

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

FORM 10-Q

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

For the quarterly period ended **March 31, 2019**
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

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

1650 Hwy 6 South, Suite 190
Sugar Land, Texas

(Address of principal executive offices)

75-1256622

(I.R.S. Employer Identification No.)

77478

(Zip code)

Registrant's telephone number, including area code: **(281) 980-5522**

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 No**

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). **Yes 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

Non-accelerated filer 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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	TREC	New York Stock Exchange

Number of shares of the Registrant's Common Stock (par value \$0.10 per share), outstanding at April 30, 2019: 24,686,830.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

TRECORA RESOURCES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2019 (Unaudited)	December 31, 2018
<i>(thousands of dollars, except par value)</i>		
ASSETS		
Current Assets		
Cash	\$ 6,833	\$ 6,735
Trade receivables, net	25,737	27,112
Inventories	16,922	16,539
Prepaid expenses and other assets	4,535	4,664
Taxes receivable	182	182
Total current assets	54,209	55,232
Plant, pipeline and equipment, net	192,855	194,657
Goodwill	21,798	21,798
Intangible assets, net	18,482	18,947
Investment in AMAK	37,357	38,746
Lease right of use assets, net	16,137	—
Mineral properties in the United States	558	588
TOTAL ASSETS	\$ 341,396	\$ 329,968
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 11,551	\$ 19,106
Accrued liabilities	5,053	5,439
Current portion of long-term debt	4,194	4,194
Current portion of lease liabilities	3,568	—
Current portion of other liabilities	890	752
Total current liabilities	25,256	29,491
Long-term debt, net of current portion	99,240	98,288
Lease liabilities, net of current portion	12,566	—
Other liabilities, net of current portion	1,108	1,352
Deferred income taxes	16,037	15,676
Total liabilities	154,207	144,807
EQUITY		
Common stock -authorized 40 million shares of \$0.10 par value; issued 24.7 million and 24.6 million in 2019 and 2018 and outstanding 24.7 million and 24.6 million shares in 2019 and 2018, respectively	2,469	2,463
Additional paid-in capital	58,565	58,294
Common stock in treasury, at cost	(8)	(8)
Retained earnings	125,874	124,123
Total Trecora Resources Stockholders' Equity	186,900	184,872
Noncontrolling Interest	289	289
Total equity	187,189	185,161
TOTAL LIABILITIES AND EQUITY	\$ 341,396	\$ 329,968

See notes to consolidated financial statements.

TRECORA RESOURCES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2019	2018
	<i>(thousands of dollars, except per share amounts)</i>	
REVENUES		
Specialty Petrochemical and Product Sales	\$ 61,493	\$ 66,699
Processing Fees	3,662	5,042
	65,155	71,741
OPERATING COSTS AND EXPENSES		
Cost of Sales and Processing (including depreciation and amortization of \$4,229 and \$2,830, respectively)	55,082	61,601
GROSS PROFIT	10,073	10,140
GENERAL AND ADMINISTRATIVE EXPENSES		
General and Administrative	6,050	6,335
Depreciation	213	196
	6,263	6,531
OPERATING INCOME	3,810	3,609
OTHER INCOME (EXPENSE)		
Interest Income	5	7
Interest Expense	(1,499)	(878)
Equity in Earnings (Losses) of AMAK	(59)	230
Miscellaneous Expense	(28)	(26)
	(1,581)	(667)
INCOME BEFORE INCOME TAXES	2,229	2,942
INCOME TAX EXPENSE	478	590
NET INCOME	1,751	2,352
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	—	—
NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES	\$ 1,751	\$ 2,352
Basic Earnings per Common Share		
Net Income Attributable to Trecora Resources (dollars)	\$ 0.07	\$ 0.10
Basic Weighted Average Number of Common Shares Outstanding	24,653	24,343
Diluted Earnings per Common Share		
Net Income Attributable to Trecora Resources (dollars)	\$ 0.07	\$ 0.09
Diluted Weighted Average Number of Common Shares Outstanding	25,027	25,231

See notes to consolidated financial statements.

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

	TRECORA RESOURCES STOCKHOLDERS						NON- CONTROLLING INTEREST	TOTAL EQUITY
	COMMON STOCK		ADDITIONAL PAID-IN	TREASURY	RETAINED	TOTAL		
	SHARES	AMOUNT	CAPITAL	STOCK	EARNINGS			
	<i>(thousands)</i>		<i>(thousands of dollars)</i>					
January 1, 2019	24,626	\$ 2,463	\$ 58,294	\$ (8)	\$ 124,123	\$ 184,872	\$ 289	\$ 185,161
Restricted Stock Units								
Issued to Directors	—	—	22	—	—	22	—	22
Issued to Employees	—	—	249	—	—	249	—	249
Common Stock								
Issued to Directors	—	—	—	—	—	—	—	—
Issued to Employees	61	6	—	—	—	6	—	6
Net Income	—	—	—	—	1,751	1,751	—	1,751
March 31, 2019	<u>24,687</u>	<u>\$ 2,469</u>	<u>\$ 58,565</u>	<u>\$ (8)</u>	<u>\$ 125,874</u>	<u>\$ 186,900</u>	<u>\$ 289</u>	<u>\$ 187,189</u>

See notes to consolidated financial statements.

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

	THREE MONTHS ENDED	
	MARCH 31,	
	2019	2018
	<i>(thousands of dollars)</i>	
OPERATING ACTIVITIES		
Net Income	\$ 1,751	\$ 2,352
Adjustments to Reconcile Net Income		
To Net Cash Provided by Operating Activities:		
Depreciation and Amortization	3,977	2,561
Amortization of Intangible Assets	465	465
Stock-based Compensation	213	592
Deferred Income Taxes	361	428
Postretirement Obligation	(5)	(3)
Equity in Losses (Earnings) of AMAK	59	(230)
Bad Debt Expense	—	128
Amortization of Loan Fees	45	93
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Trade Receivables	1,375	(1,770)
Decrease (Increase) in Insurance Receivables	—	(742)
Decrease in Taxes Receivable	—	102
(Increase) Decrease in Inventories	(383)	2,759
Increase in Prepaid Expenses and Other Assets	(227)	(803)
Decrease in Accounts Payable and Accrued Liabilities	(6,773)	(3,190)
Decrease in Other Liabilities	(34)	(7)
Net Cash Provided by Operating Activities	824	2,735
INVESTING ACTIVITIES		
Additions to Plant, Pipeline and Equipment	(1,887)	(11,028)
Proceeds from PEVM	30	—
Advances to AMAK, net	—	(44)
Proceeds from AMAK Share Repurchase	440	—
Net Cash Used in Investing Activities	(1,417)	(11,072)
FINANCING ACTIVITIES		
Net Cash Paid Related to Stock-Based Compensation	(215)	(40)
Addition to Long-Term Debt	2,000	10,000
Repayment of Long-Term Debt	(1,094)	(2,083)
Net Cash Provided by Financing Activities	691	7,877
NET INCREASE (DECREASE) IN CASH	98	(460)
CASH AT BEGINNING OF PERIOD	6,735	3,028
CASH AT END OF PERIOD	\$ 6,833	\$ 2,568
Supplemental disclosure of cash flow information:		
Cash payments for interest	\$ 1,210	\$ 1,124
Cash payments for taxes, net of refunds	\$ —	\$ —
Supplemental disclosure of non-cash items:		
Capital expansion amortized to depreciation expense	\$ 68	\$ 210
Foreign taxes paid by AMAK	\$ 891	\$ —
Stock exchange (Note 16)	\$ —	\$ 130

See notes to consolidated financial statements.

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TRECORA RESOURCES AND SUBSIDIARIES

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 specialty 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. – Specialty petrochemical segment and parent of GSPL
- (4) GSPL – Gulf State Pipe Line Co, Inc. – Pipeline support for the specialty 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, 2018.

The unaudited condensed financial statements included in this document have been prepared on the same basis as the annual 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 three months ended March 31, 2019 are not necessarily indicative of results for the year ending December 31, 2019.

We currently operate in two segments, specialty petrochemical products and specialty waxes. All revenue originates from sources in the United States, 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 16.

Accounting Standards Adopted in 2019

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*, as amended by ASU 2017-13, 2018-01, 2018-10, 2018-11, and 2019-01, in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under prior GAAP and disclosing key information about leasing arrangements. The new standard requires that a lessee should recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet. The Company adopted ASC 842 in the first quarter of 2019 utilizing the modified retrospective transition approach. The Company has elected (1) the package of practical expedients, which permits it not to r

assess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs for any existing leases as of the adoption date, and (2) the hindsight practical expedient when determining lease term and assessing impairment of right-of-use assets. In addition, the Company elected the practical expedients related to (1) certain classes of underlying asset to not separate non-lease components from lease components and (2) the short-term lease recognition exemption for all leases that qualify. The adoption of ASC 842 on January 1, 2019 resulted in the recognition of right-of-use assets of approximately \$17.0 million and lease liabilities for operating leases of approximately \$17.0 million on its Consolidated Balance Sheets, with no material impact to retained earnings or Consolidated Statements of Operations. See Note 8 for further information regarding the impact of the adoption of ASC 842 on the Company's consolidated financial statements.

