



*Your Specialty Chemical Partner*

***B. Riley & Co. 18th Annual Investor Conference  
May 25, 2017***



# Safe Harbor

Statements in this presentation that are not historical facts are forward looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward looking statements are based upon Management's belief, as well as, assumptions made by and information currently available to Management. Because such statements are based upon expectations as to future economic performance and are not statements of fact, actual results may differ from those projected. These risks, as well as others, are discussed in greater detail in Trecora Resources' filings with the Securities and Exchange Commission, including Trecora Resources' Annual Report on Form 10-K for the year ended December 31, 2016, and the Company's subsequent Quarterly Reports on Form 10-Q.

# Corporate Highlights

- Trecora Resources (NYSE: TREC) is a leading provider of high-purity light hydrocarbons and waxes



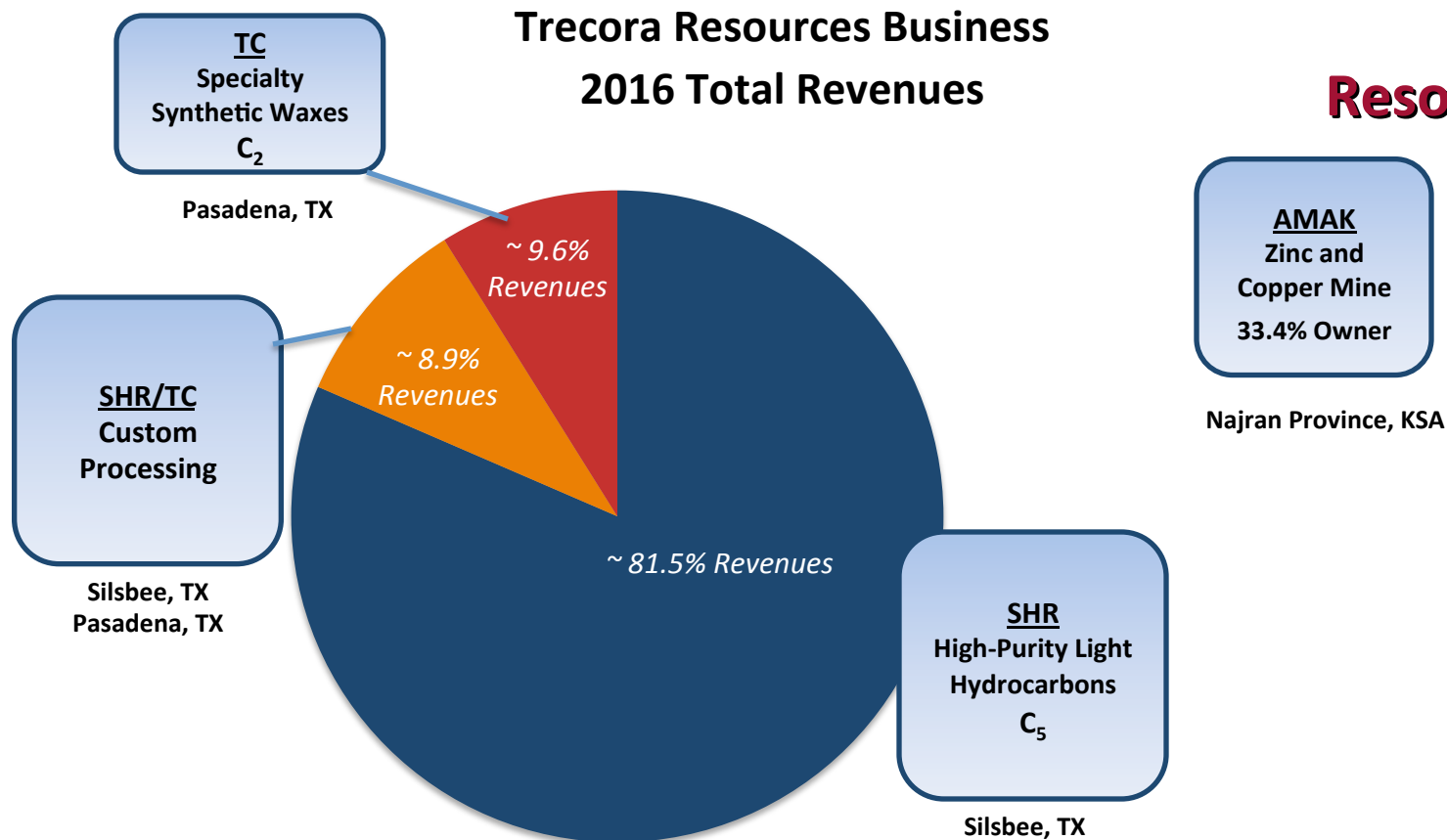
- Two core specialty chemical segments
  - **South Hampton Resources:** Leading manufacturer of high-purity pentanes
  - **Trecora Chemical:** Manufacturer of polyethylene wax and wax derivatives
  - Custom processing capabilities



