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

FORM 10-Q

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

For the quarterly period ended **June 30, 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	**75-1256622**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1650 Hwy 6 South, Suite 190 **Sugar Land, Texas**	**77478**
(Address of principal executive offices)	(Zip code)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. **Yes _X_ No ___**

Indicate by check mark whether the registrant has submitted electronically 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 _X_ No ___**

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

Large accelerated filer ___ Accelerated filer _X_

Non-accelerated filer ___ Smaller reporting company ___

Emerging growth company___

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). **Yes ___ No _X_**

Number of shares of the Registrant's Common Stock (par value $0.10 per share), outstanding atJuly 31, 2019: 24,714,980.

TABLE OF CONTENTS

Item Number and Description

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

TRECORA RESOURCES AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2019 (Unaudited)	December 31, 2018
	(thousands of dollars, except par value)	
ASSETS		
Current Assets		
Cash	$ 4,325	$ 6,735
Trade receivables, net	30,518	27,112
Inventories	15,295	16,539
Prepaid expenses and other assets	3,951	4,664
Taxes receivable	182	182
Total current assets	54,271	55,232
Plant, pipeline and equipment, net	191,528	194,657
Goodwill	21,798	21,798
Intangible assets, net	18,016	18,947
Investment in AMAK	37,265	38,746
Lease right of use assets, net	15,197	—
Mineral properties in the United States	558	588
TOTAL ASSETS	$ 338,633	$ 329,968
LIABILITIES		
Current Liabilities		
Accounts payable	$ 11,159	$ 19,106
Accrued liabilities	5,415	5,439
Current portion of long-term debt	4,194	4,194
Current portion of lease liabilities	3,412	—
Current portion of other liabilities	850	752
Total current liabilities	25,030	29,491
Long-term debt, net of current portion	94,191	98,288
Lease liabilities, net of current portion	11,785	—
Other liabilities, net of current portion	1,047	1,352
Deferred income taxes	16,623	15,676
Total liabilities	148,676	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	2,472	2,463
Additional paid-in capital	58,920	58,294
Common stock in treasury, at cost	(2)	(8)
Retained earnings	128,278	124,123
Total Trecora Resources Stockholders' Equity	189,668	184,872
Noncontrolling Interest	289	289
Total equity	189,957	185,161
TOTAL LIABILITIES AND EQUITY	$ 338,633	$ 329,968

See notes to consolidated financial statements.

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2019	2018	2019	2018
	(thousands of dollars, except per share amounts)			
REVENUES				
Product sales	$ 65,329	$ 63,569	$ 126,822	$ 130,268
Processing fees	4,042	4,537	7,704	9,579
	69,371	68,106	134,526	139,847
OPERATING COSTS AND EXPENSES				
Cost of sales and processing				
(including depreciation and amortization of $4,128, $2,837, $8,357 and $5,667, respectively)	58,806	59,964	113,888	121,565
GROSS PROFIT	10,565	8,142	20,638	18,282
GENERAL AND ADMINISTRATIVE EXPENSES				
General and administrative	6,081	4,554	12,131	10,889
Depreciation	208	191	421	387
	6,289	4,745	12,552	11,276
OPERATING INCOME	4,276	3,397	8,086	7,006
OTHER INCOME (EXPENSE)				
Interest income	—	14	5	21
Interest expense	(1,401)	(815)	(2,900)	(1,693)
Equity in (losses) earnings of AMAK	(91)	228	(150)	458
Miscellaneous income (expense), net	284	(13)	256	(39)
	(1,208)	(586)	(2,789)	(1,253)
INCOME BEFORE INCOME TAXES	3,068	2,811	5,297	5,753
INCOME TAX EXPENSE	664	596	1,142	1,186
NET INCOME	2,404	2,215	4,155	4,567
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	—	—	—	—
NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES	$ 2,404	$ 2,215	$ 4,155	$ 4,567
Basic Earnings per Common Share				
Net income attributable to Trecora Resources (dollars)	$ 0.10	$ 0.09	$ 0.17	$ 0.19
Basic weighted average number of common shares outstanding	24,696	24,370	24,675	24,354
Diluted Earnings per Common Share				
Net income attributable to Trecora Resources (dollars)	$ 0.10	$ 0.09	$ 0.17	$ 0.18
Diluted weighted average number of common shares outstanding	25,091	25,014	25,089	25,119

See notes to consolidated financial statements.

Table of Contents

TRECORA RESOURCES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
THREE MONTHS ENDED JUNE 30

	TRECORA RESOURCES STOCKHOLDERS							
	COMMON STOCK		ADDITIONAL PAID-IN	TREASURY	RETAINED		NON-CONTROLLING	TOTAL
	SHARES	AMOUNT	CAPITAL	STOCK	EARNINGS	TOTAL	INTEREST	EQUITY
	(thousands)				*(thousands of dollars)*			
March 31, 2019	**24,687**	**$ 2,469**	**$ 58,565**	**$ (8)**	**$ 125,874**	**$ 186,900**	**$ 289**	**$ 187,189**
Restricted Stock Units								
Issued to Directors	—	—	146	—	—	**146**	—	**146**
Issued to Employees	—	—	209	—	—	**209**	—	**209**
Common Stock								
Issued to Directors	10	1	—	6	—	**7**	—	**7**
Issued to Employees	18	2	—	—	—	**2**	—	**2**
Net Income	—	—	—	—	2,404	**2,404**	—	**2,404**
June 30, 2019	**24,715**	**$ 2,472**	**$ 58,920**	**$ (2)**	**$ 128,278**	**$ 189,668**	**$ 289**	**$ 189,957**
March 31, 2018	**24,311**	**$ 2,451**	**$ 56,422**	**$ (184)**	**$ 128,807**	**$ 187,496**	**$ 289**	**$ 187,785**
Stock Options								
Issued to Directors	—	—	—	—	—	**—**	—	**—**
Issued to Employees	—	—	—	—	—	**—**	—	**—**
Cancellation of Issuance to Former Director	—	—	(680)	—	—	**(680)**	—	**(680)**
Restricted Stock Units								
Issued to Directors	—	—	82	—	—	**82**	—	**82**
Issued to Employees	—	—	385	—	—	**385**	—	**385**
Common Stock								
Issued to Directors	—	—	(15)	13	—	**(2)**	—	**(2)**
Issued to Employees	—	—	171	110	—	**281**	—	**281**
Stock Exchange	—	—	—	—	—	**—**	—	**—**
Warrants	—	—	—	—	—	**—**	—	**—**
Net Income	—	—	—	—	2,215	**2,215**	—	**2,215**
June 30, 2018	**24,311**	**$ 2,451**	**$ 56,365**	**$ (61)**	**$ 131,022**	**$ 189,777**	**$ 289**	**$ 190,066**

See notes to consolidated financial statements.

