**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **September 30, 2017**
or

**[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to __________

**COMMISSION FILE NUMBER 1-33926**

TRECORA™ Resources

**TRECORA RESOURCES**
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **DELAWARE**<br>(State or other jurisdiction of organization) | **75-1256622**<br>(I.R.S. employer incorporation or identification no.) |
| **1650 Hwy 6 South, Suite 190**<br>**Sugar Land, Texas**<br>(Address of principal executive offices) | **77478**<br>(Zip code) |

Registrant's telephone number, including area code: **(409) 385-8300**

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
**Yes_X__No**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
**Yes_X__No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

**Large accelerated filer ____** **Accelerated filer _X__**

**Non-accelerated filer ____ (Do not check if a smaller reporting company) Smaller reporting company ____**

**Emerging growth company_____**

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.____

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
**Yes__No_X_**

Number of shares of the Registrant's Common Stock (par value $0.10 per share), outstanding at November 4, 2017: 24,306,119.

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**Item Number and Description**

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

**TRECORA RESOURCES AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**

| | SEPTEMBER 30, 2017 (unaudited) | DECEMBER 31, 2016 |
|---|---|---|
| **ASSETS** | *(thousands of dollars)* | |
| **Current Assets** | | |
| Cash | $ 4,219 | $ 8,389 |
| Trade receivables, net | 22,738 | 22,193 |
| Inventories | 12,849 | 17,871 |
| Prepaid expenses and other assets | 3,276 | 3,511 |
| Taxes receivable | 3,764 | 3,983 |
| Total current assets | 46,846 | 55,947 |
| | | |
| **Plant, pipeline and equipment**, net | 172,048 | 140,009 |
| | | |
| **Goodwill** | 21,798 | 21,798 |
| **Intangible assets, net** | 21,273 | 22,669 |
| **Investment in AMAK** | 44,225 | 49,386 |
| **Mineral properties in the United States** | 588 | 588 |
| **Other assets** | 21 | 87 |
| | | |
| **TOTAL ASSETS** | $ 306,799 | $ 290,484 |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 12,381 | $ 13,306 |
| Current portion of derivative instruments | 7 | 58 |
| Accrued liabilities | 6,304 | 2,017 |
| Current portion of post-retirement benefit | 308 | 316 |
| Current portion of long-term debt | 8,061 | 10,145 |
| Current portion of other liabilities | 1,131 | 870 |
| Total current liabilities | 28,192 | 26,712 |
| | | |
| **Long-term debt**, net of current portion | 81,011 | 73,107 |
| **Post-retirement benefit,** net of current portion | 897 | 897 |
| **Other liabilities,** net of current portion | 1,681 | 2,309 |
| **Deferred income taxes** | 24,654 | 23,083 |
| **Total liabilities** | 136,435 | 126,108 |
| | | |
| **EQUITY** | | |
| **Common stock**-authorized 40 million shares of $.10 par value; issued 24.5 million in 2017 and 2016 and outstanding 24.3 million and 24.2 million shares in 2017 and 2016, respectively | 2,451 | 2,451 |
| **Additional paid-in capital** | 55,344 | 53,474 |
| **Common stock in treasury, at cost** | (203) | (284) |
| **Retained earnings** | 112,483 | 108,446 |
| Total Trecora Resources Stockholders' Equity | 170,075 | 164,087 |
| Noncontrolling Interest | 289 | 289 |
| **Total equity** | 170,364 | 164,376 |
| | | |
| **TOTAL LIABILITIES AND EQUITY** | $ 306,799 | $ 290,484 |

See notes to consolidated financial statements.

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**TRECORA RESOURCES AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | *(thousands of dollars)* | | | |
| **REVENUES** | | | | |
| Petrochemical and Product Sales | $ 58,030 | $ 52,115 | $ 165,945 | $ 143,662 |
| Processing Fees | 3,478 | 5,027 | 13,220 | 14,534 |
| | 61,508 | 57,142 | 179,165 | 158,196 |
| **OPERATING COSTS AND EXPENSES** | | | | |
| Cost of Sales and Processing (including depreciation and amortization of $2,565, $2,373, $7,311, and $6,620, respectively) | 51,638 | 48,237 | 147,570 | 125,946 |
| **GROSS PROFIT** | 9,870 | 8,905 | 31,595 | 32,250 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | | | | |
| General and Administrative | 5,660 | 4,585 | 17,621 | 15,525 |
| Depreciation | 245 | 192 | 655 | 556 |
| | 5,905 | 4,777 | 18,276 | 16,081 |
| **OPERATING INCOME** | 3,965 | 4,128 | 13,319 | 16,169 |
| **OTHER INCOME (EXPENSE)** | | | | |
| Interest Expense | (795) | (568) | (2,109) | (1,803) |
| Bargain purchase gain from acquisition | -- | -- | -- | 11,549 |
| Equity in Earnings (Losses) of AMAK | (897) | (2,089) | (5,161) | 2,261 |
| Gain from Additional Equity Issuance by AMAK | -- | 3,168 | -- | 3,168 |
| Miscellaneous Income (Expense) | 22 | (72) | (42) | 38 |
| | (1,670) | 439 | (7,312) | 15,213 |
| **INCOME BEFORE INCOME TAXES** | 2,295 | 4,567 | 6,007 | 31,382 |
| **INCOME TAXES** | 577 | 1,768 | 1,970 | 11,107 |
| **NET INCOME** | 1,718 | 2,799 | 4,037 | 20,275 |
| **NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST** | -- | -- | -- | -- |
| **NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES** | $ 1,718 | $ 2,799 | $ 4,037 | $ 20,275 |
| **Basic Earnings per Common Share** | | | | |
| Net Income Attributable to Trecora Resources (dollars) | $ 0.07 | $ 0.12 | $ 0.17 | $ 0.83 |
| Basic Weighted Average Number of Common Shares Outstanding | 24,304 | 24,223 | 24,267 | 24,304 |
| **Diluted Earnings per Common Share** | | | | |
| Net Income Attributable to Trecora Resources (dollars) | $ 0.07 | $ 0.11 | $ 0.16 | $ 0.81 |
| Diluted Weighted Average Number of Common Shares Outstanding | 25,157 | 24,921 | 25,082 | 24,964 |

See notes to consolidated financial statements.

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**TRECORA RESOURCES AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)**

| | TRECORA RESOURCES STOCKHOLDERS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | COMMON STOCK | | ADDITIONAL PAID-IN | TREASURY | RETAINED | | NON-CONTROLLING | TOTAL |
| | SHARES | AMOUNT | CAPITAL | STOCK | EARNINGS | TOTAL | INTEREST | EQUITY |
| | *(thousands)* | | | *(thousands of dollars)* | | | | |
| **JANUARY 1, 2017** | 24,222 | $ 2,451 | $ 53,474 | $ (284) | $ 108,446 | $ 164,087 | $ 289 | $ 164,376 |
| Stock options | | | | | | | | |
| Issued to Directors | - | - | 90 | - | - | 90 | - | 90 |
| Issued to Employees | - | - | 884 | - | - | 884 | - | 884 |
| Restricted Common Stock | | | | | | | | |
| Issued to Directors | - | - | 230 | - | - | 230 | - | 230 |
| Issued to Employees | - | - | 801 | - | - | 801 | - | 801 |
| Common stock | | | | | | | | |
| Issued to Directors | 25 | - | (79) | 25 | - | (54) | - | (54) |
| Issued to Employees | 56 | - | (56) | 56 | - | - | - | - |
| Net Income | - | - | - | - | 4,037 | 4,037 | - | 4,037 |
| **September 30, 2017** | 24,303 | $ 2,451 | $ 55,344 | $ (203) | $ 112,483 | $ 170,075 | $ 289 | $ 170,364 |

See notes to consolidated financial statements.

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**TRECORA RESOURCES AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

| | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|
| | **2017** | **2016** |
| | *(thousands of dollars)* | |
| **OPERATING ACTIVITIES** | | |
| Net Income | $ 4,037 | $ 20,275 |
| Adjustments to Reconcile Net Income | | |
| To Net Cash Provided by Operating Activities: | | |
| Depreciation | 6,570 | 5,761 |
| Amortization of Intangible Assets | 1,396 | 1,415 |
| Unrealized Gain on Derivative Instruments | (51) | (89) |
| Share-based Compensation | 2,005 | 1,882 |
| Deferred Income Taxes | 1,571 | 6,851 |
| Postretirement Obligation | (8) | 186 |
| Bargain purchase gain | - | (11,549) |
| Equity in (earnings) losses of AMAK | 5,161 | (2,261) |
| Gain from Additional Equity Issuance by AMAK | - | (3,168) |
| Amortization of loan fees | 154 | 213 |
| Changes in Operating Assets and Liabilities: | | |
| Increase in Trade Receivables | (545) | (355) |
| Decrease in Taxes Receivable | 218 | 4,094 |
| (Increase) Decrease in Inventories | 5,022 | (2,573) |
| (Increase) Decrease in Prepaid Expenses and Other Assets | 387 | (1,494) |
| Increase in Accounts Payable and Accrued Liabilities | 3,356 | 1,304 |
| Increase (Decrease) in Other Liabilities | 281 | (418) |
| **Net Cash Provided by Operating Activities** | 29,554 | 20,074 |
| **INVESTING ACTIVITIES** | | |
| Additions to Plant, Pipeline and Equipment | (39,250) | (25,860) |
| Cash paid for acquisition of BASF facility | - | (2,011) |
| Advances to AMAK, net | (86) | - |
| **Cash Used in Investing Activities** | (39,336) | (27,871) |
| **FINANCING ACTIVITIES** | | |
| Issuance of Common Stock | 25 | 11 |
| Payments related to tax withholding for stock-based compensation | (80) | - |
| Addition to Long-Term Debt | 14,000 | 3,000 |
| Repayment of Long-Term Debt | (8,333) | (6,250) |
| **Net Cash Provided by (Used in) Financing Activities** | 5,612 | (3,239) |
| **NET DECREASE IN CASH** | (4,170) | (11,036) |
| **CASH AT BEGINNING OF PERIOD** | 8,389 | 18,623 |
| **CASH AND AT END OF PERIOD** | $ 4,219 | $ 7,587 |
| Supplemental disclosure of cash flow information: | | |
| Cash payments for interest | $ 3,034 | $ 1,804 |
| Cash payments for taxes, net of refunds | $ 227 | $ 277 |
| Supplemental disclosure of non-cash items: | | |
| Capital expansion amortized to depreciation expense | $ 642 | $ 829 |
| Estimated earnout liability | $ - | $ 733 |

See notes to consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## 1. GENERAL

***Organization***

Trecora Resources (the "Company"), was incorporated in the State of Delaware in 1967. Our principal business activities are the manufacturing of various specialty hydrocarbons and synthetic waxes and the provision of custom processing services. Unless the context requires otherwise, references to "we," "us," "our," and the "Company" are intended to mean Trecora Resources and its subsidiaries.

This document includes the following abbreviations:

(1) TREC – Trecora Resources
(2) TOCCO – Texas Oil & Chemical Co. II, Inc. – Wholly owned subsidiary of TREC and parent of SHR and TC
(3) SHR – South Hampton Resources, Inc. – Petrochemical segment and parent of GSPL
(4) GSPL – Gulf State Pipe Line Co, Inc. – Pipeline support for the petrochemical segment
(5) TC – Trecora Chemical, Inc. – Specialty wax segment
(6) AMAK – Al Masane Al Kobra Mining Company – Mining equity investment – 33% ownership
(7) PEVM – Pioche Ely Valley Mines, Inc. – Inactive mine - 55% ownership

***Basis of Presentation***

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these unaudited financial statements do not include all of the information and footnotes required by GAAP for complete financial statements and, therefore, should be read in conjunction with the financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

The unaudited condensed financial statements included in this document have been prepared on the same basis as the annual condensed financial statements and in management's opinion reflect all adjustments, including normal recurring adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows for the interim periods presented. We have made estimates and judgments affecting the amounts reported in this document. The actual results that we experience may differ materially from our estimates. In the opinion of management, the disclosures included in these financial statements are adequate to make the information presented not misleading.

Operating results for the nine months ended September 30, 2017, are not necessarily indicative of results for the year ending December 31, 2017.

We currently operate in two segments, specialty petrochemical products and specialty synthetic waxes. All revenue originates from United States' sources, and all long-lived assets owned are located in the United States.

In addition, we own a 33% interest in AMAK, a Saudi Arabian closed joint stock company which owns, operates and is developing mining assets in Saudi Arabia. We account for our investment under the equity method of accounting. See Note 17.

Certain reclassifications have been made to the Consolidated Balance Sheet for the year ended December 31, 2016, related to our adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-17 as noted below in Note 2.

The impact of the adoption ASU 2015-17 on the Company's previously issued December 31, 2016, balance sheet is as follows:

| | As Originally Reported | As Retrospectively Adjusted |
|---|---|---|
| | *(in thousands)* | |
| Deferred income tax asset, current | $ 1,615 | $ - |
| Total current assets | 57,562 | 55,947 |
| Total assets | 292,099 | 290,484 |
| Deferred income tax liability, noncurrent | 24,698 | 23,083 |
| Total liabilities | 127,723 | 126,108 |
| Total liabilities and equity | 292,099 | 290,484 |

**2. RECENT ACCOUNTING PRONOUNCEMENTS**

In May 2014 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements of FASB Accounting Standards Codification ("ASC") Topic 605, *Revenue Recognition* and most industry-specific guidance throughout the Accounting Standards Codification, resulting in the creation of FASB ASC Topic 606, *Revenue from Contracts with Customers*. ASU 2014-09 requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This ASU provides alternative methods of retrospective adoption and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption would be permitted but not before annual periods beginning after December 15, 2016. The Company is evaluating the impact of these amendments, although it does not expect the amendments to have a significant impact to the Company's financial position or results of operation. The amendments could potentially impact the accounting procedures and processes over the recognition of certain revenue sources. The Company has begun developing processes and procedures to ensure it is fully compliant with these amendments at the date of adoption.

In November 2015 the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.* The new standard eliminates the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as noncurrent. The amendments are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company implemented ASU 2015-17 by classifying all of it deferred tax assets (liabilities) as noncurrent on January 1, 2017. See Note 1 for effect to the Balance Sheet for December 31, 2016

In February 2016 the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with earlier application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company has several lease agreements for which the amendments will require the Company to recognize a lease liability to make lease payments and a right-of-use asset which will represent its right to use the underlying asset for the lease term. The Company is currently reviewing the amendments to ensure it is fully compliant by the adoption date and does not expect to early adopt. As permitted by the amendments, the Company is anticipating electing an accounting policy to not recognize lease assets and lease liabilities for leases with a term of twelve months or less. The Company is currently in the process of fully evaluating the amendments and will subsequently implement new processes which are not expected to significantly change since the Company already has processes for certain lease agreements that recognize the lease assets and lease liabilities. In addition, the Company will change its current accounting policies to comply with the amendments with such changes as mentioned above.

