



Standard Metals Processing, Inc. (OTCQB: SMPR, Target Price: N/A)

We initiate preliminary coverage of Standard Metals Processing, Inc. (OTCQB: SMPR). We view SMP as a speculative microcap investment option in the custom toll milling and processing market. During August, 2014, SMP updated investors on progress at its Tonopah Property in Nevada, including the purchase of heavy construction and milling equipment, the installation of three monitoring wells and the completion of three rounds of background water testing. Once operational, the Tonopah Property will house a state of the art toll milling and mineral processing facility, and SMP will be ideally situated to benefit from the lack of processing capacity in the market. This note is an initiation primer and hence we are not issuing a price target or forward estimates for SMP at this time. We expect to issue a full initiation piece during 2H14.

Comprehensive custom toll milling operation

Toll milling is a process whereby mined material is crushed and ground into fine particles to ease the extraction of any precious minerals contained therein, such as minerals in the gold, silver and platinum metal groups. Custom milling and refining can include many different processes that are designed specifically for each ore load and to maximize the extraction of precious metals from carbon or concentrates. SMP is currently building the only comprehensive custom toll milling operation in Nevada. This 1,186 acre property will contain a state of the art facility capable of providing assay, extraction engineering and refining services to junior mining companies located in the Western United States, Canada, Mexico and Central America. SMP is making significant investments in the property, including the installation of new wells, the planned construction of a new electrical substation, building a new RV park for worker housing and the purchase of heavy construction and milling equipment. This investment will help lower project costs and operational costs over the life of the facility.

Lack of processing capacity creates sizable opportunity

SMP is positioning itself to take advantage of a favorable supply-demand imbalance for metal and mineral processing services in the Nevada region. As precious metals prices have risen in the last decade, investment in the space has grown in both the opening of new mines and the re-opening of mines with proven reserves. Numerous junior mining players have entered the space, but the cost of building a new processing mill, with long environmental lead times for construction and significant regulatory requirements, make building their own processing mill a very prohibitive decision. As major miners have vertically integrated processing facilities and reserve their capacity for their own operations, a real shortage of independent toll milling capacity has arisen for the junior miners. These smaller players are left with a large supply of mined material that requires milling be performed. SMP looks to be extremely well-positioned to take advantage of these attractive industry dynamics, with both extensive industry expertise and the impending completion of its new, one of a kind processing facility. The plant is expected to come online by 3Q15 and should serve as a major catalyst for SMP shares.

Stock Details

Company	Standard Metals Processing, Inc.
OTCQB:	SMPR
Sector / Industry	Materials / Metals & Minerals
Recent share price	\$1.62
Shares o/s (mn)	101.3
Market cap (in mn)	\$164
Enterprise Value (in mn)	\$166.2
52-week high/low	\$2.57 / \$0.32

Source: SeeThruEquity Research, prices as of 08/18/14

Business

Standard Metals Processing, Inc. is being developed as the only comprehensive custom toll milling operation in Nevada that is designed to provide entrepreneurial – mid-mines with four different independent process circuits under one roof in order to produce the greatest yields available through the extraction of precious, strategic minerals from mined material.

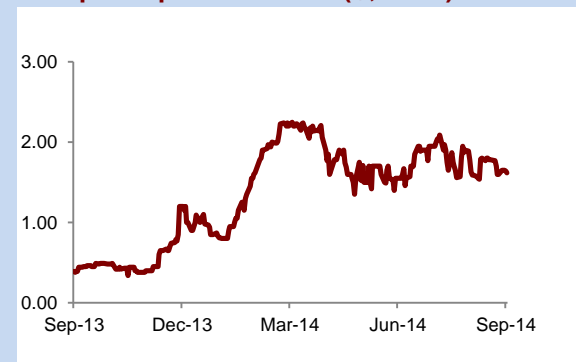
Investment Highlights

- One of a kind toll milling operation
- Excellent industry supply/demand dynamics
- Strong management and operational expertise

Key Risks

- Development stage company
- Capital intensive business
- Financing and dilution