Table of Contents

TRECORA RESOURCES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
SIX MONTHS ENDED JUNE 30

	TRECORA RESOURCES STOCKHOLDERS							
	COMMON STOCK		ADDITIONAL PAID-IN	TREASURY	RETAINED		NON-CONTROLLING	TOTAL
	SHARES	AMOUNT	CAPITAL	STOCK	EARNINGS	TOTAL	INTEREST	EQUITY
	(thousands)				*(thousands of dollars)*			
January 1, 2019	**24,626**	**$ 2,463**	**$ 58,294**	**$ (8)**	**$ 124,123**	**$ 184,872**	**$ 289**	**$ 185,161**
Restricted Stock Units								
Issued to Directors	—	—	168	—	—	**168**	—	**168**
Issued to Employees	—	—	458	—	—	**458**	—	**458**
Common Stock								
Issued to Directors	10	1	—	6	—	**7**	—	**7**
Issued to Employees	79	8	—	—	—	**8**	—	**8**
Net Income	—	—	—	—	4,155	**4,155**	—	**4,155**
June 30, 2019	**24,715**	**$ 2,472**	**$ 58,920**	**$ (2)**	**$ 128,278**	**$ 189,668**	**$ 289**	**$ 189,957**
January 1, 2018	**24,311**	**$ 2,451**	**$ 56,012**	**$ (196)**	**$ 126,455**	**$ 184,722**	**$ 289**	**$ 185,011**
Stock Options								
Issued to Directors	—	—	(10)	—	—	**(10)**	—	**(10)**
Issued to Employees	—	—	154	—	—	**154**	—	**154**
Cancellation of Issuance to Former Director	—	—	(680)	—	—	**(680)**	—	**(680)**
Restricted Stock Units						**—**		**—**
Issued to Directors	—	—	175	—	—	**175**	—	**175**
Issued to Employees	—	—	734	—	—	**734**	—	**734**
Common Stock								
Issued to Directors	—	—	(78)	37	—	**(41)**	—	**(41)**
Issued to Employees	—	—	132	154	—	**286**	—	**286**
Stock Exchange	—	—	(65)	(65)	—	**(130)**	—	**(130)**
Warrants	—	—	(9)	9	—	**—**	—	**—**
Net Income	—	—	—	—	4,567	**4,567**	—	**4,567**
June 30, 2018	**24,311**	**$ 2,451**	**$ 56,365**	**$ (61)**	**$ 131,022**	**$ 189,777**	**$ 289**	**$ 190,066**

See notes to consolidated financial statements.

Table of Contents

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

	SIX MONTHS ENDED JUNE 30,	
	2019	**2018**
	(thousands of dollars)	
OPERATING ACTIVITIES		
Net Income	$ 4,155	$ 4,567
Adjustments to Reconcile Net Income		
To Net Cash Provided by Operating Activities:		
Depreciation and Amortization	7,880	4,941
Amortization of Intangible Assets	931	931
Stock-based Compensation	558	372
Deferred Income Taxes	947	1,073
Postretirement Obligation	(18)	(809)
Equity in Losses (Earnings) of AMAK	150	(458)
Bad Debt Expense	—	128
Amortization of Loan Fees	91	161
Changes in Operating Assets and Liabilities:		
Increase in Trade Receivables	(3,393)	(817)
Increase in Insurance Receivables	—	(493)
Decrease in Taxes Receivable	—	4,293
Decrease in Inventories	1,244	1,448
Decrease (Increase) in Prepaid Expenses and Other Assets	16	(901)
Decrease in Accounts Payable and Accrued Liabilities	(6,767)	(4,742)
Decrease in Other Liabilities	54	104
Net Cash Provided by Operating Activities	5,848	9,798
INVESTING ACTIVITIES		
Additions to Plant, Pipeline and Equipment	(4,286)	(15,434)
Proceeds from PEVM	30	—
Advances to AMAK, net	(26)	(83)
Proceeds from AMAK Share Repurchase	440	—
Net Cash Used in Investing Activities	(3,842)	(15,517)
FINANCING ACTIVITIES		
Net Cash (Paid) Received Related to Stock-Based Compensation	(228)	245
Additions to Long-Term Debt	2,000	16,000
Repayments of Long-Term Debt	(6,188)	(10,167)
Net Cash (Used in) Provided by Financing Activities	(4,416)	6,078
NET (DECREASE) INCREASE IN CASH	(2,410)	359
CASH AT BEGINNING OF PERIOD	6,735	3,028
CASH AT END OF PERIOD	$ 4,325	$ 3,387
Supplemental disclosure of cash flow information:		
Cash payments for interest	$ 1,355	$ 2,394
Cash payments for taxes, net of refunds	$ 80	$ 92
Supplemental disclosure of non-cash items:		
Capital expansion amortized to depreciation expense	$ 244	$ 210
Foreign taxes paid by AMAK	$ 891	$ —
Stock exchange (Note 16)	$ —	$ 130

See notes to consolidated financial statements.

NOTES TO CONDENSED 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 Petrochemicals segment and parent of GSPL
(4) GSPL – Gulf State Pipe Line Co, Inc. – Pipeline support for the Specialty Petrochemicals segment
(5) TC – Trecora Chemical, Inc. – Specialty Waxes 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 six months ended June 30, 2019 are not necessarily indicative of results for the year ending December 31, 2019.

We currently operate in two segments, Specialty Petrochemicals 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 reassess 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.

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:

	June 30, 2019	December 31, 2018
	(thousands of dollars)	
Trade receivables	$ 30,958	$ 27,564
Less allowance for doubtful accounts	(440)	(452)
Trade receivables, net	$ 30,518	$ 27,112

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

4. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consisted of the following:

	June 30, 2019	December 31, 2018
	(thousands of dollars)	
Prepaid license	$ 1,612	$ 2,419
Spare parts	1,667	1,597
Other prepaid expenses and assets	672	648
Total prepaid expenses and other assets	$ 3,951	$ 4,664

5. INVENTORIES

Inventories included the following:

	June 30, 2019	December 31, 2018
	(thousands of dollars)	
Raw material	$ 3,963	$ 4,742
Work in process	244	173
Finished products	11,088	11,624
Total inventory	$ 15,295	$ 16,539

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

Inventory included Specialty Petrochemicals products in transit valued at approximately$3.2 million and $4.1 million at June 30, 2019, and December 31, 2018, respectively.

6. PLANT, PIPELINE AND EQUIPMENT

Plant, pipeline and equipment consisted of the following:

	June 30, 2019	December 31, 2018
	(thousands of dollars)	
Platinum catalyst metal	$ 1,580	$ 1,612
Catalyst	3,974	3,131
Land	5,428	5,428
Plant, pipeline and equipment	257,986	253,905
Construction in progress	3,888	4,343
Total plant, pipeline and equipment	$ 272,856	$ 268,419
Less accumulated depreciation	(81,328)	(73,762)
Net plant, pipeline and equipment	$ 191,528	$ 194,657

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

Interest capitalized for construction was approximately$0.0 million and $0.4 million for the three months and $0.0 million and $0.7 million for the six months ended June 30, 2019 and 2018, respectively.

Labor capitalized for construction was approximately$0.0 million and $0.9 million for the three months and $0.1 million and $2.1 million for the six months ended June 30, 2019 and 2018, respectively.

Construction in progress during the first six months of 2019 included sales rack and Advanced Reformer unit improvements at SHR and equipment modifications at TC. Construction in progress during the first six months of 2018 included equipment purchased for various equipment updates at the TC facility, the Advanced 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 $0.2 million and $0.0 million for the three months and $0.5 million and $0.0 million for the six months ended June 30, 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:

	June 30, 2019		
	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization (Definite-lived)	(thousands of dollars)		
Customer relationships	$ 16,852	$ (5,336)	$ 11,516
Non-compete agreements	94	(90)	4
Licenses and permits	1,471	(549)	922
Developed technology	6,131	(2,912)	3,219
	24,548	(8,887)	15,661
Intangible assets not subject to amortization (Indefinite-lived)			
Emissions allowance	197	—	197
Trade name	2,158	—	2,158
Total	$ 26,903	$ (8,887)	$ 18,016

	December 31, 2018		
	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization (Definite-lived)	(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
	24,548	(7,956)	16,592
Intangible assets not subject to amortization (Indefinite-lived)			
Emissions allowance	197	—	197
Trade name	2,158	—	2,158
Total	$ 26,903	$ (7,956)	$ 18,947

Amortization expense for intangible assets included in cost of sales for the three months ended June 30, 2019 and 2018, was approximately $0.5 million and $0.5 million, and for the six months ended June 30, 2019 and 2018, was approximately $0.9 million and $0.9 million, respectively.