In March 2016 the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which will reduce complexity in accounting standards related to share-based payment transactions, including, among others, (1) accounting for income taxes, (2) classification of excess tax benefits on the statement of cash flow, (3) forfeitures, and (4) statutory tax withholding requirements. The ASU is effective for annual reporting periods beginning on or after December 15, 2016, and interim periods within those annual periods. The Company implemented the amendments as of January 1, 2017. The stock based compensation plan has not historically generated material amounts of excess tax benefits or deficiencies and, therefore, there is no material change in the Company's financial position or results of operation, as a result of adopting this Update. For additional information on the stock-based compensation plan, see Note 13.

In January 2017 the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350).* The amendments in ASU 2017-04 simplify the measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Instead, under these amendments, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss should not exceed the total amount of goodwill allocated to that reporting unit. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.The amendments also eliminate the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The Company has goodwill from a prior business combination and performs an annual impairment test or more frequently if changes or circumstances occur that would more-likely-than-not reduce the fair value of the reporting unit below its carrying value. During the year ended December 31, 2016, the Company performed its impairment assessment and determined the fair value of the aggregated reporting units exceed the carrying value, such that the Company's goodwill was not considered impaired. Although the Company cannot anticipate future goodwill impairment assessments, based on the most recent assessment, it is unlikely that an impairment amount would need to be calculated and, therefore, the Company does not anticipate a material impact from these amendments to the Company's financial position and results of operations. The current accounting policies and processes are not anticipated to change, except for the elimination of the Step 2 analysis.

**3. TRADE RECEIVABLES**

Trade receivables, net, consisted of the following:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(thousands of dollars)* | |
| Trade receivables | $ 23,038 | $ 22,493 |
| Less allowance for doubtful accounts | (300) | (300) |
| Trade receivables, net | $ 22,738 | $ 22,193 |

Trade receivables serves as collateral for our amended and restated credit agreement. See Note 10.

**4. PREPAID EXPENSES AND OTHER ASSETS**

Prepaid expenses and other assets consisted of the following:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(thousands of dollars)* | |
| Prepaid license | $ 1,919 | $ 1,919 |
| Prepaid catalyst | 55 | 187 |
| Prepaid insurance | 255 | 797 |
| Other prepaid expenses and assets | 1,047 | 608 |
| Total | $ 3,276 | $ 3,511 |

**5. INVENTORIES**

Inventories included the following:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(thousands of dollars)* | |
| Raw material | $ 2,390 | $ 3,627 |
| Work in process | 66 | 12 |
| Finished products | 9,960 | 14,232 |
| Spare parts | 433 | - |
| Total inventory | $ 12,849 | $ 17,871 |

Effective January 1, 2017, we changed the inventory basis of SHR to FIFO. We believe that the use of FIFO more accurately reflects current inventory valuation. The drop in crude oil prices over the last several years has caused LIFO value of inventory to be above the FIFO value for each period presented. There was no LIFO reserve in any of the periods in this filing; therefore, no change is reflected in our current statements for the retrospective application.

Prior to this change, the difference between the calculated value of inventory under the FIFO and LIFO bases generated either a recorded LIFO reserve (i.e., where FIFO value exceeds the LIFO value) or an unrecorded negative LIFO reserve (i.e., where LIFO value exceeds the FIFO value). In the latter case, in order to ensure that inventory was reported at the lower of cost or market and in accordance with ASC 330-10, we did not increase the stated value of our inventory to the LIFO value. At December 31, 2016, LIFO value of petrochemical inventory exceeded FIFO; therefore, in accordance with the above policy, no LIFO reserve was recorded.

Inventory serves as collateral for our amended and restated credit agreement. See Note 10.

Inventory included petrochemical products in transit valued at approximately $2.7 million and $2.1 million at September 30, 2017, and December 31, 2016, respectively.

Beginning January 1, 2017, due to the expansion of our plant assets at SHR and TC, we began inventorying spare parts for the repair and maintenance of our plant, pipeline and equipment.

## 6. PLANT, PIPELINE AND EQUIPMENT

Plant, pipeline and equipment consisted of the following:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(thousands of dollars)* | |
| Platinum catalyst metal | $ 1,612 | $ 1,612 |
| Land | 5,428 | 5,376 |
| Plant, pipeline and equipment | 183,472 | 154,107 |
| Construction in progress | 42,930 | 33,391 |
| Total plant, pipeline and equipment | 233,442 | 194,486 |
| Less accumulated depreciation | (61,394) | (54,477) |
| Net plant, pipeline and equipment | $ 172,048 | $ 140,009 |

Plant, pipeline, and equipment serve as collateral for our amended and restated credit agreement. See Note 10.

Interest capitalized for construction was approximately $218,000 and $52,000 for the three and $878,000 and $124,000 for the nine months ended September 30, 2017, and September 30, 2016, respectively.

Construction in progress during the first nine months of 2017 included equipment purchased for the hydrogenation/distillation project and updates to B Plant equipment at the TC facility; new reformer unit, tankage upgrades, and an addition to the rail spur at SHR.

Amortization relating to the platinum catalyst which is included in cost of sales was approximately $0 and $25,000 for the three months and $25,000 and $72,000 for the nine months ended September 30, 2017, and 2016, respectively.

## 7. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill and intangible assets were recorded in relation to the acquisition of TC on October 1, 2014.

The following tables summarize the gross carrying amounts and accumulated amortization of intangible assets by major class (in thousands):

| *Intangible assets subject to amortization (Definite-lived)* | September 30, 2017 Gross | Accumulated Amortization | Net |
|---|---|---|---|
| Customer relationships | $ 16,852 | $ (3,370) | $ 13,482 |
| Non-compete agreements | 94 | (57) | 37 |
| Licenses and permits | 1,471 | (364) | 1,107 |
| Developed technology | 6,131 | (1,839) | 4,292 |
| | 24,548 | (5,630) | 18,918 |
| *Intangible assets not subject to amortization (Indefinite-lived)* | | | |
| Emissions Allowance | 197 | - | 197 |
| Trade name | 2,158 | - | 2,158 |
| Total | $ 26,903 | $ (5,630) | $ 21,273 |

| *Intangible assets subject to amortization (Definite-lived)* | December 31, 2016 Gross | Accumulated Amortization | Net |
|---|---|---|---|
| Customer relationships | $ 16,852 | $ (2,527) | $ 14,325 |
| Non-compete agreements | 94 | (43) | 51 |
| Licenses and permits | 1,471 | (285) | 1,186 |
| Developed technology | 6,131 | (1,379) | 4,752 |
| | 24,548 | (4,234) | 20,314 |
| *Intangible assets not subject to amortization (Indefinite-lived)* | | | |
| Emissions Allowance | 197 | - | 197 |
| Trade name | 2,158 | - | 2,158 |
| Total | $ 26,903 | $ (4,234) | $ 22,669 |

Amortization expense for intangible assets included in cost of sales for the three months ended September 30, 2017, and 2016, was approximately $466,000 and $471,000 and for the nine months ended September 30, 2017 and 2016, was approximately $1,396,000 and $1,415,000, respectively.

Based on identified intangible assets that are subject to amortization as of September 30, 2017, we expect future amortization expenses for each period to be as follows (in thousands):

| | Remainder of 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter |
|---|---|---|---|---|---|---|
| Customer relationships | $ 282 | $ 1,123 | $ 1,123 | $ 1,123 | 1,123 | $ 8,710 |
| Non-compete agreements | 5 | 19 | 12 | - | - | - |
| Licenses and permits | 26 | 106 | 106 | 106 | 106 | 656 |
| Developed technology | 153 | 613 | 613 | 613 | 613 | 1,687 |
| Total future amortization expense | $ 466 | $ 1,861 | $ 1,854 | $ 1,842 | $ 1,842 | $ 11,053 |

**8. NET INCOME PER COMMON SHARE ATTRIBUTABLE TO TRECORA RESOURCES**

The following table (in thousands, except per share amounts) sets forth the computation of basic and diluted net income per share attributable to Trecora Resources for the three and nine months ended September 30, 2017, and 2016, respectively.

| | Three Months Ended September 30, 2017 | | | Three Months Ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Income | Shares | Per Share Amount | Income | Shares | Per Share Amount |
| **Basic Net Income per Share:** | | | | | | |
| Net Income Attributable to Trecora Resources | $ 1,718 | 24,304 | $ 0.07 | $ 2,799 | 24,223 | $ 0.12 |
| | | | | | | |
| Unvested restricted stock grant | | 379 | | | 304 | |
| Dilutive stock options outstanding | | 474 | | | 394 | |
| | | | | | | |
| **Diluted Net Income per Share:** | | | | | | |
| Net Income Attributable to Trecora Resources | $ 1,718 | 25,157 | $ 0.07 | $ 2,799 | 24,921 | $ 0.11 |

| | Nine Months Ended September 30, 2017 | | | Nine Months Ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Income | Shares | Per Share Amount | Income | Shares | Per Share Amount |
| **Basic Net Income per Share:** | | | | | | |
| Net Income Attributable to Trecora Resources | $ 4,037 | 24,267 | $ 0.17 | $ 20,275 | 24,304 | $ 0.83 |
| | | | | | | |
| Unvested restricted stock grant | | 360 | | | 297 | |
| Dilutive stock options outstanding | | 455 | | | 363 | |
| | | | | | | |
| **Diluted Net Income per Share:** | | | | | | |
| Net Income Attributable to Trecora Resources | $ 4,037 | 25,082 | $ 0.16 | $ 20,275 | 24,964 | $ 0.81 |

At September 30, 2017, and 2016, 1,334,087 and 1,348,437 potential common stock shares, respectively were issuable upon the exercise of options and warrants.

**9. ACCRUED LIABILITIES**

Accrued liabilities consisted of the following:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(thousands of dollars)* | |
| Accrued property taxes | $ 2,188 | $ - |
| Accrued payroll | 1,563 | 1,097 |
| Accrued officer compensation | 900 | - |
| Accrued shortfall fees | 586 | - |
| Other | 1,067 | 920 |
| Total | $ 6,304 | $ 2,017 |

**10. LIABILITIES AND LONG-TERM DEBT**

On October 1, 2014, we entered into an Amended and Restated Credit Agreement ("ARC") with the lenders which from time to time are parties to the ARC and Bank of America, N.A., as Administrative Agent for the Lenders, and Merrill Lynch, Pierce, Fenner & Smith Incorporated as Lead Arranger. On March 28, 2017, we entered into a Second Amendment to the ARC with terms which increase the Maximum Consolidated Leverage Ratio financial covenant of 3.25x to 4.00x at March 31, 2017, and 4.25x at June 30, 2017, before stepping down to 3.75x at September 30, 2017, 3.50x at December 31, 2017, and reverting to the original financial covenant of 3.25x at March 31, 2018.

| For Fiscal Quarter Ending | Maximum Consolidated Leverage Ratio |
|---|---|
| March 31, 2017 | 4.00 to 1.00 |
| June 30, 2017 | 4.25 to 1.00 |
| September 30, 2017 | 3.75 to 1.00 |
| December 31, 2017 | 3.50 to 1.00 |
| March 31, 2018 and each fiscal quarter thereafter | 3.25 to 1.00 |

The Second Amendment also reduces the Minimum Consolidated Fixed Charge Coverage Ratio of 1.25x to 1.10x at March 31, 2017, 1.05x at June 30, 2017 and September 30, 2017, 1.10x at December 31, 2017, before reverting to the original financial covenant of 1.25x at March 31, 2018.

| For Fiscal Quarter Ending | Minimum Consolidated Fixed Charge Coverage Ratio |
|---|---|
| March 31, 2017 | 1.10 to 1.00 |
| June 30, 2017 | 1.05 to 1.00 |
| September 30, 2017 | 1.05 to 1.00 |
| December 31, 2017 | 1.10 to 1.00 |
| March 31, 2018 and each fiscal quarter thereafter | 1.25 to 1.00 |

Also, under the terms of the Second Amendment, two additional levels of pricing were added – levels 4 and 5.

| Level | Consolidated Leverage Ratio | LIBOR Margin | Base Rate Margin | Commitment Fee |
|---|---|---|---|---|
| 1 | Less than 1.50 to 1.00 | 2.00% | 1.00% | 0.25% |
| 2 | Greater than or equal to 1.50 to 1.00 but less than 2.00 to 1.00 | 2.25% | 1.25% | 0.25% |
| 3 | Greater than or equal to 2.00 to 1.00 but less than 3.00 to 1.00 | 2.50% | 1.50% | 0.375% |
| 4 | Greater than or equal to 3.00 to 1.00 but less than 3.50 to 1.00 | 2.75% | 1.75% | 0.375% |
| 5 | Greater than or equal to 3.50 to 1.00 | 3.00% | 2.00% | 0.375% |

We were in compliance with all covenants at September 30, 2017.

On July 25, 2017, Texas Oil & Chemical Co. II, Inc. ("TOCCO"), South Hampton Resources, Inc. ("SHR"), Gulf State Pipe Line Company, Inc. ("GSPL"), and Trecora Chemical, Inc. ("TC") (SHR, GSPL and TC collectively the "Guarantors") entered into a Third Amendment to Amended and Restated Credit Agreement ("3rd Amendment") with the lenders which from time to time are parties to the Amended and Restated Credit Agreement (collectively, the "Lenders") and Bank of America, N.A., a national banking association, as Administrative Agent for the Lenders. The 3rd Amendment increased the Revolving Facility from $40,000,000 to $60,000,000. There were no other changes to the Revolving Facility. Under the ARC as amended, we have a $60.0 million revolving line of credit which matures on October 1, 2019. As of September 30, 2017, and December 31, 2016, there was a long-term amount of $23.0 million and $9.0 million outstanding, respectively. The interest rate on the loan varies according to several options. Interest on the loan is paid monthly and a commitment fee of between 0.25% and 0.375% is due quarterly on the unused portion of the loan. At September 30, 2017, approximately $37.0 million was available to be drawn. Under the Second Amendment we could draw $31.0 million and maintain compliance with our covenants.

Under the ARC, we also borrowed $70.0 million in a single advance term loan (the "Acquisition Loan") to partially finance the acquisition of TC. Interest on the Acquisition Loan is payable quarterly using a ten year commercial style amortization. Principal is also payable on the last business day of each March, June, September and December in an amount equal to $1,750,000, provided that the final installment on the September 30, 2019, maturity date shall be in an amount equal to the then outstanding unpaid principal balance of the Acquisition Loan. At September 30, 2017, there was a short-term amount of $7.0 million and a long-term amount of $42.0 million outstanding. At December 31, 2016, there was a short-term amount of $8.8 million and a long-term amount of $47.3 million outstanding.

Under the ARC, we also had the right to borrow $25.0 million in a multiple advance loan ("Term Loans"). Borrowing availability under the Term Loans ended on December 31, 2015. The Term Loans converted from a multiple advance loan to a "mini-perm" loan once certain obligations were fulfilled such as certification that construction of D-Train was completed in a good and workmanlike manner, receipt of applicable permits and releases from governmental authorities, and receipt of releases of liens from the contractor and each subcontractor and supplier. Interest on the Term Loans is paid monthly. At September 30, 2017, there was a short-term amount of $1.3 million and a long-term amount of $16.3 million outstanding. At December 31, 2016, there was a short-term amount of $1.7 million and a long-term amount of $17.3 million outstanding.

