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FAR EAST CAPITAL

The Mining Investment Experts

Weekly Commentary

15 August 2026 *Chart comments updated on Friday's close* Analyst : Warwick Grigor

Royalties as an alternative to shares - an interesting innovation

The best news last week was the recovery of the gold price, up about 10% to hit a 10-week high after escaping from the band around US$4,000/oz. Observers attributed the rise to the lower-than-expected inflation figures out of the US, with this suggesting interest rates don't have to go up. Other positive news is that the Bank of Korea has acquired US$355bn of gold in Q2, being its first foray into the metal for 13 years.

Last week we reported that we had hit the inflection point with many charts breaking out of downtrends. What normally happens when we see this is an initial surge of buying and share prices spike higher, but they don't just go back to previous highs in a hurry. They need to absorb selling from shareholders that had been trapped for a while, and now want to let some stock go. We should expect to see rises and consolidations as the renewed trends develop based on a more rational, optimistic psychology.

Grigor Sentiment Oscillator	
Charts in Uptrend:	29% (26%)
Charts in Downtrend:	43% (48%)

How to interpret the Oscillator

It is good news that the Oscillator has turned upwards because that means prices are on the rise again. We have had the initial surge as many charts broke out of the steep downtrend, but keep in mind that some time later, maybe over the next few months, there are less aggressive downtrends that have to be penetrated. These constitute decision points where traders will consider whether it is time for a full-blown bull market again, or whether there needs to be more groundwork. Will the shares dip a little or a lot, before building up momentum for an assault on the resistance line?

Remember that trends develop through the accumulation of many days trading. Changing circumstances can alter expectations at any point as we try to see into the future. The main point about where we are today is that fear is dissipating and we can afford to be more optimistic … for the time being.

Would you rather have shares or a royalty?

That is an interesting question, but up until now it has been academic. We buy and sell shares because all the systems are in place. We have accounts with brokers, and we can buy shares now, but times may be changing. I saw ProspEx, a company (exchange) at Diggers that is working on a new type of company that intends to enable trading in royalties.

Royalties are something that North Americans are very familiar with as a means of financing junior mining companies. They tend to be avoided in Australia, except when a company wants to sell an exploration asset. No-one wants to sell a project and then find out, with embarrassment, that it had unwittingly sold a good orebody that is subsequently discovered. Having a small royalty as part of the consideration softens that embarrassment.

How will it work in practice?

The intention is that a company would create a royalty that can effectively be securitised and traded just like a share. If the total royalty is 1%, for a $1m raise, it could be split into 100 units of $10,000 each - or any other number.

Once created, the royalty unit should survive into perpetuity as it will be registered against the licence rather than a company. Provided that the licence is not cancelled (as opposed to being relinquished), it will continue in perpetuity. Even if the licence is surrendered, the royalty will not be extinguished. If someone else pegs the ground at a later stage, he will do so knowing that it is subject to the royalty.

A counter to dilution …

For those shareholders who dislike dilution when a company issues shares, a royalty is something that cannot be diluted. Maybe these people should buy a royalty.

… and protection from management risk

Management risk takes on a different shape with a royalty rather than a share. Nothing can be totally free of management risk, but with a royalty that attaches to a licence, rather than a company, the economic right can survive a procession of different management and company changes. Shareholders can be blown out of the water, but royalty holders are insulated from corporate machinations and failures.

As I have frequently said, the most important factor in deciding on whether to buy a share or not is the integrity of management. For example, I sat through a presentation last week and right at the end was a page on directors and management. As soon as I saw who was on the board, I said, "You have wasted the last 25 minutes of my time." I would never buy, or write about a company with that person on the board with a leadership role. This is less likely to be an issue if we were talking about royalties rather than ordinary equity.

Valuation process ahead of cash flow

You might think that a royalty is only ever going to be worth something if the project gets to the point of development and production, but that observation quickly changes if the royalty unit becomes tradeable on a financial exchange. You will be able to buy or sell the unit just like a share. There will be great speculative value that can go up and down just like a share price based on how the exploration is going, and the development. There will be a direct correlation with commodity price movements.

