Intrepid Potash, Inc.
Form 10-Q
August 04, 2011

Use these links to rapidly review the document
TABLE OF CONTENTS

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2011

Commission File Number: 001-34025

INTREPID POTASH, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**26-1501877**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

707 17th Street, Suite 4200
Denver, Colorado 80202
(303) 296-3006

(Address of Principal Executive Offices, Including Zip Code)
(Registrant's Telephone Number, Including Area Code)

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes ý No o

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

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of July 31, 2011, 75,202,086 shares of the registrant's common stock, par value of $0.001 per share, were outstanding.

Table of Contents

INTREPID POTASH, INC.
TABLE OF CONTENTS

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

INTREPID POTASH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share and per share amounts)

	June 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	$ 71,250	$ 76,133
Short-term investments	52,105	45,557
Accounts receivable:		
Trade, net	35,718	23,767
Other receivables	7,168	1,161
Refundable income taxes	10,662	6,543
Inventory, net	51,306	48,094
Prepaid expenses and other current assets	4,157	4,016
Current deferred tax asset	4,040	3,551
Total current assets	236,406	208,822
Property, plant, and equipment, net of accumulated depreciation of $81,982 and $66,615, respectively	326,109	285,920
Mineral properties and development costs, net of accumulated depletion of $9,211 and $8,431, respectively	33,598	34,372
Long-term parts inventory, net	8,504	7,121
Long-term investments	34,426	21,298
Other assets	3,817	5,311
Non-current deferred tax asset	235,534	266,040
Total Assets	$ 878,394	$ 828,884
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable:		
Trade	$ 14,151	$ 17,951
Related parties	181	126
Accrued liabilities	19,136	17,153
Accrued employee compensation and benefits	10,691	8,597
Other current liabilities	1,291	1,578
Total current liabilities	45,450	45,405

Asset retirement obligation		9,860		9,478
Deferred insurance proceeds				11,700
Other non-current liabilities		3,914		4,460
Total Liabilities		59,224		71,043
Commitments and Contingencies				
Common stock, $0.001 par value; 100,000,000 shares authorized; and 75,202,086 and 75,110,875 shares outstanding at June 30, 2011, and December 31, 2010, respectively		75		75
Additional paid-in capital		561,997		559,675
Accumulated other comprehensive loss		(682)		(702)
Retained earnings		257,780		198,793
Total Stockholders' Equity		819,170		757,841
Total Liabilities and Stockholders' Equity	$	878,394	$	828,884

See accompanying notes to these condensed consolidated financial statements.

Table of Contents

INTREPID POTASH, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except share and per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Sales	$ 119,373	$ 64,318	$ 224,351	$ 171,677
Less:				
Freight costs	6,727	5,573	14,718	15,339
Warehousing and handling costs	3,784	2,317	7,061	5,041
Cost of goods sold	53,719	41,416	105,710	108,670
Costs associated with abnormal production				470
Other	5	271	507	540
Gross Margin	55,138	14,741	96,355	41,617
Selling and administrative	8,986	7,969	15,857	14,582
Accretion of asset retirement obligation	191	176	382	352
Insurance settlements from property and business losses			(12,500)	
Other operating (income) loss	(4,730)	305	(4,689)	473
Operating Income	50,691	6,291	97,305	26,210
Other Income (Expense)				
Interest expense, including realized and unrealized derivative gains and losses	(389)	(478)	(502)	(1,032)
Interest income	415	177	785	273
Other income	59	102	318	148
Income Before Income Taxes	50,776	6,092	97,906	25,599
Income Tax Expense	(20,068)	(2,490)	(38,919)	(10,151)
Net Income	$ 30,708	$ 3,602	$ 58,987	$ 15,448
Weighted Average Shares Outstanding:				
Basic	75,184,306	75,085,873	75,157,871	75,064,966
Diluted	75,268,279	75,125,620	75,266,010	75,128,691
Earnings Per Share:				
Basic	$ 0.41	$ 0.05	$ 0.78	$ 0.21
Diluted	$ 0.41	$ 0.05	$ 0.78	$ 0.21

See accompanying notes to these condensed consolidated financial statements.

Table of Contents

INTREPID POTASH, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

AND COMPREHENSIVE INCOME (UNAUDITED)

(In thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2010	75,110,875	$ 75	$ 559,675	$ (702)	$ 198,793	$ 757,841
Comprehensive income, net of tax:						
Pension liability adjustment				31		31
Unrealized gain on investments held for sale				(11)		(11)
Net income					58,987	58,987
Total comprehensive income						59,007
Stock-based compensation			2,672			2,672
Issuance of common stock upon exercise of stock options	13,276		299			299
Excess income tax benefit from stock-based compensation			427			427
Vesting of restricted common stock, net of restricted common stock used to fund employee income tax withholding due upon vesting	77,935		(1,076)			(1,076)
Balance, June 30, 2011	75,202,086	$ 75	$ 561,997	$ (682)	$ 257,780	$ 819,170

See accompanying notes to these condensed consolidated financial statements.

Table of Contents

INTREPID POTASH, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Six Months Ended	
	June 30, 2011	**June 30, 2010**
Cash Flows from Operating Activities:		
Reconciliation of net income to net cash provided by operating activities:		
Net income	$ 58,987	$ 15,448
Deferred income taxes	30,017	7,164
Insurance settlements from property and business losses	(12,500)	
Items not affecting cash:		
Depreciation, depletion, amortization, and accretion	17,224	13,226
Stock-based compensation	2,672	2,115
Unrealized derivative gain	(545)	(117)
Other	455	484
Changes in operating assets and liabilities:		
Trade accounts receivable	(11,951)	6,906
Other receivables	(6,013)	(345)
Refundable income taxes	(4,119)	6,914
Inventory	(4,595)	11,255
Prepaid expenses and other assets	1,247	594
Accounts payable, accrued liabilities and accrued employee compensation and benefits	8,714	5,366
Other liabilities	(308)	(1,115)
Net cash provided by operating activities	79,285	67,895
Cash Flows from Investing Activities:		
Additions to property, plant, and equipment	(63,816)	(37,683)
Additions to mineral properties and development costs	(720)	(381)
Proceeds from insurance settlements from property and business losses	806	
Purchases of investments	(52,459)	(23,638)
Proceeds from investments	32,371	2,687
Net cash used in investing activities	(83,818)	(59,015)
Cash Flows from Financing Activities:		
Employee tax withholding paid for restricted stock upon vesting	(1,076)	(727)
Excess income tax benefit from stock-based compensation	427	64
Proceeds from exercise of stock options	299	
Net cash used in financing activities	(350)	(663)
Net Change in Cash and Cash Equivalents	(4,883)	8,217
Cash and Cash Equivalents, beginning of period	76,133	89,792

Cash and Cash Equivalents, end of period	$	71,250	$	98,009
Supplemental disclosure of cash flow information				
Cash paid (received) during the period for:				
Interest, including settlements on derivatives	$	759	$	1,095
Income taxes	$	12,605	$	(4,142)

See accompanying notes to these condensed consolidated financial statements.

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1 COMPANY BACKGROUND

Intrepid Potash, Inc. (individually or in any combination with its subsidiaries, "Intrepid") produces muriate of potash ("potassium chloride" or "potash"); langbeinite; and by-products including salt, magnesium chloride and metal recovery salts. The processing of langbeinite ore results in sulfate of potash magnesia, which is marketed for sale as Trio®. Intrepid owns five active potash production facilities, three in New Mexico, and two in Utah. Production comes from two underground mines in the Carlsbad region of New Mexico; a solar evaporation solution mine near Moab, Utah; and a solar evaporation shallow brine mine in Wendover, Utah. Intrepid manages sales and marketing operations centrally to evaluate the product needs of its customers and then determine which of its production facilities to utilize in order to fill customers' orders, in a manner designed to realize the highest average net realized sales price to Intrepid. As such, product inventory levels and overall productions costs are monitored centrally. Intrepid has one reporting segment being the extraction, production, and sale of potassium related products, and its extraction and production operations are conducted entirely in the continental United States.

Note 2 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and Regulation S-X of the Securities and Exchange Commission. For interim periods, GAAP and Regulation S-X do not require all information and notes that are required for annual periods. Therefore, the accompanying unaudited consolidated financial statements should be read in conjunction with Intrepid's Consolidated Financial Statements and Notes thereto included in Intrepid's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission on February 24, 2011. The accompanying unaudited consolidated financial statements reflect all adjustments, which are normal and recurring in nature, and which, in the opinion of management, are necessary for a fair presentation of Intrepid's financial position, results of operations and cash flows at June 30, 2011, and for all periods presented.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements of Intrepid include the accounts of Intrepid and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Intrepid bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

Significant estimates with regard to Intrepid's consolidated financial statements include the estimate of proven and probable mineral reserve volumes, the related present value of estimated future net cash flows, useful lives of plant assets, asset retirement obligations, normal inventory production levels, inventory valuations, the valuation of equity awards, the valuation of derivative financial instruments, and estimated statutory income tax rates utilized in the current and deferred income tax

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

calculations. There are numerous uncertainties inherent in estimating quantities of proven and probable reserves, projecting future rates of production, and the timing of development expenditures. Future mineral prices may vary significantly from the prices in effect at the time the estimates are made, as may estimates of future operating costs. The estimate of proven and probable mineral reserve volumes, useful lives of plant assets, and the related present value of estimated future net cash flows can affect depletion, the net carrying value of Intrepid's mineral properties, and the useful lives of related property, plant and equipment, as well as depreciation expenses.