Debt issuance costs of approximately $0.6 million and $0.7 million for the periods ended September 30, 2017, and December 31, 2016, have been netted against outstanding loan balances. The interest rate on all of the above loans varies according to several options as defined in the ARC. At September 30, 2017, and December 31, 2016, the rate was 3.74% and 3.27%, respectively.

The following table summarizes the carrying amounts and debt issuance costs of our long-term debt (in thousands):

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Acquisition loan | $ 49,000 | $ 56,000 |
| Term loan | 17,666 | 19,000 |
| Revolving facility | 23,000 | 9,000 |
| Total | 89,666 | 84,000 |
| Less debt issuance costs | 594 | 748 |
| Carrying balance of debt | $ 89,072 | $ 83,252 |

## 11. FAIR VALUE MEASUREMENTS

The following items are measured at fair value on a recurring basis subject to disclosure requirements of ASC Topic 820 at September 30, 2017, and December 31, 2016:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | September 30, 2017 | Level 1 | Level 2 | Level 3 |
| | | *(thousands of dollars)* | | |
| Liabilities: | | | | |
| Interest rate swap | $ 7 | - | $ 7 | - |

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | December 31, 2016 | Level 1 | Level 2 | Level 3 |
| | | *(thousands of dollars)* | | |
| Liabilities: | | | | |
| Interest rate swap | $ 58 | - | $ 58 | - |

The carrying value of cash, trade receivables, accounts payable, accrued liabilities, and other liabilities approximate fair value due to the immediate or short-term maturity of these financial instruments. The fair value of variable rate long term debt reflects recent market transactions and approximate carrying value. We used other observable inputs that would qualify as Level 2 inputs to make our assessment of the approximate fair value of our cash, trade receivables, accounts payable, accrued liabilities, other liabilities and variable rate long term debt. The fair value of the derivative instruments are described below.

*Interest Rate Swap*

In March 2008 we entered into an interest rate swap agreement with Bank of America related to a $10.0 million term loan secured by plant, pipeline and equipment. The interest rate swap was designed to minimize the effect of changes in the London InterBank Offered Rate ("LIBOR") rate. We had designated the interest rate swap as a cash flow hedge under ASC Topic 815, *Derivatives and Hedging*; however, due to the ARC, we felt that the hedge was no longer entirely effective. Due to the time required to make the determination and the immateriality of the hedge, we began treating it as ineffective as of October 1, 2014.

We assess the fair value of the interest rate swap using a present value model that includes quoted LIBOR rates and the nonperformance risk of the Company and Bank of America based on the Credit Default Swap Market (Level 2 of fair value hierarchy).

We have consistently applied valuation techniques in all periods presented and believe we have obtained the most accurate information available for the types of derivative contracts we hold. See discussion of our derivative instruments in Note 12.

## 12. DERIVATIVE INSTRUMENTS

*Interest Rate Swap*

In March 2008, we entered into a pay-fixed, receive-variable interest rate swap agreement with Bank of America related to a $10.0 million (later increased to $14 million) term loan secured by plant, pipeline and equipment. The effective date of the interest rate swap agreement was August 15, 2008, and terminates on December 15, 2017. The notional amount of the interest rate swap was $1.0 million and $1.75 million at September 30, 2017, and December 31, 2016, respectively. We receive credit for payments of variable rate interest made on the term loan at the loan's variable rates, which are based upon the London InterBank Offered Rate (LIBOR), and pay Bank of America an interest rate of 5.83% less the credit on the interest rate swap. We originally designated the transaction as a cash flow hedge according to ASC Topic 815, *Derivatives and Hedging.* Beginning on August 15, 2008, the derivative instrument was reported at fair value with any changes in fair value reported within other comprehensive income (loss) in the Company's Statement of Stockholders' Equity. We entered into the interest rate swap to minimize the effect of changes in the LIBOR rate.

Due to the ARC discussed in Note 10, we believe that the hedge is no longer entirely effective; therefore, we began treating the interest rate swap as ineffective at that point. The changes in fair value are now recorded in the Statement of Income. For the three months ended September 30, 2017, an unrealized loss of approximately $1,000 and a realized loss of approximately $14,000 were recorded. For the nine months ended September 30, 2017, an unrealized gain of approximately $1,000 and a realized loss of approximately $53,000 were recorded. For the three months ended September 30, 2016, an unrealized gain of approximately $5,000 and a realized loss of approximately $30,000 were recorded. For the nine months ended September 30, 2016, an unrealized loss of approximately $9,000 and a realized loss of approximately $100,000 were recorded.

The following table shows (in thousands) the impact the agreement had on the financial statements:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Fair value of interest rate swap - liability | $ 7 | $ 58 |

## 13. STOCK-BASED COMPENSATION

Stock-based compensation of approximately $716,000 and $608,000 during the three months and $2,005,000 and $1,882,000 during the nine months ended September 30, 2017, and 2016, respectively, was recognized.

*Restricted Stock Unit Awards*

On June 16, 2017, we awarded approximately 127,000 shares of restricted stock units to officers at a grant date price of $11.40. One-half of the restricted stock units vest ratably over three years. The other half vests at the end of three years based upon the performance metrics of return on invested capital and earnings per share growth. The number of shares actually granted will be adjusted based upon relative performance to our peers. Compensation expense recognized during the three and nine months ended September 30, 2017, was approximately $121,000 and $161,000, respectively.

Director compensation of approximately $56,000 and $19,000 during the three months and $169,000 and $32,000 during the nine months ended September 30, 2017, and 2016, respectively, was recognized related to restricted stock unit awards granted to directors vesting through 2020.

Officer compensation of approximately $106,000 and $105,000 was recognized during the three months and $316,000 and $246,000 during the nine months ended September 30, 2017, and 2016, respectively, related to restricted stock unit awards granted to officers. One-half of the restricted stock units vest ratably over three years. The other half vests at the end of the three years based upon the performance metrics of return on invested capital and earnings per share growth. The number of shares actually granted will be adjusted based upon relative performance to our peers.

Director compensation of approximately $0 and $19,000 was recognized during the three months and $6,000 and $124,000 during the nine months ended September 30, 2017, and 2016, respectively, related to an award of restricted stock units to a director. The restricted stock unit award vests over 4 years in 20% increments.

Director compensation of approximately $19,000 and $19,000 during the three months and $56,000 and $40,000 during the nine months ended September 30, 2017, and 2016, respectively, was recognized related to restricted stock unit grants vesting through 2020.

Employee compensation of approximately $108,000 and $108,000 during the three months and $323,000 and $323,000 for the nine months ended September 30, 2017, and 2016, respectively, was recognized related to restricted stock units with a 4 year vesting period which was awarded to officers. This restricted stock vests through 2019.

Restricted stock units activity in the first nine months of 2017 was as follows:

| | Shares of Restricted Stock Units | Weighted Average Grant Date Price per Share |
|---|---|---|
| Outstanding at January 1, 2017 | 350,891 | $ 11.44 |
| Granted | 127,281 | $ 11.40 |
| Forfeited | (21,201) | $ 10.52 |
| Vested | (78,362) | $ 12.00 |
| Outstanding at September 30, 2017 | 378,608 | $ 11.37 |

*Stock Option and Warrant Awards*

A summary of the status of our stock option awards and warrants is presented below:

| | Number of Stock Options & Warrants | Weighted Average Exercise Price per Share | Weighted Average Remaining Contractual Life |
|---|---|---|---|
| Outstanding at January 1, 2017 | 1,348,437 | $ 7.79 | |
| Granted | -- | -- | |
| Exercised | (14,350) | 2.90 | |
| Expired | -- | -- | |
| Cancelled | -- | -- | |
| Forfeited | -- | -- | |
| Outstanding at September 30, 2017 | 1,334,087 | $ 7.84 | 4.5 |
| Exercisable at September 30, 2017 | 989,087 | $ 8.19 | 4.8 |

The fair value of the options granted were calculated using the Black Scholes option valuation model with the assumptions as disclosed in prior quarterly and annual filings.

Directors' compensation of approximately $30,000 and $30,000 during the three months and $90,000 and $143,000 during the nine months ended September 30, 2017, and 2016, respectively, was recognized related to options to purchase shares vesting through 2017.

Employee compensation of approximately $277,000 and $308,000 during the three months and $884,000 and $926,000 during the nine months ended September 30, 2017, and 2016, respectively, was recognized related to options with a 4 year vesting period which were awarded to officers and key employees. These options vest through 2018.

Post-retirement compensation of approximately $0 and $0 was recognized during the three months and $0 and $49,000 during the nine months ended September 30, 2017, and 2016, related to options awarded to Mr. Hatem El Khalidi in July

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2009. On May 9, 2010, the Board of Directors determined that Mr. El Khalidi forfeited these options and other retirement benefits when he made various demands against the Company and other AMAK Saudi shareholders which would benefit him personally and were not in the best interests of the Company and its shareholders. The Company is litigating its right to withdraw the options and benefits and as such, these options and benefits continue to be shown as outstanding. See further discussion in Note 19.

See the Company's Annual Report on Form 10-K for the year ended December 31, 2016, for additional information.

## 14. SEGMENT INFORMATION

We operate through business segments according to the nature and economic characteristics of our products as well as the manner in which the information is used internally by our key decision maker, who is our Chief Executive Officer. Segment data may include rounding differences.

Our petrochemical segment includes SHR and GSPL. Our specialty wax segment is TC. We also separately identify our corporate overhead which includes financing and administrative activities such as legal, accounting, consulting, investor relations, officer and director compensation, corporate insurance, and other administrative costs.

| | Three Months Ended September 30, 2017 | | | |
|---|---|---|---|---|
| | Petrochemical | Specialty Wax | Corporate | Consolidated |
| | | *(in thousands)* | | |
| Product sales | $ 52,440 | $ 5,590 | $ - | $ 58,030 |
| Processing fees | 1,519 | 1,959 | - | 3,478 |
| Total revenues | 53,959 | 7,549 | - | 61,508 |
| Operating profit (loss) before depreciation and amortization | 9,319 | (587) | (1,957) | 6,775 |
| Operating profit (loss) | 7,735 | (1,795) | (1,975) | 3,965 |
| Profit (loss) before taxes | 7,149 | (1,975) | (2,879) | 2,295 |
| Depreciation and amortization | 1,584 | 1,208 | 18 | 2,810 |
| Capital expenditures | 9,426 | 1,991 | - | 11,417 |

| | Nine Months Ended September 30, 2017 | | | |
|---|---|---|---|---|
| | Petrochemical | Specialty Wax | Corporate | Consolidated |
| | | *(in thousands)* | | |
| Product sales | $ 147,339 | $ 18,606 | $ - | $ 165,945 |
| Processing fees | 5,078 | 8,142 | - | 13,220 |
| Total revenues | 152,417 | 26,748 | - | 179,165 |
| Operating profit (loss) before depreciation and amortization | 26,294 | 969 | (5,978) | 21,285 |
| Operating profit (loss) | 21,610 | (2,264) | (6,027) | 13,319 |
| Profit (loss) before taxes | 19,750 | (2,534) | (11,209) | 6,007 |
| Depreciation and amortization | 4,684 | 3,233 | 49 | 7,966 |
| Capital expenditures | 27,203 | 12,047 | - | 39,250 |

| | Three Months Ended September 30, 2016 | | | |
|---|---|---|---|---|
| | Petrochemical | Specialty Wax | Corporate | Consolidated |
| | | *(in thousands)* | | |
| Product sales | $ 47,250 | $ 4,865 | $ - | $ 52,115 |
| Processing fees | 2,909 | 2,118 | - | 5,027 |
| Total revenues | 50,159 | 6,983 | - | 57,142 |
| Operating profit (loss) before depreciation and amortization | 7,813 | 118 | (1,238) | 6,693 |
| Operating profit (loss) | 6,366 | (987) | (1,251) | 4,128 |
| Profit (loss) before taxes | 5,812 | (1,063) | (182) | 4,567 |
| Depreciation and amortization | 1,447 | 1,105 | 13 | 2,565 |
| Capital expenditures | 5,411 | 4,066 | - | 9,477 |

| | Nine Months Ended September 30, 2016 | | | |
|---|---|---|---|---|
| | Petrochemical | Specialty Wax | Corporate | Consolidated |
| | | *(in thousands)* | | |
| Product sales | $ 129,076 | $ 14,585 | $ - | $ 143,661 |
| Processing fees | 6,769 | 7,766 | - | 14,535 |
| Total revenues | 135,845 | 22,351 | - | 158,196 |
| Operating profit (loss) before depreciation and amortization | 25,699 | 2,774 | (5,128) | 23,345 |
| Operating profit (loss) | 21,488 | (171) | (5,148) | 16,169 |
| Profit before taxes* | 19,696 | 11,427 | 259 | 31,382 |
| Depreciation and amortization | 4,211 | 2,945 | 20 | 7,176 |
| Capital expenditures | 16,812 | 11,059 | - | 27,871 |

*Profit (loss) before taxes for the specialty wax segment includes a bargain purchase gain of $11.5 million.

| | September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Petrochemical | Specialty Wax | Corporate | Eliminations | Consolidated |
| | | | *(in thousands)* | | |
| Goodwill and intangible assets, net | $ - | $ 43,071 | $ - | $ - | $ 43,071 |
| Total assets | 246,679 | 116,494 | 94,747 | (151,121) | 306,799 |

| | Year Ended December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Petrochemical | Specialty Wax | Corporate | Eliminations | Consolidated |
| | | | *(in thousands)* | | |
| Goodwill and intangible assets, net | $ - | $ 44,467 | $ - | $ - | $ 44,467 |
| Total assets | 219,376 | 113,676 | 106,428 | (148,996) | 290,484 |

## 15. INCOME TAXES

We file an income tax return in the U.S. federal jurisdiction and a margin tax return in Texas. We received notification from the Internal Revenue Service ("IRS") in November 2016 that the December 31, 2014, tax return was selected for audit. In April 2017 the audit was expanded to include the year ended December 31, 2015 to review the refund claim related to research and development activities. The audit is ongoing, and we do not expect any adjustment to the return. If any issues addressed in the audit are resolved in a manner not consistent with our expectation, provisions will be adjusted in the period the resolution occurs. Tax returns for various jurisdictions remain open for examination for the years 2013 through 2016. As of September 30, 2017, and December 31, 2016, we recognized no material adjustments in connection with uncertain tax positions. The effective tax rate varies from the federal statutory rate of 35% primarily as a result of state tax expense and stock based compensation offset by the manufacturing deduction and research and development. The application for the change in accounting method for inventory from LIFO to FIFO and the change for spare parts inventory are being submitted to the IRS.

## 16. POST-RETIREMENT OBLIGATIONS

In January 2008 an amended retirement agreement was entered into with Mr. Hatem El Khalidi; however, on May 9, 2010, the Board of Directors terminated the agreement due to actions of Mr. El Khalidi. See Notes 13 and 19. All amounts which have not met termination dates remain recorded until a resolution is achieved. As of September 30, 2017, and December 31, 2016, approximately $1.0 million remained outstanding and was included in post-retirement benefits.