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2. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2017, the FASB issued ASU No. 2017-4, *Intangibles - Goodwill and Other (Topic 350)*. The amendments in ASU 2017-4 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, 2018, 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.

In June 2018, the FASB issued ASU No. 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*. ASU 2018-07 simplifies the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. The Company adopted this ASU on January 1, 2019 and it did not have a material effect on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which is designed to improve the effectiveness of disclosures by removing, modifying and adding disclosures related to fair value measurements. ASU No. 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and the ASU allows for early adoption in any interim period after issuance of the update. The adoption of this ASU is not expected to have a significant impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, to require the measurement of expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable forecasts and applies to all financial assets, including trade receivables. The main objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and the ASU allows for early adoption as of the beginning of an interim or annual reporting period beginning after December 15, 2018. The Company is currently assessing the impact this ASU will have on its consolidated financial statements.

3. TRADE RECEIVABLES

Trade receivables, net, consisted of the following:

	March 31, 2019	December 31, 2018
	<i>(thousands of dollars)</i>	
Trade receivables	\$ 26,189	\$ 27,564
Less allowance for doubtful accounts	(452)	(452)
Trade receivables, net	<u>\$ 25,737</u>	<u>\$ 27,112</u>

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

4. PREPAID EXPENSES AND OTHER ASSETS

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Prepaid expenses and other assets consisted of the following:

	March 31, 2019	December 31, 2018
	<i>(thousands of dollars)</i>	
Prepaid license	\$ 1,814	\$ 2,419
Spare parts	1,621	1,597
Other prepaid expenses and assets	1,100	648
Total	<u>\$ 4,535</u>	<u>\$ 4,664</u>

5. INVENTORIES

Inventories included the following:

	March 31, 2019	December 31, 2018
	<i>(thousands of dollars)</i>	
Raw material	\$ 4,384	\$ 4,742
Work in process	137	173
Finished products	12,401	11,624
Total inventory	<u>\$ 16,922</u>	<u>\$ 16,539</u>

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

Inventory included specialty petrochemical products in transit valued at approximately \$4.1 million and \$4.1 million at March 31, 2019, and December 31, 2018, respectively.

6. PLANT, PIPELINE AND EQUIPMENT

Plant, pipeline and equipment consisted of the following:

	March 31, 2019	December 31, 2018
	<i>(thousands of dollars)</i>	
Platinum catalyst metal	\$ 1,580	\$ 1,612
Catalyst	3,396	3,131
Land	5,428	5,428
Plant, pipeline and equipment	255,567	253,905
Construction in progress	4,473	4,343
Total plant, pipeline and equipment	<u>\$ 270,444</u>	<u>\$ 268,419</u>
Less accumulated depreciation	<u>(77,589)</u>	<u>(73,762)</u>
Net plant, pipeline and equipment	<u>\$ 192,855</u>	<u>\$ 194,657</u>

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

Interest capitalized for construction was approximately \$0 and \$304,000 for the three months ended March 31, 2019 and 2018, respectively.

Labor capitalized for construction was approximately \$0.1 million and \$1.2 million for the three months ended March 31, 2019 and 2018, respectively.

Construction in progress during the first three months of 2019 included sales rack and Advanced Reformer unit improvements at SHR and equipment modifications at TC. Construction in progress during the first three months of 2018 included equipment purchased for various equipment updates at the TC facility, new reformer unit, tankage upgrades, and an addition to the rail spur at SHR.

Amortization relating to the catalyst, which is included in cost of sales, was approximately \$221,000 and \$0 for the three months ended March 31, 2019 and 2018, 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:

	March 31, 2019		
	Gross	Accumulated Amortization	Net
<i>Intangible assets subject to amortization (Definite-lived)</i>			
	(thousands of dollars)		
Customer relationships	\$ 16,852	\$ (5,055)	\$ 11,797
Non-compete agreements	94	(85)	9
Licenses and permits	1,471	(522)	949
Developed technology	6,131	(2,759)	3,372
	<u>24,548</u>	<u>(8,421)</u>	<u>16,127</u>
<i>Intangible assets not subject to amortization (Indefinite-lived)</i>			
Emissions Allowance	197	—	197
Trade name	2,158	—	2,158
Total	<u>\$ 26,903</u>	<u>\$ (8,421)</u>	<u>\$ 18,482</u>

	December 31, 2018		
	Gross	Accumulated Amortization	Net
<i>Intangible assets subject to amortization (Definite-lived)</i>			
	(thousands of dollars)		
Customer relationships	\$ 16,852	\$ (4,775)	\$ 12,077
Non-compete agreements	94	(80)	14
Licenses and permits	1,471	(495)	976
Developed technology	6,131	(2,606)	3,525
	<u>24,548</u>	<u>(7,956)</u>	<u>16,592</u>
<i>Intangible assets not subject to amortization (Indefinite-lived)</i>			
Emissions Allowance	197	—	197
Trade name	2,158	—	2,158
Total	<u>\$ 26,903</u>	<u>\$ (7,956)</u>	<u>\$ 18,947</u>

Amortization expense for intangible assets included in cost of sales for the three months ended March 31, 2019 and 2018, was approximately \$465,000 and \$465,000, respectively.

Based on identified intangible assets that are subject to amortization as of March 31, 2019, we expect future amortization expenses for each period to be as follows:

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	Total	Remainder of 2019	2020	2021	2022	2023	2024	Thereafter
	(thousands of dollars)							
Customer relationships	\$ 11,797	\$ 843	\$ 1,123	\$ 1,123	1,123	1,123	1,123	\$ 5,339
Non-compete agreements	9	9	—	—	—	—	—	—
Licenses and permits	949	79	106	101	86	86	86	405
Developed technology	3,372	460	613	613	613	613	460	—
Total future amortization expense	\$ 16,127	\$ 1,391	\$ 1,842	\$ 1,837	\$ 1,822	\$ 1,822	\$ 1,669	\$ 5,744

8. LEASES

The Company leases certain rail cars, rail equipment, office space and office equipment. The Company determines if a contract is a lease at the inception of the arrangement. The Company reviews all options to extend, terminate, or purchase its right of use assets at the inception of the lease and accounts for these options when they are reasonably certain of being exercised.

Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets. Lease expense for these leases is recognized on a straight-line basis over the lease term.

The components of lease expense were as follows:

(\$ in thousands)	Classification in the Condensed Consolidated Statements of Income	Three Months Ended March 31, 2019
Operating lease cost (a)	Cost of sales, exclusive of depreciation and amortization	\$ 1,139
Operating lease cost (a)	Selling, general and administrative	34
Total operating lease cost		\$ 1,173
Finance lease cost:		
Amortization of right-of-use assets	Depreciation	\$ —
Interest on lease liabilities	Interest Expense	—
Total finance lease cost		\$ —
Total lease cost		\$ 1,173

(a) Short-term lease costs were approximately \$40 thousand during the period.

The Company had no variable lease expense, as defined by ASC 842, during the period.

(\$ in thousands)	Classification on the Condensed Consolidated Balance Sheets	March 31, 2019
Assets:		
Operating	Operating lease assets	\$ 16,137
Finance	Property, plant, and equipment	—
Total leased assets		\$ 16,137
Liabilities:		
Current		
Operating	Current portion of operating lease liabilities	\$ 3,568
Finance	Short-term debt and current portion of long-term debt	—
Noncurrent		
Operating	Operating lease liabilities	12,566
Finance	Long-term debt	—
Total lease liabilities		\$ 16,134

(\$ in thousands)	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows used for operating leases	\$ 1,133
Operating cash flows used for finance leases	—
Financing cash flows used for finance leases	—
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 113
Finance leases	—

	As of March 31, 2019
Weighted-average remaining lease term (in years):	
Operating leases	5.0
Finance leases	0.0
Weighted-average discount rate:	
Operating leases	4.5%
Finance leases	—%

Nearly all of the Company's lease contracts do not provide a readily determinable implicit rate. For these contracts, the Company's estimated incremental borrowing rate is based on information available at the inception of the lease.