Based on identified intangible assets that are subject to amortization as ofJune 30, 2019, we expect future amortization expenses for each period to be as follows:

	Total	Remainder of 2019	2020	2021	2022	2023	2024	Thereafter
				(thousands of dollars)				
Customer relationships	$ 11,516	$ 562	$ 1,123	$ 1,123	1,123	1,123	1,123	$ 5,339
Non-compete agreements	4	4	—	—	—	—	—	—
Licenses and permits	922	53	106	101	86	86	86	404
Developed technology	3,219	307	613	613	613	613	460	—
Total future amortization expense	$ 15,661	$ 926	$ 1,842	$ 1,837	$ 1,822	$ 1,822	$ 1,669	$ 5,743

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 June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost (a)	Cost of sales, exclusive of depreciation and amortization	$ 1,152	$ 2,291
Operating lease cost (a)	Selling, general and administrative	38	72
Total operating lease cost		$ 1,190	$ 2,363
Finance lease cost:			
Amortization of right-of-use assets	Depreciation	$ —	—
Interest on lease liabilities	Interest Expense	—	—
Total finance lease cost		$ —	$ —
Total lease cost		$ 1,190	$ 2,363

(a) Short-term lease costs were approximately $64 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	June 30, 2019
Assets:		
Operating	Operating lease assets	$ 15,197
Finance	Property, plant, and equipment	—
Total leased assets		$ 15,197
Liabilities:		
Current		
Operating	Current portion of operating lease liabilities	$ 3,412
Finance	Short-term debt and current portion of long-term debt	—
Noncurrent		
Operating	Operating lease liabilities	11,785
Finance	Long-term debt	—
Total lease liabilities		$ 15,197

($ in thousands)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	$ 1,127	$ 2,260
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	$ 25	$ 138
Finance leases	—	—

	June 30, 2019
Weighted-average remaining lease term (in years):	
Operating leases	4.8
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 June 30, 2019, maturities of lease liabilities were as follows:

($ in thousands)	Operating Leases	Finance Leases
2020	$ 4,010	$ —
2021	3,576	—
2022	3,480	—
2023	2,806	—
2024	1,460	—
Thereafter	1,549	—
Total lease payments	$ 16,881	$ —
Less: Interest	1,684	—
Total lease obligations	$ 15,197	$ —

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:

	June 30, 2019	December 31, 2018
	(thousands of dollars)	
Accrued state taxes	262	210
Accrued property taxes	1,720	—
Accrued payroll	981	936
Accrued interest	32	31
Accrued officer compensation	650	—
Accrued restructuring & severance	37	1,221
Accrued foreign taxes	—	802
Other	1,733	2,239
Total	$ 5,415	$ 5,439

10. LIABILITIES AND LONG-TERM DEBT

Senior Secured Credit Facilities

As of June 30, 2019, we had $16.0 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 $83.1 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 $42 million of available borrowings under our Revolving Facility at June 30, 2019. TOCCO's ability to make additional borrowings under the Revolving Facility atJune 30, 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 and4.00 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 ofJune 30, 2019, the effective interest rate for the Credit Facilities was4.87%. The ARC Agreement contains a number of customary affirmative and negative covenants and we were in compliance with those covenants as of June 30, 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.

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 $0.7 million and $0.8 million for the periods ended June 30, 2019 and December 31, 2018, have been netted against outstanding loan balances.

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

	June 30, 2019	December 31, 2018
	(thousands of dollars)	
Revolving Facility	16,000	18,000
Term Loan Facility	83,125	85,312
Loan fees	(740)	(830)
Total long-term debt	98,385	102,482
Less current portion including loan fees	4,194	4,194
Total long-term debt, less current portion including loan fees	94,191	98,288

Subsequent to June 30, 2019, we made an optional principal payment of $4.0 million against the Revolving Facility, reducing the outstanding amount from $16.0 million to $12.0 million.

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. As amended, the Plan allots for the issuance of up to 2.5 million shares in the form of stock options or restricted stock unit awards.

Share-based compensation of approximately $0.3 million and $(0.2) million was recognized during the three months and $0.6 million and $0.4 million for the six months ended June 30, 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 or six months ended June 30, 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 June 30, 2019	552,000	11.04	3.8	$ —
Expected to vest	—			$ —
Exercisable at June 30, 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 June 30, 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 June 30, 2019 and 2018, respectively, was $0. During the six months ended June 30, 2019 and 2018, the aggregate intrinsic value of options and warrants exercised was approximately $0.1 million and $0.6 million respectively, determined as of the date of option exercise.

The Company received no cash from the exercise of options during the six months ended June 30, 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 June 30, 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	(64,463)	12.13
Vested	(136,568)	11.86
Outstanding at June 30, 2019	395,259	9.77
Expected to vest	395,259	

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 the 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 2018. As of June 30, 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 of21%, primarily as a result of state tax expense, stock based compensation and a research and development credit for the three and six months ended June 30, 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.

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 June 30, 2019 and 2018, respectively.

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic Net Income per Share:						
Net Income Attributable to Trecora Resources	$ 2,404	24,696	$ 0.10	$ 2,215	24,370	$ 0.09
Unvested restricted stock units		395			349	
Dilutive stock options outstanding		—			295	
Diluted Net Income per Share:						
Net Income Attributable to Trecora Resources	$ 2,404	25,091	$ 0.10	$ 2,215	25,014	$ 0.09

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic Net Income per Share:						
Net Income Attributable to Trecora Resources	$ 4,155	24,675	$ 0.17	$ 4,567	24,354	$ 0.19
Unvested restricted stock units		414			376	
Dilutive stock options outstanding		—			389	
Diluted Net Income per Share:						
Net Income Attributable to Trecora Resources	$ 4,155	25,089	$ 0.17	$ 4,567	25,119	$ 0.18

At June 30, 2019 and 2018, 552,000 and 924,860 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 Petrochemicals segment includes SHR and GSPL. Our Specialty Waxes 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.

Table of Contents

	Three Months Ended June 30, 2019				
	Specialty Petrochemicals	Specialty Waxes	Corporate	Eliminations	Consolidated
	(in thousands)				
Product sales	$ 58,584	$ 6,745	$ —	$ —	$ 65,329
Processing fees	1,527	2,515	—	—	4,042
Total revenues	60,111	9,260	—	—	69,371
Operating profit (loss) before depreciation and amortization	10,028	766	(2,182)	—	8,612
Operating profit (loss)	7,104	(633)	(2,195)	—	4,276
Profit (loss) before taxes	6,375	(1,013)	(2,294)	—	3,068
Depreciation and amortization	2,925	1,399	12	—	4,336
Capital expenditures	1,461	426	—	—	1,887

	Three Months Ended June 30, 2018				
	Specialty Petrochemicals	Specialty Waxes	Corporate	Eliminations	Consolidated
	(in thousands)				
Product sales	$ 56,135	$ 7,434	$ —	—	$ 63,569
Processing fees	1,685	2,852	—	—	4,537
Total revenues	57,820	10,286	—	—	68,106
Operating profit (loss) before depreciation and amortization	6,095	1,164	(834)	—	6,425
Operating profit (loss)	4,440	(201)	(842)	—	3,397
Profit (loss) before taxes	3,859	(506)	(542)	—	2,811
Depreciation and amortization	1,655	1,365	8	—	3,028
Capital expenditures	3,529	877	—	—	4,406

	Six Months Ended June 30, 2019				
	Specialty Petrochemicals	Specialty Waxes	Corporate	Eliminations	Consolidated
	(in thousands)				
Product sales	$ 114,074	$ 12,748	$ —	$ —	$ 126,822
Processing fees	2,910	4,794	—	—	7,704
Total revenues	116,984	17,542	—	—	134,526
Operating profit (loss) before depreciation and amortization	21,435	(83)	(4,487)	—	16,865
Operating profit (loss)	15,437	(2,830)	(4,521)	—	8,086
Profit (loss) before taxes	13,510	(3,552)	(4,661)	—	5,297
Depreciation and amortization	5,999	2,747	32	—	8,778
Capital expenditures	2,839	935	—	—	3,774