In July 2015 we entered into a retirement agreement with former CEO, Nicholas Carter. As of September 30, 2017, and December 31, 2016, approximately $0.3 million remained outstanding and was included in post-retirement obligations.

See the Company's Annual Report on Form 10-K for the year ended December 31, 2016, for additional information.

## 17. INVESTMENT IN AMAK

In July 2016 AMAK issued four million shares to provide additional funds for ongoing exploration work and mine start-up activities. Arab Mining Co. ("Armico") purchased 3.75 million shares at 20 Saudi Riyals per share (USD$5.33 per share) and the remaining 250,000 shares are for future use as employee incentives. We did not participate in the offering, thereby reducing our ownership percentage in AMAK to 33.44% from 35.25%.

As of September 30, 2017, and December 31, 2016, the Company had a non-controlling equity interest of 33.44% in AMAK of approximately $44.2 million and $49.4 million, respectively. This investment is accounted for under the equity method. There were no events or changes in circumstances that may have an adverse effect on the fair value of our investment in AMAK at September 30, 2017.

AMAK's financial statements were prepared in the functional currency of AMAK which is the Saudi Riyal (SR). In June 1986 the SR was officially pegged to the U. S. Dollar (USD) at a fixed exchange rate of 1 USD to 3.75 SR.

The summarized results of operation and financial position for AMAK are as follows:

*Results of Operations*

| | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2016 | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 |
|---|---|---|---|---|
| | *(Thousands of Dollars)* | | | |
| Sales | $ 9,709 | $ 318 | $ 11,965 | $ 9,921 |
| | | | | |
| Gross loss | (1,307) | (4,747) | (11,515) | (7,556) |
| General, administrative and other expenses | 2,382 | 2,463 | 6,942 | 6,986 |
| Loss from operations | $ (3,689) | $ (7,210) | $ (18,457) | $ (14,542) |
| Gain on settlements with former operator | - | - | - | 17,440 |
| Net income (loss) | $ (3,689) | $ (7,210) | $ (18,457) | $ 2,898 |

Gain on settlements with former operator of approximately $0 during the three months ended and $17.4 million during the nine months ended September 30, 2016, relates to a settlement with the former operator of the mine resulting in a reduction of previously accrued operating expenses.

Depreciation and amortization was $6.2 million and $3.2 million for the three months and $16.9 million and $8.6 million for the nine months ended September 30, 2017, and 2016, respectively. Therefore, net income before depreciation and amortization was as follows:

| | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2016 | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 |
|---|---|---|---|---|
| | *(Thousands of Dollars)* | | | |
| Net income (loss) before depreciation and amortization | $ 2,525 | $ (4,021) | $ (1,577) | $ 11,504 |

*Financial Position*

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(Thousands of Dollars)* | |
| Current assets | $ 22,839 | $ 22,860 |
| Noncurrent assets | 247,335 | 251,741 |
| Total assets | $ 270,174 | $ 274,601 |
| | | |
| Current liabilities | $ 26,315 | $ 8,005 |
| Long term liabilities | 78,265 | 82,546 |
| Shareholders' equity | 165,594 | 184,050 |
| | $ 270,174 | $ 274,601 |

The equity in the income or loss of AMAK reflected on the consolidated statements of income for the three and nine months ended September 30, 2017, and 2016, is comprised of the following:

| | | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | | *(Thousands of Dollars)* | | | |
| AMAK Net Income (Loss) | | $ (3,689) | $ (7,210) | $ (18,457) | $ 2,898 |
| Zakat tax applicable to Saudi Arabian shareholders only | | - | - | - | 320 |
| AMAK Net Income (Loss) before Saudi Arabian shareholders' portion of Zakat | | $ (3,689) | $ (7,210) | $ (18,457) | $ 3,218 |
| | | | | | |
| Company's share of income (loss) reported by AMAK | | $ (1,234) | $ (2,426) | $ (6,172) | $ 1,250 |
| Amortization of difference between Company's investment in AMAK and Company's share of net assets of AMAK | | 337 | 337 | 1,011 | 1,011 |
| Equity in earnings (loss) of AMAK | | $ (897) | $ (2,089) | $ (5,161) | $ 2,261 |

See our Annual Report on Form 10-K for the year ended December 31, 2016, for additional information.

We have an advance due from AMAK for reimbursement of fees associated with AMAK Board meetings. We have not advanced any cash to AMAK during 2017.

**18. RELATED PARTY TRANSACTIONS**

Consulting fees of approximately $0 and $0 were incurred during the three months and $27,000 and $33,000 during the nine months ended September 30, 2017, and 2016, respectively from IHS Global FZ LLC of which Company Director Gary K Adams held the position of Chief Advisor – Chemicals until April 1, 2017.

Consulting fees of approximately $19,000 and $17,000 were incurred during the three months and $56,000 and $52,000 during the nine months ended September 30, 2017, and 2016, respectively, from Chairman of the Board, Nicholas Carter. Due to his history and experience with the Company and to provide continuity after his retirement, a three year consulting agreement was entered into with Mr. Carter in July 2015.

**19. COMMITMENTS AND CONTINGENCIES**

***Guarantees*** **–**

On October 24, 2010, we executed a limited Guarantee in favor of the Saudi Industrial Development Fund ("SIDF") whereby we agreed to guaranty up to 41% of the SIDF loan to AMAK in the principal amount of 330.0 million Saudi Riyals (US$88.0 million) (the "Loan"). The term of the loan is through June 2019. As a condition of the Loan, SIDF required all shareholders of AMAK to execute personal or corporate Guarantees; as a result, our guarantee is for approximately 135.33 million Saudi Riyals (US$36.1 million). The loan was necessary to continue construction of the AMAK facilities and provide working capital needs. We received no consideration in connection with extending the guarantee and did so to maintain and enhance the value of its investment. The total amount outstanding to the SIDF at September 30, 2017, was 305.0 million Saudi Riyals (US$81.3 million).

***Litigation*** **-**

From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. We are not currently involved in any legal proceedings that we believe could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

On March 21, 2011, Mr. El Khalidi filed suit against the Company in Texas alleging breach of contract and other claims. The 88th Judicial District Court of Hardin County, Texas dismissed all claims and counterclaims for want of prosecution in this matter on July 24, 2013. The Ninth Court of Appeals subsequently affirmed the dismissal for want of prosecution and the Supreme Court of Texas denied Mr. El Khalidi's petition for review. On May 1, 2014, Mr. El Khalidi refiled his lawsuit against the Company for breach of contract and defamation in the 356th Judicial District Court of Hardin County, Texas. The case was transferred to the 88th Judicial District Court of Hardin County, Texas. On September 1, 2016, the Court dismissed all of Mr. El Khalidi's claims and causes of action with prejudice. Mr. El Khalidi appealed, and the issues have been fully briefed. Liabilities of approximately $1.0 million remain recorded, and the options will continue to accrue in accordance with their own terms until all matters are resolved.

***Environmental Remediation*** -

Amounts charged to expense for various activities related to environmental monitoring, compliance, and improvements were approximately $119,000 and $136,000 for the three months and $444,000 and $437,000 for the nine months ended September 30, 2017, and 2016, respectively.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### FORWARD LOOKING AND CAUTIONARY STATEMENTS

Except for the historical information and discussion contained herein, statements contained in this release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including the following: a downturn in the economic environment; the Company's failure to meet growth and productivity objectives; fluctuations in revenues and purchases; impact of local legal, economic, political and health conditions; adverse effects from environmental matters, tax matters and the Company's pension plans; ineffective internal controls; the Company's use of accounting estimates; competitive conditions; the Company's ability to attract and retain key personnel and its reliance on critical skills; impact of relationships with critical suppliers; currency fluctuations; impact of changes in market liquidity conditions and customer credit risk on receivables; the Company's ability to successfully manage acquisitions and alliances; general economic conditions domestically and internationally; insufficient cash flows from operating activities; difficulties in obtaining financing; outstanding debt and other financial and legal obligations; industry cycles; specialty petrochemical product and mineral prices; feedstock availability; technological developments; regulatory changes; foreign government instability; foreign legal and political concepts; and foreign currency fluctuations, as well as other risks detailed in the Company's filings with the U.S. Securities and Exchange Commission, including this release, all of which are difficult to predict and many of which are beyond the Company's control.

### Overview

The following discussion and analysis of our financial results, as well as the accompanying unaudited consolidated financial statements and related notes to consolidated financial statements to which they refer, are the responsibility of our management. Our accounting and financial reporting fairly reflect our business model involving the manufacturing and marketing of petrochemical products and synthetic waxes. Our business model involves the manufacture and sale of tangible products and the provision of custom processing services. Our consistent approach to providing high purity products and quality services to our customers has helped to maintain our current position as a preferred supplier of various petrochemical products.

The discussion and analysis of financial condition and the results of operations which appears below should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements which appear in our Annual Report on Form 10-K for the year ended December 31, 2016.

We believe we are well-positioned to benefit from capital investments that we have recently completed or that are in progress. As a result of the D Train expansion which was completed in 2014, we now have sufficient pentane capacity to readily maintain our share of market growth for the foreseeable future. Both the advanced reformer unit and the hydrogenation/distillation project will provide increased revenue and gross margin. While petrochemical prices are volatile on a short-term basis and volumes depend on the demand of our customers' products and overall customer efficiency, our investment decisions are based on our long-term business outlook.

We continue to emphasize operational excellence and our competitive advantages achieved through our high quality products and outstanding customer service and responsiveness. We believe these attributes are an important differentiation from our competitors.

### Review of Third Quarter and Year-to-Date 2017 Results

We reported third quarter 2017 earnings of $1.7 million down from $2.8 million from third quarter 2016. Diluted earnings per share of $0.07 were reported for 2017, down from $0.11 in 2016. Sales volume of our petrochemical products increased 8.2%, and sales revenue from our petrochemical products increased 11.0% as compared to third quarter 2016. Prime product petrochemical sales volumes (which exclude by-product sales) were up 5.5% over third quarter 2016. Wax sales revenue was up 14.9% compared to third quarter 2016. Gross profit margin increased to 16.0% of sales in third quarter 2017 from 15.6% in third quarter 2016.

We reported year-to-date 2017 earnings of $4.0 million down from $20.3 million from the first nine months of 2016. Diluted earnings per share of $0.16 were reported for 2017, down from $0.81 in the first nine months of 2016. During the first nine months of 2016 we recorded a bargain purchase gain on the BASF acquisition of $11.5 million and a gain on the additional equity issuance by AMAK of $3.2 million, which significantly impacted both earnings and earnings per share. Sales volume of our petrochemical products increased 4.3%, and sales revenue from our petrochemical products increased 14.1% as compared to the first nine months of 2016. Prime product petrochemical sales volumes (which exclude by-product sales) were up 6.5% over the first nine months of 2016. Wax sales revenue was up 27.6% from first nine months of 2016. Gross profit margin declined from 20.4% to 17.6%. This was largely due to higher feedstock costs, higher operating costs, and costs related to Hurricane Harvey.

**Hurricane Harvey Impact**

The financial impact of Hurricane Harvey to our company was significant. Harvey made landfall on the Texas Gulf Coast on August 25 and affected operations at both SHR and TC. We estimate the total negative impact to EBITDA was approximately $1.5 million to $1.8 million. This includes expenses related to generator rentals, overtime labor, and maintenance and repairs of approximately $0.7 million. This estimate also includes lost sales due to outages at customer and supplier facilities. Neither of our facilities suffered any significant damage.

**Non-GAAP Financial Measures**

We include in this Quarterly Report the non-GAAP financial measures of EBITDA, Adjusted EBITDA and Adjusted Net Income and provide reconciliations from our most directly comparable financial measures to those measures.

We define EBITDA as net income plus interest expense including derivative gains and losses, income taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA plus share-based compensation, plus or minus equity in AMAK's earnings and losses or gains from equity issuances and plus or minus gains or losses on acquisitions. We define Adjusted Net Income as net income plus or minus tax effected equity in AMAK's earnings and losses and plus or minus tax effected gains or losses on acquisitions. These measures are not measures of financial performance or liquidity under U.S. GAAP and should be considered in addition to, not as a substitute for, net income (loss), nor as an indicator of cash flows reported in accordance with U.S. GAAP. These measures are used as supplemental financial measures by management and external users of our financial statements such as investors, banks, research analysts and others. We believe that these non-GAAP measures are useful as they exclude transactions not related to our core cash operating activities.

The following table presents a reconciliation of net income, our most directly comparable GAAP financial performance measure for each of the periods presented, to EBITDA, Adjusted EBITDA, and Adjusted Net Income.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | *(Thousands of Dollars)* | | | |
| Net Income | $ 1,718 | $ 2,799 | $ 4,037 | $ 20,275 |
| | | | | |
| Interest expense | 795 | 568 | 2,109 | 1,803 |
| Depreciation and amortization | 2,810 | 2,565 | 7,966 | 7,176 |
| Income tax expense | 577 | 1,768 | 1,970 | 11,107 |
| EBITDA | $ 5,900 | $ 7,700 | $ 16,082 | $ 40,361 |
| | | | | |
| Share-based compensation | 716 | 608 | 2,005 | 1,882 |
| Bargain purchase gain on BASF acquisition | - | - | - | (11,549) |
| Gain from additional equity issuance by AMAK | - | (3,168) | - | (3,168) |
| Equity in (earnings) losses of AMAK | 897 | 2,089 | 5,161 | (2,261) |
| Adjusted EBITDA | $ 7,513 | $ 7,229 | $ 23,248 | $ 25,265 |
| | | | | |
| Net Income | $ 1,718 | $ 2,799 | $ 4,037 | $ 20,275 |
| | | | | |
| Equity in (earnings) losses of AMAK | $ 897 | $ 2,089 | $ 5,161 | $ (2,261) |
| Gain from additional equity issuance by AMAK | - | (3,168) | - | (3,168) |
| Bargain purchase gain on BASF acquisition | - | - | - | (11,549) |
| Total of equity in (earnings) losses of AMAK and bargain purchase gain on BASF acquisition | 897 | (1,079) | 5,161 | (16,978) |
| Taxes at statutory rate of 35% | 314 | 378 | 1,806 | 5,943 |
| Tax effected equity in (earnings) losses of AMAK and bargain purchase gain on BASF acquisition | 583 | (701) | 3,355 | (11,035) |
| Adjusted Net Income | $ 2,301 | $ 2,098 | $ 7,392 | $ 9,240 |

**Liquidity and Capital Resources**

**Working Capital**

Our approximate working capital days are summarized as follows:

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| Days sales outstanding in accounts receivable | 34.6 | 38.2 | 34.3 |
| Days sales outstanding in inventory | 19.6 | 30.2 | 31.8 |
| Days sales outstanding in accounts payable | 18.9 | 22.9 | 16.0 |
| Days of working capital | 35.4 | 45.5 | 50.2 |

Our days sales outstanding in accounts receivable decreased due to a decrease in sales during September because of the hurricane. Our days sales outstanding in inventory decreased due to a concerted effort to reduce inventory on hand at both facilities and reduced production associated with the storm. Our days sales outstanding in accounts payable decreased due to construction expenses for the hydrogenation/distillation project at TC nearing completion. Since days of working capital is calculated using the above three metrics, it decreased for the reasons discussed.

