



# CAPMED HOLDINGS(PTY) LIMITED

(REG NO 1986/002395/06)

**4 September 2024**

## **NOTE**

**Dear Director/Associate**

### **1. CAPMED**

Capmed is a public company specifically established to provide affordable health care and health insurance solutions, and alternative medical care.

Its main product is an open choice capitation based medical scheme or medical insurance plan. In terms thereof medical service providers like doctors, dentists and pharmacists, or hospitals, are paid a fixed monthly amount per patient by Capmed.

This is in contrast to the standard “fee-for-service” model.

Agreements have been reached or are negotiated with various service providers of benefit, risk and wealth solutions whereby the implementation and operation of the product are outsourced.

The model as devised for the RSA will be the mainstay of the company’s business activities and will be supported by the subsidiaries Capmed Marketing and Capmed Bio.

#### **Decree:**

Based on the advantages of the system the DRC government entered into an indefinite period contract with Capmed to implement a similar system for all public sector employees in that country.

The relevant minister of health has guaranteed to enroll at least 1 200 000 civil servants in the programme, which not only consists of a health insurance scheme, but also the provision of medicine, the upgrading and establishing clinics, training of medical staff and a medical evacuation scheme.

The scope of the agreement supported by a DRC government decree has been independently calculated at \$3 600 00 000 (or R40 000 000 000) for the first five (5) years.

The agreement with the DRC government was entered into by Afrimed.

The funding of the health plan will, apart from the contribution by the DRC government, members of the scheme and donor funds, also be supported by the revenue from mineral (primarily diamond) concessions granted by the government.

These allocation of such concessions are presently being negotiated.

As a starting point in this regard, Capmed independtly acquired three major diamond concessions in the Kasai Orientale province. These mining areas 7905, 7906 and 7908 (known as the PIC concessions) are 300 km north of Mbuyi-Mayi and, according to a DRC government report contain a total of 194 000 000 carats with an in situ value of \$64 100 000 000.

Capmed own and more conservative review report confirms 138 000 000 carats with an in situ value of \$27 600 000 000 (R360 000 000 000 or R7.00 per First Wealth share).

Capmed has operators available that can start mining almost immediately, since most of the deposits are on the surface.

The PIC concessions will, after listing, be transferred to fully owned subsidiary Stellar Diamonds to expand its portfolio and provide a base for its own separate listing later in 2025

## **2. CAPMED THE NAME**

The name Capmed is derived from the principle of “capitation” which is a particular benefit system used in the medical scheme industry.

Capmed, as a holding company, has various subsidiaries as well as own business ventures.

By far the most important of these, and at the heart of the group’s proposed activities, is the capitation model developed to administer the contributions payable to and benefits provided by a medical scheme. It is based on the payment of a fixed monthly amount on

behalf of each member to the service providers of such member's choice. Similar payments are made on behalf of each member, which is per head or per capita.

These payments are not linked to specific services provided and are made monthly in advance.

This is in contrast to the generally accepted "fee-for-service provided" system where payment is made to a service provider after such service has been provided.

The capitation system has the advantage of simplicity, easy administration and leaves hardly any room for fraud.

Although all Capmed's systems and intellectual property rights are in place and successful trial runs completed, the company requires additional capital to obtain the statutory required license to implement the capitation scheme in RSA

From an early stage Capmed realized that, due to the saturated nature of the medical scheme industry in South Africa, access to new members would be easier in the rest of Africa. To this end it entered into a major agreement directly with the government of the DRC in 2005 which, although termed a "private healthcare insurance agreement", would not only provide financial medical cover to patients, but also medical and medical infrastructure such as clinics et cetera.

### 3. (i) CAPMED: FREE CHOICE

The model in DRC relies on the personal relationship between the patient (person) and the doctor or other medical services provider. The relationship is based on free choice. The patient appoints his service provider. If the latter accepts, the scheme will pay a prescribed upfront monthly fee for a prescribed package of services.