Can the company buy back the royalty?

It is not uncommon for a royalty to be capped at an agreed level, or be able to be bought back at some premium. These are contractual terms that can limit the upside for the royalty, but how workable would these clauses be in a tradable royalty? They would have to be disclosed in order to have contractual certainty, and they may ultimately cap the upside, but a buy-back might also provide a useful exit strategy for something that is going to have limited liquidity in an OTC market.

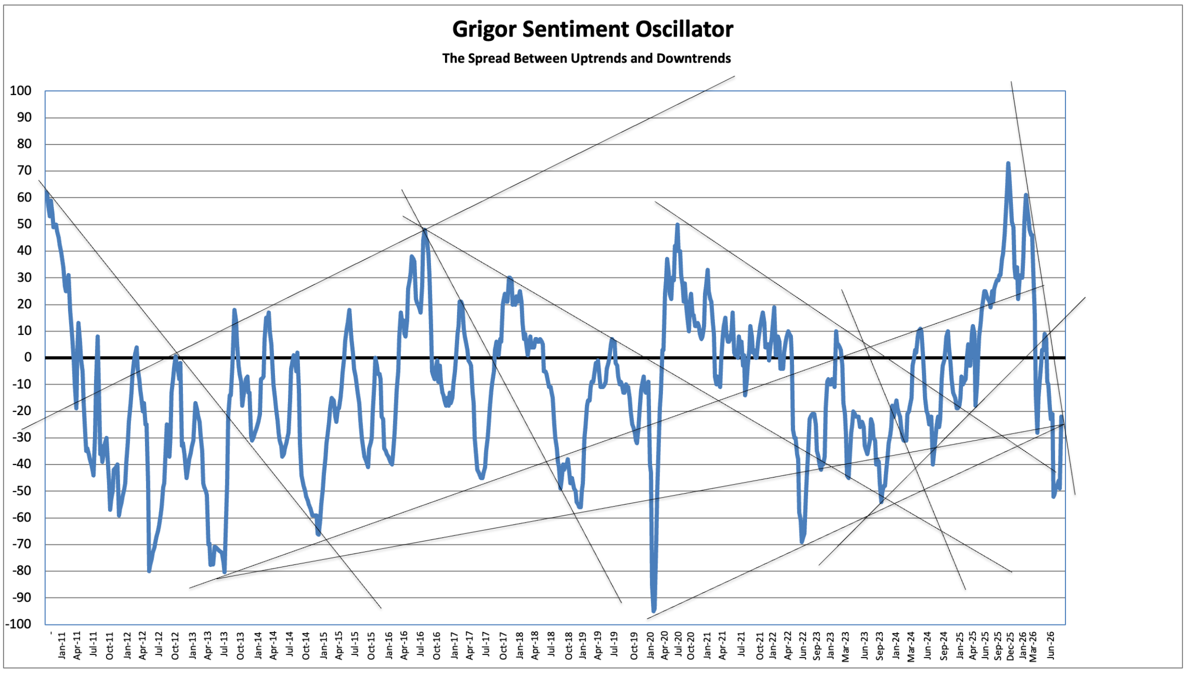
It is always open to the issuing company to go into the secondary market and buy back lines of royalties at the seller's asking price. After all, they will be freely tradeable. There is also the possibility that the issuer can sell more royalties at a later date if it needs more finance. I can see that this makes the royalty an alternative to issuing equity at any point, giving great flexibility.

We talk of making a 10-bagger in the share market, but it is not impossible to be talking about 100-baggers on a royalty investment.

The Bottom Line

ProspEx is well advanced in getting its first royalty deal underway. It will be important to see how this goes and whether the mechanisms are effective. An important consideration is the attitude of regulators to the setting up of a new market and what restrictions they may impose to address counterparty risk and how to generally "protect" investors - if they need protection. The absence of invasive regulation would leave the relationships to be governed by legal agreements that will gravitate towards a standard approach.