	Six Months Ended June 30, 2018				
	Specialty Petrochemicals	Specialty Waxes	Corporate	Eliminations	Consolidated
	(in thousands)				
Product sales	$ 116,420	$ 13,817	$ —	31	$ 130,268
Processing fees	3,713	6,064	—	(198)	9,579
Total revenues	120,133	19,881	—	(167)	139,847
Operating profit (loss) before depreciation and amortization	14,488	1,554	(2,982)	—	13,060
Operating profit (loss)	11,119	(1,115)	(2,998)	—	7,006
Profit (loss) before taxes	9,913	(1,687)	(2,473)	—	5,753
Depreciation and amortization	3,369	2,669	16	—	6,054
Capital expenditures	13,812	1,622	—	—	15,434

	June 30, 2019				
	Specialty Petrochemicals	Specialty Waxes	Corporate	Eliminations	Consolidated
	(in thousands)				
Trade receivables, product sales	$ 23,465	$ 4,097	$ —	$ —	$ 27,562
Trade receivables, processing fees	1,042	1,914	—	—	2,956
Goodwill and intangible assets, net	—	39,814	—	—	39,814
Total assets	299,103	114,409	91,247	(166,126)	338,633

December 31, 2018

	Specialty Petrochemicals	Specialty Waxes	Corporate	Eliminations	Consolidated
			(in thousands)		
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 ofJune 30, 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 June 30, 2019 and December 31, 2018, the Company had a non-controlling equity interest of33.3% and 33.4% in AMAK of approximately $37.3 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 June 30, 2019.

In the second quarter of 2019, certain shareholders of AMAK transferred a portion of their shares to the CEO of AMAK as a one-time retention and performance bonus. The Company transferred 100,000 shares and the transaction reduced our ownership percentage from33.4% to 33.3%.

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.

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

Results of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(thousands of dollars)		*(thousands of dollars)*	
Sales	$ 20,566	$ 19,494	$ 41,230	$ 33,581
Cost of sales	18,162	16,555	36,732	29,061
Gross profit	2,404	2,939	4,498	4,520
Selling, general, and administrative	2,807	2,892	5,545	4,415
Operating (loss) income	(403)	47	(1,047)	105
Other (expense) income	(75)	15	353	34
Finance and interest expense	(448)	(388)	(893)	(785)
Loss before Zakat and income taxes	(926)	(326)	(1,587)	(646)
Zakat and income taxes	366	—	888	—
Net Loss	$ (1,292)	$ (326)	$ (2,475)	$ (646)

Financial Position

	June 30,	December 31,
	2019	2018
	(thousands of dollars)	
Current assets	$ 35,658	$ 44,093
Noncurrent assets	197,093	212,291
Total assets	$ 232,751	$ 256,384
Current liabilities	$ 19,201	$ 17,160
Long term liabilities	74,111	77,366
Stockholders' equity	139,439	161,858
	$ 232,751	$ 256,384

The equity in the (losses) earnings of AMAK reflected on the consolidated statements of income for the three and six months ended June 30, 2019, and 2018, is comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(thousands of dollars)		*(thousands of dollars)*	
AMAK Net Loss	$ (1,292)	$ (326)	$ (2,475)	$ (646)
Percentage of Ownership	33.29%	33.41%	33.29%	33.41%
Company's share of loss reported by AMAK	$ (429)	$ (109)	$ (824)	$ (216)
Amortization of difference between Company's investment in AMAK and Company's share of net assets of AMAK	337	337	674	674
Equity in (losses) earnings of AMAK	$ (91)	$ 228	$ (150)	$ 458

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 completed the share repurchase program in 2019, at which point all shares repurchased from AMAK stockholders were registered as treasury shares. Upon completion of the share repurchase program, the Company's ownership percentage in AMAK did not 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 June 30, 2019, and December 31, 2018, we had a receivable from AMAK of approximately $0.1 million and $0.1 million, respectively, relating to unreimbursed travel and Board expenses which are included in prepaid and other assets. We have not advanced any cash to AMAK during 2019.

17. RELATED PARTY TRANSACTIONS

Consulting fees of approximately $28,000 and $19,000 were incurred during the three months and $50,000 and $50,000 during the six months ended June 30, 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 our 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 30.0 million Saudi Riyals (US$8.0 million). The total amount outstanding to the SIDF at June 30, 2019, was 290.0 million Saudi Riyals (US$77.3 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 June 30, 2019, and 2018, were $0.1 million and $0.4 million, respectively, and for the six months ended June 30, 2019, and 2018, were $0.7 million and $0.5 million, respectively.

Environmental Remediation

Amounts charged to expense for various activities related to environmental monitoring, compliance, and improvements were approximately $0.2 million and $0.2 million for the three months ended June 30, 2019, and 2018 and for the six months ended June 30, 2019, and 2018, were $0.4 million and $0.3 million, respectively.

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

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 custom 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 that we believe are uncommon along the U.S. Gulf Coast.

Enabling our success in these businesses is a commitment to operational excellence which establishes a culture that prioritizes the safety of our employees and communities in which we operate, the integrity of our assets and regulatory compliance. 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 stockholders.

Review of Second Quarter 2019 Results

We reported second quarter 2019 net income of $2.4 million, up from net income of $2.2 million in the second quarter of 2018. Diluted earnings per share are $0.10 for 2019, up from $0.09 in 2018. Sales volume of our Specialty Petrochemicals productsincreased 8.7%, and sales revenue from our Specialty Petrochemicals productsincreased 4.4% as compared to the second quarter 2018. Prime product Specialty Petrochemicals sales volumes (which exclude by-product sales) wereup 10.2% compared to the second quarter 2018. Specialty Waxes sales revenue wasdown 9.3% compared to the second quarter 2018. Consolidated gross profit margin increased to 15.2% of sales in the second quarter 2019 from 12.0% in the second quarter 2018.

Consolidated Adjusted EBITDA for the second quarter of 2019 was $9.2 million, representing a 13.3% margin compared with Consolidated Adjusted EBITDA of $6.2 million or a 9.1% margin, in the second quarter of 2018. Consolidated Adjusted EBITDA for the first quarter of 2019 was $8.4 million. Compared to the first quarter of 2019, Consolidated Adjusted EBITDA improved due to better performance in our Specialty Waxes business and increased margin above feedstock for our by-products. This was partially offset by higher natural gasoline feedstock costs which impacted prime products margins.

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 (Loss) 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 (Loss): We define Adjusted Net Income (Loss) as net income (loss) 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.

Table of Contents

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 (Loss).