The arrangement has a number of advantages:

- a. The service provider has, no bad debt.
- b. There is no room for fraud.
- c. The supporting administration is substantially reduced.
- d. There is a built-in incentive for the service provider to see the patient as seldom as possible (i.e. to keep him healthy).
- e. It restores the classical patient-doctor relationship, based on free will.
- f. Either party can withdraw from the relationship with reasonable notice.

- g. This is in contrast with the standard “fee-for-service” where a service provider is paid after the service by a medical scheme appointed by the patient.

The simpler more cost effective system will, apart from certain lateral advantages, substantially lower the average medical cover fee paid by the man in the street and as a result lower has the average cost for standard medical services.

### 3 (ii) **OUTSOURCING**

Due to the enormous scope of such an alternative system, Capmed has had extensive positive negotiations with a broad range of medical/health service providers to allow a large part of the products and services to be outsourced.

Due to the simplicity of the system the directors of, Capmed believe that, once in place, the RSA government’s proposed National Health Insurance (NHI) will soon become redundant.

## 4. **DRC DECREE IN DRC**

4. (i) Capmed will not only provide the scheme in the RSA. Due to the interest in the DRC, Capmed entered into a substantial indefinite period agreement with the DRC government to provide medical products and services and, specifically to implement a medical cover system for public sector employees.

This is supported by a decree by the DRC Minister of Health guaranteeing the enrolment of 1 200 000 civil servants in the scheme.

Only the lack of capital has to date delayed delivery of the agreed services.

The overall agreement also provides for the upgrading and establishing of clinics, training of medical staff and a medical evacuation scheme.

The scope of the agreement has been independently valued at \$3 600 000 000./ \$3,6 billion

The need for encompassing health care is clear from the following information:

DRC has huge economic potential given its vast size, rich agricultural and mineral resources.

It is a fragile post-conflict country with significant reconstruction and economic growth challenges.

One of these is the lack of functioning health system to support the country's citizens and address health care priorities that are unique to the country.

With a population estimated at 73 599 190 and a growth rate of 2.579% per annum, it is the 25<sup>th</sup> fastest growing population in the world.

#### 4.(ii) **KEY HEALTH INDICATIONS**

Maternal mortality rate	540 / 100 000 live births
Infant mortality rate	76.63
Life expectancy at birth	55.74
Health expenditure	11.2% of GDP
Physicians density	0.11 physician / 1 000 population
Hospital bed density	0.8 beds / 1 000 population

The above indicators show that the DRC is under-resourced to address its health and burden of disease challenges.

An independent consulting firm Hexor prepared a high level budget on behalf of Capmed and the DRC Government, in order to establish the size and scope of the project.

Apart from the medical scheme/insurance cover the DRC programme will have a further five (5) specific features.

#### 5. **MEDICINE AND MEDICAL CONSUMABLES**

The supply of medicines and medical consumables presents a major opportunity; medicines will not only be supplied to the health insurance plan but also to the other private clinics, hospitals and pharmacies.

Capmed will set up a warehouse in Kinshasa for the distribution of medicines and medical consumables with a second warehouse in Lubumbashi.

Customers will collect the products at the warehouse and pay cash. This aspect of the project can commence immediately as the products that are currently available in the DRC are of a poor quality.

There is also an opportunity for the distribution of phyto-pharmaceuticals in the DRC as in the RSA. Capmed requires a strategic partner to supply the products and has entered into an arrangement with a French based company, Arkopharma for this purpose.

## **6. CLINICS AND INFRASTRUCTURE**

In order to provide the required services to the insured members the infrastructure of clinics and hospitals will need to be upgraded significantly.

Not only will the existing clinics need to be refurbished but an estimated total of 220 new clinics will need to be established over a period of time.

The new clinics will have 20 beds and 3 treatment theatres with an estimated cost of USD3.0 million per clinic. Capmed is confident that donor funding can be obtained to assist with the construction of the new clinic once the project is up and running.