Revenue Recognition Revenue is recognized when evidence of an arrangement exists, risks and rewards of ownership have been transferred to customers, which is generally when title passes, the selling price is fixed and determinable, and collection is reasonably assured. Title passes at the designated shipping point for the majority of sales, but, in a few cases, title passes at the delivery destination. The shipping point may be the plant, a distribution warehouse, a customer warehouse, or a port. Title passes for some international shipments upon payment by the purchaser; however, revenue is recognized for these transactions upon shipment because the risks and rewards of ownership have transferred pursuant to a contractual arrangement. Prices are generally set at the time of, or prior to, shipment. In cases where the final price is determined upon resale of the product by the customer, revenue is deferred until the final sales price is known.

Sales are reported on a gross basis. Intrepid quotes prices to customers both on a delivered basis and on the basis of pick-up at Intrepid's plants and warehouses. When a sale occurs on a delivered basis, Intrepid incurs and, in turn, bills the customer and records as gross revenue the product sales value, freight, packaging, and certain other distribution costs. Many customers, however, arrange for and pay for these costs directly and in these situations, only the product sales value is included in gross revenues.

By-product Credits When by-product inventories are sold, Intrepid records the sale of by-products as a credit to cost of goods sold.

Inventory and Long-Term Parts Inventory Inventory consists of product and by-product stocks which are ready for sale, mined ore, potash in evaporation ponds, and parts and supplies inventory. Product and by-product inventory cost is determined using the lower of weighted average cost or estimated net realizable value and includes direct costs, maintenance, operational overhead, depreciation, depletion, and equipment lease costs applicable to the production process. Direct costs, maintenance, and operational overhead include labor and associated benefits.

Intrepid evaluates its production levels and costs to determine if any should be deemed abnormal and therefore excluded from inventory costs and instead expensed during the applicable period. The assessment of normal production levels is judgmental and is unique to each period. Intrepid models normal production levels and evaluates historical ranges of production by operating plant in assessing what is deemed to be normal.

Parts inventory, including critical spares, that is not expected to be utilized within a period of one year is classified as non-current. Parts and supply inventory cost is determined using the lower of average acquisition cost or estimated replacement cost. Detailed reviews are performed related to the net realizable value of parts inventory, giving consideration to quality, slow-moving items, obsolescence,

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

excessive levels, and other factors. Parts inventories not having turned-over in more than a year, excluding parts classified as critical spares, are reviewed for obsolescence and if deemed appropriate, are included in the determination of an allowance for obsolescence.

Derivatives Intrepid had entered into interest rate derivative instruments when it had outstanding debt in order to swap a portion of floating-rate debt to fixed-rate when borrowings were probable and the significant characteristics and expected timing were identified. These instruments were entered into prior to Intrepid's initial public offering in April 2008. These items have not been designated as an accounting hedge; accordingly, any change in fair value from period to period associated with realized and unrealized gains or losses on interest rate derivative contracts is shown within interest expense.

Property, Plant, and Equipment Property, plant, and equipment are stated at historical cost. Expenditures for property, plant, and equipment relating to new assets or improvements are capitalized, provided the expenditure extends the useful life of an asset or extends the asset's functionality. Property, plant, and equipment are depreciated under the straight-line method using estimated useful lives. No depreciation is taken on assets classified as construction in progress until the asset is placed into service. Gains and losses are recorded upon retirement, sale, or disposal of assets. Maintenance and repair costs are recognized as period costs when incurred.

Recoverability of Long-Lived Assets Intrepid evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable. Impairment is considered to exist if an asset's total estimated future cash flows on an undiscounted basis are less than the carrying amount of the related asset. An impairment loss is measured and recorded based on the discounted estimated future cash flows. Changes in significant assumptions underlying future cash flow estimates or fair values of assets may have a material effect on our financial position and results of operations.

Mineral Properties and Development Costs Mineral properties and development costs, which are referred to collectively as mineral properties, include acquisition costs, the cost of drilling wells, and the cost of other development work, all of which are capitalized. Depletion of mineral properties is calculated using the units-of-production method over the estimated life of the relevant ore body. The lives of reserves used for accounting purposes are shorter than current reserve life determinations due to uncertainties inherent in long-term estimates. These reserve life estimates have been prepared by us and reviewed and independently determined by mine consultants. Reserve studies and mine plans are updated periodically, and the remaining net balance of the mineral properties is depleted over the updated estimated life, subject to a 25-year limit. Possible impairment is also considered in conjunction with updated reserve studies and mine plans. The determination of Intrepid's proven and probable reserves is based on extensive drilling, sampling, mine modeling, and mineral recovery, and the economic feasibility of accessing the reserves. The price sensitivity of reserves depends upon several factors including ore grade, ore thickness, and ore mineral composition. The reserves are estimated based on information available at the time the reserves are calculated. Recovery rates vary depending on the mineral properties of each deposit and the production process used. The reserve estimates utilize the average recovery rate for the deposit, which takes into account the processing methods scheduled to be used. The cutoff grade, or lowest grade of mineralized material considered economic to process, varies with material type, mineral recoveries, operating costs, and expected selling price.

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proven and probable reserves are based on estimates, and no assurance can be given that the indicated levels of recoveries of potash and langbeinite will be realized or that production costs and estimated future development costs will not exceed the net realizable value of the products. Tons of potash and langbeinite in the proven and probable reserves are expressed in terms of expected finished tons of product to be realized, net of estimated losses. Reserve estimates may require revision based on actual production experience. Market price fluctuations of potash or Trio®, as well as increased production costs or reduced recovery rates, could render proven and probable reserves containing relatively lower grades of mineralization uneconomic to exploit and might result in a reduction of reserves. In addition, the provisions of Intrepid's mineral leases, including royalties payable, are subject to periodic readjustment by the state and/or federal government, which could affect the economics of its reserve estimates. Significant changes in the estimated reserves could have a material impact on Intrepid's results of operations and financial position.

Exploration Costs Exploration costs include geological and geophysical work performed on areas that do not yet have proven and probable reserves declared. These costs are expensed as incurred.

Asset Retirement Obligation Reclamation costs are initially recorded as a liability associated with the asset to be reclaimed or abandoned, based on applicable inflation assumptions and discount rates. The accretion of this discounted liability is recognized as expense over the life of the related assets, and the liability is periodically adjusted to reflect changes in the estimates of either the timing or amount of the reclamation and abandonment costs.

Planned Turnaround Maintenance Each operation typically shuts down periodically for planned maintenance. The costs of maintenance turnarounds are considered part of production costs and are absorbed into inventory in the period incurred.

Leases Upon entering into leases, Intrepid evaluates whether leases are operating or capital leases. Operating lease expense is recognized as incurred. If lease payments change over the contractual term or involve contingent amounts, the total estimated cost over the term is recognized on a straight-line basis.

Income Taxes Intrepid is a subchapter C corporation and therefore is subject to U.S. federal and state income taxes. Intrepid recognizes income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax liability or asset is expected to be settled or realized. Intrepid records a valuation allowance if it is deemed more likely than not that its deferred income tax assets will not be realized in full; such determinations are subject to ongoing assessment.

Cash and Cash Equivalents Cash and cash equivalents consist of cash and liquid investments with an original maturity of three months or less.

Investments Intrepid's short-term and long-term investments consist of certificates of deposit with various banking institutions, including financial instruments, U.S. government agency, municipal and

Table of Contents

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

corporate taxable bonds, and corporate convertible debentures, which have been classified as either held-to-maturity or available-for-sale securities. Short-term investments on the consolidated balance sheets have remaining maturities to Intrepid less than or equal to one year and investments classified as long-term on the consolidated balance sheets have remaining maturities to Intrepid greater than one year. With regard to the financial instruments classified as held-to-maturity investments, they are carried on the consolidated balance sheets at cost, net of amortized premiums or discounts paid. The available-for-sale securities are carried at fair value, with changes in fair value recognized through Other Comprehensive Loss. Fair value is assessed using a market-based approach.