	Three Months Ended June 30, 2019			
	Specialty Petrochemicals	Specialty Waxes	Corporate	Consolidated
	(in thousands)			
Net Income (Loss)	$ 4,666	$ (1,013)	$ (1,249)	$ 2,404
Interest	1,053	347	1	1,401
Taxes	1,209	—	(545)	664
Depreciation and amortization	172	24	12	208
Depreciation and amortization in cost of sales	2,753	1,375	—	4,128
EBITDA	9,853	733	(1,781)	8,805
Share-based compensation	—	—	345	345
Equity in losses of AMAK	—	—	91	91
Adjusted EBITDA	$ 9,853	$ 733	$ (1,345)	$ 9,241
Net Income (Loss)	$ 4,666	$ (1,013)	$ (1,249)	$ 2,404
Equity in losses of AMAK	—	—	91	91
Taxes at statutory rate	—	—	(19)	(19)
Tax effected equity in losses	—	—	72	72
Adjusted Net Income (Loss)	$ 4,666	$ (1,013)	$ (1,177)	$ 2,476

	Three Months Ended June 30, 2018			
	Specialty Petrochemicals	Specialty Waxes	Corporate	Consolidated
	(in thousands)			
Net Income	2,928	(506)	(207)	2,215
Interest	612	281	(78)	815
Taxes	930	—	(334)	596
Depreciation and amortization	161	22	8	191
Depreciation and amortization in cost of sales	1,494	1,343	—	2,837
EBITDA	6,125	1,140	(611)	6,654
Share-based compensation	—	—	(220)	(220)
Equity in earnings of AMAK	—	—	(228)	(228)
Adjusted EBITDA	6,125	1,140	(1,059)	6,206
Net Income	2,928	(506)	(207)	2,215
Equity in earnings of AMAK	—	—	(228)	(228)
Taxes at statutory rate	—	—	48	48
Tax effected equity in earnings	—	—	(180)	(180)
Adjusted Net Income (Loss)	2,928	(506)	(387)	2,035

	Six Months Ended June 30, 2019			
	Specialty Petrochemicals	Specialty Waxes	Corporate	Consolidated
	(in thousands)			
Net Income (Loss)	10,808	(3,552)	(3,101)	4,155
Interest	2,248	651	1	2,900
Taxes	2,203	—	(1,061)	1,142
Depreciation and amortization	341	48	32	421
Depreciation and amortization in cost of sales	5,658	2,699	—	8,357
EBITDA	21,258	(154)	(4,129)	16,975
Share-based compensation	—	—	558	558
Equity in losses of AMAK	—	—	150	150
Adjusted EBITDA	21,258	(154)	(3,421)	17,683
Net Income	10,808	(3,552)	(3,101)	4,155
Equity in losses of AMAK	—	—	150	150
Taxes at statutory rate	—	—	(32)	(32)
Tax effected equity in losses	—	—	118	118
Adjusted Net Income (Loss)	10,808	(3,552)	(2,983)	4,273

	Six Months Ended June 30, 2018			
	Specialty Petrochemicals	Specialty Waxes	Corporate	Consolidated
	(in thousands)			
Net Income (Loss)	7,898	(1,687)	(1,644)	4,567
Interest	1,233	537	(77)	1,693
Taxes	2,015	—	(829)	1,186
Depreciation and amortization	327	44	16	387
Depreciation and amortization in cost of sales	3,042	2,625	—	5,667
EBITDA	14,515	1,519	(2,534)	13,500
Share-based compensation	—	—	372	372
Equity in earnings of AMAK	—	—	(458)	(458)
Adjusted EBITDA	14,515	1,519	(2,620)	13,414
Net Income (Loss)	7,898	(1,687)	(1,644)	4,567
Equity in earnings of AMAK	—	—	(458)	(458)
Taxes at statutory rate	—	—	96	96
Tax effected equity in earnings	—	—	(362)	(362)
Adjusted Net Income (Loss)	7,898	(1,687)	(2,006)	4,205

Liquidity and Capital Resources

Working Capital

Our approximate working capital days are summarized as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Days sales outstanding in accounts receivable	41.1	34.4	34.3
Days sales outstanding in inventory	20.6	21.0	22.0
Days sales outstanding in accounts payable	15.0	24.2	15.4
Days of working capital	46.6	31.1	40.8

Our days sales outstanding in accounts receivable atJune 30, 2019 was 41.1 days compared to 34.4 days at December 31, 2018, driven by higher Specialty Petrochemicals sales volumes toward the end of the quarter. Our days sales outstanding in inventory decreased by approximately 0.4 days from December 31, 2018. 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 decreased $2.4 million during the six months ended June 30, 2019, as compared to anincrease of $0.4 million for the six months ended June 30, 2018.

The change in cash is summarized as follows:

	Six Months Ended June 30, 2019	2018
Net cash provided by (used in)	*(thousands of dollars)*	
Operating activities	$ 5,848	$ 9,798
Investing activities	(3,842)	(15,517)
Financing activities	(4,416)	6,078
(Decrease) Increase in cash	$ (2,410)	$ 359
Cash	$ 4,325	$ 3,387

Operating Activities

Cash provided by operating activities totaled $5.8 million for the first six months of 2019, $4.0 million lower than the corresponding period in2018. For the first six months of 2019 net income decreased by approximately $0.4 million as compared to the corresponding period in2018. Major non-cash items affecting 2019 income in the first six months of 2019 included increases in deferred taxes of $0.9 million, depreciation and amortization of $8.8 million and stock-based compensation of $0.6 million. Major non-cash items affecting 2018 income in the first three months of 2018 included increases in deferred taxes of$1.1 million, depreciation of $4.9 million, and equity in earnings of AMAK of approximately $0.5 million.

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

- Depreciation and amortization was $7.9 million in the first six months of 2019, $2.9 million higher than the $4.9 million in the corresponding period of 2018. This was due to the completion of major capital projects.

- Trade receivables increased approximately $3.4 million. This was due to an increase in revenues in the second quarter 2019 of$4.2 million, or nearly 6.5%, as compared with the first quarter 2019. Revenues in the second quarter 2018 declined $3.1 million from the first quarter 2018.

- In the second quarter 2019, we did not have a change in taxes receivable. In the second quarter 2018, we collected outstanding taxes receivable of$4.3 million related to prior periods and R&D credits.

- Accounts payable and accrued liabilities decreased$6.8 million primarily 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 six months of 2019 was approximately $3.8 million, representing a decrease of approximately $11.7 million from the corresponding period of 2018. During the first six months of 2019, the primary use of capital expenditures was for the 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 paid directly by AMAK. As such, net cash received from AMAK was $0.4 million. During the first six months of 2018, we had capital expenditures related to the hydrogenation/distillation unit and the Advanced Reformer unit along with various other facility improvements.

Financing Activities

Cash used in financing activities during the first six months of 2019 was approximately $4.4 million versus cash provided by financing activities of $6.1 million during the corresponding period of 2018. During 2019, we made principal payments on our outstanding credit facilities of $6.2 million. We drew $2.0 million on our line of credit for working capital purposes during the first six 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 $6.0 million. We drew $16.0 million on our line of credit in the first six months of 2018 to fund ongoing capital projects.

Subsequent to June 30, 2019, we made an optional principal payment of $4.0 million against the Revolving Facility, reducing the outstanding amount from $16.0 million to $12.0 million.

Anticipated Cash Needs

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

Results of Operations

Comparison of Three Months Ended June 30, 2019 and 2018

Specialty Petrochemicals Segment

	Three Months Ended June 30,			
	2019	2018	Change	% Change
		(thousands of dollars)		
Specialty Petrochemicals Product Sales	$ 58,584	$ 56,135	$ 2,449	4.4 %
Processing	1,527	1,685	(158)	(9.4)%
Gross Revenue	$ 60,111	$ 57,820	$ 2,291	4.0 %
Volume of Sales (gallons)				
Specialty Petrochemicals Products	21,447	19,733	1,714	8.7 %
Prime Product Sales	17,732	16,092	1,640	10.2 %
Cost of Sales	$ 50,049	$ 50,738	(689)	(1.4)%
Gross Margin	16.7%	12.2%		4.5 %
Total Operating Expense*	18,455	17,081	1,374	8.0 %
Natural Gas Expense*	1,253	1,328	(75)	(5.6)%
Operating Labor Costs*	3,596	4,755	(1,159)	(24.4)%
Transportation Costs*	7,360	7,082	278	3.9 %
General & Administrative Expense	2,816	2,480	336	13.5 %
Depreciation and Amortization**	2,925	1,655	1,270	76.7 %
Capital Expenditures	1,461	3,529	(2,068)	(58.6)%

* Included in cost of sales

**Includes $2,753 and $1,494 for 2019 and 2018, respectively, which is included in operating expense

Gross Revenue

Gross Revenue for our Specialty Petrochemicals segment increased during thesecond quarter 2019 from the second quarter 2018 by 4.0%, primarily due to an 8.7% increase in sales volume; this was partially offset by a 4% decline in average selling price due mainly to lower feedstock costs.