Cash decreased $4.2 million during the nine months ended September 30, 2017, as compared to a decrease of $11.0 million for the nine months ended September 30, 2016. Our total available liquidity which includes cash and available revolving borrowing capacity under the ARC was approximately $35.2 million and $37.9 million at September 30, 2017, and December 31, 2016, respectively.

The change in cash is summarized as follows:

| | 2017 | 2016 |
|---|---|---|
| Net cash provided by (used in) | *(thousands of dollars)* | |
| Operating activities | $ 29,554 | $ 20,074 |
| Investing activities | (39,336) | (27,871) |
| Financing activities | 5,612 | (3,239) |
| Decrease in cash | $ (4,170) | $ (11,036) |
| Cash | $ 4,219 | $ 7,587 |

**Operating Activities**

Cash provided by operating activities totaled $29.6 million for the first nine months of 2017 $9.5 million higher than 2016. For the first nine months of 2017 net income decreased by approximately $16.2 million as compared to the corresponding period of 2016. Major non-cash items affecting 2017 income included increases in deferred taxes of $1.6 million and equity in losses of AMAK of $5.2 million. Major non-cash items affecting 2016 income included increases in deferred taxes of $6.9 million, bargain purchase gain from the BASF acquisition of $11.5 million, gain from additional equity issuance by AMAK of $3.2 million and equity in earnings of AMAK of $2.3 million.

Factors leading to an increase in cash provided by operating activities included:

- Inventory decreased approximately $5.0 million (due to an effort to decrease inventory on hand at both facilities and downtime associated with the hurricane which impacted production) as compared to an increase of approximately $2.6 million in 2016 (due to lower sales volume);

- Prepaid expenses and other assets decreased approximately $0.4 million (primarily due to a reduction in prepaid insurance due to a finance arrangement) as compared to an increase of approximately $1.3 million in 2016 (due primarily to an increase in prepaid insurance because of higher premiums based upon our higher asset base); and

- Accounts payable and accrued liabilities increased $3.4 million (due to an increase in construction expenditures) as compared to an increase of approximately $1.3 million in 2016 (also due to increased construction expenditures).

These sources of cash were partially offset by the following decrease in cash provided by operations:

- Income tax receivable decreased $0.2 million (due to an adjustment to current taxes related to the change to the LIFO method for inventory valuation) as compared to a decrease of approximately $4.1 million in 2016 (due to the overpayment being applied to 2016 estimated taxes).

**Investing Activities**

Cash used by investing activities during the first nine months of 2017 was approximately $39.3 million, representing an increase of approximately $11.5 million over the corresponding period of 2016. During the first nine months of 2017, the primary use of capital expenditures was for the hydrogenation/distillation unit and the new advanced reformer unit. During the first nine months of 2016 we purchased equipment for the hydrogenation/distillation unit, construction of the new reformer unit, a new cooling tower, and the new custom processing unit; upgraded roads throughout the petrochemical facility; continued to make improvements to storage; purchased the BASF facility; and made various other facility improvements.

**Financing Activities**

Cash provided by financing activities during the first nine months of 2017 was approximately $5.6 million versus cash used of $3.2 million during the corresponding period of 2016. During 2017 we made principal payments on our acquisition loan of $7.0 million and our term debt of $1.3 million. We drew $14.0 million on our line of credit to fund ongoing capital projects. During 2016 we drew $3.0 million on our line of credit made principal payments on our acquisition loan of $5.3 million and our term debt of $1.0 million.

**Anticipated Cash Needs**

We believe that the Company is capable of supporting its operating requirements and capital expenditures through internally generated funds supplemented with borrowings under our ARC.

**Results of Operations**

**Comparison of Three Months Ended September 30, 2017 and 2016**

**Specialty Petrochemical Segment**

| | 2017 | 2016 | Change | %Change |
|---|---|---|---|---|
| | | *(thousands of dollars)* | | |
| Petrochemical Product Sales | $ 52,440 | $ 47,250 | $ 5,190 | 11.0% |
| Processing | 1,519 | 2,909 | (1,390) | (47.8%) |
| Gross Revenue | $ 53,959 | $ 50,159 | $ 3,800 | 7.6% |
| | | | | |
| Volume of Sales (gallons) | | | | |
| Petrochemical Products | 22,353 | 20,665 | 1,688 | 8.2% |
| Prime Product Sales | 16,681 | 15,818 | 863 | 5.5% |
| | | | | |
| Cost of Sales | $ 43,424 | $ 41,531 | $ 1,893 | 4.6% |
| Gross Margin | 19.5% | 17.2% | 2.3% | 13.5% |
| Total Operating Expense** | 15,040 | 16,686 | (1,646) | (9.9%) |
| Natural Gas Expense** | 1,106 | 992 | 114 | 11.5% |
| Operating Labor Costs** | 4,412 | 4,084 | 328 | 8.0% |
| Transportation Costs** | 6,051 | 6,701 | (650) | (9.7%) |
| General & Administrative Expense | 2,595 | 2,105 | 490 | 23.3% |
| Depreciation and Amortization* | 1,584 | 1,447 | 137 | 9.5% |
| Capital Expenditures | $ 9,426 | $ 5,411 | $ 4,015 | 74.2% |

*Includes $1,378 and $1,291 for 2017 and 2016, respectively, which is included in operating expense

** Included in cost of sales

**Gross Revenue**

Gross Revenue increased during third quarter 2017 from third quarter 2016 by 7.6% primarily due to an increase in the average selling price of 1.6% and volume of 8.2% partially offset by a decrease in processing revenue.

**Petrochemical Product Sales**

Petrochemical product sales increased by 11.0% during third quarter 2017 from third quarter 2016 due to an increase in the average selling price of 1.6% and an increase in volume sold of 8.2%. Our average selling price increased because of two reasons. First, by-product selling prices were significantly higher in the third quarter of 2017 compared to the third quarter of 2016; and second, a large portion of our prime product sales are contracted with pricing formulas which are tied to prior month Natural Gas Liquid (NGL) prices which is our primary feedstock. Feedstock prices were higher in third quarter 2017 as compared to third quarter 2016. Prime product volume increased 5.5% in third quarter 2017 as compared to third quarter. Due to the need to produce additional prime products to support the increase in sales volume, our by-product volume increased 17.0%. It should be noted that by-product margins are significantly lower than margins for our prime products. By-product margins in the third quarter of 2017 were higher compared to third quarter of 2016 mainly due to higher values for certain components in the by-products. Foreign sales volume decreased to 17.3% of total petrochemical volume from 25.7% in third quarter 2016.

**Processing**

Processing revenues decreased 47.8% during third quarter 2017 from 2016 due to a decrease in reimbursements from a processing customer.

**Cost of Sales**

Cost of Sales increased 4.6% during third quarter 2017 from 2016 primarily due to the increase in feedstock cost and volume. Our average feedstock cost per gallon increased 3.2% over third quarter 2016 primarily due to an approximately 13% increase in the benchmark price of Mont Belvieu natural gasoline, which was partially offset by lower penalty payments and other delivery costs. The increase in feedstock costs compressed margins for the spot or non-formula portion of prime product sales. These are sales which do not have pricing formulas tied to feedstock costs. The increase in gross margin percentage from 17.2% to 19.5% was supported by lower operating expenses and an increase in margins for by-products.
Volume processed increased 7.1% over third quarter 2016. We use natural gasoline as feedstock which is the heavier liquid remaining after ethane, propane and butanes are removed from liquids produced by natural gas wells. The material is a commodity product in the oil/petrochemical markets and generally is readily available. The price of natural gasoline normally correlates approximately 90% with the price of crude oil. We expect our advanced reformer unit which is due online in first quarter 2018 to enable us to convert the less valuable components in our feed into higher value products, thereby allowing us to sell our byproducts at higher prices. The contract pricing formulas used to sell the majority of our prime products typically have a 30 day trailing feed cost basis; and therefore, are slightly favorable during periods of rapidly falling feedstock prices but are unfavorable when prices rise.

**Total Operating Expense**

Total Operating Expense decreased 9.9% during third quarter 2017 from 2016. Natural gas, labor, and transportation are the largest individual expenses in this category; however, not all of these decreased.

The cost of natural gas purchased increased 11.5% during 2017 from 2016 due to higher per unit cost and an increase in volume consumed. The average price per MMBTU for third quarter 2017 was $3.22 whereas, for 2016 the per-unit cost was $2.93. Volume increased slightly to approximately 337,000 MMBTU from about 331,000 MMBTU. However, volume was down from second quarter 2017 which consumed approximately 417,000 MMBTU. The reduction in consumption sequentially was due to downtime associated with the hurricane.

Labor costs were higher by 8.0% during 2017 from 2016 primarily due to additional expenses associated with the storm.
Transportation costs were lower by 9.7% primarily due to a decrease in the number of isocontainers and railcars which were shipped. Isocontainers are utilized primarily for shipments overseas.

In addition, in third quarter 2016 we saw increases in plant maintenance and expenses associated with installation of a processing unit for which we were reimbursed at cost plus a markup fee. These were minimal during 2017.

**General and Administrative Expense**

General and Administrative costs for third quarter 2017 increased from 2016 by 23.3% primarily due to an increase in our property tax accrual because of the expiration of abatements. Group insurance and administrative labor costs also increased.

**Depreciation**

Depreciation increased 9.5% during third quarter 2017 from 2016 primarily due to 2016 capital expenditures increasing our depreciable base.

**Capital Expenditures**

Capital Expenditures increased 74.2% during third quarter 2017 from 2016 primarily due to the new advanced reformer unit project. See additional detail above under "Investing Activities". Due to delays caused by the impact of the hurricane and issues with improper welding by the supplier of certain equipment in the reactor section of the new unit, we now expect the advanced reformer unit to come online toward the end of first quarter 2018.

**Specialty Wax Segment**

| | 2017 | 2016 | Change | %Change |
|---|---|---|---|---|
| | | *(thousands of dollars)* | | |
| Product Sales | $ 5,590 | $ 4,864 | $ 726 | 14.9% |
| Processing | 1,959 | 2,119 | (160) | (7.6%) |
| Gross Revenue | $ 7,549 | $ 6,983 | $ 566 | 8.1% |
| | | | | |
| Volume of wax sales (thousand pounds) | 8,036 | 8,248 | (212) | (2.6%) |
| | | | | |
| Cost of Sales | $ 8,216 | $ 6,708 | $ 1,508 | 22.5% |
| Gross Margin | (8.8%) | 4.0% | (12.8%) | (320.0%) |
| General & Administrative Expense | 1,107 | 1,238 | (131) | (10.6%) |
| Depreciation and Amortization* | 1,208 | 1,105 | 103 | 9.3% |
| Capital Expenditures | $ 1,991 | $ 4,066 | $ (2,075) | (51.0%) |

*Includes $1,187 and $1,082 for 2017 and 2016, respectively, which is included in cost of sales

**Product Sales**

Product sales revenue increased 14.9% during third quarter 2017 from third quarter 2016 as we continued to see strong growth in wax sales both domestically and in export. Polyethylene wax sales remained steady during the quarter. However, volumes of our traditional products were impacted by the storm due to outages at our wax feed suppliers. We continue to make progress in growing sales in our new products for our Hot Melt Adhesives ("HMA") and PVC Lubricant markets. These products are characterized by generally higher margins and growth rates. Sales of these products were down from the second quarter primarily due to summer slowdown at European customers and inventory build at one of our distributors. In third quarter 2016, sales for these products were insignificant.

**Processing**

Processing revenues decreased 7.6% during third quarter 2017 from third quarter 2016 primarily due to the impact of the hurricane. The entire facility was down for a full week during the storm, and when you are selling time, it means zero custom processing revenue for that week. Additionally, we experienced start-up difficulties with the hydrogenation unit resulting in negligible processing revenues from that unit. Further, faulty equipment in one of the units in the original plant caused an extended shutdown resulting in further loss of revenues. This unit will be starting up shortly and running on a high value project through the end of the year.

**Cost of Sales**

Cost of Sales increased 22.5% during third quarter 2017 from third quarter 2016 primarily due to increases in labor, freight, equipment maintenance, and natural gas utilities. These cost increases were primarily attributable to the start-up of the hydrogenation/distillation unit.

**General and Administrative Expense**

General and Administrative costs decreased 10.6% during third quarter 2017 from 2016 primarily due to a decrease in other compensation expense, accounting fees and security service expense.

**Depreciation**

Depreciation increased 9.3% during third quarter 2017 from 2016 primarily due to the hydrogenation/distillation unit coming online.

**Capital Expenditures**

Capital Expenditures decreased 51.0% during third quarter 2017 from third quarter 2016 primarily due to a decrease in expenditures for construction in progress including the hydrogenation/distillation project. The project came online in second and third quarters 2017.

**Corporate Segment**

| | 2017 | 2016 | Change | %Change |
|---|---|---|---|---|
| | | *(in thousands)* | | |
| General & Administrative Expense | $ 1,957 | $ 1,238 | $ 719 | 58.1% |
| Equity in earnings (losses) of AMAK | (897) | (2,089) | 1,192 | (57.1%) |
| Gain from additional equity issuance by AMAK | - | 3,168 | (3,168) | (100.0%) |

**General and Administrative Expenses**

General corporate expenses increased during third quarter 2017 from third quarter 2016 primarily due to an increase in officer compensation. Officer compensation increased due to the accrual for 2017 executive bonuses and the reversal of certain accrued expenses in the third quarter of 2016, including the accrual for bonuses when it was determined they would not be awarded.

**Equity in Losses of AMAK**

Equity in losses of AMAK decreased during third quarter 2017 from third quarter 2016. Since the AMAK facility was idle during 2016, they had no sales. They recorded sales in third quarter 2017 which offset some of their expenses.

AMAK Summarized Income Statement

| | Three Months Ended September 30, | |
|---|---|---|
| | 2017 | 2016 |
| | *(thousands of dollars)* | |
| Sales | $ 9,709 | $ 318 |
| | | |
| Gross loss | 1,307 | 4,747 |
| General, administrative and other expenses | 2,382 | 2,463 |
| Net loss | $ 3,689 | $ 7,210 |

AMAK continues to upgrade leadership and personnel at the site while filling all significant personnel vacancies. Sixteen percent more copper concentrate was shipped to the port in third quarter 2017 than in second quarter 2017. Zinc concentrate to the port was up 38% quarter on quarter. There was one shipment of lower quality copper and zinc concentrate during the quarter. Although AMAK is not yet fully at target throughputs and notwithstanding ongoing water quality and minor plant reliability issues; throughput rates, concentrate quality and recoveries continue to steadily improve. We reported on initial Guyan exploration results. Exploration continues both at Guyan and the surrounding areas with a similar geological profile. Exploration results which are expected to extend the life of the copper and zinc mine assets are anticipated later this year.