Fair Value of Financial Instruments Intrepid's financial instruments include cash and cash equivalents, certificate of deposit investments, short-term and long-term investments, restricted cash, accounts receivable, refundable income taxes, and accounts payable, all of which are carried at cost, except for available-for-sale investments which are carried at fair value, and approximate fair value due to the short-term nature of these instruments, other than the long-term certificate of deposit investments. Allowances for doubtful accounts are recorded against the accounts receivable balance to estimate net realizable value. Although there are no amounts currently outstanding under Intrepid's senior credit facility, any borrowings that become outstanding are expected to be recorded at amounts that approximate their fair value as borrowings bear interest at a floating rate. Intrepid's interest rate swaps are recorded at fair value with adjustments to this fair value recognized currently in the statements of operations using established counterparty evaluations that are subjected to management's review. Since considerable judgment is required to develop estimates of fair value, the estimates provided are not necessarily indicative of the precise amounts that could be realized upon the sale, settlement, or refinancing of such instruments.

Earnings per Share Basic net income per common share of stock is calculated by dividing net income available to common stockholders by the weighted average basic common shares outstanding for the respective period.

Diluted net income per common share of stock is calculated by dividing net income by the weighted average diluted common shares outstanding, which includes the effect of potentially dilutive securities. Potentially dilutive securities for the diluted earnings per share calculation consist of awards of non-vested restricted shares of common stock and outstanding non-qualified stock option awards. The dilutive effect of stock based compensation arrangements are computed using the treasury stock method. Following the lapse of the vesting period of restricted common stock awards, the shares are issued and therefore are included in the number of issued and outstanding shares.

Stock-Based Compensation Intrepid accounts for stock based compensation by recording expense using the fair value of the awards at the time of grant. Intrepid has recorded compensation expense associated with the issuance of non-vested restricted common stock awards and non-qualified stock option awards, both of which are subject to service conditions. The expense associated with such awards is recognized over the service period associated with each issuance. There are no performance or market conditions associated with these awards.

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 4 EARNINGS PER SHARE

The treasury stock method is used to measure the dilutive impact of non-vested restricted shares of common stock and outstanding stock options. For the three months ended June 30, 2011, and 2010, a weighted average of 42,028 and 138,512 non-vested shares of restricted common stock and 174,343 and 233,291 stock options, respectively, were anti-dilutive and therefore were not included in the diluted weighted average share calculation. For the six months ended June 30, 2011, and 2010, a weighted average of 27,995 and 129,253 non-vested shares of restricted common stock and 144,794 and 174,013 stock options, respectively, were anti-dilutive and therefore were not included in the diluted weighted average share calculation.

The following table sets forth the calculation of basic and diluted earnings per share (in thousands, except per share amounts).

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Net income	$ 30,708	$ 3,602	$ 58,987	$ 15,448
Basic weighted average common shares outstanding	75,184	75,086	75,158	75,065
Add: Dilutive effect of non-vested restricted common stock	39	31	59	51
Add: Dilutive effect of stock options outstanding	45	9	49	13
Diluted weighted average common shares outstanding	75,268	75,126	75,266	75,129
Earnings per share:				
Basic	$ 0.41	$ 0.05	$ 0.78	$ 0.21
Diluted	$ 0.41	$ 0.05	$ 0.78	$ 0.21

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 5 CASH, CASH EQUIVALENTS, AND INVESTMENTS

The following table summarizes the fair value of the Company's cash and available-for-sale securities held in its marketable securities investment portfolio, recorded as cash and cash equivalents or short-term or long-term marketable securities as of June 30, 2011, and December 31, 2010 (in thousands):

	June 30, 2011	December 31, 2010
Cash	$ 783	$ 72
Commerical paper	23,880	54,655
Money market and money market funds	46,587	21,406
Total cash and cash equivalents	$ 71,250	$ 76,133
Corporate bonds	$ 47,737	$ 31,494
Convertible corporate bonds	1,997	4,346
Certificates of deposit and time deposits	2,371	9,717
Total short-term investments	$ 52,105	$ 45,557
Corporate bonds	$ 34,426	$ 20,578
Certificates of deposit and time deposits		720
Total long-term investments	$ 34,426	$ 21,298
Total cash, cash equivalents and investments	$ 157,781	$ 142,988

As of June 30, 2011, the Company held $2.0 million of convertible corporate bonds which are classified as available-for-sale. As of June 30, 2011, and 2010, Intrepid's available-for-sale investments had gross unrealized gains of approximately $33,000 and zero. The fair value of Intrepid's held-to-maturity investments at June 30, 2011, and December 31, 2010, approximated their carrying amounts.

Note 6 INVENTORY AND LONG-TERM PARTS INVENTORY

The following summarizes Intrepid's inventory, recorded at the lower of weighted average cost or estimated net realizable value as of June 30, 2011, and December 31, 2010, respectively (in thousands):

	June 30, 2011	December 31, 2010
Finished goods product inventory	$ 29,866	$ 24,398
In-process mineral inventory	8,229	11,160
Current parts inventory	13,211	12,536
Total current inventory	51,306	48,094
Long-term parts inventory	8,504	7,121
Total inventory	$ 59,810	$ 55,215

Parts inventories are shown net of any required reserves. No obsolescence or other reserves were deemed necessary for product or in-process mineral inventory. In conjunction with a lower of weighted average cost or estimated net realizable value assessment of our product inventory of standard-sized

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 6 INVENTORY AND LONG-TERM PARTS INVENTORY (Continued)

Trio®, Intrepid recorded impairment charges of approximately zero and $0.2 million in the three months ended June 30, 2011, and 2010, respectively. Intrepid recorded impairment charges of approximately $0.5 million in both the six months ended June 30, 2011, and 2010. In the three and six months ended June 30, 2011, Intrepid had no charges related to abnormal production; in the three and six months ended June 30, 2010, Intrepid recorded a charge of zero and $0.5 million related to abnormal production.

Note 7 PROPERTY, PLANT, AND EQUIPMENT AND MINERAL PROPERTIES

"Property, plant, and equipment" and "Mineral properties and development costs" were comprised of the following (in thousands):

	June 30, 2011	December 31, 2010
Buildings and plant	$ 63,668	$ 55,462
Machinery and equipment	214,191	190,662
Vehicles	8,124	8,015
Office equipment and improvements	13,520	13,333
Ponds and land improvements	7,763	6,802
Construction in progress	100,562	77,998
Land	263	263
Accumulated depreciation	(81,982)	(66,615)
	$ 326,109	$ 285,920
Mineral properties and development costs	$ 42,129	$ 42,288
Construction in progress	680	515
Accumulated depletion	(9,211)	(8,431)
	$ 33,598	$ 34,372

"Mineral properties and development costs" include accumulated costs of approximately $1.4 million as of June 30, 2011, and December 31, 2010, associated with the presently idled HB Solar Solution Mine which is being converted to a solar solution mine. Intrepid is actively seeking the required permits and approvals from the Bureau of Land Management ("BLM") and the state of New Mexico to resume production from this mine through the use of solution mining techniques and the application of solar evaporation, similar to the operations in Moab, Utah. "Construction in progress" related to property, plant, and equipment associated with the HB Solar Solution Mine also includes approximately $28.3 million and $26.7 million as of June 30, 2011, and December 31, 2010, respectively. No depletion or depreciation is currently being recognized on this property or its related assets, as the mine has not yet been placed in service and there is no basis over which to amortize the historical costs.

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 7 PROPERTY, PLANT, AND EQUIPMENT AND MINERAL PROPERTIES (Continued)

Intrepid recorded the following cost for depreciation, depletion, amortization, and accretion ("DD&A"), including DD&A capitalized into inventory, for the following periods (in thousands):

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Depreciation	$ 8,147	$ 6,196	$ 15,954	$ 12,078
Depletion	353	260	795	685
Amortization		55	93	111
Accretion	191	176	382	352
Total	$ 8,691	$ 6,687	$ 17,224	$ 13,226

Note 8 DEBT

Intrepid recently replaced its senior credit facility (the "Former Credit Facility") with a new unsecured credit facility. The Former Credit Facility, which was still in place as of June 30, 2011, was a syndicated facility led by U.S. Bank as the administrative agent and provided a revolving credit facility of $125 million. Under the terms of the Former Credit Facility, the administrative agent for the benefit of the lenders had a security interest in substantially all of the assets of Intrepid and certain of its subsidiaries. Intrepid and certain of its subsidiaries were co-borrowers under the Former Credit Facility and were jointly liable for all obligations under the Former Credit Facility. There were no amounts outstanding under the Former Credit Facility as of June 30, 2011, or December 31, 2010.

In August 2011, Intrepid entered into a new unsecured credit facility, led by U.S. Bank, as administrative agent, and Wells Fargo Bank, as syndication agent. This new credit facility, which replaced the Former Credit Facility in its entirety, provides a total revolving credit facility of $250 million with a five-year term through August 2016. The facility is unsecured and is guaranteed by certain material subsidiaries of Intrepid, as defined in the agreement.