Specialty Petrochemicals Product Sales

Specialty Petrochemicals product sales increased approximately4.4% during the second quarter 2019 from the second quarter 2018 due mainly to growth in prime products sales volume to the Canadian oil sands. This was partially offset by lower average selling price for prime products which was primarily driven by lower feedstock costs. Prime product sales volume grew approximately 10.2% compared to the second quarter of 2018 and were flat from the first quarter of 2019. It is not clear that the increase in sales volume to the Canadian oil sands will continue for the remainder of 2019 due to the uncertainty around government mandated crude production curtailments in Canada and the crude oil pricing environment. By-product sales volumes were flat from the second quarter 2018 and declined about 23% from the first quarter of 2019. The decline in by products sales from the first quarter of 2019 was due to change in the feed mix to the Advanced Reformer unit which produces by-products. This change in the feed mix was done to maximize prime product production. 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 24.7% of total Specialty Petrochemicals volume from21.5% in the second quarter 2018.

Processing

Processing revenues decreased 9.4% in the second quarter 2019 from the second quarter 2018 due to the termination of a customer contract in the fourth quarter 2018.

Cost of Sales

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 is highly correlated with the price of crude oil. Our Advanced Reformer unit upgrades the by-product stream produced as a result of prime product production. This upgrade allows us to sell our by-products at higher prices than would be possible without the Advanced Reformer unit.

Cost of Sales declined 1.4% during the second quarter 2019 from the second quarter in 2018. The decline of $0.7 million in cost of sales was due to lower feedstock and operating labor costs, partially offset by higher depreciation and amortization and other expenses. Natural gasoline feedstock pricing historically has been volatile. Our average delivered feedstock cost per gallon declined 20% compared to the second quarter of 2018 due to an approximately 22% drop in the benchmark price of Mont Belvieu natural gasoline. Our average feedstock cost for the second quarter 2019 was down approximately 4% from the first quarter of 2019. During the course of the second quarter of 2019, feedstock costs have steadily declined 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. As a result, in a declining feedstock market our margins are negatively impacted.

The gross margin percentage for the Specialty Petrochemicals Segment increased from12.2% in the second quarter of 2018 to 16.7% in the second quarter of 2019 driven by lower cost of sales and improved margins over feed for by-products due to the operation of the Advanced Reformer unit.

Total Operating Expense

Total Operating Expense increased $1.4 million, or 8.0%, during the second quarter 2019 from 2018. The key drivers for the increase were higher depreciation and amortization related to the Advanced Reformer unit, which was not operational in the second quarter 2018, and higher outside contract labor costs related to maintenance turnarounds that were completed in the second quarter of 2019. This was partly offset by $1.1 million in lower operating labor costs, mainly resulting from the cost reduction program implemented at SHR in December 2018.

Capital Expenditures

Capital expenditures in the second quarter 2019 were approximately $1.5 million compared to $3.5 million in the second quarter 2018. This was primarily due to the completion of the Advanced Reformer unit in 2018. Capital expenditures in the second quarter 2018 included capital expenditures to complete the construction of the Advanced Reformer unit.

Specialty Waxes Segment

	Three Months Ended June 30,			
	2019	2018	Change	% Change
	(thousands of dollars)			
Product Sales	$ 6,745	$ 7,434	$ (689)	(9.3)%
Processing	2,515	2,852	(337)	(11.8)%
Gross Revenue	$ 9,260	$ 10,286	$ (1,026)	(10.0)%
Volume of specialty wax sales (thousand pounds)	9,955	10,544	(589)	(5.6)%
Cost of Sales	$ 8,757	$ 9,225	$ (468)	(5.1)%
Gross Margin	5.4%	10.3%		(4.9)%
General & Administrative Expense	1,083	1,239	(156)	(12.6)%
Depreciation and Amortization*	1,399	1,365	34	2.5 %
Capital Expenditures	$ 426	$ 877	$ (451)	(51.4)%

*Includes $1,375 and $1,343 for 2019 and 2018, respectively, which is included in cost of sales

Product Sales

Product sales revenue decreased 9.3% during the second quarter 2019 from the second quarter 2018 as specialty wax sales volume declined 5.6%. Wax sales were constrained by production in the second quarter of 2019 due to disruptions of wax feed supply from our suppliers. Our wax feed is based on certain by-products produced as a result of polyethylene production at major polyethylene producers' facilities on the US Gulf Coast. In addition, in the second quarter of 2018 we had one-time sales of off-spec material of approximately 350,000 pounds. Customer demand continues to be strong for our higher value specialty waxes including our products used in the Hot Melt Adhesives ("HMA") and PVC Lubricant markets. These products are characterized by generally higher margins and growth rates.

Processing

Processing revenues declined 11.8% during the second quarter 2019 from the second quarter 2018. The decrease, among other factors, is due to minimal processing revenues from the hydrogenation/distillation unit. The unit was down for a significant part of this quarter as we worked on improving the unit's ability to operate effectively and reliably. Excluding the impact of the hydrogenation/distillation unit custom processing, revenues in the second quarter of 2019 were about flat from the same quarter of 2018.

Cost of Sales

Cost of Sales were relatively flat in thesecond quarter 2019 from the second quarter 2018.

Depreciation

Depreciation increased $0.3 million or 2.5% during the second quarter 2019 from 2018.

Capital Expenditures

Capital Expenditures were approximately $0.4 million in the second quarter 2019 compared with $0.9 million in the second quarter of 2018.

Corporate Segment

	Three Months Ended June 30,			
	2019	2018	Change	% Change
	(thousands of dollars)			
General & Administrative Expense	$ 2,182	$ 834	$ 1,348	161.6 %
Equity in (losses) earnings of AMAK	(91)	228	(319)	(139.9)%

General and Administrative Expenses

General corporate expenses increased during the second quarter 2019 from the second quarter 2018. The increase is primarily attributable to the second quarter 2018 cancellation and reversal of stock compensation expense and other post-retirement benefits totaling approximately $1.5 million previously awarded to Mr. Hatem El Khalidi.

Equity in Earnings (Losses) of AMAK

Equity in earnings (losses) of AMAK decreased during the second quarter 2019 from the second quarter 2018. The equity in earnings (losses) were impacted by increased cost of sales and Zakat and income taxes.

AMAK Summarized Income Statement

	Three Months Ended June 30,	
	2019	2018
	(thousands of dollars)	
Sales	$ 20,566	$ 19,494
Cost of sales	18,162	16,555
Gross profit	2,404	2,939
Selling, general, and administrative	2,807	2,892
Operating (loss) income	(403)	47
Other (expense) income	(75)	15
Finance and interest expense	(448)	(388)
Loss before Zakat and income taxes	(926)	(326)
Zakat and income taxes	366	—
Net Loss	$ (1,292)	$ (326)
Finance and interest expense	448	388
Depreciation and amortization	7,746	8,281
Zakat and income taxes	366	—
EBITDA	$ 7,268	$ 8,343

AMAK continued to make progress in throughput rates, concentrate quality and recoveries. Approximately 17,000 dry metric tons (dmt) of copper and zinc concentrate were shipped in the second quarter 2019 as compared to 14,000 dmt of copper and zinc concentrate in the second quarter 2018. Second quarter EBITDA declined approximately $1.1 million compared to the second quarter 2018 primarily due to increased cost of sales resulting from a change in inventory valuation methodology and one-time non-recurring expenses.

