicly traded bonds issued by Fairfax adjusted for the timing of when the company expects to receive the proceeds. At September 30, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara Forward Derivative was $15,786.

Atlas Mara Facility Credit Swap

On July 10, 2020 in connection with the Transaction with Helios Holdings Limited (see note 2), Fairfax Africa entered into an agreement with Fairfax whereby Fairfax would guarantee all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to a credit swap (the "Atlas Mara Facility Credit Swap"). Given the expected closing of the Transaction, the Atlas Mara Facility Credit Swap was recorded at fair value in related party investments within the consolidated balance sheet.

At September 30, 2020 the company estimated the fair value of its investment in the Atlas Mara Facility Credit Swap using the fair value at that date of the Atlas Mara Facility (which incorporated Atlas Mara's estimated credit spread of 28.4%) compared to the present value of the interest and repayment obligations of the Atlas Mara Facility guaranteed by Fairfax, discounted using observable yields on publicly traded bonds issued by Fairfax. Refer to notes 6 and 7 for details on the valuation methodology and the significant unobservable inputs used to determine the fair value of the Atlas Mara Facility. At September 30, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara Facility Credit Swap was $12,447.

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. The company placed the fixed deposit in Atlas Mara Zambia in two tranches: (i) $7,500 deposited on December 20, 2019 (the "First Tranche"; and (ii) $4,890 deposited on February 14, 2020 (the "Second Tranche"). In order to assist with urgent liquidity concerns, Atlas Mara directed the company to wire the Second Tranche directly to a third party creditor and agreed to record the fixed deposit. Atlas Mara Zambia has been unable to record the fixed deposit as it has not yet received regulatory approval from the Bank of Zambia. Atlas Mara is pursuing this matter and discussions are ongoing. The fixed deposit matured on June 19, 2020 and was renewed to December 18, 2020. The fixed deposit is collateralized with Zambia Eurobonds.

At September 30, 2020 the company had $12,392 on deposit recorded in term deposits within the consolidated balance sheet (December 31, 2019 - $7,500 recorded in restricted cash), valued based on the value of the cash placed on deposit with Atlas Mara Zambia and supported by the collateral held for the benefit of the company. In the third quarter of 2020 the Atlas Mara Zambia Fixed Deposit was transferred from Level 1 to Level 2 and transferred from restricted cash to term deposit as a result of a decline in the fair value of the underlying Zambia Eurobonds and cash pledged as collateral relative to the fixed deposit balance.

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 September 30, 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 $10,345. This contract is a financial guarantee contract with a nominal fair value at September 30, 2020.

In the third quarter and first nine months of 2020 the company recorded interest income of $22 and $60 (2019 - nil in both periods) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) related to financial guarantee.

Deposits on Account with Grobank

At September 30, 2020 the company held $6,562 (December 31, 2019 - $13,298) in deposit accounts with Grobank.

14. General and Administration Expenses

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

	Third quarter		**First nine months**	
	2020	2019	**2020**	2019
Helios Transaction fees	**13,857**	—	**14,357**	—
Audit, legal and tax professional fees	**197**	350	**1,017**	1,037
Administrative expenses	**130**	94	**396**	431
Salaries and employee benefit expenses	**251**	257	**1,108**	979
Brokerage fees	**2**	10	**37**	33
	14,437	711	**16,915**	2,480

The Helios Transaction fees relate to expenses incurred by Fairfax Africa and Helios with respect to the Helios Transaction. The company has agreed to pay for Helios' Transaction-related legal, advisory, and other professional fees related to the Transaction. Helios Transaction fees for the three and nine months ended September 30 were comprised as follows:

	Third quarter		**First nine months**	
	2020	2019	**2020**	2019
Advisor to the Special Committee of the Board of Directors of Fairfax Africa	**1,000**	—	**1,500**	—
Financial Advisor to Helios	**5,000**	—	**5,000**	—
Other legal and financial professional fees	**7,857**	—	**7,857**	—
	13,857	—	**14,357**	—

15. Supplementary Cash Flow Information

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

	September 30, 2020	December 31, 2019
Cash and balances with banks	**20,455**	44,334
U.S. treasuries	**45,005**	—
	65,460	44,334

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

	Third quarter		First nine months	
	2020	2019	**2020**	2019
Purchases of investments				
Loans	**(919)**	—	**(45,129)**	(12,813)
Bonds	—	—	—	(8,721)
Common stocks	—	—	**(15,893)**	(52,032)
Derivatives	—	—	—	(506)
	(919)	—	**(61,022)**	(74,072)
Disposals of investments				
Loans	—	12,939	—	12,939
	—	12,939	—	12,939
Net interest and dividends received (paid)				
Interest received	**107**	2,340	**2,494**	7,122
Dividends received	**15**	—	**15**	—
Interest paid on borrowings	—	—	—	(509)
	122	2,340	**2,509**	6,613
Income taxes paid	**76**	3,288	**362**	3,549

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

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

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the notes to the interim consolidated financial statements for the three and nine months ended September 30, 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 9 (Common Shareholders' Equity under the heading Common Stock) respectively within the consolidated financial statements for the three and nine months ended September 30, 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 6 (African Investments) to the interim consolidated financial statements for the three and nine months ended September 30, 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 September 30, 2020 was $5.78 compared to $8.72 at December 31, 2019 representing a decrease of 33.7% in the first nine months of 2020, primarily reflecting a net loss of $175,508 (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 nine months of 2020.

Helios Transaction

On July 10, 2020 the company announced that it had entered into a purchase and sale agreement with Helios Holdings Limited (together with one or more of its affiliates, as the context requires, "Helios Holdings Group") pursuant to which the Helios Holdings Group is expected to contribute its entitlement to cash flows arising from certain fee streams to Fairfax Africa in exchange for a 45.9% equity and voting interest in the share capital of Fairfax Africa upon closing (the "Transaction"). Following completion of the Transaction, Fairfax Africa will be renamed Helios Fairfax Partners Corporation ("HFP") and its subordinate voting shares will continue to be listed on the Toronto Stock Exchange.

Helios is the largest Africa-focused private investment firm, with a record that spans creating start-ups to providing established companies with growth capital and expertise. Led and predominantly staffed by African professionals with the language skills and cultural affinity to engage with local entrepreneurs, managers and intermediaries on the continent, Helios leverages its local and global networks to identify business opportunities and structure proprietary transactions around them. The firm’s unique combination of a deep knowledge of the African operating environment, a singular commitment to the region and a proven capability to manage complexity, is reflected in the firm's diverse portfolio of growing, market-leading businesses and its position as a partner of choice of multinational corporations in Africa. Helios is among the world's largest emerging markets-focused private equity firms to receive B Corp certification. B Corp status recognizes the firm's long-standing commitment to sustainability and responsible business practices.

In connection with the Transaction, Fairfax Africa entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for an aggregate purchase price of $40,000, of which half is expected to be paid upfront with the balance to be paid no later than three years from closing of the Transaction. In addition, Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility. Until closing of the Transaction, the company may not (without consent from the Helios Holdings Group), among other things, effect any recapitalizations, declare any dividends, purchase or dispose of African Investments, or enter into new material transactions. Furthermore, immediately prior to closing of the Transaction, the company must hold at least $102,000 in cash and cash equivalents, restricted cash and marketable securities, less any Transaction expenses.

Upon closing of the Transaction, Tope Lawani and Babatunde Soyoye (the co-founders and Managing Partners of Helios Investment Partners LLP ("Helios"), the investment advisor to the Helios funds) will be appointed as co-Chief Executive Officers of HFP, Helios will be appointed sole investment advisor to HFP, and Michael Wilkerson will be appointed Executive Vice Chairman of HFP. Fairfax's holdings of multiple and subordinate voting shares are expected to represent 53.2% of the voting rights and 32.0% of the equity interest in Fairfax Africa, and Fairfax expects that it will deconsolidate Fairfax Africa.

Refer to note 2 (Helios Transaction) to the interim consolidated financial statements for the three and nine months ended September 30, 2020 for further details on the Transaction.

Impact to Fairfax Africa

Upon closing of the Transaction, HFP will represent an attractive investment vehicle offering exposure to high-quality investments in African markets. HFP's business will benefit from diversified revenue streams including recurring and predictable management fees and carried interest income from long-dated third-party funds under management as well as capital gains from the appreciation of its proprietary capital.

At September 30, 2020 the company's book value per share was $5.78, based on common shareholders' equity of $341,477. At September 30, 2020 the company had cash and marketable securities of $77,678 (comprised of $65,460 in cash and cash equivalents and $12,218 in Other Public African Investments), representing $1.32 or 22.7% of book value per share. Upon closing of the Transaction, the company's liquidity and financial strength will be further enhanced by: (i) the sale of the company's 42.3% equity interest in Atlas Mara to Fairfax for $40,000; (ii) Fairfax's guarantee of amounts drawn under the Atlas Mara Facility (principal outstanding of $41,572 at September 30, 2020); and (iii) the fee streams contributed by Helios Holdings Group. HFP will be positioned to become a leading, Africa-focused listed investment holding company benefiting from a broader team of experienced investment professionals fully focused on Africa, with deep local knowledge, differentiated capabilities and a successful track record across the continent in identifying and securing high-quality, largely proprietary, investment opportunities.

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 September 30, 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 8 (Borrowings) to the interim consolidated financial statements for the three and nine months ended September 30, 2020.

African Investments

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

Operating Environment

Overview

The first nine months of 2020 was marked by the rapid surge of the global COVID-19 pandemic, resulting in worldwide border closures, lockdowns, and restrictions on non-essential services in an effort to contain and mitigate the spread of COVID-19. In the second quarter of 2020, many countries began gradually easing containment measures, though economic recovery remained muted throughout the third quarter of 2020. The International Monetary Fund ("IMF") in its October 2020 report, "*World Economic Outlook - A Long and Difficult Ascent",* revised its forecast of 2020 global GDP to a contraction of 4.4%, an upward revision of 0.8% from its June 2020 forecast, with an expected recovery to 5.2% growth in 2021. Both IMF and the World Bank forecast that the COVID-19 pandemic may have a long-term effect on global economic output, particularly in emerging and developing economies that are more dependent on hard-hit sectors including tourism and commodities as well as on remittances and other sources of external financing.