- Transformative capital projects completed/underway to increase capacity and profitability
- Proven management team with an average of >25 years of industry experience
- Resurgence of US chemical industry provides new opportunities

# Business Overview

## Trecora Resources Business 2016 Total Revenues



## Resource Upside

- Potential IPO
- Significant operational improvements completed
- New gold mining license
- New exploration licenses
- **Not reflected in TREC valuation**

# South Hampton Resources

## Specialty Petrochemical Segment

- **Leading manufacturer of high-purity light hydrocarbons**
  - 2016 revenues: \$182.0 million
  - Blue-chip customer base
  - 208 full-time employees
  - 180 acres in Silsbee, TX
- **Market leader with approximately 60% market share and only 1 competitor in high-purity pentanes**
- **International sales represent 22.7% of revenues in 2016 (all priced in USD)**
- **Easy access to major transportation networks**



# SHR: Blue Chip Customers



# SHR: Products & Applications

	N-pentane	Isopentane	nC5/iC5 Blends	N-hexane	Isohexane
<b><u>Application</u></b>					
Condensing Agent	✓	✓			
Blowing/Expanding Agent	✓	✓	✓		
Catalyst Carrier		✓		✓	✓
Reactor Diluent				✓	✓
Crude Oil/Bitumen Upgrade		✓	✓		
<b><u>End Product</u></b>					
Polyethylene (PE)	✓	✓		✓	✓
Polypropylene (PP)		✓		✓	✓
Expandable Polystyrene (EPS)					
Packaging		✓			
Cup Grade	✓				
Block and Shape			✓		
Polyurethane Foams	✓		✓		
Synthetic Rubber				✓	✓
Canadian Tar Sands			✓		

**Other applications include:** Geothermal, Adhesives, Elastomers, Agricultural, ROSE Unit, and Specialty Fuels

# SHR: Growth Catalysts

## ➤ New polyethylene plants in North America

- Adding 8.0 million metric tons/year of manufacturing capacity by 2020
- 40% increase over current capacity
- Cost advantage driving polyethylene exports

## ➤ New market opportunities

- US chemical industry has announced over \$150 billion in investment over 10 years

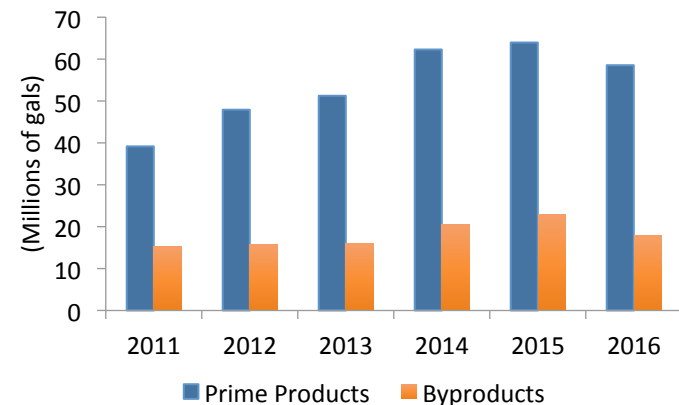
## ➤ Second Canadian oil sands customer expected to start-up in early 2018