From my point of view, this is an excellent and exciting innovation. The speed and degree to which it is embraced by the companies and investors remains to be seen, but offering a direct exposure to a geological resource rather than via shares in companies seems a fair concept. Circumventing dilution by companies that are more interested in lifestyle seems a noble concept.



Grigor Sentiment Oscillator: It may have been a quiet week in the market, but sentiment continued to improve as more downtrend were broken. It is possible that there will be another short term correction before conclusively breaching the steep downtrend line. There were 29% (26%) of shares under coverage in uptrend, and 43% (48%) in downtrend.

Detailed Chart Comments

NB. Only the bold comments have been updated. Comments in grey type are from previous weeks and will be less relevant. Please note that this list is a cross section of the market. It IS NOT a list of recommendations.

Indices	Code	Trend Comment	
All Ordinaries	XAO	new high	
Metals and Mining	XMM	testing downtrend	
Energy	XEJ	steep rise	

Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Aguia Resources	AGR	down after placement	phosphate, gold
Akora	AKO	testing downtrend	iron ore
Alkane Resources	ALK	bounced off support line	gold
Alligator Energy	AGE	pullback	uranium
Alpha HPA	A4N	falling	HPA
American Rare Earths	ARR	sideways	rare earths
American Tungsten & Antimony	AT4	steep rise	antimon
Anax Metals	ANX	testing downtrend	copper
Andean Silver	ASL	rising again	silver
AnteoTech	ADO	down	batteries
Arafura Resources	ARU	new low	rare earths
Ardea Resources	ARL	breached downtrend	nickel
Ark Mines	AHK	testing downtrend	rare earths
Astral Resources	AAR	gentle uptrend commenced	gold
Aureka	AKA	breached the downtrend	gold exploration
Auric Mining	AWJ	down	gold
Aurora Energy Metals	1AE		uranium
Aurelia Metals	AMI		copper + base metals
Aurum Resources	AUE	new low	gold exploration
Australian Gold and Copper	AGC	testing downtrend	base metals, silver, gold
Australian Rare Earths	AR3	down	rare earths
Australian Strategic Materials	ASM	testing downtrend	rare earths
BCI Minerals	BCI	sideways	salt
BHP	BHP	good rise	diversified, iron ore
Ballard Mining	BM1	new low	lithium
Ballymore Resources	BMR	breached downtrend	gold exploration
Barton Gold	BGD	breached downtrend	gold exploration
Beach Energy	BPT		oil and gas
Beetaloo Energy	BTL	new low	gas
Bellevue Gold	BGL	good bounce	gold
Black Cat Syndicate	BC8	testing downtrend	gold
Boa Resources	BOA	bounced on support line	copper
Boab Metals	BML	breached downtrend	silver/lead
Brazilian Rare Earths	BRE	breached downtrend	rare earths
Brightstar Resources	BTR	good rise	gold