**Comparison of Nine Months Ended September 30, 2017 and 2016**

**Specialty Petrochemical Segment**

| | 2017 | 2016 | Change | %Change |
|---|---|---|---|---|
| | | *(thousands of dollars)* | | |
| Petrochemical Product Sales | $ 147,339 | $ 129,076 | $ 18,263 | 14.1% |
| Processing | 5,078 | 6,769 | (1,691) | (25.0%) |
| Gross Revenue | $ 152,417 | $ 135,845 | $ 16,572 | 12.2% |
| | | | | |
| Volume of Sales (gallons) | | | | |
| Petrochemical Products | 60,512 | 58,018 | 2,494 | 4.3% |
| Prime Product Sales | 46,867 | 44,018 | 2,849 | 6.5% |
| | | | | |
| Cost of Sales | $ 122,351 | $ 107,067 | $ 15,284 | 14.3% |
| Gross margin | 19.7% | 21.2% | (1.5%) | (6.9%) |
| Total Operating Expense** | 43,161 | 43,527 | (366) | (0.8%) |
| Natural Gas Expense** | 3,545 | 2,405 | 1,140 | 47.4% |
| Operating Labor Costs** | 11,688 | 11,893 | (205) | (1.7%) |
| Transportation Costs** | 18,314 | 17,850 | 464 | 2.6% |
| General & Administrative Expense | 7,914 | 6,821 | 1,093 | 16.0% |
| Depreciation and Amortization* | 4,684 | 4,211 | 473 | 11.2% |
| Capital Expenditures | $ 27,203 | $ 16,812 | $ 10,391 | 61.8% |

*Includes $4,142 and $3,743 for 2017 and 2016, respectively, which is included in operating expense

** Included in cost of sales

**Gross Revenue**

Gross Revenue increased during the first nine months of 2017 from 2016 by approximately 12.2% primarily due to an increase in the average selling price of 9.4% and an increase in volume of 4.3% offset by a decrease in processing fees.

**Petrochemical Product Sales**

Petrochemical product sales revenue increased by 14.1% during the first nine months of 2017 from 2016 due to an increase in the average selling price of 9.4% and an increase in volume of 4.3%. Our average selling price increased because of higher prices for prime products and by-products, driven by higher feedstock costs. A large portion of our prime product sales are contracted with formulas which are tied to Natural Gas Liquid (NGL) prices which is our primary feedstock. NGL prices were relatively stable during the first nine months of 2017 but were significantly higher than the first nine months of 2016. Foreign sales volume decreased to 19.6% of total petrochemical volume from 22.7% in the first nine months of 2016.

**Processing**

Processing revenues decreased 25.0% during the first nine months of 2017 from 2016 due to reduced fees associated with a new customer who reimbursed us for installation expenses plus a markup during the first nine months of 2016 and outages associated with the hurricane in 2017.

**Cost of Sales**

Cost of Sales increased 14.3% during the first nine months of 2017 from 2016 due to the increase in NGL prices as mentioned above. Our average feedstock cost per gallon increased 17.6%; whereas volume processed remained steady. We use natural gasoline as feedstock which is the heavier liquid remaining after ethane, propane and butanes are removed from liquids produced by natural gas wells. The material is a commodity product in the oil/petrochemical markets and generally is readily available. The price of natural gasoline normally correlates approximately 90% with the price of crude oil. The benchmark price of Mont Belvieu natural gasoline increased approximately 21% for the first nine months of 2017 compared to the same period in 2016. The increase in feedstock cost compressed margins for the spot or non-formula portion of prime product sales. These are sales which do not have pricing formulas tied to feedstock costs. This factor contributed to the decline in gross margin percentage from 21.2% to 19.7%. Our advanced reformer unit (due online in first quarter 2018) will allow us to convert many of the by-products into higher value products, thereby allowing us to sell our byproducts at higher prices.

**Total Operating Expense**

Total Operating Expense decreased 0.8% during the first nine months of 2017 from 2016. Natural gas, labor, and transportation are the largest individual expenses in this category; however, not all of these decreased.

The cost of natural gas purchased increased 47.4% during 2017 from 2016 due to an increase in the average per unit cost and consumption. The average price per MMBTU for the first nine months of 2017 was $3.32 whereas, for 2016 the per-unit cost was $2.44. Volume consumed increased to approximately 1,075,000 MMBTU from about 989,000 MMBTU.

Labor costs were lower by 1.7% primarily due to maintenance labor being capitalized to construction in progress.

Transportation costs were higher by 2.6% primarily due to an increase in the number of isocontainer shipments during the first nine months of 2017. These shipments increased 112.6% and are generally used for overseas shipments.

In addition, during 2016 we saw increases in plant maintenance and expenses associated with installation of a processing unit for which we were reimbursed at cost plus a markup fee. These were minimal during 2017.

**General and Administrative Expense**

General and Administrative costs for the first nine months of 2017 from 2016 increased by 16.0% primarily due to an increase in our property tax accrual because of the expiration of abatements. Group insurance and administrative labor costs also increased.

**Depreciation**

Depreciation increased 11.2% during the first nine months of 2017 from 2016 primarily due to 2016 capital expenditures increasing our depreciable base.

**Capital Expenditures**

Capital Expenditures increased 61.8% during the first nine months of 2017 from 2016 primarily due to expenditures related to construction of the new advanced reformer unit. Due to delays caused by the impact of the hurricane and issues with improper welding by the supplier of certain equipment in the reactor section of the new unit, we now expect the advanced reformer unit to come online toward the end of first quarter 2018.

**Specialty Wax Segment**

| | 2017 | 2016 | Change | %Change |
|---|---|---|---|---|
| | | *(thousands of dollars)* | | |
| Product Sales | $ 18,606 | $ 14,585 | $ 4,021 | 27.6% |
| Processing | 8,142 | 7,766 | 376 | 4.8% |
| Gross Revenue | $ 26,748 | $ 22,351 | $ 4,397 | 19.7% |
| | | | | |
| Volume of wax sales (thousand pounds) | 28,281 | 24,126 | 4,155 | 17.2% |
| | | | | |
| Cost of Sales | $ 25,219 | $ 18,880 | $ 6,339 | 33.6% |
| Gross Margin | 5.7% | 15.5% | (9.8%) | (63.2%) |
| General & Administrative Expense | 3,729 | 3,582 | 147 | 4.1% |
| Depreciation and Amortization* | 3,233 | 2,945 | 288 | 9.8% |
| Capital Expenditures | $ 12,047 | $ 11,059 | $ 988 | 8.9% |

*Includes $3,169 and $2,877 for 2017 and 2016, respectively, which is included in cost of sales

**Product Sales**

Product sales increased 27.6% during the first nine months of 2017 from the first nine months of 2016 primarily due to on-purpose PE wax sales which we are distributing in Latin America for a third party as well as, significant growth in our high value waxes. Polyethylene wax sales saw volume increases of approximately 16.9%, and revenue from these sales increased 20.8%. As mentioned above, we continue to make good progress in developing high value markets for our by-product polyethylene waxes.

**Processing**

Processing revenues increased 4.8% during the first nine months of 2017 from the first nine months of 2016 due to increased volumes with existing customers and a number of new contracts and small trials. Processing revenue generated from B Plant was approximately $2.2 million, from the new distillation unit was approximately $0.2 million, and from the new hydrogenation unit was approximately $0.1 million. Excluding the $1.6 million non-use fee that occurred for the last time in the first quarter of 2016, custom processing revenues were up over 32% over 2016 numbers. This revenue increase occurred despite the start-up difficulties with the hydrogenation unit resulting in negligible processing revenues from that unit. Further, faulty equipment in another unit caused an extended shutdown of this unit resulting in further loss of revenue.

**Cost of Sales**

Cost of Sales increased 33.6% during the first nine months of 2017 from the first nine months of 2016 due to increases in material cost, labor, freight, repairs and maintenance of manufacturing equipment, and natural gas utilities.

Material cost increased approximately 69.4% due to material costs associated with the on-purpose PE wax sales we distributed into Latin America as noted above and to support the additional sales volume of polyethylene wax sales. Labor increased approximately 22.8% due to increased overtime and the addition of new personnel in preparation for the start-up of the new hydrogenation/distillation project. Freight increased approximately 155.7% due to a change in shipping terms. We now ship most products with destination terms. Repairs and maintenance of equipment increased approximately 33.8% primarily due to the addition of B Plant and the introduction of new custom processing projects. Natural gas utilities increased approximately 84.4% due to an increase in per unit cost as mentioned above and an increase in volume consumed because of B Plant and the new hydrogenation/distillation unit.

**General and Administrative Expense**

General and Administrative costs for the first nine months of 2017 from 2016 increased 4.1% primarily due to an increase in sales personnel, property taxes, and property insurance due to the addition of B Plant.

**Depreciation**

Depreciation increased 9.8% during the first nine months of 2017 from 2016 primarily due to addition of B Plant.

**Capital Expenditures**

Capital Expenditures increased 8.9% during the first nine months of 2017 from the first nine months of 2016 primarily due to expenditures for construction in progress including the hydrogenation/distillation project and various other smaller projects. The hydrogenation/distillation project is complete; therefore, going forward we expect capital expenditures to return to a more normal level.

**Corporate Segment**

| | 2017 | 2016 | Change | %Change |
|---|---|---|---|---|
| | *(thousands of dollars)* | | | |
| General & Administrative Expense | $ 5,978 | $ 5,128 | $ 850 | 16.6% |
| Equity in earnings (losses) of AMAK | (5,161) | 2,261 | (7,422) | (328.3%) |
| Gain from additional equity issuance by AMAK | - | 3,168 | (3,168) | (100.0%) |

**General and Administrative Expenses**

General corporate expenses increased 16.6% during first nine months 2017 from first nine months 2016 primarily due to an increase in officer compensation. Officer compensation increased because of the accrual in 2017 for executive bonuses. During 2016 we reversed the accrual for bonuses when it was determined they would not be awarded.

**Equity in Earnings (Losses) of AMAK/Gain from Additional Equity Issuance by AMAK**

Equity in earnings (losses) of AMAK decreased during first nine months 2017 from first nine months 2016 primarily due to the recognition in 2016 of a gain from a settlement which was reached with the former operator of the facility and a gain on an additional equity issuance by AMAK. In addition, the facility recording no sales in second quarter 2017 (please see Note

17 to the consolidated financial statements for the impact on our statements). Also, during 2016 the facility was not operating; therefore, their expenses were less.

AMAK Summarized Income Statement

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2017 | 2016 |
| | (thousands of dollars) | |
| Sales | $ 11,965 | $ 9,921 |
| | | |
| Gross loss | (11,515) | (7,556) |
| General, administrative and other expenses | 6,942 | 6,986 |
| Loss from operations | (18,457) | (14,542) |
| Gain on settlement with former operator | - | 17,440 |
| Net income (loss) | $ (18,457) | $ 2,898 |

The team at AMAK continued to upgrade personnel and work on improving operations throughout the quarter. Shipments of concentrate to the port continue to show steady improvement – along with quality and recoveries. We reported on initial Guyan exploration results. Exploration continues both at Guyan and the surrounding areas with a similar geological profile. Exploration results which should extend the life of the copper and zinc mine assets are expected later this year.

**Guarantee of Saudi Industrial Development Fund ("SIDF") Loan to AMAK**

As discussed in Note 19 to the consolidated financial statements, as a condition of the Loan from the SIDF in the principal amount of 330.0 million SR (US$88.0 million) to AMAK, we were required to execute a Guarantee of up to 41% of the Loan. The decision to provide a limited corporate guarantee in favor of AMAK was difficult as we considered numerous facts and circumstances. One of the factors considered was that without the US$88.0 million from the SIDF, construction activity on the project would likely have ceased. Another factor considered was that prior to making a firm commitment regarding funding, the SIDF performed its own exhaustive due diligence of the project and obviously reached the conclusion that the project is viable and capable of servicing the debt. Yet another factor considered was our ability to reach agreement with various AMAK Saudi shareholders whereby they agreed to use best efforts to have their personal guarantees stand ahead of and pay required payments to SIDF before our corporate guarantee. Finally, we researched numerous loans made by the SIDF to others and were unable to find a single instance where the SIDF actually called a guarantee or foreclosed on a project. Based on the above, we determined that it was in the best interest of the Company and its shareholders to provide the limited corporate guarantee to facilitate completion of the mining project in a timely manner. We also determined that the stand-in-front agreement in conjunction with the actual value of plant and equipment on the ground should act in concert to minimize any exposure arising from the corporate guarantee. The total amount outstanding to the SIDF at September 30, 2017, was 305.0 million Saudi Riyals (US$81.3 million).

**Critical Accounting Policies and Estimates**

**Inventories** - Finished products and feedstock are recorded at the lower of cost, determined on the first-in, first-out method (FIFO); or market for SHR. For TC, inventory is recorded at the lower of cost or market as follows: (1) raw material cost is calculated using the weighted-average cost method and (2) product inventory cost is calculated using the specific cost method.

Other critical accounting policies are more fully described in Note 2 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period reported. By their nature, these estimates, assumptions and judgments are subject to an inherent degree of uncertainty. We base our estimates, assumptions and judgments on historical experience, market trends and other factors that are believed to be reasonable under the circumstances. Estimates, assumptions and judgments are reviewed on an ongoing basis and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting policies have been discussed with the Audit Committee of the Board of Directors. We believe there have been no material changes to our critical accounting policies and estimates compared to those discussed in our Annual Report on Form 10-K for the year ended December 31, 2016, except for the change in inventory valuation method from LIFO to FIFO as described in Note 5.

**Recent and New Accounting Standards**

See Note 2 to the Consolidated Financial Statements for a summary of recent accounting guidance.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

*Derivative Instrument Risk*

Refer to Note 12 on page 13 of this Form 10-Q.

*Interest Rate Risk*

Refer to Note 12 on page 13 of this Form 10-Q.

There have been no material changes in the Company's exposure to market risk from the disclosure included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

## ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures. Our chief executive officer and chief financial officer, with the participation of management, have evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934) and determined that our disclosure controls and procedures were not effective as of the end of the period covered by this report due to the material weakness in internal control over financial reporting as described below.

***Material Weakness in Internal Control over Financial Reporting***

As described in Management's Report On Internal Control Over Financial Reporting in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2016, we determined that we did not maintain effective internal control over the accounting for our investment in AMAK. Specifically, controls were not appropriately designed, adequately documented and operating effectively related to the accounting for: (1) our equity in earnings of AMAK; and (2) changes in our ownership percentage in AMAK as the result of the sale and issuance of shares of AMAK to other investors. As a result of this material weakness, we restated our financial statements for the three months ended June 30, 2016, and September 30, 2016, respectively. This control deficiency did not result in any material adjustments to our consolidated financial statements for the year ended December 31, 2016.

Although we have made progress in the remediation of this issue, as indicated below, sufficient time needs to pass before we can conclude that newly implemented controls are operating effectively and that the material weakness has been adequately remediated. Notwithstanding the material weakness in our internal control over financial reporting, we have concluded that the interim condensed consolidated financial statements and other financial information included in this Quarterly Report on Form 10-Q, fairly present in all material respects our financial condition, results of operations and cash flows as of, and for, the periods presented.