Outstanding balances under the new revolving senior credit facility bear interest at a floating rate, which, at our option, is either (1) the London Interbank Offered Rate (LIBOR), plus a margin of between 1.25 percent and 2.0 percent, depending upon our leverage ratio, which is equal to the ratio of our total funded indebtedness to our adjusted earnings for the prior four fiscal quarters before interest, income taxes, depreciation, amortization and certain other expenses; or (2) an alternative base rate, plus a margin between 0.25 percent and 1.0 percent, depending upon our leverage ratio. We must pay a quarterly commitment fee on the outstanding portion of the unused revolving credit facility amount of between 0.20 percent and 0.35 percent, depending on our leverage ratio.

Note 9 ASSET RETIREMENT OBLIGATION

Intrepid recognizes a liability for future estimated costs associated with the abandonment and reclamation of its mining properties. A liability for the estimated fair value of an asset retirement obligation and a corresponding increase to the carrying value of the related long-lived asset are recorded as the mining operations occur or as the assets are acquired.

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 9 ASSET RETIREMENT OBLIGATION (Continued)

Intrepid's asset retirement obligation is based on the estimated cost to abandon and reclaim the mining operations, the economic life of the properties, and federal and state regulatory requirements. The liability is discounted using credit adjusted risk-free rate estimates at the time the liability is incurred or when there are revisions to estimated costs. The credit adjusted risk-free rates used to discount Intrepid's abandonment liabilities range from 6.9 percent to 8.5 percent. Revisions to the liability occur due to changes in estimated abandonment costs or economic lives, or if federal or state regulators enact new requirements regarding the abandonment of mines.

Following is a table of the changes to Intrepid's asset retirement obligations for the following periods (in thousands):

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Asset retirement obligation beginning of period	$ 9,669	$ 8,805	$ 9,478	$ 8,619
Changes in estimated obligations				10
Accretion of discount	191	176	382	352
Total asset retirement obligation end of period	$ 9,860	$ 8,981	$ 9,860	$ 8,981

The undiscounted amount of asset retirement obligation is $32.7 million as of June 30, 2011, and there are no significant payments expected in the next five years.

Note 10 COMPENSATION PLANS

Cash Bonus Plan Intrepid has cash bonus plans that allow participants to receive varying percentages of their aggregate base salary. Any awards under the cash bonus plans are based on a variety of elements related to Intrepid's performance in certain production, operational, financial, and other areas, as well as the participants' individual performance. Intrepid accrues cash bonus expense related to the current year's performance.

Equity Incentive Compensation Plan Intrepid has issued common stock awards, awards of non-vested restricted shares of common stock, and non-qualified stock option awards under its 2008 Equity Incentive Plan (the "2008 Plan"). As of June 30, 2011, there were a total of 178,051 shares of non-vested restricted common stock outstanding and 360,876 outstanding stock options. As of June 30, 2011, there were approximately 4.1 million shares of common stock available for issuance under the 2008 Plan.

Common Stock

Under the 2008 Plan, the Compensation Committee of the Board of Directors approved the award of 9,616 shares of common stock during the six months ended June 30, 2011, to the non-employee members of the Board of Directors as compensation for service for the period ending on the date of Intrepid's 2011 annual stockholders' meeting. These shares of common stock were granted without restrictions and vested immediately.

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 10 COMPENSATION PLANS (Continued)

Non-vested Restricted Shares of Common Stock

Under the 2008 Plan, grants of non-vested restricted shares of common stock have been awarded to executive officers, other key employees, and consultants. The awards contain service conditions associated with continued employment or service. There are no performance or market conditions associated with these awards. The terms of the non-vested restricted common stock awards provide voting rights and, upon vesting, the right to receive ordinary dividends otherwise payable during the vesting period to the holders of such awards. Upon vesting of the restricted shares of common stock, the restrictions on such shares of common stock lapse, the shares are no longer subject to forfeiture, all ordinary dividends otherwise payable during the vesting period are remitted to the award holder, and the shares are considered issued and outstanding.

Awards have been made from time to time to existing and newly hired employees and are approved by the Compensation Committee of the Board of Directors. Awards made in connection with the initial public offering ("IPO") and upon hiring of selected individuals have had vesting schedules that vary between a two to four-year vesting schedule. The Compensation Committee of Intrepid's Board of Directors has also approved awards of restricted common stock to Intrepid's executive management and other selected employees under an annual awards program. These awards vest one-third on each of the first three anniversary dates of the grant.

In measuring compensation expense associated with the grant of shares of non-vested restricted common stock, Intrepid uses the fair value of the award, determined as the closing stock price for Intrepid's common stock on the grant date. Compensation expense is recorded monthly over the vesting period of the award. Total compensation expense related to the awards of restricted common stock awards was $1.2 million and $0.7 million for the three months ended June 30, 2011, and 2010, respectively. For the six months ended June 30, 2011, and 2010, total compensation expense related to the awards of restricted common stock awards was $2.0 million and $1.4 million, respectively. Such amounts were net of estimated forfeiture adjustments. As of June 30, 2011, there was $4.5 million of total remaining unrecognized compensation expense related to non-vested restricted common stock awards that will be expensed through 2014.

A summary of Intrepid's restricted common stock activity for awards that have not yet vested for the period from December 31, 2010, to June 30, 2011, is as follows:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested restricted common stock, at beginning of period	217,794	$ 27.96
Granted	61,585	35.80
Vested	(98,596)	28.10
Forfeited	(2,732)	31.97
Non-vested restricted common stock, at end of period	178,051	$ 30.53

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 10 COMPENSATION PLANS (Continued)

Non-qualified Stock Options

Under the 2008 Plan, the Compensation Committee of Intrepid's Board of Directors approves the award of non-qualified stock options to Intrepid's executive management and other selected employees under an annual awards program. One-third of each stock option award vests on each of the three anniversary dates of the grant. In measuring compensation expense for these grants of options, Intrepid estimated the fair value of the awards on the grant date using the Black-Scholes option valuation model. Option valuation models require the input of highly subjective assumptions, including the expected volatility of the price of the underlying stock. The following assumptions were used to compute the weighted average fair value of options granted in the periods presented:

	Six months ended	
	June 30, 2011	June 30, 2010
Risk-free interest rate	2.6%	2.7%
Dividend yield		
Estimated volatility	56.6%	56.7%
Expected option life	6 years	6 years

Intrepid's computation of the estimated volatility above is based on the historical volatility of its own common stock since the IPO as well as the volatility of three peer companies' common stock over the expected option life. The peer companies selected had volatility that was correlated to Intrepid's common stock from the date of the IPO to the dates of grant. These proxies were utilized because Intrepid has insufficient trading history to calculate a meaningful long-term volatility factor. The computation of expected option life was determined based on a reasonable expectation of the average life prior to exercise or expiration, giving consideration to the overall vesting period and contractual terms of the awards. The risk-free interest rates for periods that matched the option award's expected life were based on the U.S. Treasury constant maturity yield at the time of grant over the expected option life.

For the three months ended June 30, 2011, and 2010, Intrepid recognized stock based compensation related to stock options of approximately $0.4 million and $0.2 million, respectively. For the six months ended June 30, 2011, and 2010, total compensation expense was $0.7 million and $0.5 million, respectively. As of June 30, 2011, there was $2.9 million of total remaining unrecognized compensation expense related to unvested non-qualified stock options that will be expensed through

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 10 COMPENSATION PLANS (Continued)

2014. A summary of Intrepid's stock option activity for the six months ended June 30, 2011, is as follows:

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value(1)	Weighted Average Remaining Contractual Life	Weighted Average Grant-Date Fair Value
Outstanding non-qualified stock options, at beginning of period	273,851	$ 22.69			$ 10.69
Granted	102,196	35.69			19.59
Exercised	(13,276)	22.43			10.15
Forfeited	(1,895)	31.93			17.55
Outstanding non-qualified stock options, at end of period	360,876	$ 26.33	$ 2,547,110	8.5	$ 13.19
Vested or expected to vest, end of period	354,780	$ 26.22	$ 2,535,485	8.5	$ 13.11
Exercisable non-qualified stock options, at end of period	131,741	$ 21.95	$ 1,390,291	7.9	$ 9.81

(1) The intrinsic value of a stock option is the amount by which the market value exceeds the exercise price as of the end of the period presented.

Note 11 INCOME TAXES

For the three and six months ended June 30, 2011, our total tax expense was $20.1 million and $38.9 million, respectively, and the effective tax rate was 39.5 percent and 39.8 percent, respectively. For the three and six months ended June 30, 2010, income tax expense was $2.5 million and $10.2 million and the effective tax rate was 40.9 percent and 39.7 percent, respectively. Intrepid's effective income tax rate is impacted primarily by the amount of taxable income associated with each jurisdiction in which Intrepid's income is subject to tax, permanent differences between the financial statement carrying amounts and tax bases of assets and liabilities, and the benefit associated with the estimated effect of the domestic production activities deduction. Income tax expense for the three and six months ended June 30, 2011, and 2010, differ from the amounts that would be provided by applying the statutory U.S. federal income tax rate to income before income taxes primarily as a result of the

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 11 INCOME TAXES (Continued)

estimated effects of the domestic production activities deduction and state income taxes. Intrepid's income tax provision is comprised of the elements below (in thousands).

