FORM 51-102F3
Material Change Report

PART 1 GENERAL INSTRUCTIONS AND INTERPRETATION

(a) Confidentiality

If this Report is filed on a confidential basis, state in block capitals "CONFIDENTIAL" at the beginning of the Report.

(b) Use of "Company"

Wherever this Form uses the word "company" the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(c) Number and Headings

The numbering, headings and ordering of the items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(d) Defined Terms

If a term is used but not defined in this Form, refer to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*. If a term is used in this Form and is defined in both the securities statute of a local jurisdiction and in National Instrument 51-102, refer to section 1.4 of Companion Policy 51-102CP.

(e) Plain Language

Write the Report so that readers are able to understand it. Consider both the level of detail provided and the language used in the document. Refer to the plain language principles listed in section 1.5 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

PART 2 CONTENT OF MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

FAIRFAX CAPITAL INC.
7400 Wilson Avenue
Delta, BC
V4G 1H3

Item 2. Date of Material Change

April 26, 2007

Item 3. News Release

The news release was disseminated through Canada Stockwatch.

Item 4. Summary of Material Change

The Company announces resumption of trading.

Item 5. Full Description of Material Change

Fairfax Capital Inc. ("Fairfax") announced on August 23, 2006 that it had reached an agreement in principle with Free Energy Solutions Inc. ("Free Energy"), a private company, for the acquisition of all of the issued and outstanding shares of Free Energy in exchange for Fairfax shares (the "Acquisition"). At the time of that announcement, trading in Fairfax shares was halted by the TSX Venture Exchange (the "Exchange") pending sponsorship and related filings. Canaccord Capital Corporation has agreed to act as sponsor in connection with the transaction and all such filings have now been made. Accordingly, Fairfax is pleased to announce the resumption of trading in its shares as of April 19, 2007.

Fairfax is currently preparing the information circular and related materials for a meeting of its shareholders to be held to approve the Acquisition. Fairfax looks forward to announcing the date of that meeting in the near future.

Free Energy Solutions Inc.

Free Energy is a British Columbia corporation in the renewable energy sector. Its principal business is developing innovative technologies for the heating and cooling industry based on a new class of thermal superconductors now becoming available on the world market. Its head office and principal place of business is located in Richmond, British Columbia.

Free Energy's technologies build on the well-established principle of geoexchange, which allows a building to draw free heat out of the ground for heating and dump heat into the ground for cooling. Free Energy is in the process of developing a high efficiency condenser that can be used in commercial refrigeration applications, a seawater heat exchanger for large commercial air conditioning systems, and a simple heat exchanger that can be installed in the ground to act as a heat source or heat sink for conventional residential heating and air conditioning systems. Working prototypes of its geoheating and geocooling units have already been developed.

Information on the technology can be viewed at the Company's website www.freeenergysolutions.ca.

Fairfax Capital Inc.

Fairfax is a British Columbia corporation with its head office in Vancouver, British Columbia. Fairfax is a Capital Pool Company, the common shares of which are listed for trading on the Exchange. Fairfax has a total of 2,840,000 common shares issued and outstanding, of which 840,000 shares are subject to an escrow agreement. Fairfax does not have any convertible securities issued and outstanding. Fairfax is seeking to acquire Free Energy as its Qualifying Transaction pursuant to the policies of the Exchange, the completion of which transaction will allow Fairfax to graduate to Tier 2.

Additional information on Free Energy and Fairfax may be found in Fairfax's February 5, 2007 news release and on SEDAR at www.sedar.com.

INSTRUCTION

If your company is engaged in oil and gas activities, the disclosure under Item 5 must also satisfy the requirements of Part 6 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

Item 6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable

INSTRUCTION

Refer to subsections 7.1 (4), (5), (6) and (7) of National Instrument 51-102 concerning continuing obligations in respect of reports filed under subsection 7.1(2) or (3) of National Instrument 51-102.

Item 7. Omitted Information

Not applicable

INSTRUCTIONS

In certain circumstances where a material change has occurred and a Report has been or is about to be filed but subsection 71.(2), (3) or (5) of National Instrument 51-102 is not or will no longer be relied upon, your company may nevertheless believe one or more significant facts otherwise required to be disclosed in the Report should remain confidential and not be disclosed or not be disclosed in full detail in the Report.

Item 8. Executive Officer

The following executive officer (or the name of an officer through whom such executive officer may be contacted) of the Company is knowledgeable about the material change disclosed in this report.

Alf Sanderson, President
Business Telephone No.: 604-657-5638

Item 9. Date of Report

DATED THIS 26th day of April, 2007