Comparison of Six Months Ended June 30, 2019 and 2018

Specialty Petrochemicals Segment

	Six Months Ended June 30,			
	2019	2018	Change	% Change
	(thousands of dollars)			
Specialty Petrochemicals Product Sales	114,074	116,420	$ (2,346)	(2.0)%
Processing	2,910	3,713	(803)	(21.6)%
Gross Revenue	$ 116,984	$ 120,133	$ (3,149)	(2.6)%
Volume of Sales (gallons)				
Specialty Petrochemicals Products	43,915	43,022	893	2.1 %
Prime Product Sales	35,370	33,742	1,628	4.8 %
Cost of Sales	95,915	103,387	(7,472)	(7.2)%
Gross Margin	18.0%	13.9%		4.1 %
Total Operating Expense*	36,735	32,924	3,811	11.6 %
Natural Gas Expense*	2,636	2,576	60	2.3 %
Operating Labor Costs*	7,299	8,514	(1,215)	(14.3)%

Transportation Costs*	14,408	14,402	6	— %
General & Administrative Expense	5,291	5,300	(9)	(0.2)%
Depreciation and Amortization**	5,999	3,369	2,630	78.1 %
Capital Expenditures	2,839	13,812	(10,973)	(79.4)%

* Included in cost of sales
**Includes $5,658 and $3,042 for 2019 and 2018, respectively, which is included in operating expense

Gross Revenue

Gross Revenue for our Specialty Petrochemicals segment decreased during the first half of 2019 from the first half of 2018 by 2.6% primarily due to a decrease in the average selling price of Specialty Petrochemicals products of 4.0% and lower processing revenue of $0.8 million. These two factors were partially offset by a 2.1% increase in Specialty Petrochemicals sales volume.

Specialty Petrochemicals Product Sales

Revenues from Specialty Petrochemicals product sales decreased 2.0% during the first half of 2019 from the first half of 2018. This was primarily due to a 4.0% decrease in average selling price as a result of lower feedstock pricing, which was partially offset by a 2.1% increase in sales volumes. Prime product sales volumes were up 4.8%, or approximately 1.6 million gallons, in the first half of 2019 due to continued solid demand in the polyethylene and polyurethane markets. Sales volumes to the Canadian oil sands market were up 51% as compared to the first half of 2018. It is not clear that the increase in sales volume to the Canadian oil sands will continue for the remainder of 2019 due to the uncertainty around government mandated crude production curtailments in Canada and the crude oil pricing environment. Average selling prices decreased as prices for both prime products and by-products declined in concert with lower feedstock costs. Average feedstock costs in the first half of 2019 were approximately 20% less than the first half of 2018. Although by-product prices were somewhat lower in the first of 2019 compared to first half of 2018, by-product margins were significantly higher. This was the result of steady and reliable operation of the Advanced Reformer unit which upgrades the by-product stream to higher value chemical products that are sold at higher prices than would be possible without the Advanced Reformer unit. 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 24.9% of total Specialty Petrochemicals volume from 23.0% in the first half of 2018.

Processing

Processing revenues decreased $0.8 million or 21.6% in the first half of 2019 from the first half of 2018 due to the termination of a customer contract in the fourth quarter 2018.

Cost of Sales

Cost of Sales declined 7.2% during the first half of 2019 from the first half of 2018 primarily due to the decrease in feedstock cost. Our average feedstock cost per gallon declined approximately 20% compared to the first half of 2018 due to an approximately 20% drop in the benchmark price of Mont Belvieu natural gasoline. 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.

The gross margin percentage for the Specialty Petrochemicals Segment increased froml3.9% in the first half of 2018 to 18.0% in the first half of 2019 driven by lower feedstock costs resulting in better product margins, significantly higher by-product margins primarily due to more reliable operation of the Advanced Reformer unit and lower labor costs as a result of the cost reduction program implemented at SHR in December 2018.

Total Operating Expense

Total Operating Expense increased 11.6% during the first half of 2019 from 2018. A 14.3%, or $1.2 million, reduction in operating labor costs was more than offset by $2.6 million increase in depreciation and amortization related to the Advanced Reformer unit which was not operational in the first half of 2018.

Capital Expenditures

Capital Expenditures in the first half of 2019 were approximately $2.8 million compared to $13.8 million in the first half of 2018. The bulk of 2019 capital expenditures were related to modifications and improvements to the Advanced Reformer unit and pipeline maintenance work as compared to the 2018 Advanced Reformer capital project in the first half of 2018.

Specialty Waxes Segment

	Six Months Ended June 30,			
	2019	2018	Change	% Change
		(thousands of dollars)		
Product Sales	$ 12,748	$ 13,817	$ (1,069)	(7.7)%
Processing	4,794	6,064	(1,270)	(20.9)%
Gross Revenue	$ 17,542	$ 19,881	$ (2,339)	(11.8)%
Volume of specialty wax sales (thousand pounds)	17,837	20,085	(2,248)	(11.2)%
Cost of Sales	$ 17,973	$ 18,344	$ (371)	(2.0)%
Gross Margin	(2.5)%	7.7%		(10.2)%
General & Administrative Expense	2,352	2,607	(255)	(9.8)%
Depreciation and Amortization*	2,747	2,669	78	2.9 %
Capital Expenditures	$ 935	$ 1,622	$ (687)	(42.4)%

*Includes $2,699 and $2,625 for 2019 and 2018, respectively, which is included in cost of sales

Product Sales

Product sales revenue decreased 7.7% during the first half of 2019 from the first half of 2018 as specialty wax sales volume declined 11.2%. Planned maintenance turnaround at our Pasadena facility in the first quarter of 2019, along with outages at multiple wax feed suppliers, constrained specialty wax production and thereby sales. In addition, the second quarter of 2018 benefited from one-time sales of off-spec material. Our average Specialty Waxes selling price increased 3% from the first half of 2018, reflecting our marketing strategy to enhance pricing. Customer demand continues to be strong for our higher value specialty waxes including our products for the Hot Melt Adhesives and PVC Lubricant markets. These products are characterized by generally higher margins and growth rates. We successfully used the hydrogenation/distillation unit to upgrade certain wax products. We believe this will help to drive growth in targeted higher-value markets.

Table of Contents

Processing

Processing revenues declined approximately $1.3 million during the first half of 2019 from the first half of 2018. The decrease was partially due to lower revenues from the hydrogenation/distillation unit as we work to improve the unit's reliability. Additionally, we saw reduced demand from some custom processing customers.

Cost of Sales

Cost of Sales decreased 2.0% during the first half of 2019 from the first half of 2018. Operating expenses including costs for labor, maintenance, and utilities declined 3% from the first half of 2018 as the facility focused on reducing expenses as it works to improve plant reliability and efficiency.

Depreciation

Depreciation increased 2.9% during the first half of 2019 from the first half of 2018.

Capital Expenditures

Capital Expenditures were approximately $0.9 million in the first half of 2019 compared with $1.6 million in the first half of 2018.

Corporate Segment

	Six Months Ended June 30,			
	2019	2018	Change	% Change
	(thousands of dollars)			
General & Administrative Expense	$ 4,487	$ 2,982	$ 1,505	50.5 %
Equity in (losses) earnings of AMAK	(150)	458	(608)	(132.8)%

General and Administrative Expenses

General corporate expenses increased during the first half of 2019 from the first half of 2018. The increase is primarily attributable to the second quarter 2018 cancellation and reversal of stock compensation expense and other post-retirement benefits totaling approximately $1.5 million previously awarded to Mr. Hatem El Khalidi.