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Current portion of income tax expense (benefit)	$ 5,430	$ (141)	$ 8,915	$ 2,987
Deferred portion of income tax expense	14,638	2,631	30,004	7,164
Total income tax expense	$ 20,068	$ 2,490	$ 38,919	$ 10,151

At June 30, 2011, there were no material uncertain tax positions that would impact Intrepid's effective tax rate. Therefore, no liabilities have been recognized, and no provisions have been made for interest or penalties related to uncertain tax positions.

Note 12 COMMITMENTS AND CONTINGENCIES

Marketing Agreements Intrepid has a marketing agreement appointing PCS Sales (USA), Inc. ("PCS Sales") its exclusive sales representative for export potash sales, with the exception of sales to Canada and Mexico, and appointing PCS Sales as non-exclusive sales representative for potash sales into Mexico. Trio® is also marketed under this arrangement. This agreement is cancelable with thirty days written notice.

Intrepid also has a sales agreement with Envirotech Services, Inc. ("ESI") appointing ESI its exclusive distributor, subject to certain conditions, for magnesium chloride produced by Wendover, with the exception of up to 15,000 tons per year sold for applications other than dust control, de-icing, and soil stabilization. This agreement is cancelable with two years' written notice, unless a breach or other specified special event has occurred. Sales prices were specified to ESI in the agreement subject to cost-based escalators. Intrepidis also entitled to certain adjustments in the sale price to ESI based on the final sales price ESI receives from its customers, as defined by the agreement. Such adjustments in sales price are settled after ESI's fiscal year end in September; however, Intrepid estimates and recognizes earned excess profits each quarter as the amounts are earned and reasonably determinable.

Reclamation Deposits and Surety Bonds As of June 30, 2011, Intrepid had $8.7 million of security placed principally with the State of Utah and the BLM for eventual reclamation of its various facilities. Of this total requirement, $1.3 million consisted of long-term restricted cash deposits reflected in "Other" long-term assets on the consolidated balance sheets, and $7.4 million was secured by surety bonds issued by an insurer. The surety bonds are held in place by the payment of 1.2 percent fee paid to the surety bond issuer.

Intrepid may be required to post additional security to fund future reclamation obligations as reclamation plans are updated or if governmental entities change requirements.

Health Care Costs Intrepid is self-insured, subject to a stop-loss policy, for its employees' health care costs. The estimated liability for outstanding medical costs has been based on the historical pattern of claim settlements. The medical claims liability included in accrued liabilities was approximately $1.0 million as of June 30, 2011, and $1.2 million as of December 31, 2010.

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 12 COMMITMENTS AND CONTINGENCIES (Continued)

Legal Intrepid is subject to litigation. Intrepid has determined that there are no material claims outstanding as of June 30, 2011. Intrepid has established a general legal reserve for loss contingencies that are considered probable and reasonably estimable.

Future Operating Lease Commitments Intrepid has certain operating leases for land, mining and other operating equipment, an airplane, offices, railcars, and vehicles, with original terms ranging up to twenty years.

Rental and lease expenses follow for the indicated periods (in thousands):

2011	
For the three months ended June 30, 2011	$ 1,319
For the six months ended June 30, 2011	$ 2,580
2010	
For the three months ended June 30, 2010	$ 1,749
For the six months ended June 30, 2010	$ 3,484

Refundable Credit In June 2011, Intrepid received notice that its application for a refundable employment-related credit, related to wages earned for the years 2004 to January 2010, of approximately $4.7 million was approved by the State of New Mexico. Accordingly, during the second quarter of 2011, Intrepid recorded $4.7 million of income which is reflected in the line item titled "Other operating (income) loss." The cash collection associated with this credit is expected to occur during the second half of 2011, and is recorded in "Other receivables" as of June 30, 2011.

Note 13 DERIVATIVE FINANCIAL INSTRUMENTS

Intrepid is exposed to global market risks, including the effect of changes in commodity prices and interest rates, and uses derivatives to manage financial exposures that occur in the normal course of business. Intrepid does not enter into or hold derivatives for trading purposes. While all derivatives are used for risk management purposes and were originally entered into as economic hedges, they have not been designated as hedging instruments.

Interest Rates

Intrepid's predecessor historically managed a portion of its floating interest rate exposure through the use of interest rate derivative contracts. Forward LIBOR-based contracts reduced the predecessor's risk from interest rate movements as gains and losses on such contracts partially offset the impact of changes in its variable-rate debt. Although Intrepid repaid its assumed debt obligations immediately subsequent to the closing of its IPO in April 2008, it has not yet closed its positions in the derivative financial instruments that were also assumed from the predecessor.

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 13 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

A tabular presentation of the outstanding interest rate derivatives as of June 30, 2011, follows:

Termination Date	Notional Amount (In thousands)	Weighted Average Fixed Rate
December 31, 2011	$ 29,400	5.2%
December 31, 2012	$ 22,800	5.3%

The following table presents the fair values of the derivative instruments included within the consolidated balance sheets as of (in thousands):

	June 30, 2011		December 31, 2010	
Derivatives not designated as hedging instruments	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Interest rate contracts	Other current liabilities	$ 1,260	Other current liabilities	$ 1,399
Interest rate contracts	Other non-current liabilities	533	Other non-current liabilities	939
Total derivatives not designated as hedging instruments	Net liability	$ 1,793	Net liability	$ 2,338

The following table presents the amounts of gain or (loss) recognized in income on derivatives affecting the consolidated statements of operations for the periods presented (in thousands):

		Three months ended		Six months ended	
Derivatives not designated as hedging instruments	**Location of gain (loss) recognized in income on derivative**	**June 30, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Interest rate contracts:					
Realized loss	Interest expense	$ (365)	$ (412)	$ (712)	$ (958)
Unrealized gain	Interest expense	224	28	545	117
Total loss	Interest expense	$ (141)	$ (384)	$ (167)	$ (841)

Please see footnote titled *Fair Value Measurements* for a description of how the above financial instruments are valued.

Credit Risk

Intrepid can be exposed to credit-related losses in the event of non-performance by counterparties to derivative contracts. Intrepid believes the counterparties to the contracts to be credit-worthy trading entities, and therefore credit risk of counterparty non-performance is unlikely. U.S. Bank is the counterparty to the interest rate derivative contracts, but, as Intrepid is in a liability position at June 30, 2011, with respect to these interest rate derivative contracts, counterparty risk is not applicable. There were no derivative instruments with credit-risk-related contingent features at June 30, 2011.

Note 14 FAIR VALUE MEASUREMENTS

Intrepid applies the provisions of the FASB's Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures,* for all financial assets and liabilities measured at fair

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 14 FAIR VALUE MEASUREMENTS (Continued)

value on a recurring basis. The topic establishes a framework for measuring fair value and requires disclosures about fair value measurements. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The topic establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The topic also establishes a hierarchy for grouping these assets and liabilities, based on the significance level of the following inputs:

Level 1 Quoted prices in active markets for identical assets and liabilities.

Level 2 Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Significant inputs to the valuation model are unobservable.

The following is a listing of Intrepid's assets and liabilities required to be measured at fair value on a recurring basis and where they are classified within the hierarchy as of June 30, 2011 (in thousands):

		Fair Value at Reporting Date Using		
	June 30, 2011	**Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Derivatives				
Interest rate contracts	$ (1,793)	$	$ (1,793)	$
Investments				
Available-for-sale securities	$ 1,997	$	$ 1,997	$

Financial assets or liabilities are categorized within the hierarchy based upon the lowest level of input that is significant to the fair value measurement. Below is a general description of Intrepid's valuation methodologies for financial assets and liabilities, which are measured at fair value and are included in the accompanying consolidated balance sheets.

Intrepid's available-for-sale investments consist of convertible corporate bonds that are valued using Level 2 inputs. Market pricing for these investments is obtained from Reuters, an established financial markets data provider. The convertible corporate bonds have maturity dates in 2011.

Intrepid uses Level 2 inputs to measure the fair value of interest rate swaps. This valuation is performed using a pricing model that calculates the fair value on the basis of the net present value of the estimated future cash flows receivable or payable. These instruments are allocated to Level 2 of the fair value hierarchy because the critical inputs to this model, including the relevant market values, yields, forward prices, and the known contractual terms of the instrument, are readily observable. The considered factors result in an estimated exit price for each asset or liability under a marketplace participant's view. Management believes that this approach provides a reasonable, non-biased, verifiable, and consistent methodology for valuing derivative instruments.