## ➤ Global growth (including Asia)

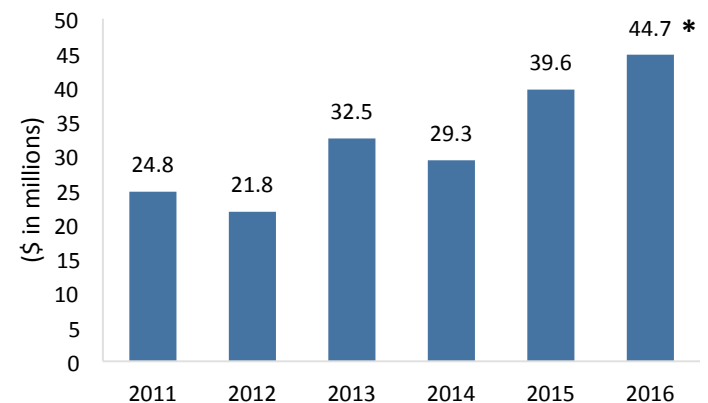
## ➤ Transformative capital projects

- Adds capacity, improves efficiency and increases capabilities

Total Product Sold



EBITDA



\*- Included a Bargain Purchase Gain of \$11.5 million



# SHR: D Train Benefits

- **Protects high pentane US market share**
- **Demonstrated 6,000 bpd of throughput**
- **Expect to sell 15 to 20 million additional gallons of C5's by 2021/2022**
  - Approximately 35% above 2016 levels
- **Three production trains provide significantly more flexibility and reliability**
  - Capacity allows for new product development
- **Working on four new products at SHR for the first time**
  - Initiated sales of the first product
  - Successful customer trial for second product



# SHR: Advanced Reformer Update

## ➤ Advanced Reformer

- Significantly higher value-added byproduct stream
- Converts ~30-40 million gal/year to higher margin aromatics
- Technology proven at SHR

## ➤ Financials

- \$52 million investment
- Completion expected in 4Q17 with increased production shortly thereafter
- Adds \$12-14M/year in annual EBITDA beginning in 2018 as prime product volumes ramp up