As of March 31, 2019, maturities of lease liabilities were as follows:

(\$ in thousands)	Operating Leases	Finance Leases
2020	\$ 4,202	\$ —
2021	3,624	—
2022	3,486	—
2023	3,006	—
2024	1,885	—
Thereafter	1,787	—
Total lease payments	\$ 17,990	\$ —
Less: Interest	1,856	—
Total lease obligations	\$ 16,134	\$ —

Disclosures related to periods prior to adoption of ASU 2016-02

The Company adopted ASU 2016-02 using a modified retrospective transition approach on January 1, 2019 as noted in Note 1. As required, the following disclosure is provided for periods prior to adoption. Minimum lease commitments as of December 31, 2018 that have initial or remaining lease terms in excess of one year are as follows:

(\$ in thousands)	Operating Leases
2019	\$ 3,670
2020	3,583
2021	3,418
2022	3,107
2023	2,288
Beyond 2023	2,065

9. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

	March 31, 2019	December 31, 2018
	<i>(thousands of dollars)</i>	
Accrued state taxes	\$ 189	\$ 210
Accrued property taxes	837	—
Accrued payroll	1,006	936
Accrued interest	32	31
Accrued officer compensation	300	—
Other	2,689	2,239
Total	<u>\$ 5,053</u>	<u>\$ 5,439</u>

10. LIABILITIES AND LONG-TERM DEBT

Senior Secured Credit Facilities

As of March 31, 2019, we had \$20.0 million in borrowings outstanding under the revolving credit facility (the "Revolving Facility") of our amended and restated credit agreement (as amended to the date hereof, the "ARC Agreement") and approximately \$84.2 million in borrowings outstanding under the term loan facility of the ARC Agreement (the "Term Loan Facility" and, together with the Revolving Facility, the "Credit Facilities"). In addition, we had approximately \$25 million of available borrowings under our Revolving Facility at March 31, 2019. TOCCO's ability to make additional borrowings under the Revolving Facility at March 31, 2019 was limited by, and in the future may be limited by our obligation to maintain compliance with the covenants contained in the ARC Agreement (including maintenance of a maximum Consolidated Leverage Ratio and minimum Consolidated Fixed Charge Coverage Ratio (each as defined in the ARC Agreement)).

On March 29, 2019, TOCCO, as borrower, and SHR, GSPL and TC, as guarantors, entered into a Sixth Amendment ("Sixth Amendment") to the ARC Agreement. Pursuant to the Sixth Amendment, certain amendments were made to the terms of the ARC Agreement, including increasing the maximum Consolidated Leverage Ratio that must be maintained by TOCCO to 4.75 to 1.00 for the four fiscal quarters ended March 31, 2019, 4.50 to 1.00 for the four fiscal quarters ended June 30, 2019 and 4.00 to 1.00 for the four fiscal quarters ended September 30, 2019. For the four fiscal quarters ended December 31, 2019 and each fiscal quarter thereafter, TOCCO must maintain a Consolidated Leverage Ratio of 3.50 to 1.00 (subject to temporary increase following certain acquisitions).

The maturity date for the ARC Agreement is July 31, 2023. As of March 31, 2019, the effective interest rate for the Credit Facilities was 4.80%. The ARC Agreement contains a number of customary affirmative and negative covenants and we were in compliance with those covenants as of March 31, 2019.

For a summary of additional terms of the Credit Facilities, see Note 12, "Long-Term Debt and Long-Term Obligations" to the consolidated financial statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2018.

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Debt Issuance Costs

Debt issuance costs of approximately \$0.9 million were incurred in connection with the fourth amendment to the ARC Agreement. Unamortized debt issuance costs of approximately \$0.8 million and \$0.8 million for the periods ended March 31, 2019 and December 31, 2018, have been netted against outstanding loan balances.

Long-term debt and long-term obligations are summarized as follows:

	March 31, 2019	December 31, 2018
	<i>(thousands of dollars)</i>	
Revolving facility	20,000	18,000
Term loan facility	84,219	85,312
Loan fees	(785)	(830)
Total long-term debt	103,434	102,482
Less current portion including loan fees	4,194	4,194
Total long-term debt, less current portion including loan fees	99,240	98,288

11. STOCK-BASED COMPENSATION

The Stock Option Plan for Key Employees, as well as, the Non-Employee Director Stock Option Plan (hereinafter collectively referred to as the "Stock Option Plans"), were approved by the Company's stockholders in July 2008. The Stock Option Plans allot for the issuance of up to 1,000,000 shares.

The Trecora Resources Stock and Incentive Plan (the "Plan") was approved by the Company's stockholders in June 2012. The Plan allots for the issuance of up to 500,000 shares in the form of stock options or restricted stock unit awards.

Share-based compensation of approximately \$0.2 million and \$0.6 million was recognized during the three months ended March 31, 2019 and 2018, respectively.

Stock Options and Warrant Awards

Stock options and warrants granted under the provisions of the Stock Option Plans permit the purchase of our common stock at exercise prices equal to the closing price of Company common stock on the date the options were granted. The options have terms of 10 years and generally vest ratably over terms of 4 to 5 years. There were no stock options or warrant awards issued during the three months ended March 31, 2019 or 2018.

A summary of the status of the Company's stock option and warrant awards is as follows:

	Stock Options and Warrants	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Intrinsic Value (in thousands)
Outstanding at January 1, 2019	745,830	10.33		
Granted	—	—		
Exercised	(85,000)	7.71		
Forfeited	(108,830)	8.80		
Outstanding at March 31, 2019	552,000	11.04	3.8	\$ —
Expected to vest	—			\$ —
Exercisable at March 31, 2019	552,000	11.04	3.8	\$ —

The aggregate intrinsic value of options was calculated as the difference between the exercise price of the underlying awards and the quoted price of our common stock. At March 31, 2019, options to purchase approximately 0.1 million shares of common stock were in-the-money.

Since no options were granted, the weighted average grant-date fair value per share of options granted during the three months ended March 31, 2019 and 2018 was \$0. During the three months ended March 31, 2019 and 2018, the aggregate intrinsic value of options and warrants exercised was approximately \$141,000 and \$616,000 respectively, determined as of the date of option exercise.

The Company received no cash from the exercise of options during the three months ended March 31, 2019 and 2018. Of the 85,000 stock options exercised, the Company only issued approximately 11,000 shares due to cashless transactions. The tax benefit realized from the exercise was insignificant.

The Company has no non-vested options as of March 31, 2019.

Restricted Stock Unit Awards

Generally, restricted stock unit awards are granted annually to officers and directors of the Company under the provisions of the Plan. Restricted stock units are also granted ad hoc to attract or retain key personnel, and the terms and conditions under which these restricted stock units vest vary by award. The fair market value of restricted stock units granted is equal to the Company's closing stock price on the date of grant. Restricted stock units granted generally vest ratably over periods ranging from 2.5 to 5 years. Certain awards also include vesting provisions based on performance metrics. Upon vesting, the restricted stock units are settled by issuing one share of Company common stock per unit.

A summary of the status of the Company's restricted stock units activity is as follows:

	Shares of Restricted Stock Units	Weighted Average Grant Date Price per Share
Outstanding at January 1, 2019	405,675	11.27
Granted	190,615	9.22
Forfeited	(58,268)	12.15
Vested	(105,456)	12.53
Outstanding at March 31, 2019	432,566	9.94
Expected to vest	432,566	

12. 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. We received notification from the IRS in March 2018 that audit was complete. We also received notification that Texas will audit our R&D credit calculations for 2014 and 2015. We were notified by Texas that the audit has been temporarily suspended as the Comptroller's office reviews its audit process regarding R&D credits. We do not expect any changes related to the Texas audit. Tax returns for various jurisdictions remain open for examination for the years 2014 through 2017. As of March 31, 2019 and December 31, 2018, respectively, we recognized no adjustment for uncertain tax positions or related interest and penalties.

The effective tax rate varies from the federal statutory rate of 21%, primarily as a result of state tax expense, stock based compensation and a research and development credit for the three months ended March 31, 2019 and 2018. We continue to maintain a valuation allowance against certain deferred tax assets, specifically for mining claims for PEVM, where realization is not certain.

We did not identify items for which the income tax effects of the Tax Cut and Jobs Act ("TCJA") have not been completed, and a reasonable estimate could not be determined as of March 31, 2019 and December 31, 2018. The federal income tax

return for 2017 was filed in October 2018, which resulted in net operating tax loss and business credit which were carried back to 2015 and 2016 and the respective funds have been received.

13. 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 months ended March 31, 2019 and 2018, respectively.

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic Net Income per Share:						
Net Income Attributable to Trecora Resources	\$ 1,751	24,653	\$ 0.07	\$ 2,352	24,343	\$ 0.10
Unvested restricted stock units		374			403	
Dilutive stock options outstanding		—			485	
Diluted Net Income per Share:						
Net Income Attributable to Trecora Resources	\$ 1,751	25,027	\$ 0.07	\$ 2,352	25,231	\$ 0.09

At March 31, 2019 and 2018, 610,000 and 1,242,160 shares of common stock, respectively, were issuable upon the exercise of options and warrants.