***Remediation of Material Weakness in Internal Control over Financial Reporting***

During second quarter 2017 we developed and implemented a comprehensive remediation plan. We believe the enhanced procedures will remediate the material weakness we have identified and generally strengthen our internal control over financial reporting. The material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Since, we have not completed the testing and evaluation of the operating effectiveness of controls, the previously disclosed material weaknesses remain unremediated as of September 30, 2017. Once we complete testing and our evaluation of the effectiveness of the controls by the end of the year, we expect to conclude that the material weaknesses have been remediated.

(b) Changes in internal control. Other than the efforts discussed immediately above in "Remediation of Material Weakness in Internal Control over Financial Reporting", there was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2017, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

The Company is periodically named in legal actions arising from normal business activities. The Company evaluates the merits of these actions and, if it determines that an unfavorable outcome is probable and can be reasonably estimated, the Company will establish the necessary reserves. We are not currently involved in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

### ITEM 1A. RISK FACTORS.

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

### ITEM 6. EXHIBITS.

The following documents are filed or incorporated by reference as exhibits to this Report. Exhibits marked with an asterisk (*) are filed herewith and exhibits marked with a double asterisk (**) are furnished herewith.

| Exhibit Number | Description |
|---|---|
| 10(a) | Third Amendment to Amended and Restated Credit Agreement dated as of July 25, 2017, among Texas Oil & Chemical Co. II, Inc. and certain subsidiaries and Bank of America, N.A. as administrative agent (incorporated by reference to Exhibit 99.2 to the Company's Form 8-K filed on July 27, 2017 (file No. 001-33926)) |
| 10(b)* | Form of Trecora Resources Stock and Incentive Plan Restricted Stock Unit Agreement |
| 10(c)* | Form of Trecora Resources Stock and Incentive Plan Amended and Restated Restricted Stock Unit Agreement |
| 31.1** | Certification of Chief Executive Officer pursuant to Rule 13A-14(A) of the Securities Exchange Act of 1934 |
| 31.2** | Certification of Chief Financial Officer pursuant to Rule 13A-14(A) of the Securities Exchange Act of 1934 |
| 32.1** | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2** | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Schema Document |
| 101.CAL* | XBRL Taxonomy Calculation Linkbase Document |
| 101.LAB* | XBRL Taxonomy Label Linkbase Document |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document |

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: November 8, 2017 TRECORA RESOURCES
(Registrant)

By: /s/Sami Ahmad
Sami Ahmad
Chief Financial Officer

**EXHIBIT 31.1**

**CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a – 14(a)/15d-14(a)**

I, Simon Upfill-Brown, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trecora Resources;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2017 /s/ Simon Upfill-Brown

Simon Upfill-Brown

President and Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a – 14(a)/15d-14(a)**

I, Sami Ahmad, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trecora Resources;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2017 /s/ Sami Ahmad
Sami Ahmad
Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**
**18. U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Trecora Resources (the "Company") on Form 10-Q for the period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Simon Upfill-Brown, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Simon Upfill-Brown
Simon Upfill-Brown
President and Chief Executive Officer

November 8, 2017

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO**
**18. U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Trecora Resources (the "Company") on Form 10-Q for the period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sami Ahmad, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sami Ahmad
Sami Ahmad
Chief Financial Officer

November 8, 2017

**Exhibit 10(b)**

**Trecora Resources Stock and Incentive Plan**

**Restricted Stock Unit Agreement**

This Agreement is made and entered into as of the ___________________ (the "***Date of Grant***") by and between Trecora Resources, a Delaware corporation (the "***Company***") and you;

**WHEREAS**, the Company in order to induce you to enter into and to continue and dedicate service to the Company and to materially contribute to the success of the Company agrees to grant you this restricted stock unit award;

**WHEREAS**, the Company adopted the Trecora Resources Stock and Incentive Plan, as it may be amended from time to time (the "***Plan***") under which the Company is authorized to grant restricted stock units to certain employees, directors and other service providers of the Company;

**WHEREAS**, a copy of the Plan has been furnished to you and shall be deemed a part of this Restricted Stock Unit Agreement ("***Agreement***") as if fully set forth herein; and

**WHEREAS**, you desire to accept the restricted stock unit award made pursuant to this Agreement.

**NOW, THEREFORE,** in good consideration of and mutual covenants set forth herein and for other valuable consideration hereinafter set forth, the parties agree as follows:

1. The Grant. Subject to the conditions set forth below, the Company hereby grants you, effective as of the Date of Grant, an award consisting of _________________ Restricted Stock Units, whereby each Restricted Stock Unit represents the right to receive one share of common stock, par value $0.10 per share, of the Company ("***Stock***"), in accordance with the terms and conditions set forth herein and in the Plan (the "***Award***"). To the extent that any provision of this Agreement conflicts with the expressly applicable terms of the Plan, you acknowledge and agree that those terms of the Plan shall control and, if necessary, the applicable terms of this Agreement shall be deemed amended so as to carry out the purpose and intent of the Plan. Terms that have their initial letter capitalized, but that are not otherwise defined in this Agreement shall have the meanings given to them in the Plan.

2. No Shareholder Rights. The Restricted Stock Units granted pursuant to this Agreement do not and shall not entitle you to any rights of a holder of Stock prior to the date shares of Stock are issued to you in settlement of the Award. Your rights with respect to the Restricted Stock Units shall remain forfeitable at all times prior to the date on which rights become vested and the restrictions with respect to the Restricted Stock Units lapse in accordance with Section 6.

3. Restrictions; Forfeiture. The Restricted Stock Units are restricted in that they may not be sold, transferred or otherwise alienated or hypothecated until these restrictions are removed or expire as contemplated in Section 6 or 7 of this Agreement and Stock is issued to you as described in Section 5 of this Agreement. The Restricted Stock Units are also restricted in the sense that they may be forfeited to the Company (the "***Forfeiture Restrictions***").

**4.** Issuance of Stock. No shares of Stock shall be issued to you prior to the date on which the Restricted Stock Units vest and the restrictions, including the Forfeiture Restrictions, with respect to the Restricted Stock Units lapse, in accordance with Section 6 or 7. After the Restricted Stock Units vest pursuant to Section 6 or 7, the Company shall as soon as practicable after such vesting date (but no later than 90 days following the vesting date), cause to be issued Stock registered in your name in payment of such vested Restricted Stock Units upon receipt by the Company of any required tax withholding. The Company shall evidence the Stock to be issued in payment of such vested Restricted Stock Units in the manner it deems appropriate. The value of any fractional Restricted Stock Units shall be rounded down at the time Stock is issued to you in connection with the Restricted Stock Units. No fractional shares of Stock, nor the cash value of any fractional shares of Stock, will be issuable or payable to you pursuant to this Agreement. The value of such shares of Stock shall not bear any interest owing to the passage of time. Neither this Section 5 nor any action taken pursuant to or in accordance with this Section 5 shall be construed to create a trust or a funded or secured obligation of any kind.

**5.** Expiration of Restrictions and Risk of Forfeiture. The restrictions on the Restricted Stock Units granted pursuant to this Agreement, including the Forfeiture Restrictions, will expire as set forth in the table below, and shares of Stock that are nonforfeitable and transferable will be issued to you in payment of your vested Restricted Stock Units as set forth in Section 5, provided that you remain in the employ of, or a service provider to, the Company or its Subsidiaries until the applicable dates set forth below:

| **Percentage of Restricted Stock Units to Vest** | **Vesting Date** |
|---|---|

6. Termination of Services.

(a) Termination Generally**.** Subject to subsection (c), if your service relationship with the Company or any of its Subsidiaries is terminated for any reason, then those Restricted Stock Units for which the restrictions have not lapsed as of the date of termination shall become null and void and those Restricted Stock Units shall be forfeited to the Company. The Restricted Stock Units for which the restrictions have lapsed as of the date of such termination, including Restricted Stock Units for which the restrictions lapsed in connection with such termination, shall not be forfeited to the Company and shall be settled as set forth in Section 5.

(b) Corporate Change. In the event that a Corporate Change occurs prior to any portion of the Restricted Stock Units becoming vested, 100% of the unvested Restricted Stock Units shall immediately become vested and shall be settled as set forth in Section 5.

(c) Effect of Employment Agreement. Notwithstanding any provision herein to the contrary, in the event of any inconsistency between this Section 7 and any employment agreement entered into by and between you and the Company or its Subsidiaries, the terms of the employment agreement shall control.

7. Leave of Absence. With respect to the Award, the Company may, in its sole discretion, determine that if you are on leave of absence for any reason you will be considered to still be in the employ of, or providing services for, the Company, provided that rights to the Restricted Stock Units during a leave of absence will be limited to the extent to which those rights were earned or vested when the leave of absence began.

8. Payment of Taxes. The Company may require you to pay to the Company (or the Company's Subsidiary if you are an employee of a Subsidiary of the Company), an amount the Company deems necessary to satisfy its (or its Subsidiary's) current or future obligation to withhold federal, state or local income or other taxes that you incur as a result of the Award. Unless you make other arrangements with the Company prior to the applicable withholding date, the Restricted Stock Units will be net settled to withhold applicable taxes.

9. Compliance with Securities Law. Notwithstanding any provision of this Agreement to the contrary, the issuance of Stock will be subject to compliance with all applicable requirements of federal, state, or foreign law with respect to such securities and with the requirements of any stock exchange or market system upon which the Stock may then be listed. No Stock will be issued hereunder if such issuance would constitute a violation of any applicable federal, state, or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, Stock will not be issued hereunder unless (a) a registration statement under the Securities Act is, at the time of issuance, in effect with respect to the shares issued or (b) in the opinion of legal counsel to the Company, the shares issued may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. YOU ARE CAUTIONED THAT ISSUANCE OF STOCK UPON THE VESTING OF RESTRICTED STOCK UNITS GRANTED PURSUANT TO THIS AGREEMENT MAY NOT OCCUR UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Award will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance hereunder, the Company may require you to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company. From time to time, the Board and appropriate officers of the Company are authorized to take the actions necessary and appropriate to file required documents with governmental authorities, stock exchanges, and other appropriate Persons to make shares of Stock available for issuance.

10. Section 409A of the Code. It is the general intention, but not the obligation, of the Committee to design Awards to comply with or to be exempt from the Section 409A of the Code and the regulations promulgated thereunder (the "***Nonqualified Deferred Compensation Rules***"), and Awards will be operated and construed accordingly. This Section 11 does not contain a representation to you regarding the tax consequences of the grant, vesting, exercise,

settlement, or sale of the Award (or the Stock underlying such Award) granted hereunder, and should not be interpreted as such. In no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with the Nonqualified Deferred Compensation Rules. Notwithstanding any provision in the Plan or this Agreement to the contrary, in the event that you are a "specified employee" (as defined under the Nonqualified Deferred Compensation Rules) and you become entitled to a payment under an Award that would be subject to additional taxes and interest under the Nonqualified Deferred Compensation Rules if your receipt of such payment or benefits is not delayed until the earlier of (i) the date of your death, or (ii) the date that is six months after your "separation from service," as defined under the Nonqualified Deferred Compensation Rules (such date, the "***Section 409A Payment Date***"), then such payment or benefit shall not be provided to you until the Section 409A Payment Date. Any amounts subject to the preceding sentence that would otherwise be payable prior to the Section 409A Payment Date will be aggregated and paid in a lump sum without interest on the Section 409A Payment Date. The applicable provisions of the Nonqualified Deferred Compensation Rules are hereby incorporated by reference and shall control over any provision in the Plan or this Agreement that are in conflict therewith. Each payment made under this Award, if any, shall be treated as a separate payment under the Nonqualified Deferred Compensation Rules.

11. Clawback. The Restricted Stock Units granted hereunder are subject to any written clawback policies that the Company, with the approval of the Board or an authorized committee thereof, may adopt either prior to or following the Date of Grant, including any policy adopted to conform to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and rules promulgated thereunder by the SEC and that the Company determines should apply to the Award. Any such policy may subject your Award and amounts paid or realized with respect to the Award to reduction, cancelation, forfeiture or recoupment if certain specified events or wrongful conduct occur as specified in any such clawback policy.

12. Legends. The Company may at any time place legends referencing any restrictions imposed on the shares pursuant to this Agreement on all certificates representing shares issued with respect to this Award.

13. Right of the Company and Subsidiaries to Terminate Services. Nothing in this Agreement confers upon you the right to continue in the employ of or performing services for the Company or any Subsidiary, or interfere in any way with the rights of the Company or any Subsidiary to terminate your employment or service relationship at any time.

14. Furnish Information. You agree to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirements imposed upon the Company by or under any applicable statute or regulation.

15. Remedies. The parties to this Agreement shall be entitled to recover from each other reasonable attorneys' fees incurred in connection with the successful enforcement of the terms and provisions of this Agreement whether by an action to enforce specific performance or for damages for its breach or otherwise.

16. No Liability for Good Faith Determinations. The Company and the members of the Board shall not be liable for any act, omission or determination taken or made in good faith with respect to this Agreement or the Restricted Stock Units granted hereunder.

17. Execution of Receipts and Releases. Any payment of cash or any issuance or transfer of shares of Stock or other property to you, or to your legal representative, heir, legatee or distributee, in accordance with the provisions hereof, shall, to the extent thereof, be in full satisfaction of all claims of such Persons hereunder. The Company may require you or your legal representative, heir, legatee or distributee, as a condition precedent to such payment or issuance, to execute a release and receipt therefor in such form as it shall determine.

18. No Guarantee of Interests. The Board and the Company do not guarantee the Stock of the Company from loss or depreciation.

19. Company Records. Records of the Company or its Subsidiaries regarding your period of service, termination of service and the reason(s) therefor, and other matters shall be conclusive for all purposes hereunder, unless determined by the Company to be incorrect.

20. Notice. All notices required or permitted under this Agreement must be in writing and personally delivered or sent by mail and shall be deemed to be delivered on the date on which it is actually received by the person to whom it is properly addressed or if earlier the date it is sent via certified United States mail. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan (including grants) by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

21. Waiver of Notice. Any person entitled to notice hereunder may waive such notice in writing.

22. Information Confidential. As partial consideration for the granting of the Award hereunder, you hereby agree to keep confidential all information and knowledge, except that which has been disclosed in any public filings required by law, that you have relating to the terms and conditions of this Agreement; provided, however, that such information may be disclosed as required by law and may be given in confidence to your spouse and tax and financial advisors. In the event any breach of this promise comes to the attention of the Company, it shall take into consideration that breach in determining whether to recommend the grant of any future similar award to you, as a factor weighing against the advisability of granting any such future award to you.

23. Successors. This Agreement shall be binding upon you, your legal representatives, heirs, legatees and distributees, and upon the Company, its successors and assigns.

24. Severability. If any provision of this Agreement is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and this Agreement shall be construed and enforced as if the illegal or invalid provision had never been included herein.

25. Company Action. Any action required of the Company shall be by resolution of the Board or by a person or entity authorized to act by resolution of the Board.

26. Headings. The titles and headings of Sections are included for convenience of reference only and are not to be considered in construction of the provisions hereof.

27. Governing Law. This Agreement shall be interpreted, governed by, and construed in accordance with, the laws of the State of Texas without regard to principles of conflict of laws, except to the extent that it implicates mandatory provisions of the General Corporation Law of the State of Delaware, which matters shall be governed by such Delaware law. The obligation of the Company to sell and deliver Stock hereunder is subject to applicable laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Stock.