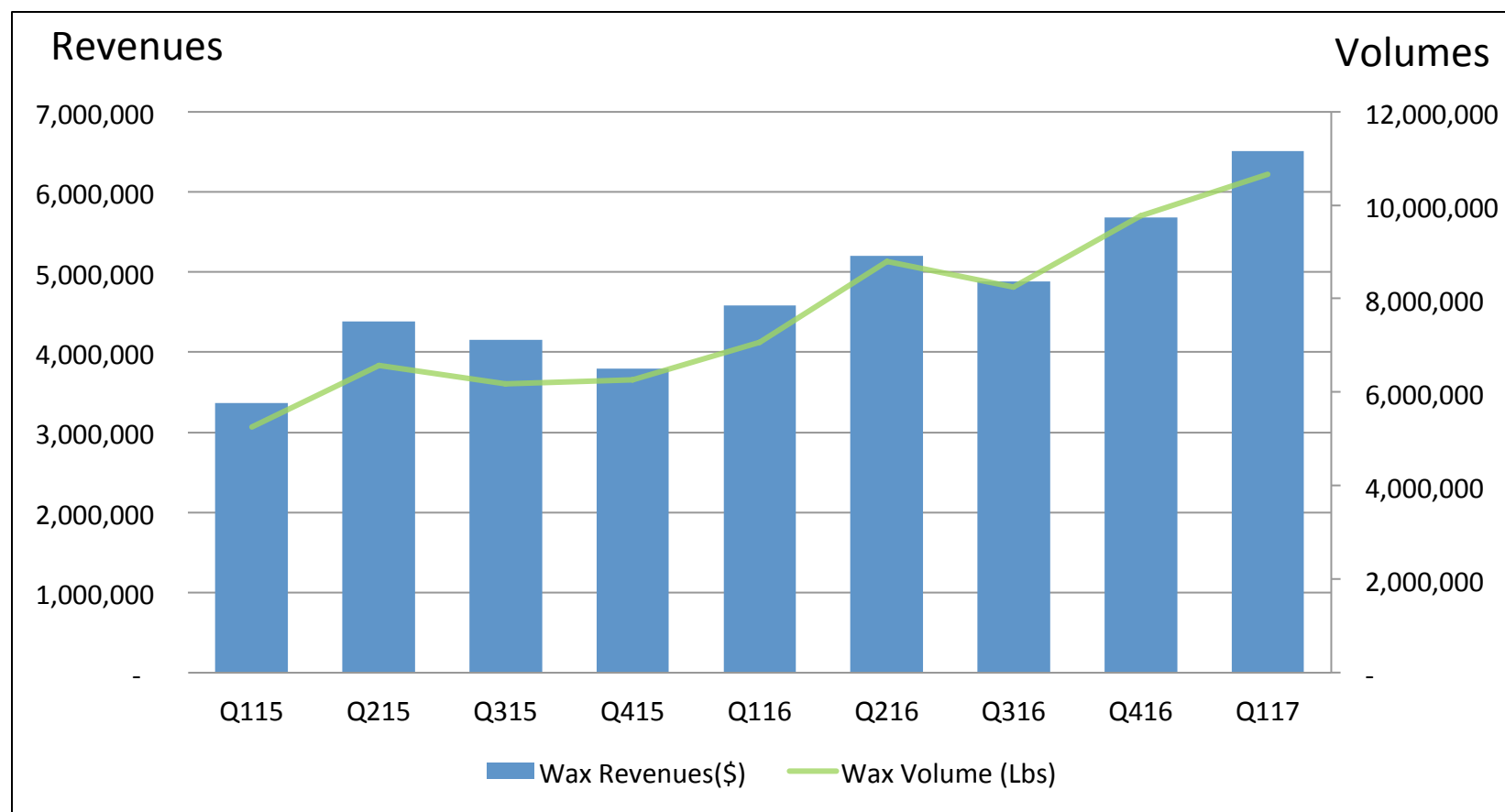
# Trecora Chemical

## Specialty Waxes Segment

- **Manufactures polyethylene wax and wax derivatives**
  - 2016 Revenues: \$30.4 million
  - 40 million annual capacity
  - 100 full-time employees
  - Located in Pasadena, TX
- **Wax Markets**
  - Hot Melt Adhesives & PVC Lubricants
  - Trials and small orders for our newest Fischer Tropsch substitute
  - Increasing demand from European distributor to higher value markets
- **Significant custom processing capabilities**
- **Strong feedstock supply network**



# TC: Wax Volumes and Revenues





# TC: B Plant Update

- **Purchased completed May 2016**
  - Generated revenues of \$1M in 1Q17
  - Expect \$4-\$6M/year in EBITDA in 2018
- **6.5 acres surrounded by existing facilities**
  - Shared waste water and electricity tie-ins
  - Transportation network in place
- **Adds to TC's high melt-point separation and forming capabilities**
  - 25 tanks – several with high pressure, which can be used as reactors
  - Various other equipment expands TC production capability



# TC: Hydrogenation/Distillation Project Update

## ➤ Hydrogenation/Distillation Unit

- Leverage existing relationships with petrochemical customers and drive new custom processing business
- Doubles potential custom processing revenue
- Distillation Unit is on-line and revenue generating
- Hydrogenation Unit expected to start up in 2Q17