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 specialty 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 March 31, 2019				
	Specialty Petrochemical	Specialty Wax	Corporate	Eliminations	Consolidated
	<i>(in thousands)</i>				
Product sales	\$ 55,490	\$ 6,003	\$ —	\$ —	\$ 61,493
Processing fees	1,383	2,279	—	—	3,662
Total revenues	56,873	8,282	—	—	65,155
Operating profit (loss) before depreciation and amortization	11,407	(849)	(2,305)	—	8,253
Operating profit (loss)	8,333	(2,197)	(2,326)	—	3,810
Profit (loss) before taxes	7,135	(2,539)	(2,367)	—	2,229
Depreciation and amortization	3,074	1,348	20	—	4,442
Capital expenditures	1,378	509	—	—	1,887

Three Months Ended March 31, 2018

	Specialty Petrochemical	Specialty Wax	Corporate	Eliminations	Consolidated
	<i>(in thousands)</i>				
Product sales	\$ 60,285	\$ 6,383	\$ —	\$ 31	\$ 66,699
Processing fees	2,028	3,212	—	(198)	5,042
Total revenues	62,313	9,595	—	(167)	71,741
Operating profit (loss) before depreciation and amortization	8,393	390	(2,148)	—	6,635
Operating profit (loss)	6,679	(914)	(2,156)	—	3,609
Profit (loss) before taxes	6,054	(1,181)	(1,931)	—	2,942
Depreciation and amortization	1,714	1,304	8	—	3,026
Capital expenditures	10,283	745	—	—	11,028

March 31, 2019

	Specialty Petrochemical	Specialty Wax	Corporate	Eliminations	Consolidated
	<i>(in thousands)</i>				
Trade receivables, product sales	\$ 19,938	\$ 3,279	\$ —	\$ —	\$ 23,217
Trade receivables, processing fees	684	1,836	—	—	2,520
Goodwill and intangible assets, net	—	40,280	—	—	40,280
Total assets	301,633	113,827	90,141	(164,205)	341,396

December 31, 2018

	Specialty Petrochemical	Specialty Wax	Corporate	Eliminations	Consolidated
	<i>(in thousands)</i>				
Trade receivables, product sales	\$ 21,915	\$ 3,173	\$ —	\$ —	\$ 25,088
Trade receivables, processing fees	633	1,391	—	—	2,024
Goodwill and intangible assets, net	—	40,745	—	—	40,745
Total assets	284,367	115,366	91,474	(161,239)	329,968

15. POST-RETIREMENT OBLIGATIONS

We currently have post-retirement obligations with two former executives. As of March 31, 2019 and December 31, 2018, approximately \$0.4 million and \$0.4 million, respectively, remained outstanding and was included in post-retirement obligations.

For additional information, see Note 22, "Post-Retirement Obligations" to the consolidated financial statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2018.

16. INVESTMENT IN AMAK

As of March 31, 2019 and December 31, 2018, the Company had a non-controlling equity interest of 33.4% in AMAK of approximately \$37.4 million and \$38.7 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 March 31, 2019.

In first quarter 2018, we completed an exchange of shares with certain stockholders whereby such stockholders traded 65,000 common shares of TREC in exchange for 24,489 shares of our AMAK stock. The 65,000 shares were accounted for as treasury stock. This transaction reduced our ownership percentage from 33.44% to 33.41%.

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.

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

Results of Operations

	Three Months Ended March 31,	
	2019	2018
	<i>(thousands of dollars)</i>	
Sales	\$ 20,664	\$ 14,087
Cost of sales	18,570	12,506
Gross profit	2,094	1,581
Selling, general, and administrative	2,738	1,523
Operating income (loss)	(644)	58
Other income	428	20
Finance and interest expense	(445)	(397)
Loss before Zakat and income taxes	(661)	(319)
Zakat and income taxes	522	—
Net Loss	\$ (1,183)	\$ (319)

Financial Position

	March 31,	December 31,
	2019	2018
	<i>(thousands of dollars)</i>	
Current assets	\$ 56,073	\$ 44,093
Noncurrent assets	202,640	212,291
Total assets	\$ 258,713	\$ 256,384
Current liabilities	\$ 18,030	\$ 17,160
Long term liabilities	80,008	77,366
Stockholders' equity	160,675	161,858
	\$ 258,713	\$ 256,384

The equity in the earnings (losses) of AMAK reflected on the consolidated statements of income for the three months ended March 31, 2019, and 2018, is comprised of the following:

	Three Months Ended	
	March 31,	
	2019	2018
	<i>(thousands of dollars)</i>	
AMAK Net Loss	\$ (1,183)	\$ (319)
Percentage of Ownership	33.41 %	33.41 %
Company's share of loss reported by AMAK	\$ (395)	\$ (107)
Amortization of difference between Company's investment in AMAK and Company's share of net assets of AMAK	337	337
Equity in earnings (losses) of AMAK	\$ (59)	\$ 230

In connection with the 2018 AMAK share repurchase program, we received net proceeds of approximately \$0.4 million during the three months ended March 31, 2019. AMAK expects to complete the share repurchase program in 2019, at which

point all shares repurchased from AMAK stockholders will be registered as treasury shares. Upon completion of the share repurchase program, the Company does not believe its ownership percentage in AMAK will change from 33.4%.

For additional information, see Note 10, "Investment in Al Masane Al Kobra Mining Company ("AMAK")" to the consolidated financial statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2018.

At March 31, 2019, and December 31, 2018, we had a receivable from AMAK of approximately \$54,000 and \$67,000, respectively, relating to unreimbursed travel and Board expenses which are included in prepaid and other assets. We did not advance any cash to AMAK during 2019.

17. RELATED PARTY TRANSACTIONS

Consulting fees of approximately \$22,000 and \$31,000 were incurred during the three months ended March 31, 2019 and 2018, respectively, from our Director, 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. In March 2019, a new consulting agreement was entered into with Mr. Carter effective through December 31, 2019, unless otherwise agreed by the Company and Mr. Carter.

18. 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 was originally through June 2019. As a condition of the Loan, SIDF required all stockholders of AMAK to execute personal or corporate Guarantees; as a result, our guarantee is for approximately 135.3 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. On July 8, 2018, the SIDF loan was amended to adjust the repayment schedule and extend the repayment terms through April 2024. Under the new payment terms the current amount due to SIDF in 2019 is \$8,000,000. The total amount outstanding to the SIDF at March 31, 2019, was 305.0 million Saudi Riyals (US\$81.3 million).

Operating Lease Commitments

See Note 8 for discussion on lease commitments.

Litigation

The Company is periodically named in legal actions arising from normal business activities. We evaluate the merits of these actions and, if we determine that an unfavorable outcome is probable and can be reasonably estimated, we 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.

Supplier Agreements

From time to time, we may incur shortfall fees due to feedstock purchases being below the minimum amounts prescribed by our agreements with our suppliers. Shortfall fee expenses for the three months ended March 31, 2019, and 2018, were \$0.1 million and \$0.1 million, respectively.

Environmental Remediation

Amounts charged to expense for various activities related to environmental monitoring, compliance, and improvements were approximately \$198,000 and \$149,000 for the three months ended March 31, 2019, and 2018, respectively.

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

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FORWARD LOOKING AND CAUTIONARY STATEMENTS

Some of the statements and information contained in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements regarding the Company's financial position, business strategy and plans and objectives of the Company's management for future operations and other statements that are not historical facts, are forward-looking statements. Forward-looking statements are often characterized by the use of words such as "outlook," "may," "will," "should," "could," "expects," "plans," "anticipates," "contemplates," "proposes," "believes," "estimates," "predicts," "projects," "potential," "continue," "intend," or the negative of such terms and other comparable terminology, or by discussions of strategy, plans or intentions.

Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such statements. Such risks, uncertainties and factors include, but are not limited to: general economic conditions domestically and internationally; insufficient cash flows from operating activities; difficulties in obtaining financing; outstanding debt and other financial and legal obligations; lawsuits; competition; industry cycles; feedstock, product and mineral prices; feedstock availability; technological developments; regulatory changes; environmental matters; foreign government instability; foreign legal and political concepts; foreign currency fluctuations; and other risks detailed in this report, in our latest Annual Report on Form 10-K, including but not limited to Part I, Item 1A. Risk Factors and Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations therein, and in our other filings with the SEC.

There may be other factors of which we are currently unaware or deem immaterial that may cause our actual results to differ materially from the forward-looking statements. In addition, to the extent any inconsistency or conflict exists between the information included in this report and the information included in our prior reports and other filings with the SEC, the information contained in this report updates and supersedes such information.

Forward-looking statements are based on current plans, estimates, assumptions and projections, and, therefore, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them in light of new information or future events.

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 which is based on the manufacturing and marketing of specialty petrochemical products and waxes and providing customer manufacturing services.

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, 2018.

Our preferred supplier position into the specialty petrochemicals market is derived from the combination of our reputation as a reliable supplier established over many years, the very high purity of our products, and a focused approach to customer service. In specialty waxes, we are able to deliver to our customers a performance and price point that is unique to our market; while the diversity of our custom processing assets and capabilities offers solutions to our customers not common along the U.S. Gulf Coast.

Enabling our success in these businesses is a commitment to operational excellence which establishes a culture that puts the safety of our employees and communities in which we operate, the integrity of our assets and regulatory compliance as the priority. This commitment drives a change to an emphasis on forward-looking, leading-indicators of our results and proactive steps to continuously improve our performance. We bring the same commitment to excellence to our commercial activities where we focus on the value proposition to our customers while understanding opportunities to maximize our value capture through service and product differentiation, supply chain and operating cost efficiencies and diversified supply options. We believe over time our focus on execution, meeting the needs of our customers and the prudent control of our costs will create value for our shareholders.