Sub-Saharan Africa

In its October 2020, "*Regional Economic Outlook - Sub-Saharan Africa - A Difficult Road to Recovery*", the IMF revised its estimate of 2020 Sub-Saharan Africa ("SSA") regional GDP to a contraction of 3.0%, up by 0.2% from its June 2020 forecast, with an expected recovery to 3.1% growth in 2021. These region-wide forecasts mask considerable differences in the growth performance and prospects of countries across the region. Though the onset of the pandemic was delayed in SSA compared to other parts of the world, the region entered the COVID-19 crisis with constrained fiscal space and many SSA countries are now faced with higher debt levels, reduced external inflows, and muted commodity prices. Oil prices, which plunged in the first quarter of 2020 and have since stabilized, remain depressed, exacerbating the challenges brought on by COVID-19 for resource-intensive economies such as Nigeria and Angola. The tourism industry has been severely impacted by border closures. While governments are cautiously easing lockdown measures, the IMF forecasts that tourism inflows to SSA will not return to pre-pandemic levels until 2023. Efforts to support and rekindle the economy have resulted in an increased burden on fiscal and monetary policies, and are constrained by a higher financing gap.

South Africa

In October 2020, the IMF maintained its estimate of South Africa's 2020 GDP of a contraction of 8.0%, with a projected modest recovery to 3.0% growth in 2021. The nationwide lockdown, which commenced on March 26, 2020, has been gradually easing since early May 2020 and the country is currently in the lowest level of lockdown measures since the onset of the COVID-19 pandemic. Moody's Investors Service Inc. ("Moody's") stated that South Africa's lockdown measures have weighed heavily on economic activity, intensifying fiscal difficulties and eroding asset quality. Though exports have declined significantly, public consumption has remained resilient due to fiscal stimulus. South Africa's COVID-19 fiscal stimulus package represents approximately 10% of its GDP and focuses spending on key areas including healthcare, unemployment benefits, tax cuts, and loan deferrals. Since the beginning of the year, the South African Reserve Bank ("SARB") has cut the South Africa prime overdraft rate five times by an aggregate 300 bps and the prime overdraft rate currently sits at 7.00%. The South African rand strengthened relative to the U.S. dollar during the third quarter of 2020 from 17.38 to 16.68. Moody's, Fitch Ratings Inc. ("Fitch") and Standard & Poor's Financial Services LLC ("S&P") have maintained their ratings at Ba1 with a negative outlook, BB with a negative outlook, and BB- with a stable outlook respectively.

Nigeria

In October 2020, the IMF revised its estimate of Nigeria's 2020 GDP to a contraction of 4.3%, up 1.1% from its June 2020 forecast, with a projected modest recovery to 1.7% growth in 2021. 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. Though oil prices have stabilized in the second quarter of 2020, the World Bank projects that the significant drop in oil prices will spill over into non-oil industries and result in an economic recession. On March 20, 2020 the Central Bank of Nigeria devalued the Nigerian naira by approximately 15% in response to significant downward pressure primarily driven by low oil prices and the impact of the COVID-19 pandemic. Nigeria's major cities and states, which had been on lockdown since March 30, 2020, began gradually easing lockdown measures on May 4, 2020. Fitch has maintained its B rating, with an update to stable outlook, while Moody's and S&P have maintained their ratings at B2 with a negative outlook and B- with a stable outlook respectively.

Kenya

In October 2020, the IMF revised its estimate of Kenya's 2020 GDP to a growth of 1.0%, up 1.3% from its June 2020 forecast, with a projected recovery to 4.7% in 2021. Kenya, one of the most economically diverse countries in SSA, has fared better in the COVID-19 pandemic than its resource-intensive counterparts. While its tourism and other services industries, which contribute significantly to Kenya's GDP, have been severely impacted given the fall in international travel, agricultural production and prices have remained strong. Kenya's travel restrictions on major cities, which began on April 6, 2020, were lifted on July 7, 2020 and domestic and international flights resumed in the third quarter of 2020. Moody's, Fitch, and S&P have downgraded their ratings to B2 with a negative outlook, B+ with a negative outlook, and B+ with a negative outlook respectively.

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 September 30, 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 September 30, 2020 the company determined that it was in compliance with the Investment Concentration Restriction.

Until closing of the Transaction, the company may not (without consent from the Helios Holdings Group), among other things, effect any recapitalizations, declare any dividends, purchase or dispose of African Investments, or enter into new material transactions.

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	September 30, 2020 Ownership %	September 30, 2020 Net cash consideration	September 30, 2020 Fair value	September 30, 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	**42.3%**	**159,335**	**23,314**	**(136,021)**	42.4%	159,335	78,075	(81,260)
CIG	Fourth quarters of 2017 and 2018, January and December 2019, and first and second quarters of 2020	**54.4%**	**54,720**	**2,455**	**(52,265)**	49.3%	53,854	19,562	(34,292)
Other(1)	Various	**<5%**	**10,053**	**12,218**	**2,165**	<5%	2,055	—	(2,055)
			224,108	**37,987**	**(186,121)**		215,244	97,637	(117,607)
Private African Investments:									
Loans:									
CIG Loan	June 2018		**23,270**	**15,768**	**(7,502)**		23,270	20,744	(2,526)
PGR2 Loan	June and December 2018		**19,969**	**2,043**	**(17,926)**		19,969	21,240	1,271
Atlas Mara Facility	Second and third quarters of 2020		**39,507**	**31,055**	**(8,452)**		—	—	—
Philafrica Facility	Second quarter of 2020		**5,622**	**6,134**	**512**		—	—	—
			88,368	**55,000**	**(33,368)**		43,239	41,984	(1,255)
Bonds:									
Atlas Mara 11.0% Convertible Bonds	December 2018		**15,040**	**15,021**	**(19)**		15,040	18,296	3,256
Atlas Mara 7.5% Bonds	November 2018		**16,476**	**14,502**	**(1,974)**		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**	**46,414**	**13,701**		32,713	42,093	9,380
			64,229	**75,937**	**11,708**		64,229	78,820	14,591
Common Stocks:									
Indirect equity interest in AGH(2)	February 2017, January and November 2018	**43.8%**	**86,941**	**56,554**	**(30,387)**	46.8%	86,941	104,976	18,035
Philafrica	November 2018	**26.0%**	**23,254**	**9,491**	**(13,763)**	26.0%	23,254	19,271	(3,983)
GroCapital Holdings	Fourth quarter of 2018, April 2019, February and June 2020	**48.1%**	**19,403**	**1,232**	**(18,171)**	35.0%	14,429	10,328	(4,101)
			129,598	**67,277**	**(62,321)**		124,624	134,575	9,951
Derivatives:									
Atlas Mara Warrants	November 2018		**2,324**	**1**	**(2,323)**		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**	**363**	**(924)**		1,287	1,458	171
			3,611	**364**	**(3,247)**		3,611	1,541	(2,070)
			285,806	**198,578**	**(87,228)**		235,703	256,920	21,217
Total African Investments			**509,914**	**236,565**	**(273,349)**		450,947	354,557	(96,390)

(1) At December 31, 2019 net cash consideration includes $2,055 related to common shares of a public company listed on the Johannesburg Stock Exchange which were de-listed in the first quarter of 2019.

(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 6 to the interim consolidated financial statements for the three and nine months ended September 30, 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 third quarters of 2020 and 2019 were as follows:

	Third quarter					
	2020					
	Balance as of July 1	Purchases	Accretion of discount/ (amortization of premium)[1]	Net change in unrealized gains (losses) on investments	Net foreign exchange gains on investments	Balance as of September 30
Public African Investments:						
Common stocks:						
Atlas Mara[2]	**34,396**	**—**	**—**	**(11,082)**	**—**	**23,314**
CIG	**6,450**	**—**	**—**	**(5,675)**	**1,680**	**2,455**
Other	**11,562**	**—**	**—**	**211**	**445**	**12,218**
Total Public African Investments	**52,408**	**—**	**—**	**(16,546)**	**2,125**	**37,987**
Private African Investments:						
Loans:						
CIG Loan	**15,567**	**—**	**29**	**(529)**	**701**	**15,768**
PGR2 Loan	**18,552**	**—**	**—**	**(17,326)**	**817**	**2,043**
Atlas Mara Facility[3][4]	**39,612**	**1,921**	**136**	**(10,614)**	**—**	**31,055**
Philafrica Facility[5]	**5,714**	**137**	**36**	**7**	**240**	**6,134**
	79,445	**2,058**	**201**	**(28,462)**	**1,758**	**55,000**
Bonds:						
Atlas Mara 11.0% Convertible Bonds[6]	**19,551**	**521**	**(24)**	**(5,027)**	**—**	**15,021**
Atlas Mara 7.5% Bonds	**19,420**	**—**	**193**	**(5,111)**	**—**	**14,502**
Nova Pioneer Bonds[7]	**43,774**	**2,536**	**(1)**	**105**	**—**	**46,414**
	82,745	**3,057**	**168**	**(10,033)**	**—**	**75,937**
Common stocks:						
Indirect equity interest in AGH[8]	**63,143**	**—**	**—**	**(8,858)**	**2,269**	**56,554**
Philafrica	**15,156**	**—**	**—**	**(6,445)**	**780**	**9,491**
GroCapital Holdings	**5,514**	**—**	**—**	**(4,967)**	**685**	**1,232**
	83,813	**—**	**—**	**(20,270)**	**3,734**	**67,277**
Derivatives:						
Atlas Mara Warrants	**3**	**—**	**—**	**(2)**	**—**	**1**
Nova Pioneer Warrants	**707**	**—**	**—**	**(344)**	**—**	**363**
	710	**—**	**—**	**(346)**	**—**	**364**
Total Private African Investments	**246,713**	**5,115**	**369**	**(59,111)**	**5,492**	**198,578**
Total African Investments	**299,121**	**5,115**	**369**	**(75,657)**	**7,617**	**236,565**

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

(2) In connection with the Transaction with Helios Holdings Limited, Fairfax Africa entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for an aggregate purchase price of $40,000, giving rise to the Atlas Mara Forward Derivative (see note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020).