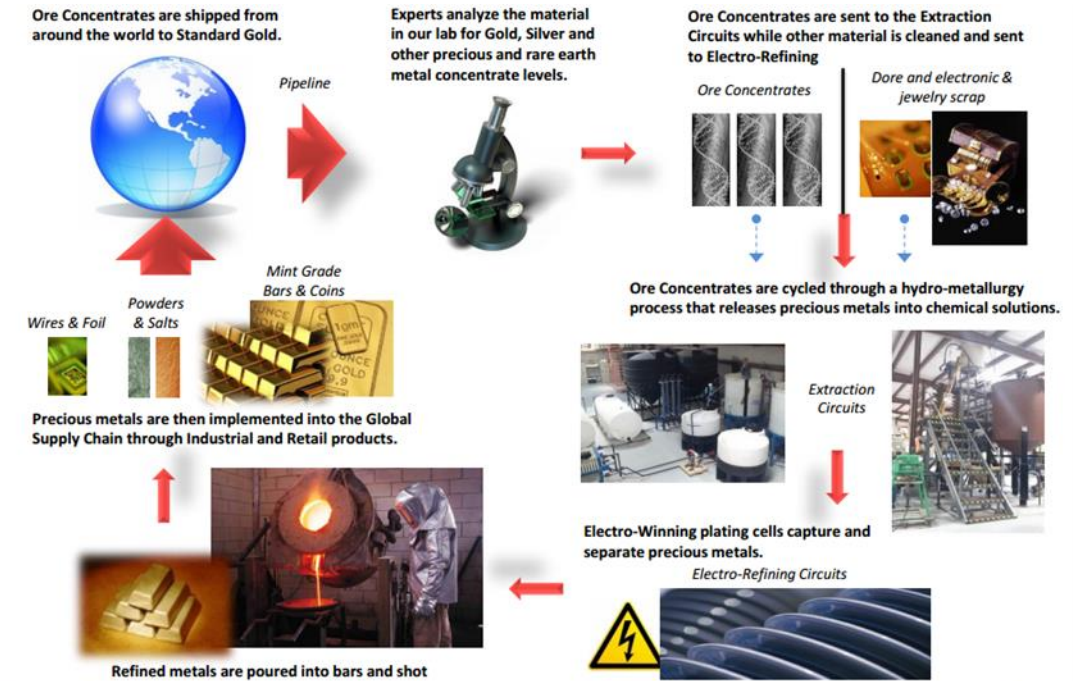
Share price performance (\$, LTM)



Source: Yahoo! Finance

Toll milling and concentration overview

Ore is sent to SMP's facility at the responsibility and cost of the customer. SMP will take a sample of the ore through a specific ore sampling procedure. SMP's metallurgist will test the sample on site. To obtain a quantitative determination of the amount of a given substance in a particular sample, SMP can perform wet methods and dry methods. In the wet method, the sample is dissolved in a reagent, like acid, until the purified metal is separated out. In the dry method, the sample is mixed with a flux (a substance such as borax or silica that helps lower the melting temperature) and then heated so that the impurities in the metal fuse with the flux, leaving the purified metal as residue. If it is determined that the sample is approved for processing, the customer and SMP will



**Some of the information contained in this chart came from our partners, industry magazines, and internet publications. These pictures do not represent current facilities.*

then agree upon a value of the metal grade per ton and charges either a flat fee per ton of the ore processed or a percentage of the precious metals extracted during processing, or a combination of both based on the amount of work that is performed. In most situations, a series of tests will be performed on a bulk sample ranging in size from 250 to 1,000 pounds. A metallurgist will determine the best process or processes to use for the extraction.

Concentration is the separation of precious minerals from other materials by utilizing different properties of the minerals to be separated. The leaching process uses chemicals to extract the metals from the solid materials (concentrates) and bring them into a solution. Once the metals are in the solution, it is passed through carbon or resin columns where the precious metals are deposited onto the carbon/resin. The metals will then be stripped from the carbon back into a different solution where they are pumped through an electrowinning circuit in a process called carbon stripping. The metals are then deposited onto stainless steel in the electrowinning circuit. After this stage, the metals are either sold or further refined off-site. The solution is recycled and used again to process additional material.

Source: Company filings, SeeThruEquity Research

SMP controls very unique assets

Purchase by SMP in 2011, the Tonopah, Nevada facility is a very unique and valuable asset. The land encompasses 1,186 deeded acres, one of the largest private land holdings in Esmeralda County, Nevada, and the land includes buildings, mine tailings, a dormant milling facility, abandoned milling equipment and water permits. Approximately 334 acres of this land has an estimated 2.2 million tons of tailings, known as the Millers Tailings, from the historic gold rush of Goldfield and Tonopah, Nevada sitting on it. Tailings consist of ground rock and process effluents that are generated in a mine processing plant. Mechanical and chemical processes are used to extract the desired product from the run of the mine ore and produce a waste stream known as tailings. SMP is positioned to use its high tech facilities to extract value from these tailings. The property also has 387 Acre Feet of sought after annual renewable water rights (about 200 million gallons per year). Because of the limited availability of water in Nevada, given its arid climate, all water rights are considered real property and thus are conveyed by deed. Water rights can be bought and sold, and the location and type of use changed.