Review of First Quarter 2019 Results

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We reported first quarter 2019 profit of \$1.8 million down from \$2.4 million earnings in first quarter 2018. Diluted earnings per share of \$0.07 were reported for 2019, down from \$0.09 in 2018. Sales volume of our specialty petrochemical products decreased 3.5%, and sales revenue from our specialty petrochemical products decreased 8.0% as compared to first quarter 2018. Prime product specialty petrochemical sales volumes (which exclude by-product sales) were flat compared to first quarter 2018. Specialty wax sales volume declined 17.4% compared to first quarter 2018 and specialty wax sales revenue was down 6.0% compared to first quarter 2018. Consolidated gross profit margin increased to 15.5% of sales in first quarter 2019 from 14.1% in first quarter 2018.

Non-GAAP Financial Measures

We include in this Quarterly Report on Form 10-Q the non-GAAP financial measures of EBITDA, Adjusted EBITDA and Adjusted Net Income and provide reconciliations from our most directly comparable GAAP financial measures to those measures.

We believe these financial measures provide users of our financial statements with supplemental information that may be useful in evaluating our operating performance. We also believe that such non-GAAP measures, when read in conjunction with our operating results presented under GAAP, can be used to better assess our performance from period to period and relative to performance of other companies in our industry, without regard to financing methods, historical cost basis or capital structure. These measures are not measures of financial performance or liquidity under GAAP and should be considered in addition to, and not as a substitute for, analysis of our results under GAAP.

EBITDA and Adjusted EBITDA: 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 stock-based compensation, plus restructuring and severance expenses, plus losses on extinguishment of debt, plus or minus equity in AMAK's earnings and losses or gains from equity issuances, and plus or minus gains or losses on acquisitions.

Adjusted Net Income: We define Adjusted Net Income as net income plus or minus tax effected equity in AMAK's earnings and losses, minus tax effected restructuring and severance expenses, and adjustments for tax law changes.

The following table presents a reconciliation of net income (loss), 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	
	March 31,	
	2019	2018
	<i>(Thousands of Dollars)</i>	
Net Income	\$ 1,751	\$ 2,352
Interest expense	1,499	878
Depreciation and amortization	4,442	3,026
Income tax expense	478	590
EBITDA	<u>\$ 8,170</u>	<u>\$ 6,846</u>
Share-based compensation	213	592
Equity in earnings (losses) of AMAK	59	(230)
Adjusted EBITDA	<u>\$ 8,442</u>	<u>\$ 7,208</u>
Net Income	\$ 1,751	\$ 2,352
Equity in earnings (losses) of AMAK	\$ 59	\$ (230)
Taxes at statutory rate	(12)	48
Tax effected equity in earnings (losses)	<u>47</u>	<u>(182)</u>
Adjusted Net Income	<u>\$ 1,798</u>	<u>\$ 2,170</u>

Liquidity and Capital Resources

Working Capital

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Our approximate working capital days are summarized as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Days sales outstanding in accounts receivable	35.6	34.4	34.4
Days sales outstanding in inventory	23.4	21.0	19.7
Days sales outstanding in accounts payable	16.0	24.2	18.7
Days of working capital	43.0	31.1	35.4

Our days sales outstanding in accounts receivable at March 31, 2019 was 35.6 days compared to 34.4 days at December 31, 2018. Our days sales outstanding in inventory increased by approximately 2.4 days from December 31, 2018 mainly due to decrease in sales volume which increased inventory on hand. Our days sales outstanding in accounts payable decreased due to payment for the Advanced Reformer unit catalyst replacement which was completed in December 2018, severance payments and payment for supplemental wax feed. Since days of working capital is calculated using the above three metrics, it increased for the reasons discussed.

Cash increased \$0.1 million during the three months ended March 31, 2019, as compared to a decrease of \$0.5 million for the three months ended March 31, 2018.

The change in cash is summarized as follows:

	THREE MONTHS ENDED MARCH	
	31,	
	2019	2018
	<i>(thousands of dollars)</i>	
Net cash provided by (used in)		
Operating activities	\$ 824	\$ 2,735
Investing activities	(1,417)	(11,072)
Financing activities	691	7,877
Decrease in cash	\$ 98	\$ (460)
Cash	\$ 6,833	\$ 2,568

Operating Activities

Cash provided by operating activities totaled \$0.8 million for the first three months of 2019, \$1.9 million lower than the corresponding period in 2018. For the first three months of 2019 net income decreased by approximately \$0.6 million as compared to the corresponding period in 2018. Major non-cash items affecting 2019 income in the first three months of 2019 included increases in deferred taxes of \$0.4 million, depreciation and amortization of \$4.4 million and stock-based compensation of \$0.2 million. Major non-cash items affecting 2018 income in the first three months of 2018 included increases in deferred taxes of \$0.4 million, depreciation of \$2.6 million, and equity in earnings of AMAK of approximately \$0.2 million.

Factors leading to a decrease in cash provided by operating activities included:

- Accounts receivable decreased approximately \$1.4 million due to a nearly 13% decline in revenues in first quarter 2019 compared with fourth quarter 2018;
- Accounts payable and accrued liabilities decreased \$6.8 million mainly due to payment for the Advanced Reformer unit catalyst replacement which was completed in December 2018, severance payments and payment for supplemental wax feed.

Investing Activities

Cash used in investing activities during the first three months of 2019 was approximately \$1.4 million, representing a decrease of approximately \$9.7 million over the corresponding period of 2018. During the first three months of 2019, the primary use of capital expenditures was for sales rack and Advanced Reformer unit improvements at SHR and equipment modifications at TC. This was offset by \$1.3 million of proceeds received from AMAK for the repurchase of shares as

discussed in Note 10 on our Annual Report on Form 10-K for the year ending December 31, 2018. Our foreign tax liability resulting from AMAK's share repurchase program was \$0.9 million. The cash to pay these taxes was withheld from the proceeds and will be paid directly by AMAK. As such, net cash received from AMAK was \$0.4 million. During the first three months of 2018, we continued to purchase equipment for the hydrogenation/distillation unit and the new Advanced Reformer unit along with some tankage and various other facility improvements.

Financing Activities

Cash provided by financing activities during the first three months of 2019 was approximately \$0.7 million versus cash provided of \$7.9 million during the corresponding period of 2018. We drew \$2.0 million on our line of credit for working capital purposes during the first three months of 2019. During 2018, we made principal payments on our acquisition loan of \$3.5 million, our term debt of \$0.7 million, and our line of credit facility of \$2.0 million. We drew \$10.0 million on our line of credit in the first three months of 2018 to fund ongoing capital projects.

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 Agreement.

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Results of Operations

Comparison of Three Months Ended March 31, 2019 and 2018

Specialty Petrochemical Segment

	2019	2018	Change	% Change
	<i>(thousands of dollars)</i>			
Specialty Petrochemical Product Sales	\$ 55,490	\$ 60,285	\$ (4,795)	(8.0)%
Processing	1,383	2,028	(645)	(31.8)%
Gross Revenue	\$ 56,873	\$ 62,313	\$ (5,440)	(8.7)%
Volume of Sales (gallons)				
Specialty Petrochemical Products	22,468	23,289	(821)	(3.5)%
Prime Product Sales	17,638	17,651	(13)	(0.1)%
Cost of Sales	\$ 45,866	\$ 52,649	\$ (6,783)	(12.9)%
Gross Margin	19.4%	15.5%		3.8 %
Total Operating Expense*	18,280	15,843	2,437	15.4 %
Natural Gas Expense*	1,383	1,248	135	10.8 %
Operating Labor Costs*	3,703	3,759	(56)	(1.5)%
Transportation Costs*	7,048	7,320	(272)	(3.7)%
General & Administrative Expense	2,475	2,820	(345)	(12.2)%
Depreciation and Amortization**	3,074	1,714	1,360	79.3 %
Capital Expenditures	1,378	10,283	(8,905)	(86.6)%

* Included in cost of sales

**Includes \$2,905 and \$1,548 for 2019 and 2018, respectively, which is included in operating expense

Gross Revenue

Gross Revenue for our specialty petrochemical segment decreased during first quarter 2019 from first quarter 2018 by 8.7%, primarily due to a decrease in the average selling price of specialty petrochemical products of 4.6%, decline in specialty petrochemical product sales volume of 3.5% and a 31.8% decrease in processing revenue.

Specialty Petrochemical Product Sales

Specialty petrochemical product sales decreased by 8.0% during first quarter 2019 from first quarter 2018 due mainly to a 4.6% decrease in average selling price and a decline in specialty petrochemical sales volume. Prime product sales volume were flat as compared to first quarter 2018 and declined 5.5% compared to the fourth quarter due to lower sales to the Canadian oil sands. Average selling price decreased as prices for both prime products and by-products declined in concert with lower feedstock cost which were 19% lower than the first quarter of 2018. It should be noted that by-products are produced as a result of prime product production and their margins are significantly lower than margins for our prime products. Foreign sales volume increased to 25.1% of total specialty petrochemical volume from 24.9% in first quarter 2018.

Processing

Processing revenues decreased 31.8% in first quarter 2019 from first quarter 2018 due to the termination of a customer contract in the fourth quarter 2018.