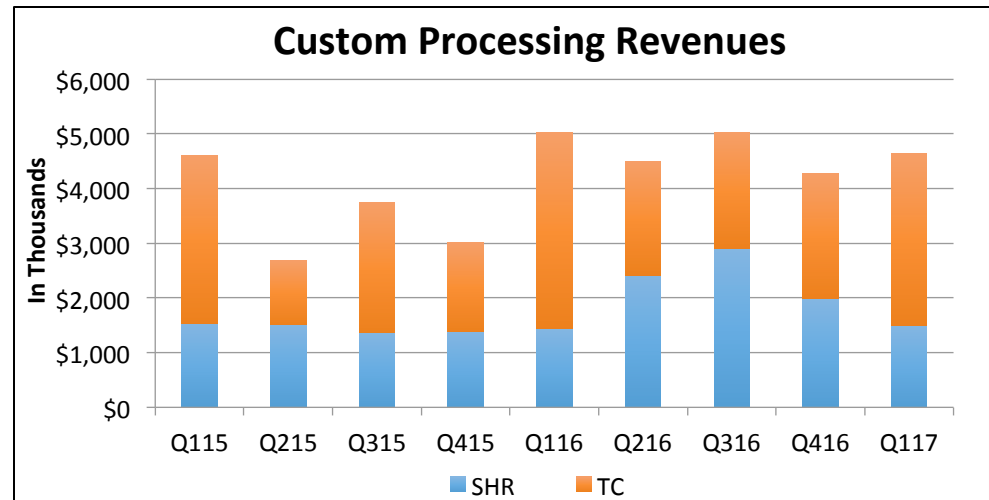
## ➤ Financials

- \$23 million investment
- Adds \$6-8M/year in EBITDA in '18
- 3-4 year payback

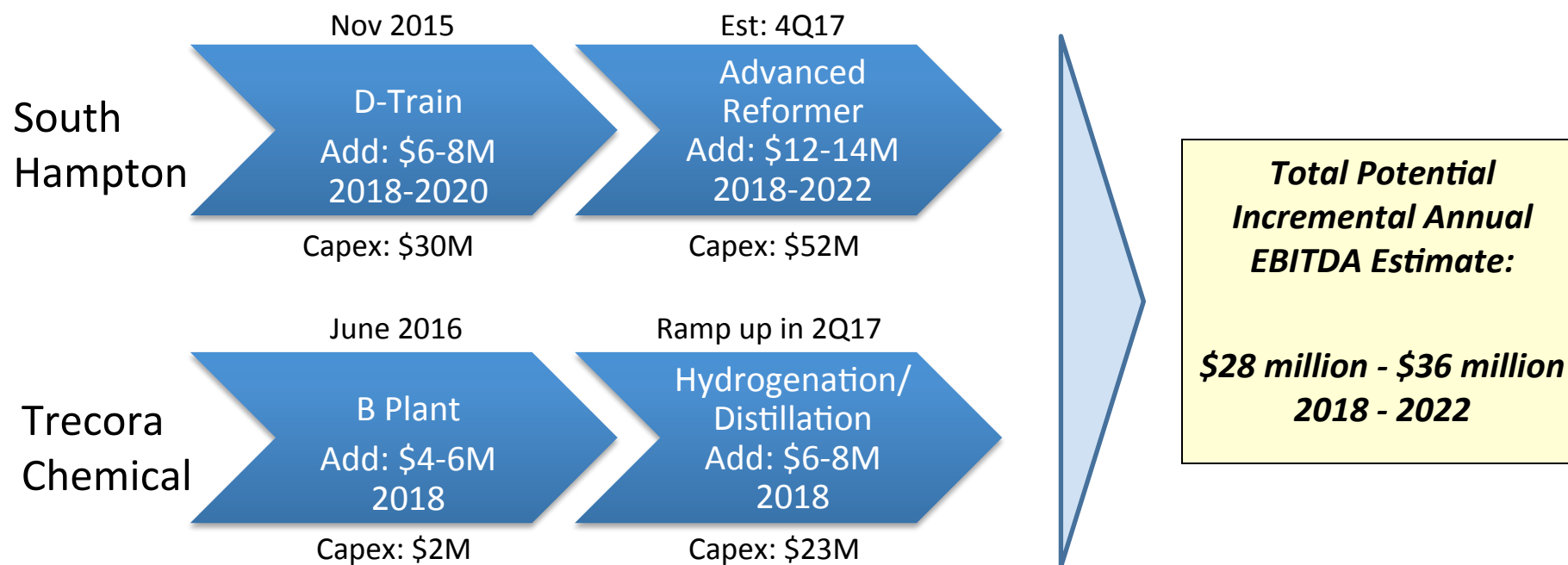


# Custom Processing Overview

- **Convert feedstock into value-added products based upon customer specifications**
  - Customers supply and maintain title to feedstock
- **Contractual take or pay basis with high operating margins**
  - Significant operating leverage above break-even
- **Adding process capabilities that are in short supply in the region**
- **Chemical manufacturers use outsourced production to develop new products, drive costs down, and reduce internal assets**
  - Anellotech innovative development to produce renewable chemicals from non-food biomass