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 14 FAIR VALUE MEASUREMENTS (Continued)

Credit valuation adjustments may be necessary when the market price of an instrument is not indicative of the fair value due to the credit quality of the counterparty or Intrepid, depending on which entity is in the liability position of a given contract. Generally, market quotes assume that all counterparties have near zero, or low, default rates and have equal credit quality. Therefore, an adjustment for counterparty credit risk may be necessary to reflect the credit quality of a specific counterparty to determine the fair value of the instrument. A similar adjustment may be necessary with respect to Intrepid to reflect its credit quality. Intrepid monitors the counterparties' credit ratings and may ask counterparties to post collateral if their ratings deteriorate. Although Intrepid has determined that the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, any credit valuation adjustment associated with the derivatives would utilize Level 3 inputs. These Level 3 inputs include estimates of current credit spreads to evaluate the likelihood of default by both Intrepid and the counterparties to the derivatives. As of June 30, 2011, Intrepid has assessed the significance of the impact of a credit valuation adjustment on the overall valuation of its derivatives and has determined that the credit valuation adjustment is not significant to the overall valuation of the derivatives. Accordingly, management determined that the derivative valuations should be classified in Level 2 of the fair value hierarchy, and no adjustment has been recorded to the value of the derivatives.

The methods described above may result in a fair value estimate that may not be indicative of net realizable value or may not be reflective of future fair values and cash flows. While Intrepid believes that the valuation methods utilized are appropriate and consistent with the requirements of ASC Topic 820 and with other marketplace participants, Intrepid recognizes that third parties may use different methodologies or assumptions to determine the fair value of certain financial instruments that could result in a different estimate of fair value at the reporting date.

Note 15 FUTURE EMPLOYEE BENEFITS

Defined Benefit Pension Plan In accordance with the terms of the purchase agreement associated with the acquisition of the Moab assets in 2000 (the "Moab Purchase Agreement"), the Moab subsidiary established the Moab Salt, L.L.C. Employees' Pension Plan ("Pension Plan"), a defined benefit pension plan. Pursuant to the terms of the Moab Purchase Agreement, employees transferring from the seller were granted credit under the Pension Plan for their prior service and for the benefits they had accrued under the seller's pension plan. Approximately $1.5 million was transferred from the seller's pension plan to the Pension Plan to accommodate the recognition of such prior service and benefits. In February 2002, the Pension Plan was "frozen" by limiting participation in the Pension Plan solely to employees hired before February 22, 2002, and by including only pay and service through February 22, 2002, in the calculation of benefits. The Pension Plan is required to be maintained for the existing participants and for the benefits they had accrued as of that date. Intrepid expects to contribute $156,000 to the Pension Plan in 2011, $69,000 of which has been paid through June 30, 2011.

Table of Contents

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 15 FUTURE EMPLOYEE BENEFITS (Continued)

The components of the net periodic pension expense are set forth below (in thousands):

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Components of net periodic benefit cost:				
Service cost	$	$	$	$
Interest cost	49	51	98	101
Expected return on assets	(49)	(42)	(98)	(84)
Amortization of transition obligation/(asset)				
Amortization of prior service cost				
Amortization of actuarial loss	25	21	50	42
Net periodic benefit cost	$ 25	$ 30	$ 50	$ 59

Note 16 RECOGNITION OF INCOME ASSOCIATED WITH DEFERRED INSURANCE PROCEEDS

In the first quarter of 2011, Intrepid completed the reconstruction and commissioning for its product warehouses at its East facility and finalized insurance settlement amounts related to the associated product inventory warehouse insurance claim that resulted from a wind event that occurred in 2006. As a result, the $11.7 million of deferred insurance proceeds that were recorded as of December 31, 2010, plus approximately $0.8 million of additional insurance proceeds, were recognized as income in the six months ended June 30, 2011. The total of approximately $12.5 million has been recorded as "Insurance settlements from property and business losses" on the consolidated statement of operations in the six months ended June 30, 2011. There was no cash impact associated with this event in the six months ended June 30, 2011, as the previously deferred insurance proceeds were paid to Intrepid prior to December 31, 2010, with the exception of the final insurance payment of approximately $0.8 million, which was paid to Intrepid in April 2011.

Note 17 RELATED PARTIES

Intrepid has entered into the transactions described below with Robert P. Jornayvaz III ("Mr. Jornayvaz"), Intrepid Production Corp. ("IPC"), which is owned and controlled by Mr. Jornayvaz, Hugh E. Harvey, Jr. ("Mr. Harvey"), Harvey Operating and Production Company ("HOPCO"), which is owned and controlled by Mr. Harvey, and other entities affiliated with Messrs. Jornayvaz and Harvey identified below. Messrs. Jornayvaz and Harvey are employees, directors and significant stockholders of Intrepid.

Airplane Use Policy Under Intrepid's aircraft use policy, Mr. Jornayvaz, Mr. Harvey, and approved executive officers are allowed personal use of Intrepid's plane. Any personal use of aircraft may be taxable to the executive officer as a "fringe benefit" under Internal Revenue Service ("IRS") regulations. Additionally, Mr. Jornayvaz and Mr. Harvey may use the plane under dry-leases and reimburse Intrepid the lesser of the actual cost or the maximum amount chargeable under Federal Aviation Regulation 91-501(d). The value of personal use of the airplane was calculated based on the requirements provided by IRS regulations.

INTREPID POTASH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 17 RELATED PARTIES (Continued)

BH Holdings LLC ("BH"), which is owned by entities controlled by Mr. Jornayvaz and Mr. Harvey, entered into a dry-lease arrangement with Intrepid to allow Intrepid use of an aircraft owned by BH for Intrepid business purposes. Additionally, in January 2009, a dry-lease arrangement by and between Intrepid and Intrepid Production Holdings LLC ("IPH"), which is indirectly owned by Mr. Jornayvaz, became effective to allow Intrepid use of an aircraft owned by IPH for Intrepid business purposes. Both dry-lease rates and dry-lease arrangements were approved by Intrepid's Audit Committee.

In the three and six months ended June 30, 2011, Intrepid incurred dry-lease charges of approximately $258,000 and $393,000, respectively, for BH and $130,000 and $209,000, respectively, for IPH. In the three and six months ended June 30, 2010, Intrepid incurred dry-lease charges of approximately $28,000 and $68,000, respectively, for BH and $154,000 and $331,000, respectively, for IPH. As of June 30, 2011, and December 31, 2010, accounts payable balances due to BH were $115,000 and 27,000, respectively, and due to IPH were $26,000 and $17,000, respectively.

Transition Services Agreement and Surface Use Easement and Water Purchase Agreements On April 25, 2008, Intrepid, Intrepid Oil & Gas, LLC ("IOG"), and Intrepid Potash Moab, LLC ("Moab") executed a Transition Services Agreement, which has been extended until April 24, 2013. Pursuant to the Transition Services Agreement, IOG may request specified employees of Intrepid or its subsidiaries (other than Mr. Jornayvaz and Mr. Harvey) to provide a limited amount of geology, land title, and engineering services in connection with IOG's oil and gas ventures.

Note 18 RECENT ACCOUNTING PRONOUNCEMENTS

In April 2011, the Financial Accounting Standards Board ("FASB") issued new guidance to achieve common fair value measurement and disclosure requirements between GAAP and International Financial Reporting Standards. This new guidance amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. Intrepid does not believe the adoption of the new guidance will have an impact on its consolidated financial position, results of operations or cash flows.

In June 2011, the FASB issued new guidance on the presentation of comprehensive income. Specifically, the new guidance allows an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. Intrepid does not believe the adoption of the new guidance will have an impact on its consolidated financial position, results of operations or cash flows.

Table of Contents

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

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Securities Act of 1933, as amended (the "Securities Act"), which are subject to risks, uncertainties and assumptions that are difficult to predict. All statements in this Quarterly Report on Form 10-Q, other than statements of historical fact, are forward-looking statements. These forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements include statements, among other things, concerning our business strategy, including anticipated trends and developments in and management plans for our business and the markets in which we operate; future financial results, operating results, revenues, gross margin, cost of goods sold, operating expenses, products, projected costs, and capital expenditures; sales; and competition. In some cases, you can identify these statements by forward-looking words, such as "estimate," "expect," "anticipate," "project," "plan," "intend," "believe," "forecast," "foresee," "likely," "may," "should," "goal," "target," "might," "will," "could," "predict," and "continue," the negative or plural of these words and other comparable terminology. Forward-looking statements are only predictions based on our current expectations and our projections about future events. All forward-looking statements included in this Quarterly Report on Form 10-Q are based upon information available to us as of the filing date of this Quarterly Report on Form 10-Q. You should not place undue reliance on these forward-looking statements. We undertake no obligation to update any of these forward-looking statements for any reason.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to differ materially from those expressed or implied by these statements. These risks and uncertainties include changes in the price of potash or Trio®; operational difficulties at our facilities that limit production of our products; interruptions in railcar or truck transportation services; the ability to hire and retain qualified employees; changes in demand and/or supply for potash or Trio®; changes in our reserve estimates; the costs and our ability to successfully execute the projects that are essential to our business strategy, including, but not limited to, the development of the HB Solar Solution Mine as a solution mine and the further development of our langbeinite recovery assets; weather risks affecting net evaporation rates at our solar solution mining operations; changes in the prices of raw materials, including, but not limited to, the price of chemicals, natural gas and power; fluctuations in the costs of transporting our products to customers; changes in labor costs and availability of labor with mining expertise; the impact of federal, state or local government regulations, including, but not limited to, environmental and mining regulations, and the enforcement of such regulations; obtaining permitting from applicable federal and state agencies related to the construction and operation of assets; competition in the fertilizer industry; declines in U.S. or world agricultural production; declines in use by the oil and gas industry of potash products in drilling operations; changes in economic conditions; adverse weather events at our facilities; our ability to comply with covenants inherent in our current and future debt obligations to avoid defaulting under those agreements; disruptions in credit markets; our ability to secure additional federal and state potash leases to expand our existing mining operations; and governmental policy changes that may adversely affect our business. These factors also include the matters discussed and referenced in the section entitled "Risk Factors" described in our Annual Report on Form 10-K for the year ended December 31, 2010, and elsewhere in this Quarterly Report on Form 10-Q.