The approach will be to try and build 5 new clinics with investor funding before approaching donor agencies.

Capmed intends entering into a strategic partnership with an established hospital group for this part of the project

## **7. MOBILE CLINICS**

Mobile clinics could provide an alternative or supplementary strategy to building clinics. In this way it may be possible to implement health insurance faster reaching more members.

The mobile clinics will be staffed by local doctors and nurses who speak the local languages in the provinces and provide patients with culturally sensitive care.

Capmed will undertake a study to determine the feasibility of mobile clinics in relation to:

Construction cost of clinic versus purchase and equipping cost of mobile clinic;

Running costs of fixed clinic versus mobile clinic;

Speed of implementation.

## 8. TRAINING

Capmed will provide training to medical and administrative staff. The medical training will include nurses, sisters and education up to a master's degree level.

There are two existing universities in the DRC that will be utilized to assist with the training. The table below sets out the anticipated numbers of staff that will be trained during the first five year period

### Nurses

Year 1	Year 2	Year 3	Year 4	Year 5	Total
200	250	300	500	500	1750

### Administration

50	50	50	50	50	250
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## 9. MEDICAL EMERGENCY EVACUATION

The establishment of medical emergency evacuation system in the DRC is also in the ambit of the agreement with the DRC government.

This is a very specialized area and Capmed will enter into a joint venture with an experienced operator in order to provide this service.

## 10. CAPMED BIO EXTRAC

Capmed arranged, as part of its provision of a broad range of medical products and services in the RSA, to produce and distribute own natural medicine and pharmaceutical products.

This will be done by Capmed Bio Extract as a fully owned subsidiary.

This company will establish an extraction facility to manufacture phyto-pharmaceuticals, essential oils and plant extracts.

Phyto-pharmaceuticals are normally manufactured using traditional compounds derived from plant origin instead of chemicals, which are more easily and readily metabolized by the body. To this end Capmed has signed an agreement with Argeville Limited, a French based perfume and flavourant business to produce organic vegetable extracts on a long term basis.

Capmed has also entered into an agreement with Arkopharma, a French based phyto-pharmaceutical manufacturer to distribute their products in all French speaking African countries.

The Arkopharma products have already been registered in the DRC and have the required French labelling.

These relationships will lead Capmed (via Capmed Bio Extract) to become an Independent player the local cosmetics industry. The linking of these products with its diamond arm and the utilization of Capmed's marketing platform presents major opportunities.

## 11. THE PIC CONCESSIONS

These properties have been acquired by Capmed Holdings Ltd as part of its relationship with the DRC government and will be a key asset in the reverse takeover of Capmed by Cryptique International

Capmed bought the properties for a total sum of R500 000 000 payable largely from the diamonds produced.

The acquisition was made with the support of the DRC government.

Particulars of the concessions are available. This includes experts from the detailed geological report by Alain Baudin, as well as a preliminary valuation by Overview Inc.

Taking into account of the present foreign exchange rate of R13 to the dollar the "desktop" valuation attributable to the company will be  $\pm$  R32 000 000 000.

The PIC diamond concessions consist of three areas located about 300km north of Mbuji-Mayi in the Kasai province of the DRC (areas 7905, 7906, 7908). The DRC government commissioned a detailed feasibility and valuation of concessions through an independent consultant.

The report concluded the concessions has a total of 194 million carats with a value of \$64.1 billion. Capmed subsequently commissioned an independent study through Arnaux Consulting Geologists which showed a more conservative valuation of \$27.6 billion based in 138.4 million carats.

The two areas (7905 and 7906) in the Kasai-West are the more lucrative areas with a yield of 40 carats per 100 tonne. Area 7908 in the Kasai-East has a larger volume bit with a lower yield of 20 carats per tonne. The initial strategy would be to start mining in area 7905 and 7906.



The worldwide demand for rough diamonds is expected to exceed supply in the coming years which will make area 7908 more economically viable.

*MPB Beta.*