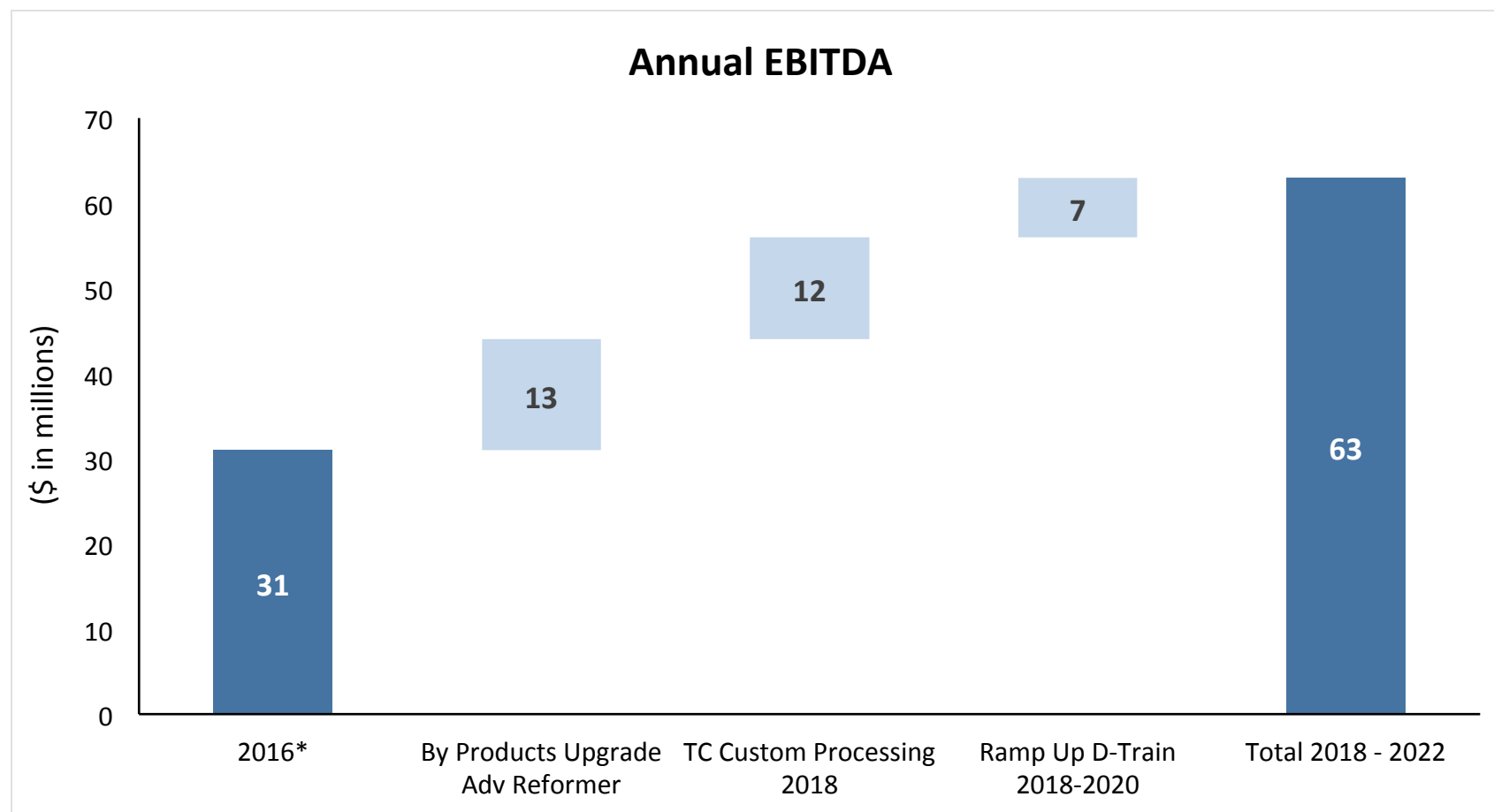
# Transformational Capital Projects



- Capital projects funded from operating cash flow and revolver borrowings
- Total liquidity of \$30M (3/31/17): \$4M of cash / \$26M of revolver availability



# Expected Capital Project Contributions



\*- Denotes Adjusted EBITDA for 2016

# AMAK Mine Updates

## ➤ Restarted copper and zinc mine in 4Q16

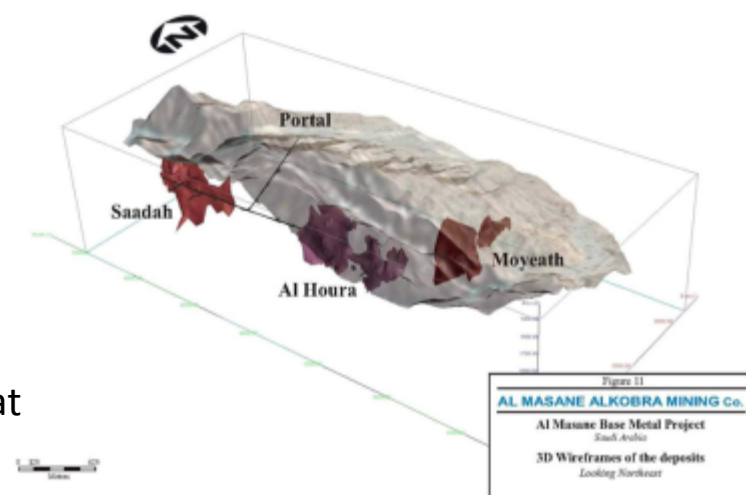
- Significant renovation work completed on-time
- Underground operations performing well – ore stockpile at 150k tons
- Throughput rates expected to increase through 2Q17
- Expect Life of Mine update (for copper and zinc) in 3Q17
- Underground drilling has commenced