Unless expressly stated otherwise or the context otherwise requires, the terms "we," "our," "us," and "Intrepid" refer to Intrepid Potash, Inc. and its subsidiaries. Unless expressly stated otherwise or the context otherwise requires, references to "tons" in this Quarterly Report on Form 10-Q refer to short tons. One short ton equals 2,000 pounds. One metric tonne, which many of our international competitors use, equals 1,000 kilograms or 2,205 pounds.

Table of Contents

Our Company

We are the largest producer of muriate of potash ("potassium chloride" or "potash") in the United States and are dedicated to the production and marketing of potash and langbeinite ("sulfate of potash magnesia"), another mineral containing potassium that is produced from langbeinite ore and which we will generally describe as langbeinite when we refer to production and as Trio® when we refer to sales and marketing. Our revenues are generated exclusively from the sale of potash and Trio®. Potassium is one of the three primary nutrients essential to plant formation and growth. Since 2005, we have supplied, on average, approximately 1.6 percent of annual world potassium consumption, and 9.4 percent of annual U.S. consumption. We are one of two producers of sulfate of potash magnesia, a low-chloride fertilizer with the additional benefits of sulfate and magnesium, providing a multi-nutrient product. We also produce salt, magnesium chloride, and metal recovery salts from our potash mining processes, the sales of which are accounted for as by-product credits to our cost of sales.

Our potash is marketed for sale into three primary markets: the agricultural market as a fertilizer, the industrial market as a component in drilling and fracturing fluids for oil and gas wells, and the animal feed market as a nutrient. Our sales are focused on the agricultural areas and feed manufacturers west of the Mississippi River, as well as oil and gas drilling areas in the Rocky Mountains and the greater Permian Basin area. We also have domestic sales, primarily of Trio®, across the United States, with a focus on areas with specific nutrient requirements. Our potash production has a geographic concentration in the western United States and is therefore affected by weather and other conditions in this region. We manage our sales and marketing operations centrally, which allows us to evaluate the product needs of our customers and then determine which of our production facilities can be utilized to fill customer orders, all of which is designed to realize the highest net realized sales price to Intrepid. We calculate our average net realized sales price by subtracting freight costs from gross sales revenue and then dividing this result by sales tons.

We own five active potash production facilities three in New Mexico (referenced collectively below as "Carlsbad" or individually as "West," "East," and "North") and two in Utah ("Moab" and "Wendover") and we have a current estimated productive capacity to produce approximately 870,000 tons of potash and approximately 200,000 tons of langbeinite annually. Productive capacity is affected by operating rates, recoveries, mining rates and the amount of development work that we do and, therefore, our production results tend to be lower than our productive capacity. We have an active capital investment program that includes investment in process recovery projects such as our Langbeinite Recovery Improvement Project, as well as several projects to increase market flexibility via increased granulation capacity, including our recently completed compaction project in Moab and our planned expansions of compaction capacity in Wendover and at our North facility. In addition, we are actively developing the HB Solar Solution Mine, which is an idled potash mine that we are in the process of permitting to reopen as a solution mine that will utilize solar evaporation techniques in the production of potash. We have additional opportunities to develop mineralized deposits of potash in New Mexico which could include the reopening of the North Mine, which was operated as a traditional underground mine until the early 1980s, as well as the acceleration of production from our reserves and mineralized deposits of potash through new access points in the area and the potential construction of additional production facilities in the region.

We routinely post important information about Intrepid and our business on our website under the Investor Relations tab. Our website address is *www.intrepidpotash.com*.

Recent Events and Market Trends

Our business and financial results are driven by sales activity including volumes and prices, costs per ton of product produced and sold, and the execution on our capital projects. Accordingly, the following discussion and analysis will largely focus on these three items.

Table of Contents

Potash

The majority of our revenues and gross margin are derived from the production and sales of potash and virtually all of our potash is sold in the United States. The percentages of our net sales, which we calculate as gross sales less freight costs, and gross margin, excluding costs associated with abnormal production and inventory impairments, derived from potash sales were approximately as follows for the indicated periods.

	Contribution from Potash Sales	
	Net Sales	**Gross Margin**
2011		
For the three months ended June 30, 2011	92%	99%
For the six months ended June 30, 2011	91%	99%
2010		
For the three months ended June 30, 2010	83%	99%
For the six months ended June 30, 2010	86%	97%

Our net income in the second quarter of 2011 was $30.7 million, or $0.41 per share with cash flows from operations of $79.3 million. We had capital investments of $29.3 million and $56.2 million in the second quarter of 2011 and the first half of 2011, respectively. We ended the quarter with $157.8 million of cash and investments with no debt outstanding. Our production volumes of potash and Trio® increased to a combined 518,000 tons in the first six months of 2011 from 433,000 in the first six months of 2010 as we were at full operating levels, including the seasonal production from our Moab, Utah facility, in the first quarter of 2011 and into the second quarter, approximately one month longer than we have been on a historical basis because of favorable brine levels and harvest conditions.

In the second quarter of 2011, we experienced stronger sales volumes of potash relative to the same period in the prior year. The sales levels in the second quarter of 2011 were 225,000 tons of potash and 39,000 tons of Trio® as compared to 129,000 tons of potash and 63,000 tons of Trio® in the second quarter of 2010. We were successful in selling all of our second quarter production into active potash markets, despite the weather disruptions that occurred in certain markets during the quarter. While demand for potash in the first quarter of 2011 was improved from the first quarter of 2010, certain areas in our primary markets experienced delays in field work due to poor weather conditions. In response to these market conditions, we were able to adjust our marketing strategy to maintain adequate product availability for spot sales into the truck market and to take strategic rail orders into the Midwest. The current drought is having a significant negative effect on the southern region of the U.S. with all sectors of agriculture from crop production to cattle operations being impacted by this prolonged weather event. The geographic advantage afforded to us by the locations of our assets in the U.S. helped us to maximize sales and serve our customers this quarter, which is a significant advantage over our North American competitors. The addition of the compaction facility at our Moab operation has continued to exceed our expectations in terms of productivity, quality and flexibility. It has allowed us to expand our marketing reach from this facility as evidenced by our first ever unit train shipment from Moab in April 2011.

Current farmer economics are driving strong demand for potash and, thus far, we have not seen other producers offering summer fill programs at reduced prices to stimulate demand in past years. To the contrary, potash prices strengthened through the quarter. We expect this demand trend to continue into the fall. This trend has made many dealers more comfortable taking inventory positions earlier in the summer.

We have experienced an improvement in potash pricing beginning in the fall of 2010 and continuing into the summer of 2011, as crop economics for U.S. farmers remain strong. Crop prices moved up significantly during the second half of 2010 and have remained relatively stable in the first six months of 2011 due to continued strong demand for grains worldwide. Further, downward revisions in crop yields by the United States Department of Agriculture ("USDA") have resulted in predictions of decreased world grain stocks from 487.3 million metric tons for 2010 to 443.5 million metric tons for 2011. Current crop economics suggest that farmers are motivated to not only maximize production on their current acreage, but potentially to add incremental production through marginal acres, which will likely require the application of additional nutrients.

The near-term outlook at the potash producer level appears to be constructive based on several factors, including the following:

- declines in stock-to-use ratios of grains in the U.S. and the world with continued tightness in supply, which has driven an increase in grain commodity prices. Estimated global ending stock-to-use ratios for corn are at levels not seen in 37 years while estimated ending stock-to-use ratios for soybeans in the United States are at levels not seen since the mid-1960's;

- the profitability outlook for farmers across different commodity types;

- the relatively flat natural gas forward curve is having a minimal effect on the price of nitrogen;

- the strong demand from China for grain imports; and

- dealers and distributors focusing on maintaining adequate product levels to satisfy farmer demand and their willingness to exit the spring planting season with some inventory.