Broken Hill Mines	BHM		rising	base metals
Canadian Phosphate	CP8		down	phosphate
Caravel Minerals	CVV		down	copper
Carnaby Resources	CNB		spike out of downtrend on takeover	copper
Castile Resources	CST		down	gold/copper/cobalt
Catalyst Metals	CYL		breached downtrend	gold
Cazaly Resources	CAZ		down	rare earths
Centaurus Metals	CTM		testing downtrend	nickel/cobalt/HPA
Challenger Gold	CEL		steep rise	gold
CNG Resources	CGR		consolidating after rise	gold exploration
Cobalt Blue	COB			cobalt
CuFe	CUF		on support line	bismuth, Cu, Au
Cyprium Metals	CYM		rising	copper
Energy Transition Metals	ETM		down	rare earths
EQ Resources	EQR		rising	tungsten
Estrella Resources	ESR		sideways	manganese
Evolution Mining	EVN		breached downtrend	gold
Felix Gold	FXG		at lows	gold exploration, antimony
Finder Energy	FDR			oil/gas
First Graphene	FGR			graphene
Flagship Minerals	FLG		down	gold
Gateway Mining	GML		breached downtrend	gold exploration + gallium
GBM Resources	GBM		testing downtrend	gold
Genesis Minerals	GMD		steep rise	gold
Globe Metals and Mining	GBE			niobium
Gold 50	G50		testing downtrend	gold exploration + gallium
Golden Horse	GHM		good rise	gold exploration
Great Boulder Resources	GBR		new low	gold exploration
Green360 Tech	GT3		down	kaolin
Hamelin Gold	HMG		rising	gold exploration
Hawk Resources	HWK		down	scandium
Heavy Minerals	HVY		down	garnet
Hillgrove Resources	HGO		rising	copper
Iltani Resources	ILT		down	antimony
Iluka Resources	ILU		testing downtrend	mineral sands
Investigator Resources	IVR		down	silver
Jupiter Mines	JMS		sideways	manganese
Kaiser Reef	KAU		sideways through downtrend	gold
Kingfisher Minerals	KFM		down	copper expl.
Kalamazoo Resources	KRZ		breached downtrend	gold
Kalina Power	KPO		rising	data centre power
Koba Resources	KOB		rising	uranium
Larvotto Resources	LRV		testing downtrend	gold, antimony
Litchfield Minerals	LMS		new low	copper exploration

Lindian Resources	LIN		approaching support line - trading halt	rare earths + bauxite
Lode Resources	LDR		down	antimony, silver
Lynas Corp.	LYC		steep rise	rare earths
Mammoth	M79			gold exploration
Many Peaks	MPK			gold exploration
Marmota	MEU		down	gold/uranium exploration
Matsa Resources	MAT		new low	gold
Meeka Gold	MEK		testing downtrend	gold
MetalsX	MLX		rising	tin, nickel
Meteoric Resources	MEI		rising again	rare earths
Midas Minerals	MM1		breached downtrend	lithium
Mithril Silver & Gold	MTH		new low	silver, gold
Native Mineral Resources	NMR		risen to resistance line	gold
New Murchison	NMG		rising	gold
Nexgen Energy	NXG		good rise	uranium
Novo Resources	NVO		down	gold exploration
Omega Oil	OMA		breached uptrend	oil
Pacific Gold	PGO		at highs pre placement	gold exploration
Pacific Lime & Cement	PLA		rising	renewables, cement
Paladin Energy	PDN		testing downtrend	uranium
Pantoro Gold	PNR		steep rise	gold
Patriot Battery Metals	PMT		at lows	lithium
Peninsula Energy	PEN		collapse	uranium
Perseus Mining	PRU		rising again	gold
Phosco	PHO		sideways	phosphate
Pilbara Minerals	PGL		testing downtrend	gold
PolarX	PXX			gold exploration, base metals
Power Minerals	PNN		new high	rare earths
QMines	QML		sideways	copper
Regis Resources	RRL		steep rise	gold
Revolver Resources	RRR		at lows	copper
Richmond Vanadium	RVT		down	vanadium
RIO	RIO		steep rise	diversified, iron ore
Rox Resources	RXL		down	gold
RTG Mining	RTG		good rise	copper
Rumble Resources	RTR			zinc, gold, tungsten exploration
Santana Minerals	SMI		testing downtrend	gold
Santos	STO		at highs	oil/gas
Sarytogan Graphite	SGA			graphite
Scorpion Minerals	SCN		down	gold exploration
Sinclair Gold (was AQI)	SGC			gold exploration
Siren Gold	SNG		down	gold exploration
Skylark Minerals	SKM		down	gold exploration
Somerset Minerals	SMM		bounced off lows	copper exploration