Cost of Sales

Cost of Sales declined 12.9% during the first quarter 2019 from the first quarter in 2018 primarily due to the decrease in feedstock cost which was partially offset by higher operating expenses. Our average feedstock cost per gallon declined 19% compared to the first quarter of 2018 due to an approximately 18% drop in the benchmark price of Mont Belvieu natural gasoline. Our average feedstock cost per gallon for the first quarter 2019 was down approximately 15% from the fourth quarter of 2018. During the course of the first quarter of 2019, feedstock costs have steadily risen month by month. We sell our prime products under both formula-based pricing where feedstock costs are passed through to the customer and spot or non-formula-based pricing which do not have pricing formulas tied to feedstock costs. Formula-based pricing is used to sell the majority of our prime products. Additionally, we cost our inventory on FIFO basis thus in a rising feedstock market our margins benefit from the FIFO method of inventory costing.

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. Our Advanced Reformer unit upgrades the byproduct stream produced as a result of prime product production. This upgrade allows us to sell our byproducts at higher prices than would be possible without the Advanced Reformer unit.

The gross margin percentage for the Specialty Petrochemical Segment increased from 15.5% in the first quarter of 2018 to 19.4% in the first quarter of 2019 driven by lower cost of sales as a result of lower feedstock costs. In the fourth quarter of 2018 our gross margin percentage was 3.9%.

Total Operating Expense

Total Operating Expense increased 15.4% during the first quarter 2019 from 2018. The key drivers for the increase was higher depreciation and amortization related to the Advanced Reformer unit which was not operational in the first quarter 2018 and higher natural gas costs. Certain costs, including labor costs associated with the construction of the Advanced Reformer unit, were capitalized in the first quarter 2018. In the first quarter 2019, labor costs were down approximately 20% relative to fourth quarter 2018 in part due to the cost reduction program implemented at SHR in December 2018.

Capital Expenditures

Capital Expenditures in the first quarter 2019 were approximately \$1.4 million compared to \$10.3 million in the first quarter 2018. This was primarily due to the completion of the Advanced Reformer unit project.

Specialty Wax Segment

	2019	2018	Change	% Change
	<i>(thousands of dollars)</i>			
Product Sales	\$ 6,003	\$ 6,383	\$ (380)	(6.0)%
Processing	2,279	3,212	(933)	(29.0)%
Gross Revenue	\$ 8,282	\$ 9,595	\$ (1,313)	(13.7)%
Volume of specialty wax sales (thousand pounds)	7,882	9,541	(1,659)	(17.4)%
Cost of Sales	\$ 9,216	\$ 9,119	\$ 97	1.1 %
Gross Margin	(11.3)%	5.0%		(16.2)%
General & Administrative Expense	1,269	1,368	(99)	(7.2)%
Depreciation and Amortization*	1,348	1,304	44	3.4 %
Capital Expenditures	\$ 509	\$ 745	\$ (236)	(31.7)%

*Includes \$1,324 and \$1,282 for 2019 and 2018, respectively, which is included in cost of sales

Product Sales

Product sales revenue decreased 6.0% during first quarter 2019 from first quarter 2018 as specialty wax sales volume declined 17.4%. Planned maintenance turnaround at our Pasadena facility along with outages at our wax feed suppliers constrained specialty wax production and thereby sales. Our average specialty wax selling price increased 14% from first quarter 2018 reflecting our marketing strategy to enhance pricing and improve sales mix. Customer demand continues to be strong for our higher value specialty waxes including our products for the Hot Melt Adhesives ("HMA") and PVC Lubricant markets. These products are characterized by generally higher margins and growth rates.

Processing

Processing revenues declined nearly a million dollars or 29.0% during first quarter 2019 from first quarter 2018. The decrease among other factors is due to minimal revenues from hydrogenation/distillation unit as we work to improve the unit's reliability.

Cost of Sales

Cost of Sales increased 1.1% during first quarter 2019 from first quarter 2018. Operating expenses including costs for labor, maintenance, and utilities were relatively flat from first quarter 2018.

Depreciation

Depreciation increased 3.4% during first quarter 2019 from 2018.

Capital Expenditures

Capital Expenditures were approximately \$0.5 million in the first quarter 2019.

Corporate Segment

	2019	2018	Change	% Change
	<i>(in thousands)</i>			
General & Administrative Expense	\$ 2,305	\$ 2,147	\$ 158	7.4%
Equity in earnings (losses) of AMAK	(59)	230	(289)	125.7%

General and Administrative Expenses

General corporate expenses increased during first quarter 2019 from first quarter 2018. The increase is primarily attributable to higher legal and investor relations expenses.

Equity in Earnings (Losses) of AMAK

Equity in earnings (losses) of AMAK decreased during first quarter 2019 from first quarter 2018. The equity in earnings (losses) were impacted by increased selling, general and administrative expenses.

AMAK Summarized Income Statement

	Three Months Ended March 31,	
	2019	2018
	<i>(thousands of dollars)</i>	
Sales	\$ 20,664	\$ 14,087
Cost of sales	18,570	12,506
Gross profit (loss)	2,094	1,581
Selling, general, and administrative	2,738	1,523
Operating income (loss)	(644)	58
Other income	428	20
Finance and interest expense	(445)	(397)
Loss before Zakat and income taxes	(661)	(319)
Zakat and income taxes	522	—
Net Loss	\$ (1,183)	\$ (319)
Finance and interest expense	445	397
Depreciation and amortization	7,325	7,701
Zakat and income taxes	522	—
EBITDA	\$ 7,109	\$ 7,779

AMAK continued to make progress in throughput rates, concentrate quality and recoveries. Approximately 14,000 dry metric tons (dmt) of copper and zinc concentrate were shipped in first quarter 2019 as compared to 10,000 dmt of copper and zinc concentrate in first quarter 2018. First quarter EBITDA shows a decline of approximately \$0.7 million compared to first quarter 2018 due to increased selling, general and administrative expenses.

Contractual Obligations

Our contractual obligations are summarized in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the year ended December 31, 2018. See Note 10 for changes to our debt maturity schedule. There have been no other material changes to the contractual obligation amounts disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

Critical Accounting Policies and Estimates

Critical accounting policies are more fully described in Note 2, "Summary of Significant Accounting Policies" to the consolidated financial statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2018. 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 and estimates have been discussed with the Audit Committee of the Board of Directors and discussed in our Annual Report on Form 10-K for the year ended December 31, 2018. For the three months ended March 31, 2019, there were no significant changes to these policies except for the policies related to the accounting for leases as a result of the adoption of ASU 2016-02, Leases, as of January 1, 2019 as described in Note 1 – General and Note 8 – Leases in the accompanying condensed consolidated financial statements.

Recent and New Accounting Standards

See Note 1 and 2 to the Consolidated Financial Statements for a summary of recent accounting guidance.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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 year ended December 31, 2018.

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 effective as of the end of the period covered by this report.
- (b) Changes in internal control. There were no significant changes in our internal control over financial reporting that occurred during the three months ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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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, 2018.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

In connection with certain amendments to his Employment Contract, Peter M. Loggenberg, our Chief Sustainability Officer, was granted 4,400 restricted shares of our common stock on February 21, 2019. The restricted shares were issued pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, and vest in equal increments over a three year period.

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. Exhibits marked with a plus sign (+) are compensatory plans.

Exhibit Number	Description
10.1	<u>Sixth Amendment to Amended and Restated Credit Agreement, dated as of March 29, 2019, among Texas Oil & Chemical Co. II, Inc., as Borrower, certain subsidiaries of the Borrower, as Guarantors, the Lenders from time to time party thereto, Citibank, N.A., as an L/C Issuer, and Bank of America, N.A., as Administrative Agent, Swingline Lender and an L/C Issuer. (incorporated by reference to Exhibit 10.1 from Trecora Resources' Current Report on Form 8-K, filed April 2, 2019)</u>
10.2*+	<u>Letter Agreement, dated as of February 21, 2019, between Trecora Resources and Peter Loggenberg, Ph.D.</u>
10.3*+	<u>Form of Trecora Resources Stock and Incentive Plan Restricted Stock Unit Agreement</u>
10.4*	<u>Amended and Restated Consulting Agreement, dated as of March 12, 2019, between Trecora Resources and Nicholas N. Carter</u>
31.1*	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>
31.2*	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>
32.1**	<u>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</u>
32.2**	<u>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</u>
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.

TRECORA RESOURCES

Dated: May 09, 2019

By: /s/ Sami Ahmad

Sami Ahmad

Principal Financial Officer and Duly Authorized Officer

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February 21, 2019

Mr. Peter M. Loggenberg, Ph.D.
902 Sprucewood Lane
Houston, Texas 77024

RE: 2019 Salary and One-Time Stock Award

Dear Peter,

Thank you for your continued service to Trecora Resources (the "Company"). This letter agreement is to confirm that your base salary for calendar year 2019 will be \$323,420, paid in installments according to the Company's regular payroll schedule. You will also receive a one-time grant of 4,400 restricted shares, vesting in 1/3 increments over the next three years, with a granting date of February 12, 2019.

Your title will continue to be Chief Sustainability Officer until otherwise determined by the board of directors of the Company.