Source: Company filings, www.pg-tm.com SeeThruEquity Research

High barriers to entry

SMP is well situated to take advantage of the supply/demand imbalance for toll milling capacity in the Nevada region, and it also benefits from the high barriers to entry for future competitors. The Tonopah property is a very unique asset, and properties of this nature are not often available for purchase. Obtaining the permits necessary to construct a new facility is very costly and projects have significant lead times due to onerous regulatory requirements. Through its wholly-owned subsidiary, Tonopah Custom Processing, Inc., SMP was required to file a Water Pollution Control Permit ("WPCP") Application with the Nevada Department of Environmental Protection ("NDEP") Bureau of Mines and Mining Reclamation for the approval of the permits necessary for a small-scale mineral processing facility planned for the Tonopah Property. An NDEP review of a WPCP typically takes 225 days. SMP filed its WPCP on August 28, 2013. In its August 21, 2014 press release, SMP announced that its three newly installed monitoring wells had completed three rounds of background water testing and had satisfied the NDEP requirements. This illustrates how difficult it is for new competitors to enter the space and the significant lead time SMP has on those competitors.

Source: Company filings, SeeThruEquity Research

No estimates or price target at this time

As we noted at the outset of this report, we are not publishing estimates or a price target at this time. We expect to issue a full initiation report covering SMP during 4Q14.

Management Team**Sharon Ullman, Executive Chairwoman, Chief Executive Officer and President**

Ms. Ullman is Co-Founder and CEO of Afignis Worldwide (Afignis). Afignis was established to identify and develop mining, natural resource and agricultural opportunities on a global basis, with a focus on emerging markets. Afignis has made several investments, including taking a large ownership interest in a Nevada gold mill (Standard Metals Inc.) and the acquisition of mining and agricultural interests in Sierra Leone, Africa. The Sierra Leone investment is managed by Afignis Sierra Leone Limited, which is a strategic partnership between the Mende tribe and Afignis Worldwide. Afignis Sierra Leone Limited is involved in gold and diamond mining operations and controls large parcels of arable land for agriculture including acres of cacao and coffee plantations. Ms. Ullman is active in philanthropic and government relations through her work as Chairman and CEO of S. L. Ullman & Associates, a private consulting firm, and has been recognized for her achievements in that area. Ms. Ullman served as the Executive Director and President of the 23rd Street Association and through her efforts, the Association was involved in the development of Project 9A, the Hudson River Waterfront and the High Line. She was a prominent leader in the revitalization of historic Madison Square Park, helping to raise millions for its restoration and maintenance. She successfully led the effort to establish the Flatiron/23rd Street Partnership, a Business Improvement District in the Flatiron/23rd Street area. Her efforts as the founding member and member of the Board, helped reinforce the Flatiron/23rd Street area's growing stature as one of the city's premier destination spots. Ms. Ullman has worked with all levels of Government and Government agencies and has been widely acknowledged for her contributions. Among her numerous awards include being voted top 100 New Yorker, written into the Congressional Record – Extension of Remarks in Recognition for Outstanding Leadership by Congresswoman Carolyn Maloney, Letters of Recognition / Outstanding Citizen Citations from President Bill Clinton, Governor George Pataki, Mayors Michael Bloomberg and Rudolf Giuliani, Letters of Recognition from then Senator Hillary Rodham Clinton and Charles E. Schumer. Ms. Ullman has been awarded the Outstanding Citizen Award from Speaker Christine Quinn Council of the City of NY and Letters of Recognition from State Senators, State Assembly Members, City Council members and Police Commissioners. She received the Tilden Humanitarian Award and the Humanitarian of the Year Award from Concerned Citizen's Speak. She has participated in Mayor Bloomberg's "Friday Morning Breakfasts" for outstanding community leaders to discuss important issues affecting the city.

Robert Geiges, Chief Financial Officer

Mr. Geiges CPA has over 35 years of broad accounting and management experience with multi-billion dollar international businesses such as Drake International, the Thomson Corporation and several entrepreneurial companies. He has experience in both domestic and international operations including establishing and managing facilities in Asia and Europe. Mr. Geiges is currently a consultant with Eventus Consulting P.C. a strategic planning and financial consulting practice. Mr. Geiges was the Chief Financial Officer and Controller for several international entities including Baywood

International, Inc., The Producers, Inc., Power Trade Media, LLC, a Drake International company – ComputerPREP, Inc., Clarion Management Ltd., Huebcore Communication, Inc. and Thomson Corporation. Mr. Geiges also performed audit services for both public and private clients during his time at Deloitte LLP in the Philadelphia, Pennsylvania office. An accomplished lecturer, he has lectured globally on various strategic business topics. Mr. Geiges made presentations on “Global Logistics Management” in Shanghai, China, “Financing Growth,” at the Financial Forum in Atlanta, Georgia, and “Computer Models for Growth,” at the CFO Forum in Westchester, New York. He has lectured on Financial and Management Accounting and on the Analysis of Financial Statements and Strategic Direction. He is affiliated with the American Institute of Certified Public Accountants, the Arizona Society of Certified Public Accountants, the Information Industry Association, and the Association of Business Publishers where he acted as the former chair of the Finance Committee. He is also a member of Beta Gamma Sigma, the national business honorary society.