Industrial demand for our standard-sized potash increased in the first six months of 2011 over the same period in 2010, as we sold 32 percent more in industrial sales volumes compared to the same period in 2010. We expect that industrial demand for our standard-sized product will correlate over the long term with oil and gas pricing, drilling, and well completion activity. We believe that potash is the most effective clay-swelling inhibitor available, and we are promoting potash as the drilling fluid additive of choice in our traditional industrial markets and are working with our key customers to find ways to stimulate demand. Our Carlsbad and Wendover facilities experienced increased sales volumes of industrial standard-sized potash in comparison to the sales volumes from the first six months of 2010. This increase in sales volumes has resulted from an increase in the rig count of approximately 21 percent, in the geographic regions primarily served by our facilities from June 2010. We are benefiting from the flexibility of our production stream in Moab. We are continuing to sell and granulate the accumulation of standard-sized potash inventory at our Moab facility that occurred in prior periods. Our additional compaction capacity in Moab enables us to adapt to changing market needs and to right-size our product mix between granular and standard-sized product in response to demand.

As a result of the items noted above, we are investing in additional granulation capacity beyond what we have done in Moab; this includes upgrades in our compaction capacity in Wendover and in Carlsbad. We are focused on balancing the supply of standard production with the industrial sales opportunities between our Utah and New Mexico operations. We anticipate further enhancing our marketing flexibility through the construction of a new compactor at our Wendover facility, which will provide us the capacity to granulate all of the production, as dictated by market demand, from this facility beginning in 2012.

On a year-to-date basis, the overall mix of our sales into the different markets we serve stayed relatively consistent, with some slight increase in our industrial volumes, as noted. The feed component of our sales also stayed relatively consistent from year to year in terms of total volumes.

Table of Contents

The percentages of our potash sales volumes for each of the markets we serve were approximately as follows for the indicated periods:

	Agricultural	Industrial	Feed
2011			
For the three months ended June 30, 2011	80%	14%	6%
For the six months ended June 30, 2011	80%	14%	6%
2010			
For the three months ended June 30, 2010	72%	18%	10%
For the six months ended June 30, 2010	81%	12%	7%

As a result of both supply and demand trends in the general market for potash, together with crop prices trending upwards, including prices for corn, soy beans, rice, potatoes, hay, cotton, barley, sugar beets and virtually all agricultural commodities, potash prices increased during the first six months of 2011 on a trend basis from the last two quarters of 2010. Over the long-term, we believe that domestic consumption of fertilizers will remain consistent with historical averages, as the replacement of potassium in the soils is critical to continued high-yield agricultural production. This view is supported by data generated by Fertecon Limited, a fertilizer industry consultant, showing that over the past 25 years the domestic consumption for potash has averaged approximately 9.2 million tons with annual volatility of approximately 9 percent. These results have occurred through historical periods of low and high agricultural commodity prices, variability in oil and gas drilling, negative farmer margins, and a variety of other macro-economic factors.

Trio®

Our Trio® product is marketed both domestically and internationally. The mix of our Trio® sales volumes change as we selectively sell into the domestic and international markets. As pricing in these markets has converged, we are becoming increasingly selective in selling our products in order to achieve the highest average net realized sales price. During the first six months of 2011, 11 percent of our gross sales dollars were related to Trio®, and, of that 11 percent, 35 percent were export sales, resulting in less than five percent of our overall gross sales being outside the United States. The percentages of our Trio® sales volumes shipped to destinations in the United States and exported were as follows for the indicated periods:

	United States	Export
Trio® only		
2011		
For the three months ended June 30, 2011	53%	47%
For the six months ended June 30, 2011	59%	41%
2010		
For the three months ended June 30, 2010	55%	45%
For the six months ended June 30, 2010	70%	30%

We began producing and selling langbeinite in late 2005 and have been marketing it as Trio® since 2007. Trio® is marketed into two primary markets, the agricultural market as a fertilizer and the animal feed market as a nutrient. We market Trio® internationally through an exclusive marketing agreement with PCS Sales (USA), Inc. for sales outside the United States and Canada and via a non-exclusive agreement for sales into Mexico. We are focusing our marketing efforts on increasing the awareness of the agronomic benefits of Trio® and working to grow the overall Trio® market. Sales of Trio® on an international basis tend to be larger bulk shipments and vary as to when such shipments take place; therefore, we see greater variability in our international sales volumes from period-to-period when compared to our domestic sales. Despite lower available tons of granular-sized Trio®, the sales of our granular-sized Trio® product continued to be solid during the first and second quarter of 2011 as we sold through our available inventory. We placed an emphasis on restoring the recovery rate associated with the production of Trio® from the levels experienced late in 2010 and early in 2011 by reviewing operating practices against original design specifications, reviewing process equipment selection and operating parameters, improving maintenance and monitoring, and, specifically, improving the grinding and cyclone configurations. Because of these activities, recoveries of Trio® began to increase beginning in March 2011, and the improved recoveries have continued to date.

As noted, demand for Trio® continues to exceed supply and even with the recent improvement in our recoveries of granular Trio®, we expect that granular-sized Trio® sales demand will meet or exceed our production capabilities for the next few quarters. Because of the fact we had fewer Trio® tons available for sale than we had the same period a year ago, we sold fewer tons of standard-sized Trio® during the first and second quarters of 2011, with a greater proportion of our Trio® tons sold into the export market. These export sales of standard-sized Trio® have resulted in lower average net realized sales prices than what we earn for granular sales of Trio®. The Langbeinite Recovery Improvement Project is expected to not only increase our overall Trio® production but will also allow us the capability to produce all of our Trio® in the higher value granular form. This will provide us with the opportunity to sell more granular Trio®, which currently commands a higher sales price than standard Trio®. The average net realized sales price for our granular-sized Trio® sold in the United States is approximately $55 to $70 higher than the average net realized sales price of our standard product sold in the export markets. This difference has narrowed in the last two months as the overall international market for potash and langbeinite has improved. During the second quarter of 2011, we saw improvement in our average net realized price for Trio® from $204 in the first three months of 2011 to $222 as we began to realize the benefits of the price increases implemented in February 2011, as well as improvements in pricing in the export markets for standard-sized Trio®. As our current finishing process for Trio® does not allow us to selectively produce granular or standard-sized product, we expect to continue to manage inventory levels so that we can continue to supply the higher-value granular-sized Trio® product to the premium market.

Selected Operations Data

The following table presents selected operations data for the three-month periods presented below. Analysis of the details of this information is presented throughout this discussion. We present this table as a summary of information relating to key indicators of financial condition and operating performance that we believe are important. Average net realized sales prices below are derived from

Table of Contents

the elements in the table presented below. Costs associated with abnormal production are excluded from the following analysis.

	Three months ended			
	June 30, 2011	June 30, 2010	Change between Periods	% Change
Production volume (in thousands of tons):				
Potash	209	165	44	27%
Langbeinite	44	39	5	13%
Sales volume (in thousands of tons):				
Potash	225	129	96	74%
Trio®	39	63	(24)	(38)%
Gross sales (in thousands):				
Potash	$ 108,504	$ 50,900	$ 57,604	113%
Trio®	10,869	13,418	(2,549)	(19)%
Total	119,373	64,318	55,055	86%
Freight costs (in thousands):				
Potash	4,486	2,334	2,152	92%
Trio®	2,241	3,239	(998)	(31)%
Total	6,727	5,573	1,154	21%
Net sales (in thousands):				
Potash	104,018	48,566	55,452	114%
Trio®	8,628	10,179	(1,551)	(15)%
Total	$ 112,646	$ 58,745	$ 53,901	92%
Potash statistics (per ton):				
Average net realized sales price	$ 462	$ 376	$ 86	23%
Cash operating cost of goods sold, net of by-product credits* (exclusive of items shown separately below)	160	206	(46)	(22)%
Depreciation, depletion, and amortization	30	29	1	3%
Royalties	16	14	2	14%
Total potash cost of goods sold	206	249	(43)	(17)%
Warehousing and handling costs	14	13	1	8%
Average potash gross margin (exclusive of costs associated with abnormal production)	$ 242	$ 114	$ 128	112%
Trio® statistics (per ton):				
Average net realized sales price	$ 222	$ 162	$ 60	37%
Cash operating cost of goods sold, net of by-product credits* (exclusive of items shown separately below)	160	125	35	28%
Depreciation, depletion, and amortization	19	16	3	19%
Royalties	11	8	3	38%
Total Trio® cost of goods sold	190	149	41	28%

Warehousing and handling costs	15	10	5	50%
Average Trio® gross margin (exclusive of costs associated with abnormal production)	$ 17	$ 3	$ 14	467%

*

On a per ton basis, by-product credits were $6 and $11 for the second quarter of 2011, and 2010, respectively. By-product credits were $1