With the exception of those terms and conditions specifically modified by this letter agreement, your Employment Contract with the Company dated October 1, 2014, will remain in full force and effect in accordance with its terms and conditions. In the event of a conflict between the terms and conditions of this letter agreement and the terms and conditions of your Employment Contract, the terms and conditions of this letter agreement shall control.

Please countersign this letter in the space provided below and return a copy to Mr. Patrick Quarles, Chief Executive Officer of the Company, before 5:00 pm on Thursday, February 21, 2019.

Sincerely,

/s/ Patrick Quarles

Patrick Quarles
Chief Executive Officer and President

Accepted, Acknowledged and Agreed,

as of February 21, 2019

/s/ Peter M. Loggenberg

Peter M. Loggenberg, Ph.D.

Trecora Resources Stock and Incentive Plan

Restricted Stock Unit Agreement

This Agreement is made and entered into as of the _____, 20__ (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 the earlier of 90 days following the vesting date or December 31 of the calendar year that includes 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 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 this Section 5, provided that you remain in the employ of 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. Notwithstanding the foregoing, the Committee may, in its discretion, provide for accelerated vesting or otherwise permit continued vesting of all, or any portion of, the Restricted Stock Units granted under this Agreement upon your termination of employment with the Company to the extent it deems it in the best interests of the Company and such acceleration or extension of vesting does not violate the Nonqualified Deferred Compensation Rules defined below.

(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 Section 5 or this Section 6, on the one hand, and any employment agreement entered into by and between you and the Company or its Subsidiaries, whether entered into before or after the date of this Agreement, on the other hand, 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 registration statement under the Securities Act is, at the time of issuance, in effect with respect to the shares issued or 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 or any of its affiliates or their respective employees or directors be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by you (or anyone claiming a benefit through you) 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, cancellation, 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]

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:_____
Name: Christopher Groves
Title: Corporate Secretary
Date:

By:_____
Name:
Date:

AMENDED AND RESTATED CONSULTING AGREEMENT

This Amended and Restated Consulting Agreement (this “**Agreement**”) is entered into this 12th day of March 2019 by and between **Trecora Resources** (“**Trecora**”), a Delaware corporation, and **Nicholas N. Carter** (“**Carter**”), a Texas resident. Trecora and Carter are sometimes referred to herein individually as a “**Party**” and collectively as the “**Parties**.”

RECITALS

- A. The Parties entered into that certain Amended and Restated Consulting Agreement dated December 14, 2019 (the “**Prior Agreement**”) pursuant to which Carter agreed to provide certain consulting services to Trecora.
- B. The Parties now desire to amend and restate the terms of the Prior Agreement in its entirety with this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants, conditions and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Carter’s Services. Trecora retains Carter, as an independent contractor, to provide certain consulting services related to Trecora’s investment in Al Masane Al Kobra Mining Company (AMAK) and other areas as may be mutually agreed upon (“**Consulting Services**”). The Parties acknowledge that Carter is a member of Trecora’s Board of Directors (the “**Board**”). Carter’s status as a member of the Board is not addressed under the terms of this Agreement, and this Agreement has no effect on Carter’s status as a member of the Board.

2. Consideration. In consideration for the Consulting Services to be performed by Carter under this Agreement, Trecora agrees to pay to Carter a monthly fee of \$9,050.00 in return for Carter’s provision of up to 40 hours of Consulting Services per month; provided that \$1,800 of such monthly fee will be pro rated for partial months. In addition, Trecora agrees to pay Carter \$156.00 for each hour of Consulting Services in excess of 40 hours per month.

Trecora will reimburse Carter for all reasonable expenses incurred by Carter in performing the Consulting Services provided, however, that any travel related expenses must be approved in advance by the President of Trecora. Carter shall submit written documentation and receipts to Trecora on a monthly basis, itemizing the charges and dates on which expenses were incurred.

Carter will submit a written invoice to Trecora on a monthly basis for his provision of the Consulting Services. Trecora shall pay Carter the amounts due pursuant to this Agreement within 30 days after the invoice is received by Trecora. In the event Trecora disputes any portion of an invoice, Trecora shall submit payment for any undisputed balance due pending resolution of any disputed amounts.

3. Independent Contractor. Nothing herein shall be construed to create an employer employee relationship between Trecora and Carter. Carter is not an employee, servant, partner or agent of Trecora for any purpose whatsoever, and is not entitled to paid vacation days, sick days, holidays or any other benefits provided to Trecora employees, and is an independent contractor of the Company. The consideration set forth in Section 2 shall be the sole consideration due Carter for the Consulting Services rendered under this Agreement. Carter will not represent to be or hold himself out as an employee of Trecora.

4. Term and Termination. The term of this Agreement will commence on the date on which Carter returns the company vehicle currently in his possession to Trecora, and will end on December 31, 2019, and may be extended by mutual agreement of the Parties. Either party may terminate this Agreement for any reason at any time during the term by written notice directed to the other party given 30 days in advance of the termination date.

5. Method of Performing Services. Trecora understands and agrees that Carter shall render Consulting Services in whatever manner deemed appropriate by Carter. During the term of this Agreement, Carter agrees to perform the Consulting Services on a professional best-efforts basis, in accordance with all applicable laws and regulations and in accordance with the highest applicable industry standards.

(a) Trecora shall not control or direct, nor shall Trecora have any right to control or direct, the result of or the details, methods, manner or means by which Carter performs his business or Consulting Services, except that Carter shall coordinate Consulting Services with Trecora, shall provide Consulting Services in accordance with generally accepted industry standards and in compliance with all international, federal, state, and local laws.

(b) Carter has and will at all times retain the exclusive right to control and direct the method, details, and means of performing the Consulting Services. Trecora shall not specify the amount of time required to perform individual aspects of the Consulting Services. Carter’s services are not exclusive to Trecora, and Carter may render services for other business entities.

(c) Any and all personnel hired by Carter, as subcontractors, contractors, employees, consultants, agents or otherwise (collectively “**Independent Staff**”) shall be the responsibility of Carter. Carter will inform all Independent Staff in writing at the time that such Independent Staff are hired by Carter, that such Independent Staff are not employees of Trecora and that Trecora has no present or future obligation to employ such Independent Staff or provide such Independent Staff with any compensation or employment benefits. Carter will be solely responsible for the acts of such Independent Staff, and the Independent Staff will conduct their activities at Carter’s risk, expense and supervision. Carter warrants and covenants that the Independent Staff shall be subject to all of the obligations applicable to Carter pursuant to

this Agreement and that each member of the Independent Staff shall agree to such terms in writing.

(d) Carter agrees to conduct business and supervise his Independent Staff so as to maintain and to increase the goodwill and reputation of Trecora, and Carter agrees to act in an ethical manner and to conform to and abide by all applicable laws, rules, and regulations. Carter agrees to indemnify and hold Trecora harmless from any claims, lawsuits, allegations, or liability, including costs of court and attorney fees, arising out of Carter's failure to comply with any applicable international, federal, state or local law, regulation, or statute.

6. Inability to Bind the Company. Neither Carter nor any of his Independent Staff shall, under any circumstances, have any authority to act for or to bind Trecora or enter into any agreements, written or otherwise, on behalf of Trecora, or to sign the name of Trecora or to otherwise represent that Trecora is in any way responsible for his acts or omissions.

7. Taxes. The Parties agree that Trecora will not withhold, deduct, or pay income tax, social security or other taxes or amounts for Carter's benefit or for the benefit of his Independent Staff. Carter is solely responsible for and assumes full responsibility for (as applicable) the payment of FICA, FUTA and income taxes and compliance with any other international, federal, state, or local law, rules and regulations. Carter is also solely responsible for and assumes full responsibility for filing all tax returns, tax declarations and tax schedules, and for the payment of all taxes as required by law, including without limitation, local, state and federal income taxes, Social Security taxes, Medicare taxes, unemployment compensation taxes and any other international, federal, state, or local taxes, fees or withholdings due for him. Carter will be responsible for withholding, accruing and paying all income, social security and other taxes and amounts required by law for all payments to Independent Staff, if any, as well as all statutory insurance and other benefits required by law for Carter and the Independent Staff and all other benefits promised to the Independent Staff by Carter, if any. **Carter agrees to indemnify and hold harmless Trecora from any claims, lawsuits, allegations, or liability, including costs of court and attorney fees, arising out of Carter's failure to pay or withhold any taxes or other required withholdings for Carter or his Independent Staff.**

8. Returning the Company's Property. Carter agrees that, on termination of this Agreement, Carter shall return to Trecora all Confidential Information (as set forth in Section 10) and will deliver to Trecora (and will not keep in his or their possession, recreate or deliver to anyone else) any and all Trecora property including devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items developed during the performance of Consulting Services for Trecora or otherwise belonging to Trecora.