(3) Purchases in the third quarter of 2020 included $1,002 related to capitalized interest.

(4) In connection with the Transaction with Helios Holdings Limited, Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Credit Swap (see note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020).

(5) Purchases in the third quarter of 2020 of $137 related to capitalized interest.

(6) Purchases in the third quarter of 2020 of $521 related to capitalized interest.

(7) Purchases in the third quarter of 2020 of $2,536 related to capitalized interest.

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

	Third quarter						
	2019						
	Balance as of July 1	Purchases	Repayments/ conversions	Accretion of discount/ (amortization of premium)(1)	Net change in unrealized gains (losses) on investments	Net foreign exchange gains (losses) on investments	Balance as of September 30
Public African Investments:							
Common stocks:							
Atlas Mara	102,182	—	—	—	(20,869)	—	81,313
CIG	14,485	—	—	—	4,950	(3,399)	16,036
Total Public African Investments	116,667	—	—	—	(15,919)	(3,399)	97,349
Private African Investments:							
Loans:							
AGH Facility	12,735	—	(12,939)	26	—	178	—
CIG Loan	20,757	—	—	27	(335)	(1,464)	18,985
PGR2 Loan	20,578	—	—	—	(411)	(1,463)	18,704
	54,070	—	(12,939)	53	(746)	(2,749)	37,689
Bonds:							
Atlas Mara 11.0% Convertible Bonds(2)	17,434	467	—	(48)	135	—	17,988
Atlas Mara 7.5% Bonds	17,870	—	—	168	114	—	18,152
Nova Pioneer Bonds(3)	39,124	2,184	—	(12)	536	—	41,832
	74,428	2,651	—	108	785	—	77,972
Common stocks:							
Indirect equity interest in AGH(4)	115,247	—	—	—	1,807	(8,182)	108,872
Philafrica	24,315	—	—	—	(1,293)	(1,614)	21,408
GroCapital Holdings	14,490	—	—	—	—	(1,013)	13,477
	154,052	—	—	—	514	(10,809)	143,757
Derivatives:							
Atlas Mara Warrants	405	—	—	—	(279)	—	126
Nova Pioneer Warrants	1,835	—	—	—	(16)	—	1,819
	2,240	—	—	—	(295)	—	1,945
Total Private African Investments	284,790	2,651	(12,939)	161	258	(13,558)	261,363
Total African Investments	401,457	2,651	(12,939)	161	(15,661)	(16,957)	358,712

(1) Recorded in interest within the consolidated statement of earnings (loss) and comprehensive income (loss).
(2) Purchases in the third quarter of 2019 of $467 related to capitalized interest.
(3) Purchases in the third quarter of 2019 of $2,184 related to capitalized interest.
(4) Invested through the company's ownership in Joseph Holdings.

A summary of changes in the fair value of the company's Public and Private African Investments for the first nine months of 2020 and 2019 were as follows:

	First nine months					
	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 gains (losses) on investments	Balance as of September 30
Public African Investments:						
Common stocks:						
Atlas Mara(2)	**78,075**	**—**	**—**	**(54,761)**	**—**	**23,314**
CIG	**19,562**	**866**	**—**	**(10,075)**	**(7,898)**	**2,455**
Other	**—**	**10,053**	**—**	**1,110**	**1,055**	**12,218**
Total Public African Investments	**97,637**	**10,919**	**—**	**(63,726)**	**(6,843)**	**37,987**
Private African Investments:						
Loans:						
CIG Loan	**20,744**	**—**	**100**	**(1,649)**	**(3,427)**	**15,768**
PGR2 Loan(3)	**21,240**	**1,358**	**—**	**(16,957)**	**(3,598)**	**2,043**
Atlas Mara Facility(4)(5)	**—**	**41,079**	**204**	**(10,228)**	**—**	**31,055**
Philafrica Facility(6)	**—**	**5,797**	**47**	**32**	**258**	**6,134**
	41,984	**48,234**	**351**	**(28,802)**	**(6,767)**	**55,000**
Bonds:						
Atlas Mara 11.0% Convertible Bonds(7)	**18,296**	**1,521**	**(71)**	**(4,725)**	**—**	**15,021**
Atlas Mara 7.5% Bonds	**18,431**	**—**	**555**	**(4,484)**	**—**	**14,502**
Nova Pioneer Bonds(8)	**42,093**	**5,107**	**65**	**(851)**	**—**	**46,414**
	78,820	**6,628**	**549**	**(10,060)**	**—**	**75,937**
Common stocks:						
Indirect equity interest in AGH(9)	**104,976**	**—**	**—**	**(33,670)**	**(14,752)**	**56,554**
Philafrica	**19,271**	**—**	**—**	**(6,023)**	**(3,757)**	**9,491**
GroCapital Holdings	**10,328**	**4,974**	**—**	**(11,606)**	**(2,464)**	**1,232**
	134,575	**4,974**	**—**	**(51,299)**	**(20,973)**	**67,277**
Derivatives:						
Atlas Mara Warrants	**83**	**—**	**—**	**(82)**	**—**	**1**
Nova Pioneer Warrants	**1,458**	**—**	**—**	**(1,095)**	**—**	**363**
	1,541	**—**	**—**	**(1,177)**	**—**	**364**
Total Private African Investments	**256,920**	**59,836**	**900**	**(91,338)**	**(27,740)**	**198,578**
Total African Investments	**354,557**	**70,755**	**900**	**(155,064)**	**(34,583)**	**236,565**

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

(2) In connection with the Transaction with Helios Holdings Limited, Fairfax Africa entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for an aggregate purchase price of $40,000, giving rise to the Atlas Mara Forward Derivative (see note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020).

(3) Purchases in the first nine months of 2020 of $1,358 related to capitalized interest.

(4) Purchases in the first nine months of 2020 included $1,572 related to capitalized interest.

(5) In connection with the Transaction with Helios Holdings Limited, Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Credit Swap (see note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020).

(6) Purchases in the first nine months of 2020 included $175 related to capitalized interest.

(7) Purchases in the first nine months of 2020 of $1,521 related to capitalized interest.

(8) Purchases in the first nine months of 2020 of $5,107 related to capitalized interest.

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

	First nine months							
	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 September 30
Public African Investments:								
Common stocks:								
Atlas Mara	119,092	—	—	—	—	(37,779)	—	81,313
CIG(2)	3,886	44,905	—	—	—	(29,085)	(3,670)	16,036
Other(3)	28	—	—	—	—	(24)	(4)	—
Total Public African Investments	123,006	44,905	—	—	—	(66,888)	(3,674)	97,349
Private African Investments:								
Loans:								
AGH Facility	—	12,813	(12,939)	257	—	—	(131)	—
CIG Loan	21,068	—	—	81	—	(1,105)	(1,059)	18,985
PGR2 Loan(4)	17,527	1,416	—	—	—	806	(1,045)	18,704
	38,595	14,229	(12,939)	338	—	(299)	(2,235)	37,689
Bonds:								
Atlas Mara 11.0% Convertible Bonds(5)	16,334	1,365	—	(137)	—	426	—	17,988
Atlas Mara 7.5% Bonds	17,499	—	—	592	—	61	—	18,152
Nova Pioneer Bonds(6)	26,023	12,620	—	27	—	3,162	—	41,832
	59,856	13,985	—	482	—	3,649	—	77,972
Common stocks:								
Indirect equity interest in AGH(7)	111,888	—	—	—	—	2,895	(5,911)	108,872
Philafrica	23,463	—	—	—	—	(896)	(1,159)	21,408
GroCapital Holdings	11,927	2,288	—	—	—	—	(738)	13,477
	147,278	2,288	—	—	—	1,999	(7,808)	143,757
Derivatives:								
Atlas Mara Warrants	1,016	—	—	—	—	(890)	—	126
Nova Pioneer Warrants	1,001	506	—	—	—	312	—	1,819
	2,017	506	—	—	—	(578)	—	1,945
Derivative Obligation:								
CIG forward derivative liability(2)	(5,724)	—	4,839	—	(4,839)	5,724	—	—
Total Private African Investments	242,022	31,008	(8,100)	820	(4,839)	10,495	(10,043)	261,363
Total African Investments	365,028	75,913	(8,100)	820	(4,839)	(56,393)	(13,717)	358,712

(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 nine months of 2019 of $1,416 related to capitalized interest.
(5) Purchases in the first nine months of 2019 of $1,365 related to capitalized interest.
(6) Purchases in the first nine months of 2019 included $3,899 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)

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 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 this MD&A.

The company has entered into related party transactions with Atlas Mara, comprised of the Atlas Mara Zambia Fixed Deposit and a financial guarantee, which are discussed in note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020. In connection with the Helios Transaction, the company has also entered into related party investments with Fairfax with respect to its investment in the Atlas Mara common shares and the Atlas Mara Facility, which are discussed in note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020.

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.

In connection with the Transaction with Helios Holdings Limited (see note 2 (Helios Transaction) to the interim consolidated financial statements for the three and nine months ended September 30, 2020) Fairfax Africa entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for an aggregate purchase price of $40,000, of which half is expected to be paid upfront with the balance to be paid no later than three years from closing of the Transaction, giving rise to the Atlas Mara Forward Derivative discussed in note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020.

