Capricorn Buys Out Its Hedge Book

Capricorn Metals (ASX: CMM)

Advised that it has closed out all of its remaining 55,000 ounces of gold forward sale hedge contracts with settlement via a bilateral transaction to issue Capricorn shares to Macquarie Bank Limited, the company's hedging and debt financier.

	Capricorn Metals	**ASX: CMM**
	Stage	**Production, development, exploration**
	Metals	**Gold**
	Market cap	**A$3.26 Billion @A$7.90**
	Location	**Western Australia**
	Website	**www.capmetals.com.au**

Comment

Being a gold bull I detest hedge books, so I welcome this positive move by Capricorn at a time when the gold price is soaring.

With gold hovering around the key $3000 level, which equates to $4713 Australian dollars, this looks a well times move to take advantage of the rising gold price in Australian dollars.

CLOSURE OF GOLD HEDGING PROVIDES CAPRICORN ADDITIONAL GOLD PRICE EXPOSURE & NEAR-

TERM CASH FLOW ACCRETION

Capricorn Metals Limited (ASX: CMM) (Capricorn or the Company) is pleased to advise that it has closed out all of its remaining 55,000 ounces of gold forward sale hedge contracts with settlement via a bilateral transaction to issue Capricorn shares to Macquarie Bank Limited (Macquarie), the company's hedging and debt financier.

This strategic, modest dilution, equity transaction increases Capricorn's direct exposure to potential gold price upside while preserving existing cash reserves to fund the development of both the Karlawinda Expansion Project and the Mt Gibson Gold Project.

As part of the closure and to mitigate the downside risk, Capricorn also purchased gold put options covering 50% of the volume and the same maturity as the closed hedge contracts .

The purchased put options give Capricorn the right (but not the obligation) to sell 50% of the previously hedged ounces at a price of A$4,500 per ounce.

This allows Capricorn full participation if the gold price is higher than the strike price on the date of maturity of each put option.

The cost of the closure, purchase of put options and transaction costs was $147 million, and has (other than $7 million paid out of existing cash holdings) been funded through the issuance of approximately 17.7m new fully paid ordinary shares (New Shares) to Capricorn's debt financier and hedge book counterparty, Macquarie at an issue price of A$7.90 per New Share representing a modest dilution of 4.3% of Capricorn's existing ordinary shares.

In relation to the closed out 55,000 ounces of hedging, every A$50/oz increase in the gold price above the spot A$ gold price enhances revenue on the previously hedged production by $2.75 million, with the closure expected to be materially accretive to FY26 and FY27 free cash flow

Capricorn's Executive Chair, Mark Clark, noted:

"This closure of gold hedging is a continuation of the active hedging management strategy Capricorn has successfully used to enhance revenue and cashflow in a rising gold price environment over the last 2 years.

"The bilateral transaction to issue equity to Macquarie to close the hedging has given Capricorn the potential to further enhance future operating cashflow and preserve existing cash holdings for the development of our exciting growth projects at a very modest dilution to current shareholders."

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To read the full news release please click HERE

To View Capricorn Metal's historical news, please click here

The live Spot gold price can be found HERE

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Disclosure

At the time of writing the author holds shares in Capricorn Metals

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