9. Intellectual Property. Carter agrees that all inventions, patents, formulas, processes, designs, diagrams, drawings, flow charts, programs, methods, apparatus, software, firmware, circuitry, ideas, improvements, discoveries, systems, techniques, devices, models, prototypes, copyrightable works, mask works, trademarks, service marks, trade dress, software programs, hardware improvements, business slogans, written materials, and other things of value conceived, reduced to practice, made or learned by Carter, either alone or with others, while performing Consulting Services for Trecora under this Agreement that relate to Trecora's business and/or the business of affiliates of Trecora using Trecora's time, data, facilities and/or materials (hereinafter collectively referred to as the "Intellectual Property") belong to and shall remain the sole and exclusive property of Trecora forever. Carter hereby assigns to Trecora all of Carter's right, title, and interest to all such Intellectual Property.

Carter agrees, without additional compensation, to cooperate and do all lawful things requested by Trecora to protect Trecora ownership rights in all Intellectual Property. After termination of this Agreement, Trecora shall compensate Carter at a reasonable rate for the time actually spent by Carter in response to such requests. If Trecora is unable for any reason to secure Carter's signature on any document needed, Carter hereby irrevocably designates Trecora and its duly authorized officers and agents as Carter's agent to act for and on Carter's behalf to do all lawfully permitted acts to further the purposes of this paragraph with the same legal force and effect as if executed by Carter.

The provisions of Section 9 shall survive any termination or expiration of this Agreement (for whatever cause or reason).

10. Confidential Information.

10.1 Definition of Confidential Information. During Carter's independent contractor relationship under this Agreement, Trecora shall provide to Carter confidential, proprietary, and trade secret information regarding Trecora, and/or affiliates of Trecora, that Carter has not previously had access to or knowledge of before the execution of this Agreement including, without limitation, Intellectual Property, technical information, business and marketing plans, strategies, financing, plans, business policies and practices of Trecora, and/or affiliates of Trecora, know-how, specialized training, mailing lists, client lists, potential client lists, pricing information, or other forms of information considered by Trecora to be confidential, proprietary, or in the nature of trade secrets (hereafter collectively referred to as "Confidential Information") that Trecora and its affiliates desire to protect. In exchange for Trecora's promises to provide Carter with Confidential Information, Carter shall not during the period of this Agreement or at any time thereafter, disclose to anyone, publish, or use for any purpose, any Confidential Information or Intellectual Property, except as properly required in the ordinary course of Trecora's business or as directed and authorized by Trecora. Confidential Information does not include information that is (i) in the public domain or becomes part of the public domain through no fault of Carter or (ii) was known by Carter prior to Carter's association with Trecora, as evidenced by written records existing at that time.

10.2 Nonuse/Nondisclosure of Confidential Information. Carter shall use his best efforts and diligence both during and after termination of this Agreement to protect the confidential, trade secret, or proprietary character of all Confidential Information and shall not, directly or indirectly, disclose or use for his own purposes or those of any other person, company, business entity, or other organization whatsoever, and agrees to hold in strictest confidence any Confidential Information relating to or belonging to Trecora or any information which has been given to Carter in confidence, except when given express permission to do so by Trecora. Carter will not disclose Trecora's Confidential Information to any individual, corporation, partnership, limited liability company, association, trust, other entity, organization, or other third party (other than in conjunction with the performance of his duties as a contractor of Trecora) without the prior written consent of Trecora and shall not use or attempt to use any such information in any manner other than in connection with his performance of Consulting Services for Trecora under this

Agreement, unless required by law to disclose such information, in which case Carter shall provide Trecora with written notice of such requirement as far in advance of such anticipated disclosure as possible. Further, Carter agrees that any disclosure of Confidential Information is to persons who are aware of and agree that the Confidential Information must be kept confidential and who agree in writing to abide by the provisions set forth in Section 10 of this Agreement.

10.3 Confidential Information of Third Parties. Carter represents and warrants to Trecora that: (a) Carter is not bound by any agreement, whether formal or informal, verbal or written, that would preclude Carter from entering into this Agreement with Trecora, (b) Carter will not use or disclose any confidential information, proprietary information, or trade secrets of any previous employer or other third party in the performance of his Consulting Services under this Agreement; and (c) Carter has not taken and will not take any confidential information, proprietary information, or trade secrets of any previous employer or other third party for use in the performance of his Consulting Services under this Agreement.

10.4 This Agreement does not supersede any prior or other confidentiality duties Carter owes to Trecora (whether under written agreements, Trecora policies, applicable law, or any other means), but is in addition thereto, and any such prior confidentiality duties continue unabated.

10.5 The provisions of Section 10 shall survive any termination or expiration of this Agreement (for whatever cause or reason).

11. LIMITATION OF LIABILITY. NOTWITHSTANDING ANY PROVISION OF THIS AGREEMENT TO THE CONTRARY, NEITHER TRECORA, NOR CARTER NOR THEIR RESPECTIVE PARTNERS, OWNERS, OFFICERS, MANAGERS, GENERAL PARTNERS, AGENTS, EMPLOYEES, CONTRACTORS, SUBSIDIARIES OR AFFILIATES (OR THEIR RESPECTIVE PARTNERS, OWNERS, OFFICERS, MANAGERS, GENERAL PARTNERS, AGENTS, EMPLOYEES OR CONTRACTORS), SHALL BE LIABLE OR RESPONSIBLE TO THE OTHER PARTY OR TO ITS PARTNERS, OWNERS, SUBSIDIARIES, AFFILIATES, OFFICERS, MANAGERS, GENERAL PARTNERS, AGENTS, EMPLOYEES, CONTRACTORS OR TO ANY OF THEIR RESPECTIVE INSURERS, FOR ANY INCIDENTAL, INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES WHATSOEVER CONNECTED WITH OR RESULTING FROM PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, OR ANYTHING DONE IN CONNECTION HEREWITH (OTHER THAN PAYMENTS EXPRESSLY REQUIRED AND PROPERLY DUE UNDER THIS AGREEMENT), IRRESPECTIVE OF WHETHER SUCH CLAIMS OR DAMAGES ARE BASED UPON BREACH OF WARRANTY, BREACH OF DUTY (INCLUDING WITHOUT LIMITATION NEGLIGENCE, WHETHER OF COMPANY, CONSULTANT OR OTHERS), STRICT LIABILITY, CONTRACT, OPERATION OF LAW OR OTHERWISE, AND REGARDLESS WHETHER SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE FOREGOING SHALL EXPRESSLY SURVIVE THE EXPIRATION OR EARLY TERMINATION OF THIS AGREEMENT.

12. Insider Trading. Carter agrees that he is subject to Trecora's Insider Trading Policy and other Trecora policies and procedures relating to insider trading, including restrictions on trading outside of designated window periods. The above is subject, of course, to the general prohibitions on trading if Carter is in possession of material non-public information.

13. Notice. Any notice or communication permitted or required by this Agreement shall be deemed effective when personally delivered or deposited, postage prepaid, in the first class mail of the United States properly or sent via electronic means, addressed to the appropriate party at the address set forth below:

Notices to Carter:

Nicholas N. Carter
7760 Rosewood Drive
Lumberton, Texas 77657
Phone: (409) 782-2869
Email: carter1947@msn.com

Notices to Trecora:

Patrick Quarles
Chief Executive Officer
Trecora Resources
1650 Highway 6 South, Suite 190
Sugar Land, Texas 77478
Phone: (281) 980-5522
Email: pquarles@trecora.com

14. General Provisions.

14.1 Entire Agreement and Amendments. This Agreement (including any attachments hereto) contains the entire agreement between the Parties with respect to the subject matter herein, and no oral statements or prior written matter not specifically incorporated herein shall be of any force and effect. No variation, modification or changes in the Agreement shall be binding on either Party unless set forth in a written document executed by all Parties or a duly authorized agent, officer or representative thereof.

14.2 Assignment. Nothing in this Agreement shall be construed to permit the assignment by Carter of any of his rights or obligations hereunder, and such assignment is expressly prohibited without the prior written consent of Trecora.

14.3 Governing Law, Severability. This Agreement shall be governed by the laws of the State of Texas and venue shall be within the courts of

competent jurisdiction in Harris County, Texas. The invalidity or unenforceability of any provision of the Agreement shall not affect the validity or enforceability of any other provision.

14.4 Waiver. The waiver by either Party of a breach or violation of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach hereof.

14.5 Drafting. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto. **It is agreed that all Parties have closely read this Agreement and that all requirements of conspicuousness are agreed satisfied or are waived.**

[Signature Page to Follow]

WHEREFORE, the Parties have executed this Agreement as of the date first written above.

Trecora:

Trecora Resources

By: /s/ Patrick Quarles

Patrick Quarles
its Chief Executive Officer

Carter:

By: /s/ Nicholas N. Carter

Nicholas N. Carter

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

I, Patrick Quarles, 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 officer 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 reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer 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 the 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: May 9, 2019

/s/ Patrick Quarles

Patrick Quarles

President and Chief Executive Officer

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 officer 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 reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer 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 the 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: May 9, 2019

/s/ Sami Ahmad

Sami Ahmad

Chief Financial Officer

**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 March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patrick Quarles, 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/ Patrick Quarles
Patrick Quarles
President and Chief Executive Officer

May 9, 2019

**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 March 31, 2019, 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

May 9, 2019