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.

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 September 30, 2020 the interbank foreign exchange rate declined to 81.4:1 RTGS to the U.S. dollar and to 81.35:1 at October 29, 2020.

On April 30, 2019 Atlas Mara announced a proposed strategic transaction with Equity Group Holdings Plc ("Equity Group") whereby Equity Group would 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 June 23, 2020 it was announced that Atlas Mara and EGH have mutually agreed to discontinue the proposed strategic transaction. The decision was largely attributable to a shift in EGH's strategy given the effects of the COVID-19 pandemic globally and the economies in which EGH entities operate.

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.

On March 20, 2020 the Central Bank of Nigeria devalued the Nigerian naira by approximately 15% in response to significant downward pressure primarily driven by low oil prices and the impact of the COVID-19 pandemic. In response to the devaluation and increased market volatility amid the global pandemic, Atlas Mara changed the rate used to account for its investment in UBN from the official CBN rate to the Nigerian Autonomous Foreign Exchange ("NAFEX") rate to reflect a more accurate picture of the USD value for investors. As a result of the change in rates, Atlas Mara recorded a decrease in the carrying value of its investment in UBN of $104 million, recognized through foreign currency translation losses in the first quarter of 2020.

On April 14, 2020 UBN declared a dividend of approximately $19 million (7.3 billion Nigerian naira), of which Atlas Mara received its pro rata share.

On September 29, 2020, Atlas Mara announced it had entered into a definitive agreement with Access Bank Plc ("Access Bank"), a publicly listed Nigerian commercial bank, for the sale of BancABC Mozambique. The transaction will include upfront cash consideration payable at closing equal to approximately 0.8 times book value as of June 30, 2020, plus additional cash consideration after two years, subject to certain conditions. The transaction is subject to regulatory approval and other customary conditions.

During the first nine months of 2020 Atlas Mara continued to operate during the COVID-19 pandemic. Governments and central banks in Botswana, Zimbabwe and Nigeria have responded with fiscal and monetary interventions including interest rate cuts, stimulus packages, reduction in minimum capital adequacy and deposit reserve requirements.

Valuation and Interim Consolidated Financial Statement Impact

At September 30, 2020 the fair value of the company's investment in Atlas Mara was $23,314 (December 31, 2019 - $78,075), comprised of 71,958,670 common shares representing a 42.3% equity interest (December 31, 2019 - 42.4%). Atlas Mara's share price decreased by 70.6% from $1.09 per share at December 31, 2019 to $0.32 per share at September 30, 2020. The changes in fair value of the company's investment in Atlas Mara for the third quarters and first nine months 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

Atlas Mara and the company's fiscal years both end on December 31. Summarized below are Atlas Mara's balance sheets at June 30, 2020 and December 31, 2019.

Balance Sheets
(unaudited - in US$ thousands)

	June 30, 2020	**December 31, 2019**
Financial assets	**814,591**	913,358
Non-financial assets	**649,322**	734,408
Assets included in disposal groups held for sale	**1,026,064**	979,645
Financial liabilities	**1,028,271**	1,096,145
Non-financial liabilities	**133,497**	109,848
Liabilities included in disposal groups held for sale	**936,264**	874,235
Shareholders' equity	**391,945**	547,183

At June 30, 2020 and December 31, 2019 asset and liability balances related to the proposed strategic transaction with Equity Group and identified as part of the disposal group were reclassified and presented separately as assets and liabilities held for sale within Atlas Mara's balance sheet.

Excluding the impact of the reclassification of assets and liabilities identified as disposal groups held for sale, financial assets and non-financial assets decreased primarily due to a decrease in Atlas Mara's investment in associate of UBN due to the devaluation of the Nigerian naira (discussed above), decreased loans and advances to customers due to market liquidity constraints resulting in a lower than anticipated demand for credit and the impact of currency devaluation in Botswana and Zimbabwe, partially offset by increased cash and short-term funds (principally due to an increase in borrowed funds) and other assets.

Excluding the impact of the reclassification of assets and liabilities identified as disposal groups held for sale, financial liabilities decreased primarily reflecting decreased deposits in Botswana. Non-financial liabilities at June 30, 2020 and December 31, 2019 were principally comprised of accruals, provisions, deferred tax and other liabilities. Shareholders' equity decreased primarily due foreign exchange losses resulting from the devaluation of the Nigerian naira and further devaluation of the RTGS in Zimbabwe.

Summarized below are Atlas Mara's statements of earnings (loss) for the six months ended June 30, 2020 and 2019.

Statements of Earnings
(unaudited - in US$ thousands)

	Six months ended June 30, 2020			**Six months ended June 30, 2019**		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Revenue	**34,951**	**55,678**	**90,629**	38,483	56,990	95,473
Earnings (loss) before taxes	**5,701**	**(4,203)**	**1,498**	16,899	(8,513)	8,386
Gain (loss) on remeasurement to fair value less costs to sell	**—**	**385**	**385**	—	(125,567)	(125,567)
Net earnings (loss)	**(1,479)**	**(5,194)**	**(6,673)**	9,498	(135,052)	(125,554)

Revenues for the six months ended June 30, 2020 decreased compared to the same period in 2019 primarily due to lower net interest income on loans driven by interest rate cuts imposed by central banks in response to the pandemic, liquidity shortages in key markets, lower lending volumes and extended moratorium on loans to customers, partially offset by increased non-interest income due to decreased fair value losses recognized on financial instruments. Net loss for the six months ended June 30, 2020 decreased compared to the same period in 2019 primarily due to the loss on remeasurement of disposal groups held for sale recognized in the prior period.

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, waste management of 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, Kenya, Nigeria and Uganda.

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 30.5% 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 nine months of 2020 the company acquired an additional 20,126,948 common shares of CIG for net consideration of $866 (14.9 million South African rand). At September 30, 2020 the company held 215,517,270 common shares of CIG, representing a 54.4% equity interest in CIG for net consideration of $49,881 (700.6 million South African rand).

Key Business Drivers, Events, and Risks

The CIG Rights Offer, which was concluded in January 2019, 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 was positioned for the pipeline of new work expected, particularly in South Africa, where Conco has strong 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, with weak commercial and risk management 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, rightsizing the business to a sustainable structure and 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.

The lockdown in South Africa in response to COVID-19 has significantly impacted CIG and brought most of its operations and construction sites to a standstill for two months in April and May of 2020 which was followed by a slow restart thereafter. During this period, Conco experienced delays in collection of debtor’s payments both in South Africa and the other regions within Africa, which has placed further pressure on CIG.

The management team and the board of directors have worked through the right-sizing and stabilization of Conco, however the impact of COVID-19 necessitated another reassessment of the Group’s cash forecasts and as announced on August 14, 2020, CIG appointed Metis Strategic Advisors to assist it in completing a debt restructuring. CIG's successful completion of the proposed restructuring is critical to its sustainability and trading ability.

Subsequent to September 30, 2020

On October 23, 2020, Fairfax Africa terminated the appointment of three of its nominee directors from the board of CIG. On October 26, 2020, CIG announced that, given the ongoing discussions and continued uncertainty regarding the settlement of the debt restructuring, shareholders were advised to exercise caution when trading in CIG shares.

Valuation and Interim Consolidated Financial Statement Impact

At September 30, 2020 the fair value of the company's investment in CIG was $2,455 (December 31, 2019 - $19,562), comprised of 215,517,270 common shares representing a 54.4% equity interest (December 31, 2019 - 49.3%). CIG's share price decreased by 86.4% from 1.40 South African rand per share at December 31, 2019 to 0.19 South African rand per share at September 30, 2020. The changes in fair value of the company's investment in CIG for the third quarters and first nine months 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.

As at October 29, 2020 CIG had not yet publicly released its interim consolidated financial statements for the six months ended June 30, 2020 but has publicly released financial statements for the four months ended December 31, 2019. Refer to the company's interim report for the three months ended March 31, 2020, in the MD&A under Public African Investments section under the heading Investment in Consolidated Infrastructure Group (Common Shares) for an analysis of CIG's summarized financial information as at and for the four months ended December 31, 2019.

Investment in Other Public African Investments

In April 2020 the company acquired less than 5.0% of the common shares of public companies in various sectors, listed on the Johannesburg Stock Exchange (investment in "Other Public African Investments"), for aggregate cash consideration of $10,053 (185.3 million South African rand).

At September 30, 2020 the fair value of the company's investment in Other Public African Investments was $12,218. The changes in fair value of the company's investment in the Other Public African Investments for the third quarter of 2020 and first nine months of 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Private African Investments

Cautionary Statement Regarding the Valuation of Private African Investments

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

While the company's valuation techniques for Private African Investments remained unchanged (with the exception of the company's investments in the PGR2 Loan and GroCapital Holdings) during the third quarter and first nine months of 2020 the development of unobservable inputs included added uncertainty related to the economic disruption caused by the ongoing 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 risk premiums, 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, Ghana and Côte d'Ivoire);
- GroCapital Advisory Services Proprietary Limited ("GroCapital Advisory"), a 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 September 30, 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 43.8% 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 (180.0 million South African rand, inclusive of raising fees) and $485 (6.7 million South African rand) of accrued interest for total cash consideration of $13,424 (186.7 million South African rand). In the third quarter and first nine months of 2019 the company recorded interest income of $87 and $1,013 in interest within the consolidated statement of earnings (loss) and comprehensive income (loss) related to the AGH Facility.

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, which owns AGH's grain management division. At June 30, 2020 AGH's remaining equity interest in AFGRI Grain Silo Company was 11.0%. AFGRI will manage the storage facilities on behalf of AFGRI Grain Silo Company through a management service agreement.

In 2019 GroCapital Advisory, a wholly-owned subsidiary of AGH, entered into an agreement to sell its foreign exchange brokerage business to Grobank. Grobank was unable to meet the regulatory requirements to complete the transaction and as a result the transaction was terminated in the second quarter of 2020.