Equity in Earnings (Losses) of AMAK

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

AMAK Summarized Income Statement

	Six Months Ended June 30, 2019	
	2019	2018
	(thousands of dollars)	
Sales	$ 41,230	$ 33,581
Cost of sales	36,732	29,061
Gross profit	4,498	4,520
Selling, general, and administrative	5,545	4,415
Operating income (loss)	(1,047)	105
Other income	353	34
Finance and interest expense	(893)	(785)
Loss before Zakat and income taxes	(1,587)	(646)
Zakat and income taxes	888	—
Net Loss	$ (2,475)	$ (646)
Finance and interest expense	893	785
Depreciation and amortization	15,070	15,982
Zakat and income taxes	888	—
EBITDA	$ 14,376	$ 16,121

AMAK continued to make progress in throughput rates, concentrate quality and recoveries. Approximately 31,000 dry metric tons (dmt) of copper and zinc concentrate were shipped in the first half of 2019 as compared to 27,000 dmt of copper and zinc concentrate in the first half of 2018. EBITDA shows a decline of approximately $1.7 million compared to the first half of 2018 primarily due to increased cost of sales resulting from a change in inventory valuation methodology and one-time non-recurring 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 six months ended June 30, 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.

Off Balance Sheet Arrangements

Off balance sheet arrangements as defined by the SEC means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the registrant is a party, under which the registrant has (i) obligations under certain guarantees or contracts, (ii) retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangements, (iii) obligations under certain derivative arrangements, and (iv) obligations arising out of a material variable interest in an unconsolidated entity. Our guarantee for AMAK's debt is considered an off balance sheet arrangement. Please see further discussion under "Investment in AMAK" in Note 16 to the Condensed Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

For quantitative and qualitative disclosure about market risk, see Part II, Item 7A, Quantitative and Qualitative Disclosures about Market Risk in our Annual Report on Form 10–K for the year ended December 31, 2018. There have been no material changes in the Company's exposure to market risk from the disclosure included in such report.

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 six months ended June 30, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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

ITEM 1A. RISK FACTORS.

Readers of this Quarterly Report on Form 10–Q should carefully consider the risks described in the Company's other reports and filings filed with or furnished to the SEC, including the Company's prior and subsequent reports on Forms 10–K, 10–Q and 8–K, in connection with any evaluation of the Company's financial position, results of operations and cash flows.

The risks and uncertainties in the Company's most recent Annual Report on Form 10–K are not the only risks that the Company faces. Additional risks and uncertainties not presently known or those that are currently deemed immaterial may also affect the Company's operations. Any of the risks, uncertainties, events or circumstances described therein could cause the Company's future financial condition, results of operations or cash flows to be adversely affected. 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.

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

Unregistered Sales of Equity Securities

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.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased[1]	(b) Average Price Paid Per Share (or Unit)[1]	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1, 2019 - April 30, 2019	—	$ —	—	—
May 1, 2019 - May 31, 2019	—	—	—	—
June 1, 2019 - June 30, 2019	2,107	9.81	—	—
Total	2,107	$ 9.81	—	—

[1] Represents shares of our common stock withheld for satisfaction of tax liabilities of a holder of restricted shares. The value of such shares was calculated based on the closing price of our common stock on the New York Stock Exchange on the date when the withholding was made.

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*+	Letter Agreement, dated as of May 15, 2019, between Trecora Resources and Sami Ahmad
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Schema Document
101.CAL*	XBRL Taxonomy Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

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: August 8, 2019

By: /s/ Sami Ahmad

Sami Ahmad

Principal Financial Officer and Duly Authorized Officer

Table of Contents

May 15, 2019

Via Mail and Electronic Mail
Mr. Sami Ahmad
5104 Caroline St. #601
Houston, TX 77004

Re: Corporate Change Benefits

Dear Sami,

In light of your exemplary service to Trecora Resources and its affiliates (the "Company"), the Company is pleased to extend certain severance benefits to you upon a termination in connection with a Corporate Change, as that term is currently defined in the Trecora Resources Stock and Incentive Plan (the "Incentive Plan").

If your employment with the Company is terminated by the Company without Cause (as defined below) or by you for Good Reason (as defined below), in each case in connection with or within 18 months following the consummation of a Corporate Change, the Company will pay you severance in an aggregate amount equal to (i) 12 months of your then base salary, paid in one lump sum amount, plus (ii) your annual bonus attributable to the year in which you are severed, prorated to reflect the date on which you are severed, paid in one lump sum amount, and (iii) all of your equity grants under the Incentive Plan will immediately vest. The payment under this letter agreement shall be made on the next regularly scheduled payroll date following the 60th day after the date of any such termination of your employment.

For purposes of this letter agreement:

(1) "Cause" shall mean: (i) the commission by you of, or pleading guilty or nolo contendere to, a felony or a crime involving moral turpitude, (ii) your willful and continued failure to perform substantially his duties and responsibilities with respect to the Company and its affiliates or to follow the lawful directions or instructions of the Company's Board, (iii) your material breach of any fiduciary duty owed to the Company or any of its affiliates, (iv) your theft, fraud, embezzlement, or dishonesty (including intentional material misrepresentations or concealments in written reports submitted to the Company or the Board) with regard to the Company or any of its affiliates, or in connection with your duties or responsibilities with respect thereto, (v) your intentional material violation of the Company's code of conduct, code of ethics or similar written policies, including but not limited to those relating to sexual harassment, (vi) your willful misconduct unrelated to the Company or any of its affiliates having, or likely to have, a material negative impact on the Company or any of its affiliates (economically or to its reputation), (vii) any intentional, material breach or violation by you of any provisions of this Agreement or any other agreement between you and the Company or any of its affiliates or (viii) the unlawful use (including being under the influence) or possession of illegal drugs by you on the premises of the Company or any of its affiliates or while performing any services, duties or responsibilities for, owed to, or one behalf of the Company or any of its affiliates. To the extent any of the foregoing items (ii), (v) (excluding a material violation of any sexual misconduct policy), (vi) or (vii) are capable of being cured, Cause shall not be deemed to have occurred with respect thereto until (a) the Company has given you written notice, setting forth the issue(s) that is alleged to constitute Cause, (b) the Company has provided you at least 20 days following the date on which such notice is provided to cure such conduct, and (c) you have failed to so cure; and

(2) "Good Reason" means (a) a material diminution of your base compensation, (b) a material diminution without your prior written consent in your authority, duties, responsibilities, or reporting line to the Company's Board, or (c) relocation of the work place of the Company to a location more than 100 miles from current location of the Company's headquarters or facilities. An event described in this definition of will not constitute Good Reason unless you provide written notice to the Company of his intention to resign for Good Reason and specifying in reasonable detail the breach or action giving rise thereto within 90 days of its initial existence and the Company does not cure such breach or action within 30 days after the date of your notice. In no instance will a resignation by you be deemed to be for Good Reason if it is made more than six months following the initial occurrence of any of the events that otherwise would constitute Good Reason hereunder.

Each installment of your severance payment will be treated as a separate payment for purposes of Internal Revenue Code Section 409A, to the extent applicable.

Thank you for your continued service to the Company.

Best regards,

/s/ Patrick D. Quarles

Patrick D. Quarles
President and Chief Executive Officer

Acknowledged and agreed, as of May 15, 2019

/s/ Sami Ahmad

Sami Ahmad
Chief Financial Officer
Trecora Resources

EXHIBIT 31.1

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: August 8, 2019

/s/ Patrick Quarles

Patrick Quarles

President and Chief Executive Officer

EXHIBIT 31.2

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

I, Sami Ahmad, certify that:

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

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

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

4. The registrant's other certifying 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: August 8, 2019 /s/ Sami Ahmad

Sami Ahmad

Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report of Trecora Resources (the "Company") on Form 10-Q for the period ended June 30, 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 my knowledge:

(1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934, as amended; 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

August 8, 2019

EXHIBIT 32.2

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

In connection with the Quarterly Report of Trecora Resources (the "Company") on Form 10-Q for the period ended June 30, 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 my knowledge:

(1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934, as amended; 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

August 8, 2019