Southern Palladium	SPD		rising	PGMs
Stanmore Coal	SMR		down	coal
St George Mining	SGQ		down	rare earths, niobium
Stellar Resources	SRZ		improving	tin
Sun Silver	SS1		breached downtrend	silver
Sunrise Metals	SRL		**spike to new high**	scandium
Tamboran Resources	TBN		sideways	gas
Theta Gold	TGM		on support line	gold
Tivan	TVN		resuming downtrend	fluorite
Torque Metals	TOR		new low	gold exploration + lithium
Toubani Resources	TRE		new low	gold
Verity Resources	VRL		down	gold
Vertex Minerals	VTX		steep rise	gold
Waratah Minerals	WTM		**testing downtrend**	gold exploration
Westgold Resources	WGX		steep rise	gold
West Wits Mining	WWI		down	gold
Whitehaven Coal	WHC		down	coal
White Cliff Minerals	WCN		sideways	copper exploration
WIN Metals	WIN		down	gold
Yandal Resources	YRL		down	gold exploration
Totals	29%	41	Uptrend	
	43%	62	Downtrend	
		143		

Guides to Chart Interpretations

- Charts usually go from one trend (up or down) into the other via a period of indecision and uncertainty during which the trend can either recover or change. This period is signified by the orange colour. The orange represents both the greatest risk and greatest reward possibilities.
- Once a chart is in confirmed up or downtrends, it is not uncommon for 10-20% of that trend to have already transpired.
- There are trends within trends. The focus of this chart review is the immediate trend that affects the sentiment, i.e. it can be a downtrend within a long-term uptrend.
- Not every chart warrants a new comment every week. The new comments are in bold type. Grey-type comments may be dated.
- Individual charts provide a single view. It is valuable to look at charts of other companies in similar commodities, and the overall sentiment is also very valuable. Not many stocks can swim against the tide.
- We periodically add or delete charts, sometimes for obscure reasons. If a chart consistently gives poor signals or is very erratic, we may delete it. Sometimes we add a chart because we want to see what all the fuss is about. We do have a preference for charting stocks that we cover in our research as well.
- Errors and omissions may occur from time to time, especially in fast-moving markets.

Amber Lights in Tables: Just a reminder, if the amber light is used in the table – it is when the charts are ambiguous or when there is a change of trend taking place. If a chart is breaching a downtrend, it can either be a positive sign or a trap. Only once it has done more work can it be confirmed as a new uptrend. Maybe it is a new uptrend (or conversely a new downtrend); the risk-takers can decide to jump on board early (or sell). They will maximise their profits (or minimise their losses if indeed it is the start of the new uptrend (or downtrend). More risk-averse investors should wait a little longer, being prepared to give up some of the gains in return for greater certainty.

Weightings of Sectors Represented in the Company Charts

Sector	No. of Companies	Weighting	
Gold	**33**	**23.1%**	
Gold Exploration	**24**	**16.8%**	
Copper	**14**	**9.8%**	

Rare Earths	**13**	**9.1%**	
Uranium	**6**	**4.2%**	
Oil/Gas/Hydrogen	**6**	**4.2%**	
Silver	**6**	**4.2%**	
Iron Ore/Manganese	**5**	**3.5%**	
Antimony	**4**	**2.8%**	
Lithium	**3**	**2.1%**	
Graphite/graphene	**2**	**1.4%**	
HPA/Kaolin	**2**	**1.4%**	
Nickel	**2**	**1.4%**	
Scandium	**2**	**1.4%**	
Tungsten	**1**	**0.7%**	
Tin	**2**	**1.4%**	
Coal	**2**	**1.4%**	
Bismuth	**1**	**0.7%**	
Niobium	**1**	**0.7%**	
Potash/Phosphate	**3**	**2.1%**	
Base metals	**1**	**0.7%**	
Vanadium	**1**	**0.7%**	
PGMs	**1**	**0.7%**	
Mineral Sands	**1**	**0.7%**	
Cobalt	**1**	**0.7%**	
Other	**6**	**4.2%**	
Total	**143**		

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