## ➤ Guyan gold mine exploration underway

- Exploration results and mining options for initial work at Guyan expected in 2Q17
- Additional drilling expected to start in 3Q17 in Al Aqiq

## ➤ Four million total new shares issued in July 2016

- 3.75M shares purchased by Armico for \$5.33 per share
- Values TREC's 26.1 M shares at ~\$139 M (33.4% stake)



# Investment Summary

- **Strong specialty chemical company addressing expanding profitable market opportunities**
- **Investing in higher margin businesses**
- **Internationally competitive in high-growth developed and emerging markets**
  - Footprint in Canada, Middle East and Asia, and expanding into additional markets
- **Transformative capital projects will increase production capacity and improve profitability**
  - New capacity expected to add \$28 - \$36 million of incremental annual EBITDA 2018 - 2022
- **AMAK monetization opportunity in 2018**
  - Objective is financial exit (possibly through IPO)
- **Proven management team that has executed on its core strategy**



# Q&A

## Thank You

Please visit our websites:

[www.trecora.com](http://www.trecora.com)

[www.southhamptonnr.com](http://www.southhamptonnr.com)

[www.TrecChem.com](http://www.TrecChem.com)

[www.amak.com.sa](http://www.amak.com.sa)

# TREC Income Statement

(in thousands)

	<u>THREE MONTHS ENDED</u>	
	<u>March 31,</u>	
	<u>2017</u>	<u>2016</u>
	( <i>unaudited</i> )	( <i>unaudited</i> )
Revenue	\$ 55,542	\$ 52,200
COGS	44,924	40,429
COGS%	80.9%	77%
Gross Profit	10,618	11,771
GM%	19.1%	22.5%
G&A	6,221	5,449
Depreciation and amortization	205	177
Total operating expenses	6,426	5,626
Operating Income	4,192	6,145
Op Inc%	8%	12%
Interest expense	(636)	(628)
Equity in earnings/(losses) AMAK	(966)	5,367
Misc income (expense)	(42)	(13)
Income before income taxes	2,548	10,871
Income tax expense	1,061	3,647
Net Income	\$ 1,487	\$ 7,224

# TREC Adjusted EBITDA Calculation

(in thousands)

## THREE MONTHS ENDED

March 31,

2017

2016

(unaudited)

(unaudited)

### EBITDA Calculation

Net Income	\$	1,487	\$	7,224
Add: Depreciation and amortization		205		177
Depreciation/amortization in COGS		2,383		2,219
Interest expense		636		628
Taxes		1,061		3,647
EBITDA		5,772		13,895
Share based compensation		633		647
Equity in (earnings) losses in AMAK		966		(5,367)
Adjusted EBITDA	\$	7,371	\$	9,175
Revenue	\$	55,542	\$	52,200
Adjusted EBITDA Margin (adjusted EBITDA/revenue)		13.3%		17.6%

# TREC Balance Sheet as of March 31, 2017

(unaudited)

(in thousands)

Assets		Liabilities	
Cash & Equivalents	\$ 4,045	A/P	\$ 13,062
A/R	24,248	Derivative Instruments	34
Inventories	14,957	Accrued Liabilities	3,247
Taxes Receivable	4,143	CP-LTD	8,061
Other	3,481	Other	1,426
	<u>          </u>		<u>          </u>
Current Assets	\$ 50,874	Current Liabilities	\$ 25,830
PPE, net	151,606	LTD	76,092
Investment in AMAK	48,420	Deferred Income Taxes	24,261
Goodwill and Intangibles	44,002	Other	2,874
Other long-term assets	651	Owners' Equity	166,496
	<u>          </u>		<u>          </u>
Total Assets	<u>\$ 295,553</u>	Total Liabilities and OE	<u>\$ 295,553</u>
Cap table at 03/31/17			
Shares outstanding			24,253
Exercisable Options (WAEP \$8.15)			977
Total			<u>25,230</u>