AGH's strategic focus for 2020 is to (i) focus on its core business to ensure efficiencies; (ii) expand its grain storage footprint through AFGRI Grain Silo Company and diversify storage services into a broader commodity pool; and (iii) continue to streamline agricultural operations to ensure more efficient capital deployment in South Africa.

During the first nine months of 2020 AGH's businesses were classified as essential services and 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 were temporarily restricted in the first quarter of 2020. In the second quarter of 2020 lockdowns were gradually eased and AFGRI has resumed retail and wholesale sales of all inventory.

Valuation and Interim Consolidated Financial Statement Impact

Indirect Equity Interest in AGH

At September 30, 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 21.6% and a long term growth rate of 2.5% (December 31, 2019 - 11.1% to 26.9% and 2.5%). At September 30, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for AGH's business units prepared in the second quarter of 2020 (December 31, 2019 - fourth quarter of 2019) by AGH's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which AGH operates. 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 September 30, 2020 the company's internal valuation model indicated that the fair value of its 43.8% indirect equity interest in AGH, acquired through the company's ownership in Joseph Holdings, was $56,554 (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 third quarters and first nine months 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 June 30, 2020 and March 31, 2020.

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

	South African rand		US$	
	June 30, 2020	March 31, 2020	**June 30, 2020 (1)**	March 31, 2020 (1)
Current assets	**7,183,626**	7,130,924	**413,327**	399,268
Non-current assets	**4,295,515**	4,414,975	**247,153**	247,199
Current liabilities	**7,609,098**	7,692,856	**437,808**	430,731
Non-current liabilities	**1,639,268**	1,554,899	**94,319**	87,060
Shareholders' equity	**2,230,775**	2,298,144	**128,353**	128,676

(1) The net assets of AGH were translated at June 30, 2020 at $1 U.S. dollar = 17.38 South African rand and at March 31, 2020 at $1 U.S. dollar = 17.86 South African rand. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased, primarily reflecting an increase in trade and other receivables, partially offset by a decrease in equipment inventory as a result of elevated sales, and a decrease in derivative financial instruments due to elevated pre-season contracts affected by the delayed harvest and timing of changes in the South African foreign exchange rate. Non-current assets decreased primarily due to depreciation and amortization, and further dilution of AGH's share in AFGRI Grain Silo Company on April 8, 2020. Current liabilities decreased primarily related to a decrease in derivative liabilities, partially offset by increased trade and other payables due to seasonal fluctuations in timing of purchases from farmers and sales to customers during the South African harvest. Non-current liabilities increased primarily in Australia to fund working capital. Shareholders' equity decreased primarily due to net loss recognized during the period.

Summarized below are AGH's statements of earnings for the three months ended June 30, 2020 and 2019.

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

	South African rand		US$	
	Three months ended June 30, 2020	Three months ended June 30, 2019	**Three months ended June 30, 2020**	Three months ended June 30, 2019
Revenue from continuing operations	**3,851,678**	3,718,114	**215,057**	258,561
Earnings (loss) before taxes	**(103,876)**	13,860	**(5,800)**	964
Net earnings (loss)	**(131,181)**	(24,901)	**(7,324)**	(1,732)

(1) Amounts for the three months ended June 30, 2020 and 2019 were translated into US$ using the average exchange rates of $1 U.S. dollar = 17.91 South African rand and $1 U.S. dollar = 14.38 South African rand prevailing during those periods.

Revenues increased primarily due to the strong performance at Philafrica's snack packaging and bakery businesses, which increased volumes and distribution in light of gaps in the competitive space due to COVID-19, higher volumes in Philafrica's Animal Feeds business, and inclusion of AFGRI's management fee from the AFGRI Grain Silo company. This was partially offset by lower grain management handling and storage fees at AFGRI International. Loss before taxes and net loss increased compared to the same period in the prior year primarily due to continued operational challenges at Philafrica's greenfield projects, underperformance in AGH's investment in AFGRI Grain Silo Company as a result of delayed harvest, which also impacted AFGRI's management fee, increased equity-accounted losses from Grobank, and the devaluation of the Zimbabwe RTGS. This was partially offset by increased equipment sales, volume uptake in the snack packaging and bakery businesses, and improved margins at Philafrica's Nedan, though margin pressures remain strong.

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. Philafrica has 20 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);
- 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 (325.0 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.

Philafrica Facility

On May 27, 2020 the company entered into a secured lending arrangement with Philafrica pursuant to which Fairfax Africa agreed to provide up to $8,594 (150.0 million South African rand) of financing (the “Philafrica Facility”) during a commitment period which ended on June 17, 2020. The Philafrica Facility matures on March 31, 2021 with the option of Philafrica to repay at any time prior to maturity and bears interest at a rate of South African prime plus 2.0% per annum, which is accrued and capitalized monthly. The Philafrica Facility is secured by a general guarantee from AGH and AGH's pledge of equity interests in Philafrica. In the second quarter of 2020 the company advanced $5,622 (98.0 million South African rand), net of a 2.0% raising fee, under the Philafrica Facility.

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 April 2019 acquisition of Sunshine Bakery, 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 July 2020 Philafrica exited the poultry business through the divestiture of its investment in Novos Horizontes.

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) the continued growth of Sunshine Bakery; and (iii) improving the performance of its early stage investments.

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 was initially reduced at Pakworks, Nedan, and Grain Milling due to changes in consumer behaviour and business interruptions in the food service industry. Pakworks and Sunshine Bakery have both gained market share by increasing volume uptake and distributions while their competitors have been shut down due to COVID-19.

Valuation and Interim Consolidated Financial Statement Impact

Philafrica Common Shares

At September 30, 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 13.1% to 16.6% and a long term growth rate of 2.5% (December 31, 2019 - 11.8% to 23.0% and 2.5%). At September 30, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for Philafrica’s business units prepared in the second quarter of 2020 (December 31, 2019 - fourth quarter of 2019) by Philafrica’s management. 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 revised free cash flow projections as a result of the economic and social impacts of the COVID-19 pandemic.

At September 30, 2020 the company's internal valuation model indicated that the fair value of its investment in Philafrica was $9,491 (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 third quarter and first nine months of 2020 and 2019 are presented in the tables at the outset of the African Investments section of this MD&A.

Philafrica Facility

At September 30, 2020 the company estimated the fair value of its investment in the Philafrica Facility using an industry accepted discounted cash flow and option pricing model that incorporated Philafrica's estimated credit spread of 6.7% and assumptions related to certain redemption options embedded in the facility. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Philafrica. At September 30, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Philafrica Facility was $6,134. The changes in fair value of the Philafrica Facility for the third quarter and first nine months of 2020 are presented in the tables at the outset of the African Investments section of this MD&A.

In both the third quarter and first nine months of 2020 the company recorded interest income of $171 and $227 within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Philafrica Facility.

Investment in GroCapital Holdings Limited

Business Overview

GroCapital Holdings 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 SARB to acquire GroCapital Financial Services (Pty) Limited ("GCFS"), foreign exchange brokerage business, wholly-owned by AGH, to establish its Agribusiness Banking Unit, a foreign exchange brokerage business, wholly-owned by AGH, to establish its Agribusiness Banking Unit. On February 13, 2020 GroCapital Holdings issued a capital call to its shareholders to fund the GCFS acquisition. On February 28, 2020 the company funded $3,133 (49.3 million South African rand) and received an additional 2.6% equity interest in GroCapital Holdings. As the capital call did not receive the full support of shareholders, GroCapital Holdings unwound the GCFS acquisition in the second quarter of 2020.

On June 30, 2020 the company provided a letter of support to GroCapital Holdings (the "letter of support") whereby the company outlined the financial support it is willing to provide Grobank going forward. The financial support is limited to 100.0 million South African rand ($5,755 at period end exchange rates), available in three tranches on June 30, September 30, and December 30, 2020. The funding will be used to support Grobank in meeting its capital adequacy requirements. On June 30, 2020 pursuant to the letter of support, GroCapital Holdings issued a capital call to its shareholders and the company funded $1,841 (32.0 million South African rand). Upon closing of this transaction, the company held a 48.1% equity interest and had invested aggregate cash consideration of $19,403 (285.7 million South African rand) in GroCapital Holdings.

On September 29, 2020 GroCapital Holdings and Grobank entered into a subscription agreement with Access Bank Plc ("Access Bank"), a publicly listed Nigerian commercial bank, pursuant to which Access Bank will invest cash consideration of up to 400.0 million South African rand ($23,981 at period end exchange rates) to acquire a 90.4% equity interest in Grobank in two tranches, subject to regulatory and shareholder approval. Following completion of the first tranche, Grobank will be renamed Access Bank (South Africa) Limited ("Access Bank SA").

Key Business Drivers, Events, and Risks

On September 29, 2020 GroCapital Holdings entered into an agreement with Access Bank as discussed above. Access Bank is a leading full-service commercial bank operating through a network of more than 600 branches and service outlets, spanning three continents, 12 countries, and 31 million customers. Grobank's strategic focuses for the balance of 2020 are to obtain regulatory and shareholder approval of the proposed transaction with Access Bank, and integrate operations seamlessly in order for Access Bank to consolidate its Southern African and broader African footprint with enhanced capabilities to fulfil the needs of multinational clients.

In the first nine months 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 four month principal and interest moratoriums on a case-by-case basis. The SARB has supported Grobank and the broader banking industry by temporarily reducing the minimum liquidity coverage and capital adequacy requirements.

Valuation and Interim Consolidated Financial Statement Impact

At September 30, 2020 the company estimated the fair value of its investment in GroCapital Holdings based on the recent transaction price of Grobank implied by the subscription agreement with Access Bank. At September 30, 2020 the recent transaction price indicated that the fair value of the company's investment in GroCapital Holdings was $1,232 for the 48.1% equity interest.