Jim Stieben, Director of Operations

Mr. Stieben has 18 years experience working in engineering and production environments where he has been involved in several large scale projects from plant design to intricate small scale tooling design and machining. Mr. Stieben is an accomplished designer using both 2D and 3D CAD software programs such as AutoCad and Solidworks suites. In 2001 Mr. Stieben established ElastoFab Technologies, a US Government supplier for custom rubber products. Mr. Stieben designed and built a complete rubber fabrication plant including extrusions, molding, die cutting and splicing capabilities. ElastoFab Technologies provided the U.S. Army and U.S. Navy with engineered rubber products located on a variety of large pieces of equipment from the M1-Abrams tank to CVN Aircraft Carriers. In 2005 he designed and developed a new manufacturing process to fabricate silicone hose which ultimately increased plant throughput by 300%. This proprietary method is still being used today by a select group of silicone hose manufactures, where he still owns the tooling, which he designed and machined himself. Mr. Stieben is a member of Society of Manufacturing Engineers (SME) and has been involved with Standard Metals's custom toll milling program since July 2010.

Risk Considerations

Development stage company

SMP is a development and exploration stage company, and have yet to commence active operations. As of December 31, 2013, SMP had incurred an aggregate net loss of \$35.8mn since inception. SMP has no prior operating history from which to evaluate its success, or its likelihood of success in operating its business, generating any revenues, or achieving profitability. SMP has not generated revenue from its toll milling services to date and there can be no assurance that its plans for permitted custom processing toll milling will be successful, or that it will ever attain significant revenue or profitability. Also, toll milling is a new area of business for SMP, and the management team has little experience in permitted custom processing toll milling operations.

Regulation

Under the U.S. Resource Conservation and Recovery Act, companies such as SMP may incur costs for generating, transporting, treating, storing, or disposing of hazardous waste. SMP's permitted custom processing toll milling operations may produce air emissions, including fugitive dust and other air pollutants, from stationary equipment, storage facilities, and the use of mobile sources such as trucks and heavy construction equipment which are subject to review, monitoring and/or control requirements under the Federal Clean Air Act and state air quality laws. Permitting rules may impose limitations on SMP's production levels or create additional capital expenditures in order to comply with the rules.

Financing and dilution

Substantial additional financing will be needed in order to fund the current plan to begin toll milling services and develop and maintain the Tonopah property. SMP's means of acquiring investment capital is limited to private equity and debt transactions. It has no significant sources of currently available funds to engage in additional development. Without significant additional capital, SMP will be unable to fund its current property interests or effectuate its current business plan for permitted custom processing toll milling and mining services.

Share Liquidity

SMR shares are illiquid and may be difficult to purchase or sell. SMP shares have traded an average volume per day of just 11,646 over the last three months. With a recent price of \$1.62, this implies an average daily trading value of just \$18,867.



About Standard Metals Processing, Inc.

Standard Metals Processing, Inc. is being developed as the only comprehensive custom toll milling operation in Nevada that is designed to provide entrepreneurial – mid-mines with four different independent process circuits under one roof in order to produce the greatest yields available through the extraction of precious, strategic minerals from mined material.

Find out more at www.standardgoldmilling.com.



CONTACT:

Ajay Tandon
Director of Research
SeeThruEquity, LLC
www.seethruequity.com
(646) 495-0939
ajay@seethruequity.com

Brandon Primack, CFA
Senior Equity Research Analyst
SeeThruEquity, LLC
www.seethruequity.com
(646) 495-0939
brandon@seethruequity.com

DISCLOSURE:

This report has been prepared and distributed by SeeThruEquity, LLC. This report is based on sources that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. All information contained herein is subject to change without notice. This report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. Statements included in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve a number of risks and uncertainties such as competitive factors, technological development, market demand and the company's ability to obtain new contracts and accurately estimate net revenues due to variability in size, scope and duration of projects, and internal issues.

SeeThruEquity has not been compensated for the preparation of this report. SeeThruEquity and/or its affiliates may have a long position with respect to the publicly traded shares of the subject company covered in this report. SeeThruEquity, LLC is not a broker-dealer and does not generate any investment banking or commission-based revenue with respect to the securities of the company described herein.

Our professionals may provide oral or written market commentary that reflects opinions that are contrary to the opinions expressed in this report. The price and value of the investment referred to in this report may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Our report is disseminated primarily electronically, and, in some cases, in printed form. Electronic report is simultaneously available to all recipients in any form. The information contained in this report is not incorporated into the contents of our website and should be read independently thereof.

Copyright 2011-2014 SeeThruEquity, LLC. No part of this material may be (i) copied, photocopied or duplicated in any for by any means or (ii) redistributed without the prior written consent of SeeThruEquity, LLC.