28. Amendment. This Agreement may be amended the Board or by the Committee at any time (a) if the Board or the Committee determines, in its sole discretion, that amendment is necessary or advisable in light of any addition to or change in any federal or state, tax or securities law or other law or regulation, which change occurs after the Date of Grant and by its terms applies to the Award; or (b) other than in the circumstances described in clause (a) or provided in the Plan, with your consent.

29. The Plan. This Agreement is subject to all the terms, conditions, limitations and restrictions contained in the Plan.

[Remainder of page intentionally left blank]

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**THE UNDERSIGNED HOLDER ACKNOWLEDGES RECEIPT OF THIS AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS AGREEMENT AND THE PLAN.**

| | |
|---|---|
| TRECORA RESOURCES | HOLDER |
| By: | By: |
| Name: | Name: _______________________________ |
| Title: | Date: |
| Date: | |

**Exhibit 10(c)**

**Trecora Resources Stock and Incentive Plan**

**Amended and Restated Restricted Stock Unit Agreement**

**BY RE-CONFIRMING THE GRANT OF RESTRICTED STOCK UNITS YOU CONSENT AND AGREE THAT THE TERMS AND CONDITIONS CONTAINED IN THIS AGREEMENT GOVERN ANY PRIOR GRANTS (AS SPECIFIED IN ANNEX A TO THIS AGREEMENT) ("PRIOR GRANTS") THAT YOU RECEIVED AND SUPERSEDES ALL OTHER RELEVANT AGREEMENTS AND DOCUMENTS PERTAINING TO ALL PRIOR GRANTS UNDER THE TRECORA RESOURCES STOCK AND INCENTIVE PLAN. YOU AGREE THAT THE COMMON STOCK ISSUABLE UPON VESTING OF THIS AWARD WILL NOT BE RELEASED TO YOU UNTIL AN EXECUTED VERSION OF THIS AGREEMENT HAS BEEN COLLECTED.**

This Agreement is made and entered into as of the ___________________by and between Trecora Resources, a Delaware corporation (the "***Company***") and you;

**WHEREAS**, the Company in order to induce you to enter into and to continue and dedicate service to the Company and to materially contribute to the success of the Company make the Prior Grants to you;

**WHEREAS**, the Company adopted the Trecora Resources Stock and Incentive Plan, as it may be amended from time to time (the "**Plan**") under which the Company is authorized to grant restricted stock units to certain employees, directors and other service providers of the Company;

**WHEREAS**, a copy of the Plan has been furnished to you and shall be deemed a part of this Amended and Restated Restricted Stock Unit Agreement ("***Agreement***") as if fully set forth herein; and

**WHEREAS**, you desire to re-confirm your acceptance of the Prior Grants subject to the terms and conditions of this Agreement.

**NOW, THEREFORE,** in good consideration of and mutual covenants set forth herein and for other valuable consideration hereinafter set forth, the receipt of which is here by acknowledged by the parties as follows:

1. The Grant. Subject to the conditions set forth below, the Company hereby re-confirms the Prior Grant of the Restricted Stock Unit awards contained in Annex A, whereby each Restricted Stock Unit represents the right to receive one share of common stock, par value $0.10 per share, of the Company ("***Stock***"), in accordance with the terms and conditions set forth herein and in the Plan (the "***Award***"). To the extent that any provision of this Agreement conflicts with the expressly applicable terms of the Plan, you acknowledge and agree that those terms of the Plan shall control and, if necessary, the applicable terms of this Agreement shall be deemed amended so as to carry out the purpose and intent of the Plan. Terms that have their initial letter capitalized, but that are not otherwise defined in this Agreement shall have the meanings given to them in the Plan.

2. No Shareholder Rights. The Restricted Stock Units do not and shall not entitle you to any rights of a holder of Stock prior to the date shares of Stock are issued to you in settlement of the Award. Your rights with respect to the Restricted Stock Units shall remain forfeitable at all times prior to the date on which rights become vested and the restrictions with respect to the Restricted Stock Units lapse in accordance with Section 6.

3. Restrictions; Forfeiture. The Restricted Stock Units are restricted in that they may not be sold, transferred or otherwise alienated or hypothecated until these restrictions are removed or expire as contemplated in Section 6 or 7 of this Agreement and Stock is issued to you as described in Section 5 of this Agreement. The Restricted Stock Units are also restricted in the sense that they may be forfeited to the Company (the "***Forfeiture Restrictions***").

**4.** Issuance of Stock. No shares of Stock shall be issued to you prior to the date on which the Restricted Stock Units vest and the restrictions, including the Forfeiture Restrictions, with respect to the Restricted Stock Units lapse, in accordance with Section 6 or 7. After the Restricted Stock Units vest pursuant to Section 6 or 7, the Company shall as soon as practicable after such vesting date (but no later than 90 days following the vesting date), cause to be issued Stock registered in your name in payment of such vested Restricted Stock Units upon receipt by the Company of any required tax withholding. The Company shall evidence the Stock to be issued in payment of such vested Restricted Stock Units in the manner it deems appropriate. The value of any fractional Restricted Stock Units shall be rounded down at the time Stock is issued to you in connection with the Restricted Stock Units. No fractional shares of Stock, nor the cash value of any fractional shares of Stock, will be issuable or payable to you pursuant to this Agreement. The value of such shares of Stock shall not bear any interest owing to the passage of time. Neither this Section 5 nor any action taken pursuant to or in accordance with this Section 5 shall be construed to create a trust or a funded or secured obligation of any kind.

**5.** Expiration of Restrictions and Risk of Forfeiture. The restrictions on the Restricted Stock Units, including the Forfeiture Restrictions, will expire as set forth in Annex A to this Agreement, and shares of Stock that are nonforfeitable and transferable will be issued to you in payment of your vested Restricted Stock Units as set forth in Annex A, provided that you remain in the employ of, or a service provider to, the Company or its Subsidiaries until the applicable dates set in Annex A to this Agreement.

6. Termination of Services.

(a) Termination Generally**.** Subject to subsection (c), if your service relationship with the Company or any of its Subsidiaries is terminated for any reason, then those Restricted Stock Units for which the restrictions have not lapsed as of the date of termination shall become null and void and those Restricted Stock Units shall be forfeited to the Company. The Restricted Stock Units for which the restrictions have lapsed as of the date of such termination, including Restricted Stock Units for which the restrictions lapsed in connection with such termination, shall not be forfeited to the Company and shall be settled as set forth in Section 5.

(b) Corporate Change. In the event that a Corporate Change occurs prior to any portion of the Restricted Stock Units becoming vested, 100% of the unvested Restricted Stock Units shall immediately become vested and shall be settled as set forth in Section 5.

(c) Effect of Employment Agreement. Notwithstanding any provision herein to the contrary, in the event of any inconsistency between this Section 7 and any employment agreement entered into by and between you and the Company or its Subsidiaries, the terms of the employment agreement shall control.

7. Leave of Absence. With respect to the Award, the Company may, in its sole discretion, determine that if you are on leave of absence for any reason you will be considered to still be in the employ of, or providing services for, the Company, provided that rights to the Restricted Stock Units during a leave of absence will be limited to the extent to which those rights were earned or vested when the leave of absence began.

8. Payment of Taxes. The Company may require you to pay to the Company (or the Company's Subsidiary if you are an employee of a Subsidiary of the Company), an amount the Company deems necessary to satisfy its (or its Subsidiary's) current or future obligation to withhold federal, state or local income or other taxes that you incur as a result of the Award. Unless you make other arrangements with the Company prior to the applicable withholding date, the Restricted Stock Units will be net settled to withhold applicable taxes.

9. Compliance with Securities Law. Notwithstanding any provision of this Agreement to the contrary, the issuance of Stock will be subject to compliance with all applicable requirements of federal, state, or foreign law with respect to such securities and with the requirements of any stock exchange or market system upon which the Stock may then be listed. No Stock will be issued hereunder if such issuance would constitute a violation of any applicable federal, state, or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, Stock will not be issued hereunder unless (a) a registration statement under the Securities Act is, at the time of issuance, in effect with respect to the shares issued or (b) in the opinion of legal counsel to the Company, the shares issued may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. YOU ARE CAUTIONED THAT ISSUANCE OF STOCK UPON THE VESTING OF RESTRICTED STOCK UNITS GRANTED PURSUANT TO THIS AGREEMENT MAY NOT OCCUR UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Award will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance hereunder, the Company may require you to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company. From time to time, the Board and appropriate officers of the Company are authorized to take the actions necessary and appropriate to file required documents with governmental authorities, stock exchanges, and other appropriate Persons to make shares of Stock available for issuance.

10. Section 409A of the Code. It is the general intention, but not the obligation, of the Committee to design Awards to comply with or to be exempt from the Section 409A of the Code and the regulations promulgated thereunder (the "***Nonqualified Deferred Compensation Rules***"), and Awards will be operated and construed accordingly. This Section 11 does not contain a representation to you regarding the tax consequences of the grant, vesting, exercise, settlement, or sale of the Award (or the Stock underlying such Award) granted hereunder, and should not be interpreted as such. In no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with the Nonqualified Deferred Compensation Rules. Notwithstanding any provision in the Plan or this Agreement to the contrary, in the event that you are a "specified employee" (as defined under the Nonqualified Deferred Compensation Rules) and you become entitled to a payment under an Award that would be subject to additional taxes and interest under the Nonqualified Deferred Compensation Rules if your receipt of such payment or benefits is not delayed until the earlier of (i) the date of your death, or (ii) the date that is six months after your "separation from service," as defined under the Nonqualified Deferred Compensation Rules (such date, the "***Section 409A Payment Date***"), then such payment or benefit shall not be provided to you until the Section 409A Payment Date. Any amounts subject to the preceding sentence that would otherwise be payable prior to the Section 409A Payment Date will be aggregated and paid in a lump sum without interest on the Section 409A Payment Date. The applicable provisions of the Nonqualified Deferred Compensation Rules are hereby incorporated by reference and shall control over any provision in the Plan or this Agreement that are in conflict therewith. Each payment made under this Award, if any, shall be treated as a separate payment under the Nonqualified Deferred Compensation Rules.

11. Clawback. The Restricted Stock Units granted hereunder are subject to any written clawback policies that the Company, with the approval of the Board or an authorized committee thereof, may adopt either prior to or following the date of grant, including any policy adopted to conform to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and rules promulgated thereunder by the SEC and that the Company determines should apply to the Award. Any such policy may subject your Award and amounts paid or realized with respect to the Award to reduction, cancelation, forfeiture or recoupment if certain specified events or wrongful conduct occur as specified in any such clawback policy.

12. Legends. The Company may at any time place legends referencing any restrictions imposed on the shares pursuant to this Agreement on all certificates representing shares issued with respect to this Award.

13. Right of the Company and Subsidiaries to Terminate Services. Nothing in this Agreement confers upon you the right to continue in the employ of or performing services for the Company or any Subsidiary, or interfere in any way with the rights of the Company or any Subsidiary to terminate your employment or service relationship at any time.

14. Furnish Information. You agree to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirements imposed upon the Company by or under any applicable statute or regulation.

15. Remedies. The parties to this Agreement shall be entitled to recover from each other reasonable attorneys' fees incurred in connection with the successful enforcement of the terms and provisions of this Agreement whether by an action to enforce specific performance or for damages for its breach or otherwise.

16. No Liability for Good Faith Determinations. The Company and the members of the Board shall not be liable for any act, omission or determination taken or made in good faith with respect to this Agreement or the Restricted Stock Units granted hereunder.

17. Execution of Receipts and Releases. Any payment of cash or any issuance or transfer of shares of Stock or other property to you, or to your legal representative, heir, legatee or distributee, in accordance with the provisions hereof, shall, to the extent thereof, be in full satisfaction of all claims of such Persons hereunder. The Company may require you or your legal representative, heir, legatee or distributee, as a condition precedent to such payment or issuance, to execute a release and receipt therefor in such form as it shall determine.

18. No Guarantee of Interests. The Board and the Company do not guarantee the Stock of the Company from loss or depreciation.

19. Company Records. Records of the Company or its Subsidiaries regarding your period of service, termination of service and the reason(s) therefor, and other matters shall be conclusive for all purposes hereunder, unless determined by the Company to be incorrect.

20. Notice. All notices required or permitted under this Agreement must be in writing and personally delivered or sent by mail and shall be deemed to be delivered on the date on which it is actually received by the person to whom it is properly addressed or if earlier the date it is sent via certified United States mail. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan (including grants) by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

21. Waiver of Notice. Any person entitled to notice hereunder may waive such notice in writing.

22. Information Confidential. As partial consideration for the granting of the Award hereunder, you hereby agree to keep confidential all information and knowledge, except that which has been disclosed in any public filings required by law, that you have relating to the terms and conditions of this Agreement; provided, however, that such information may be disclosed as required by law and may be given in confidence to your spouse and tax and financial advisors. In the event any breach of this promise comes to the attention of the Company, it shall take into consideration that breach in determining whether to recommend the grant of any future similar award to you, as a factor weighing against the advisability of granting any such future award to you.

23. Successors. This Agreement shall be binding upon you, your legal representatives, heirs, legatees and distributees, and upon the Company, its successors and assigns.

24. Severability. If any provision of this Agreement is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and this Agreement shall be construed and enforced as if the illegal or invalid provision had never been included herein.

25. Company Action. Any action required of the Company shall be by resolution of the Board or by a person or entity authorized to act by resolution of the Board.

26. Headings. The titles and headings of Sections are included for convenience of reference only and are not to be considered in construction of the provisions hereof.

27. Governing Law. This Agreement shall be interpreted, governed by, and construed in accordance with, the laws of the State of Texas without regard to principles of conflict of laws, except to the extent that it implicates mandatory provisions of the General Corporation Law of the State of Delaware, which matters shall be governed by such Delaware law. The obligation of the Company to sell and deliver Stock hereunder is subject to applicable laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Stock.

28. Amendment. This Agreement may be amended the Board or by the Committee at any time (a) if the Board or the Committee determines, in its sole discretion, that amendment is necessary or advisable in light of any addition to or change in any federal or state, tax or securities law or other law or regulation, which change occurs after the date of grant and by its terms applies to the Award; or (b) other than in the circumstances described in clause (a) or provided in the Plan, with your consent.

29. The Plan. This Agreement is subject to all the terms, conditions, limitations and restrictions contained in the Plan. The Plan and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior terms and conditions between the Company and you with respect to the subject matter.

[Remainder of page intentionally left blank]

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**THE UNDERSIGNED HOLDER ACKNOWLEDGES RECEIPT OF THIS AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS AGREEMENT AND THE PLAN.**

| | |
|---|---|
| TRECORA RESOURCES | HOLDER |
| By: | By: |
| Name: | Name: ______________________________ |
| Title: | Date: |
| Date: | |

**ANNEX A**
**PRIOR GRANTS SUBJECT TO THIS AGREEMENT**

| Number of Restricted Stock Units Subject to this Agreement** | Percentage of Restricted Stock Units to Vest* | Vesting Date | Original Date of Grant*** |
|---|---|---|---|