At December 31, 2019 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 17.3% and a long term growth rate of 2.5%. At December 31, 2019 free cash flow projections were based on pre-tax income estimates derived from financial information prepared in the fourth quarter of 2019 by Grobank's management. Discount rates were based on the company's assessment of risk premiums to the South African risk-free rate. At December 31, 2019 the company's internal valuation model indicated that the fair value of the company's investment in GroCapital Holdings was $10,328 for the 35.0% equity interest.

Grobank's plan to acquire GCFS was a significant underlying assumption in Grobank's multi-year free cash flow projections prepared in the fourth quarter of 2019. As a result of the cancellation of the GCFS acquisition in the second quarter of 2020 and the transaction with Access Bank in the third quarter of 2020 the company changed its valuation technique as explained above.

The changes in fair value of the company's equity interest in GroCapital Holdings for the third quarters and first nine months of 2020 and 2019 are presented in the tables 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), net of a 2.5% raising fee (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.

In June 2020 due to the impacts of COVID-19, the company allowed CIG to defer interest payments due June 4, 2020 onwards. At September 30, 2020, deferred interest was $560 (9.3 million South African rand) and the company and CIG are negotiating revised payment terms. The unpaid amounts did not accrue interest.

The management team and the board of directors of CIG have worked through the right-sizing and stabilization of Conco, however the impact of COVID-19 necessitated another reassessment of the Group’s cash forecasts and as announced on August 14, 2020, CIG appointed Metis Strategic Advisors to assist it in completing a debt restructuring. CIG's successful completion of the proposed restructuring is critical to its sustainability and trading ability.

Subsequent to September 30, 2020

On October 23, 2020, Fairfax Africa terminated the appointment of three of its nominee directors from the board of CIG. On October 26, 2020, CIG announced that, given the ongoing discussions and continued uncertainty regarding the settlement of the debt restructuring, shareholders were advised to exercise caution when trading in CIG shares.

Valuation and Interim Consolidated Financial Statement Impact

CIG Loan

At September 30, 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 10.8% (December 31, 2019 - 6.8%) and estimated historical share price volatility of 125.0% (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 September 30, 2020 the company's internal valuation model indicated that the estimated fair value of the CIG Loan was $15,768 (December 31, 2019 - $20,744). The changes in fair value of the CIG Loan for the third quarters and first nine months of 2020 and 2019 are presented in the tables at the outset of the African Investments section of this MD&A.

In the third quarter and first nine months of 2020 the company recorded interest income of $438 and $1,462 (2019 - $637 and 1,976) 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 nine months 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 (260.0 million South African rand) of financing (the "PGR2 Loan"). The PGR2 Loan is partially secured by common shares of CIG held by PGR2 and associated parties and bears interest at a rate of 15.0% per annum, payable semi-annually in cash or in kind at PGR2's option, with a maturity date of May 24, 2021.

Valuation and Interim Consolidated Financial Statement Impact

At September 30, 2020 the company estimated the fair value of its investment in the PGR2 Loan based on an expected recovery model, supported by the value of the underlying CIG common shares pledged as collateral. At September 30, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $2,043.

At December 31, 2019 the company estimated the fair value of its investment in the PGR2 Loan using an industry accepted discounted cash flow and option pricing model that incorporated PGR2's estimated credit spread of 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 December 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $21,240.

The changes in fair value of the PGR2 Loan for the third quarters and first nine months of 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

As a result of the significant and prolonged decline in the fair value of CIG common shares pledged as security for the PGR2 Loan, at September 30, 2020 the company revised its expected recovery of outstanding amounts under the PGR2 Loan. The current fair value of the PGR2 Loan is supported by the fair value of the CIG common shares pledged as security. Accordingly, in the third quarter of 2020 the company changed its valuation technique as discussed above and reversed $200 in interest income within the consolidated statements of earnings (loss) and comprehensive income (loss) which related to previously accrued interest which had not been capitalized at September 30, 2020.

In the third quarter and first nine months of 2020 the company recorded interest income reversal of $200 and interest income of $1,118 (2019 - interest income of $718 and $2,153) 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 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 this MD&A. The Atlas Mara debt instruments 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 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 7.5% Bonds are secured by Atlas Mara's shares in Union Bank of Nigeria ("UBN"). 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 the first six months of 2020, due to the impacts of COVID-19, the company provided Atlas Mara a further extension of all interest payable from December 31, 2019 onwards to September 30, 2020. The company and Atlas Mara are negotiating revised payment terms. The unpaid amount of $1,899 at September 30, 2020 accrues 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 will mature on March 31, 2021 with the option of Atlas Mara to repay at any time prior to maturity. In the first nine months of 2020, the company advanced $39,507, net of $493 in raising fees, under the Atlas Mara Facility.

In connection with the Transaction with Helios Holdings Limited (see note 2 (Helios Transaction) to the interim consolidated financial statements for the three and nine months ended September 30, 2020), Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Credit Swap discussed in note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020.

Valuation and Interim Consolidated Financial Statement Impact

Atlas Mara 11.0% Convertible Bonds

At September 30, 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 28.4% (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 September 30, 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 $15,021 (December 31, 2019 - $18,296).

Atlas Mara 7.5% Bonds plus Warrants

At September 30, 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 28.4% (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 September 30, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $14,502 (December 31, 2019 - $18,431).

At September 30, 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 46.4% (December 31, 2019 - 33.3%). At September 30, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara warrants was $1 (December 31, 2019 - $83).

Atlas Mara Facility

At September 30, 2020 the company estimated the fair value of its investment in the Atlas Mara Facility using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 28.4% and assumptions related to certain redemption options embedded in the facility. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At September 30, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara Facility was $31,055.

In the third quarter and first nine months of 2020 the company recorded interest income of $1,739 and $4,642 (2019 - $1,038 and $3,096) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Atlas Mara Bonds and the Atlas Mara Facility.

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

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 4,400 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 on or 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 September 30, 2020 Fairfax Africa had invested an aggregate of $45,256 in Nova Pioneer, comprised of $43,969 in Nova Pioneer Bonds (inclusive of capitalized accrued interest on the principal amount owing) and $1,287 in 3,400,000 Nova Pioneer Warrants.

In June 2020, due to the impacts of COVID-19, the company provided Nova Pioneer an extension to December 31, 2020 to pay $845 in interest, due on June 30, 2020. The unpaid amounts of $888 at September 30, 2020 accrue interest at 20.0% per annum.

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 May 2020 Nova Pioneer obtained financing to fund the expansion of Kenyan properties and, in the near term, will continue to pursue growth opportunities in Kenya and in South Africa while ensuring each opportunity presents a strong business case.

During the first quarter of 2020 Nova Pioneer was not classified as an essential business and temporarily closed its schools in South Africa and Kenya due to COVID-19, pivoting toward a home-based learning program. In June 2020 Nova Pioneer commenced a phased reopening of its South African schools and have since fully re-opened, while its Kenyan schools commenced a phased reopening in October 2020. The 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 September 30, 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 15.9% (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 September 30, 2020 the company's internal valuation model indicated that the estimated fair value of the investment in Nova Pioneer Bonds was $46,414 (December 31, 2019 - $42,093). The changes in fair value of the Nova Pioneer Bonds during the third quarters and first nine months of 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In the third quarter and first nine months of 2020 the company recorded interest income of $2,324 and $6,639 (2019 - $2,013 and $5,356) within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Nova Pioneer Bonds.

At September 30, 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 $0.93 (December 31, 2019 - $1.72). At September 30, 2020 the company's internal valuation model indicated that the fair value of the investment in the Nova Pioneer Warrants was $363 (December 31, 2019 - $1,458). The changes in fair value of the Nova Pioneer Warrants during the third quarters and first nine months 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 and nine months ended September 30 are shown in the following table:

	Third quarter		First nine months	
Income	**2020**	2019	**2020**	2019
Interest	**4,736**	5,535	**15,739**	16,841
Dividends	**15**	—	**15**	—
Net realized losses on investments	—	—	—	(4,838)
Net change in unrealized losses on investments	**(47,424)**	(15,664)	**(126,879)**	(56,303)
Net foreign exchange gains (losses)	**8,016**	(18,560)	**(38,712)**	(13,273)
	(34,657)	(28,689)	**(149,837)**	(57,573)
Expenses				
Investment and advisory fees	**1,018**	1,566	**3,271**	5,048
General and administration expenses	**14,437**	711	**16,915**	2,480
Interest expense	**201**	131	**599**	951
	15,656	2,408	**20,785**	8,479
Loss before income taxes	**(50,313)**	(31,097)	**(170,622)**	(66,052)
Provision for (recovery of) income taxes	**(795)**	1,159	**4,886**	3,913
Net loss and comprehensive loss	**(49,518)**	(32,256)	**(175,508)**	(69,965)
Net loss per share (basic and diluted)	**$ (0.84)**	$ (0.54)	**$ (2.97)**	$ (1.15)

Total loss from income of $34,657 in the third quarter of 2020 increased compared to total loss from income of $28,689 in the third quarter of 2019 principally as a result of increased net change in unrealized losses and on investments, partially offset by increased net foreign exchange gains (arising from the strengthening of the South African rand relative to the U.S. dollar).

Net change in unrealized losses on investments of $47,424 in the third quarter of 2020 was principally comprised of unrealized losses on the company's investments in the PGR2 Loan ($17,326), Atlas Mara common shares ($11,082), the Atlas Mara Facility ($10,614), indirect equity interest in AGH ($8,858), Philafrica common shares ($6,445), CIG common shares ($5,675), Atlas Mara 7.5% Bonds ($5,111), Atlas Mara 11.0% Convertible Bonds ($5,027), and GroCapital Holdings common shares ($4,967), partially offset by unrealized gains on the company's related party investments ($28,233). Net change in unrealized losses on investments of $15,664 in the third quarter of 2019 was principally comprised of unrealized losses on the company's investments in Atlas Mara common shares ($20,869) and Philafrica common shares ($1,293), partially offset by unrealized gains on the company's investment in CIG common shares ($4,950) and its indirect equity interest in AGH ($1,807).

Net foreign exchange gains of $8,016 in the third quarter of 2020 were primarily a result of the strengthening 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 ($2,269), investments in CIG common shares ($1,680), the PGR2 Loan ($817), Philafrica common shares ($780), the CIG Loan ($701), GroCapital Holdings common shares ($685), and Other Public African Investments ($445), as well as holdings of cash and cash equivalents ($407). Net foreign exchange losses of $18,560 in the third 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 indirect equity interest in AGH ($8,182), investments in CIG common shares ($3,399), Philafrica common shares ($1,614), the CIG Loan ($1,464), the PGR2 Loan ($1,463), and GroCapital Holdings common shares ($1,013), as well as holdings of cash and cash equivalents ($1,571).

Total loss from income of $149,837 in the first nine months of 2020 increased from total loss from income of $57,573 in the first nine months of 2019 principally as a result of increased net change in unrealized losses on investments and increased net foreign exchange losses (arising from the weakening of the South African rand relative to the U.S. dollar), partially offset by decreased net realized losses on investments.

Net realized loss on investments were nil in the first nine months of 2020. Net realized loss on investments of $4,838 in the first nine months 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 $126,879 in the first nine months of 2020 was principally comprised of unrealized losses on the company's investments in Atlas Mara common shares ($54,761), indirect equity interest in AGH ($33,670), the PGR2 Loan ($16,957), GroCapital Holdings common shares ($11,606), the Atlas Mara Facility ($10,228), CIG common shares ($10,075), Philafrica common shares ($6,023), Atlas Mara 11.0% Convertible Bonds ($4,725), Atlas Mara 7.5% Bonds ($4,484), the CIG Loan ($1,649), and Nova Pioneer Warrants ($1,095), partially offset by unrealized gains on related party investments ($28,233) and Other Public African Investments ($1,110). Net change in unrealized losses on investments of $56,303 in the first nine months of 2019 was principally comprised of unrealized losses on the company's investments in Atlas Mara common shares ($37,779), CIG common shares ($29,085), the CIG Loan ($1,105), Philafrica common shares ($896), and Atlas Mara Warrants ($890), partially offset by the reversal of the prior year unrealized loss related to the settlement of the CIG forward derivative obligation ($5,724) and unrealized gains on the company's investments in Nova Pioneer Bonds ($3,162), its indirect equity interest in AGH ($2,895) and the PGR2 Loan ($806).

Net foreign exchange losses of $38,712 in the first nine months of 2020 was principally a result of the weakening of the South African rand relative to the U.S. dollar during the period, principally relating to the company's indirect equity interest in AGH ($14,752), investments in CIG common shares ($7,898), Philafrica common shares ($3,757), the PGR2 Loan ($3,598), the CIG Loan ($3,427), GroCapital Holdings common shares ($2,464) as well as holdings of cash and cash equivalents ($4,301). Net foreign exchange losses of $13,273 in the first nine months of 2019 was principally a result of the weakening of the South African rand relative to the U.S. dollar during the period, principally relating to the company's indirect equity interest in AGH ($5,911), investments in Philafrica common shares ($1,159), the CIG Loan ($1,059), the PGR2 Loan ($1,045) and GroCapital Holdings common shares ($738).

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

	Third quarter					
	2020			2019		
	Net realized gains	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized losses	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments - U.S. treasuries	—	—	—	—	(3)	(3)
Loans	—	**(28,462)**	**(28,462)**	—	(746)	(746)
Bonds	—	**(10,033)**	**(10,033)**	—	785	785
Common stocks	—	**(36,816)**	**(36,816)**	—	(15,405)	(15,405)
Derivatives	—	**(346)**	**(346)**	—	(295)	(295)
Related party investments	—	**28,233**	**28,233**	—	—	—
	—	**(47,424)**	**(47,424)**	—	(15,664)	(15,664)
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**407**	—	**407**	(1,571)	—	(1,571)
Loans	—	**1,758**	**1,758**	(131)	(2,618)	(2,749)
Common stocks	—	**5,859**	**5,859**	—	(14,208)	(14,208)
Other	—	**(8)**	**(8)**	—	(32)	(32)
	407	**7,609**	**8,016**	(1,702)	(16,858)	(18,560)

	First nine months					
	2020			2019		
	Net realized losses	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments - U.S. treasuries	—	**(48)**	**(48)**	1	90	91
Loans	—	**(28,802)**	**(28,802)**	—	(299)	(299)
Bonds	—	**(10,060)**	**(10,060)**	—	3,649	3,649
Common stocks	—	**(115,025)**	**(115,025)**	—	(64,889)	(64,889)
Derivatives	—	**(1,177)**	**(1,177)**	(4,839)	5,146	307
Related party investments	—	**28,233**	**28,233**	—	—	—
	—	**(126,879)**	**(126,879)**	(4,838)	(56,303)	(61,141)
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**(4,301)**	—	**(4,301)**	391	—	391
Loans	—	**(6,767)**	**(6,767)**	(131)	(2,104)	(2,235)
Common stocks	—	**(27,816)**	**(27,816)**	—	(11,482)	(11,482)
Other	—	**172**	**172**	—	53	53
	(4,301)	**(34,411)**	**(38,712)**	260	(13,533)	(13,273)

Total expenses of $15,656 in the third quarter of 2020 increased compared to total expenses of $2,408 in the third quarter of 2019 principally as a result of increased general and administration expenses, partially offset by decreased investment and advisory fees as a result of unrealized losses on African Investments. General and administration expenses increased primarily as a result of Helios Transaction fees ($13,857), which include legal, advisory, and other professional expenses incurred by Fairfax Africa and Helios with respect to the Helios Transaction. Total expenses of $20,785 in the first nine months of 2020 increased compared to total expenses of $8,479 in the first nine months of 2019 principally as a result of increased general and administration expenses, partially offset by decreased investment and advisory fees as a result of unrealized losses on African Investments. General and administration expenses increased primarily as a result of Helios Transaction fees ($14,357), which include legal, advisory, and other professional expenses incurred by Fairfax Africa and Helios with respect to the Helios Transaction.

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. In the third quarter and first nine months 2020 the company determined that a significant portion of its assets were invested in African Investments, which are considered deployed capital. In the third quarter and first nine months of 2020 the investment and advisory fees recorded in the consolidated statements of earnings (loss) and comprehensive income (loss) was $1,018 and $3,271 (2019 - $1,566 and $5,048).

At September 30, 2020 the company determined that there was no performance fee accrual (December 31, 2019 - nil) as the book value per share of $5.78 (before factoring in the impact of the performance fee) at September 30, 2020 was less than the hurdle per share at that date of $11.94. In the third quarter and first nine months of 2020 the company did not record a performance fee (2019 - nil in both periods) within the consolidated statements of earnings (loss) and comprehensive income (loss).

Interest expense of $201 and $131 in the third quarters of 2020 and 2019 related to amortization of issuance costs. Interest expense of $599 in the first nine months of 2020 related to amortization of issuance costs. Interest expense of $951 in the first nine months of 2019 related to amortization of issuance costs and interest on $30,000 drawn from the company's $90,000 Credit Facility which was repaid on March 21, 2019.

The recovery of income taxes of $795 in the third 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 primarily as a result of the tax rate differential on income and losses outside of Canada, other permanent differences and the change in unrecorded benefit of losses and temporary differences, partially offset by the impact of foreign exchange fluctuations. The provision for income taxes of $1,159 in the third quarter of 2019 differed from the recovery for income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes primarily due to the tax rate differential on income earned outside of Canada and foreign exchange fluctuations, partially offset by the change in unrecorded tax benefit of losses and temporary differences. The provision for income taxes of $4,886 in the first nine months 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 primarily as a result of the tax rate differential on income and losses outside of Canada, the change in unrecorded benefit of losses and temporary differences, other permanent differences and the impact of foreign exchange fluctuations. The provision for income taxes of $3,913 in the first nine months of 2019 differed from the recovery for income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes principally due to the tax rate differential on income earned outside of Canada, the change in unrecorded tax benefit of losses and temporary differences, and provision relating to prior years.

The company reported a net loss of $49,518 (a net loss of $0.84 per basic and diluted share) in the third quarter of 2020 compared to a net loss of $32,256 (a net loss of $0.54 per basic and diluted share) in the third quarter of 2019. The increase in net loss primarily reflected increased net change in unrealized losses on investments, and increased general and administration expenses, partially offset by increased foreign exchange gains, recovery of income taxes, and decreased investment and advisory fees. The company reported a net loss of $175,508 (a net loss of $2.97 per basic and diluted share) in the first nine months of 2020 compared to a net loss of $69,965 (a net loss of $1.15 per basic and diluted share) in the first nine months of 2019. The increase in net loss primarily reflected increased net change in unrealized losses on investments and net foreign exchange losses, and increased general and administration expenses and provision for income taxes, partially offset by decreased net realized losses on investments, investment and advisory fees and interest expense.

Consolidated Balance Sheet Summary

Total Assets

Total assets at September 30, 2020 of $360,525 (December 31, 2019 - $520,667) were principally comprised as follows:

Total cash and investments decreased to $349,212 at September 30, 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 $65,460 at September 30, 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. treasuries, partially offset by the company's additional investments in African Investments (Atlas Mara Facility, Other Public African Investments, Philafrica Facility, GroCapital Holdings common shares and CIG common shares), increase in in term deposits, 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 decreased to $6,562 at September 30, 2020 from $7,500 at December 31, 2019 reflecting a transfer of the Atlas Mara Zambia Fixed Deposit to term deposits, partially offset by a transfer of amounts held in deposit accounts with Grobank to restricted cash. See note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020.

Term deposits increased to $12,392 at September 30, 2020 from nil at December 31, 2019 reflecting a transfer of the Atlas Mara Zambia Fixed Deposit from restricted cash, and additional amounts placed on deposit for a fixed period with Atlas Mara Zambia. See note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020.

Short term investments decreased to nil at September 30, 2020 from $104,008 at December 31, 2019 reflecting net sales of short term U.S. treasuries.

Loans, Bonds, Common stocks and Derivatives - The company is actively seeking investment opportunities in Africa and will, with consent from the Helios Holdings Group pursuant to the terms of the Transaction, 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.

Related party investments increased to $28,233 at September 30, 2020 from nil at December 31, 2019 reflecting the Atlas Mara Forward Derivative and the Atlas Mara Facility Credit Swap with Fairfax, entered into in connection with the Helios Transaction (see note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020).

Interest receivable of $8,294 at September 30, 2020 primarily related to interest receivable on the company's investments in Nova Pioneer Bonds, Atlas Mara 7.5% Bonds, the CIG Loan, U.S. treasuries, and restricted cash. At September 30, 2020 the company had granted interest deferrals of $1,899 related to the Atlas Mara 7.5% Bonds, $888 related to the Nova Pioneer Bonds and $560 (9.3 million South African rand) related to the CIG Loan (see note 6 (African Investments) to the interim consolidated financial statements for the three and nine months ended September 30, 2020). 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 7.5% Bonds, and CIG and PGR2 Loans.

Deferred income taxes decreased to $1,038 at September 30, 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 September 30, 2020 of $19,048 (December 31, 2019 - $1,852) were principally comprised as follows:

Accounts payable and accrued liabilities increased to $11,880 at September 30, 2020 from $297 at December 31, 2019 primarily as a result of Helios Transaction fees incurred by Fairfax Africa and Helios, payable by the company.

Payable to related parties increased to $3,651 at September 30, 2020 from $1,555 at December 31, 2019 primarily as a result of amounts due to Fairfax for Helios Transaction fees paid by Fairfax on Fairfax Africa's behalf, partially offset by decreased investment and advisory fees.

Income tax payable increased to $3,517 at September 30, 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 nine months ended September 30, 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 September 30, 2020 compared to those identified at December 31, 2019 and disclosed in the company's 2019 Annual Report, other than as outlined in note 12 (Financial Risk Management) to the interim consolidated financial statements for the three and nine months ended September 30, 2020.

Capital Resources and Management

For a detailed analysis, refer to note 12 (Financial Risk Management, under the heading Capital Management) to the interim consolidated financial statements for the three and nine months ended September 30, 2020.

Book Value per Share

Common shareholders' equity at September 30, 2020 was $341,477 (December 31, 2019 - $518,815). The book value per share at September 30, 2020 was $5.78 compared to $8.72 at December 31, 2019, a decrease of 33.7% in the first nine months of 2020, primarily reflecting a net loss of $175,508 in the first nine months of 2020 (principally due to a net change in unrealized losses on the company's African Investments and net foreign exchange losses).

	September 30, 2020	December 31, 2019
Common shareholders' equity	**341,477**	518,815
Number of common shares outstanding	**59,032,975**	59,496,481
Book value per share	**$5.78**	$8.72

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. On June 30, 2020 the company announced that the TSX had accepted its intention to commence a normal course issuer bid to purchase up to 2,162,134 subordinate voting shares, representing approximately 10% of the public float of its subordinate voting shares, over a twelve month period from July 8, 2020 to July 7, 2021. Decisions regarding any future repurchases will be based on market conditions, share price and other factors including opportunities to invest capital for growth. The Notice of Intention to Make a Normal Course Issuer Bid is available, without charge, by contacting the Corporate Secretary of the company.

During the first nine months of 2020, under the terms of the normal course issuer bid, the company purchased for cancellation 463,506 subordinate voting shares (2019 - 3,262,699) for a net cost of $1,850 (2019 - $26,689) and $2,960 (2019 - $7,171) was recorded as a benefit in retained earnings.

Liquidity

The undeployed cash and investments at September 30, 2020 provide adequate liquidity to meet the company's remaining known significant commitments in 2020, which are principally comprised of the 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 September 30, 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 nine months of 2020 (with comparisons to the first nine months of 2019 except as otherwise noted) of major components of cash flow are presented in the following table:

	First nine months	
	2020	2019
Operating activities		
Cash used in operating activities before the undernoted	**(4,342)**	(5,835)
Net sales (purchases) of short term investments	**104,095**	(34,041)
Purchases of investments	**(61,022)**	(74,072)
Disposals of investments	—	12,939
Decrease in restricted cash in support of investments	**938**	—
Increase in term deposits in support of investments	**(12,392)**	—
Financing activities		
Repayment of the Credit Facility	—	(30,000)
Purchases of subordinate voting shares for cancellation	**(1,850)**	(22,265)
Increase (decrease) in cash and cash equivalents during the period	**25,427**	(153,274)

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 $4,342 in the first nine months of 2020 decreased compared to $5,835 in the first nine months of 2019 primarily due to a decrease in income taxes paid, decreased investment and advisory fees and a decrease in interest paid on borrowings, partially offset by a decrease in cash interest received.

Net sales of short term investments of $104,095 in the first nine months of 2020 related to net sales of short term U.S. treasuries for deployment into African Investments and reinvestment into cash equivalent U.S. treasuries. Net purchases of short term investments of $34,041 in the first nine months of 2019 related to net purchases of U.S. treasuries that had not yet been deployed into African Investments.

Purchases of investments of $61,022 in the first nine months of 2020 related to the company's investment in the Atlas Mara Facility, Other Public African Investments, the Philafrica Facility and additional investments in GroCapital Holdings common shares, and CIG common shares. Purchases of investments of $74,072 in the first nine months of 2019 primarily related to the company's investments in the CIG common shares acquired through the CIG Rights Offer, the AGH Facility, Nova Pioneer Bonds and Warrants, and additional investments in GroCapital Holdings common shares.

Decrease in restricted cash in support of investments of $938 in the first nine months of 2020 reflected a transfer of the Atlas Mara Zambia Fixed Deposit to term deposits, partially offset by a transfer of amounts held in deposit accounts with Grobank to restricted cash. Refer to note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020 for details.

Increase in term deposits in support of investments of $12,392 in the first nine months of 2020 reflected a transfer of the Atlas Mara Zambia Fixed Deposit from restricted cash, and additional amounts placed on deposit for a fixed period with Atlas Mara Zambia. See note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020.

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

Purchases of subordinate voting share of $1,850 in the first nine 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 $22,265 in the first nine months of 2019 related to the cash paid for the company's purchases for cancellation of 3,262,699 subordinate voting shares under the terms of the normal course issuer bid that were settled in the period. Refer to note 9 (Common Shareholders' Equity) to the interim consolidated financial statements for the three and nine months ended September 30, 2020 for details.

Contractual Obligations

Under the terms of the Investment Advisory Agreement (defined in note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 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 third quarter and first nine months of 2020 were $1,018 and $3,271 (2019 - $1,566 and $5,048).

At September 30, 2020 the company determined that there was no performance fee accrual (December 31, 2019 - nil) as the book value per share of $5.78 (before factoring in the impact of the performance fee) at September 30, 2020 was less than the hurdle per share at that date of $11.94. Refer to note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020 for discussion on the performance fee.

Related Party Transactions

The company's related party transactions are disclosed in note 13 (Related Party Transactions) to the interim consolidated financial statements for the three and nine months ended September 30, 2020.

Other

Quarterly Data (unaudited)

US$ thousands, except per share amounts	**September 30, 2020**	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Income (loss)	**(34,657)**	503	(115,683)	11,331	(28,689)	(10,767)	(18,117)	(41,036)
Expenses	**15,656**	2,809	2,320	2,747	2,408	2,432	3,639	2,802
Provision for (recovery of) income taxes	**(795)**	1,880	3,801	(182)	1,159	3,030	(276)	3,732
Net earnings (loss)	**(49,518)**	(4,186)	(121,804)	8,766	(32,256)	(16,229)	(21,480)	(47,570)
Net earnings (loss) per share	**$ (0.84)**	$ (0.07)	$ (2.05)	$ 0.15	$ (0.54)	$ (0.27)	$ (0.35)	$ (0.76)
Net earnings (loss) per diluted share	**$ (0.84)**	$ (0.07)	$ (2.05)	$ 0.15	$ (0.54)	$ (0.27)	$ (0.35)	$ (0.76)

Income (loss) is primarily comprised of net change in unrealized gains (losses) on investments, net foreign exchange gains (losses), net realized gains (losses) on investments, interest income, and dividend income. Net losses in the third quarter of 2020 were primarily a result of net change in unrealized losses on the company's African Investments (principally unrealized losses on the PGR2 Loan, Atlas Mara common shares, the Atlas Mara Facility, indirect equity interest in AGH, Philafrica common shares, CIG common shares, Atlas Mara 7.5% Bonds, Atlas Mara 11.0% Convertible Bonds, and GroCapital Holdings common shares), general and administration expenses (primarily due to Helios Transaction fees), partially offset by unrealized gains on the company's related party investments and net foreign exchange gains, the timing of which are not predictable. Net losses in the first nine months of 2020 were primarily a result of net change in unrealized losses on the company's African Investments (principally unrealized losses on the company's investments in Atlas Mara common shares, indirect equity interest in AGH, the PGR2 Loan, GroCapital Holdings common shares, the Atlas Mara Facility, CIG common shares, Philafrica common shares, Atlas Mara 11.0% Convertible Bonds, Atlas Mara 7.5% Bonds, the CIG Loan, and Nova Pioneer Warrants), increased net foreign exchange losses, the timing of which are not predictable and increased general and administration expenses (primarily due to Helios Transaction fees), partially offset by unrealized gains on related party investments and Other Public African Investments. 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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