

Intrepid Potash, Inc.
Form 10-Q
November 04, 2010

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**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 September 30, 2010

Commission File Number: 001-34025

INTREPID POTASH, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

26-1501877
(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)

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

Indicate by check mark whether the registrant has submitted electronically 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 No

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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
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(Do not check if a
smaller reporting
company)

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

As of October 31, 2010, 75,104,249 shares of the registrant's common stock, par value of \$0.001 per share, were outstanding.

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INTREPID POTASH, INC.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****INTREPID POTASH, INC.****CONSOLIDATED BALANCE SHEETS (UNAUDITED)****(In thousands, except share and per share amounts)**

	September 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 66,692	\$ 89,792
Short-term investments	33,004	11,155
Accounts receivable:		
Trade, net	37,039	19,169
Other receivables	1,872	471
Refundable income taxes	6,290	9,364
Inventory, net	45,963	61,949
Prepaid expenses and other current assets	4,958	2,632
Current deferred tax asset	2,338	9,807
Total current assets	198,156	204,339
Property, plant, and equipment, net of accumulated depreciation of \$59,914 and \$41,787, respectively	261,954	221,403
Mineral properties and development costs, net of accumulated depletion of \$8,047 and \$7,174, respectively	33,033	33,929
Long-term parts inventory, net	7,327	7,149
Long-term investments	26,769	6,189
Other assets	5,325	5,532
Non-current deferred tax asset	278,563	290,449
Total Assets	\$ 811,127	\$ 768,990
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable:		
Trade	\$ 16,841	\$ 13,523
Related parties	98	129
Accrued liabilities	19,171	12,403
Accrued employee compensation and benefits	9,022	7,028
Other current liabilities	1,633	2,849
Total current liabilities	46,765	35,932
Asset retirement obligation	9,157	8,619
Deferred insurance proceeds	11,700	10,124

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Other non-current liabilities	4,811	5,093
Total Liabilities	72,433	59,768
Commitments and Contingencies		
Common stock, \$0.001 par value; 100,000,000 shares authorized; and 75,103,938 and 75,037,124 shares outstanding at September 30, 2010, and December 31, 2009, respectively	75	75
Additional paid-in capital	558,713	556,328
Accumulated other comprehensive loss	(710)	(689)
Retained earnings	180,616	153,508
Total Stockholders' Equity	738,694	709,222
Total Liabilities and Stockholders' Equity	\$ 811,127	\$ 768,990

See accompanying notes to these consolidated financial statements.

Table of Contents**INTREPID POTASH, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

(In thousands, except share and per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Sales	\$ 91,471	\$ 66,449	\$ 263,149	\$ 228,742
Less:				
Freight costs	7,831	5,593	23,170	14,422
Warehousing and handling costs	2,893	2,137	7,935	5,764
Cost of goods sold	53,812	30,035	162,482	90,943
Costs associated with abnormal production		5,784	470	12,159
Other	127		666	
Gross Margin	26,808	22,900	68,426	105,454
Selling and administrative	6,439	6,475	21,021	21,021
Accretion of asset retirement obligation	176	169	528	510
Other	271	18	744	595
Operating Income	19,922	16,238	46,133	83,328
Other Income (Expense)				
Interest expense, including realized and unrealized derivative gains and losses	(430)	(639)	(1,462)	(592)
Interest income	207	42	479	75
Insurance settlements in excess of property losses		5		(11)
Other income	147	266	296	448
Income Before Income Taxes	19,846	15,912	45,446	83,248
Income Tax Expense	(8,187)	(6,392)	(18,338)	(34,611)
Net Income	\$ 11,659	\$ 9,520	\$ 27,108	\$ 48,637
Weighted Average Shares Outstanding:				
Basic	75,101,446	75,032,086	75,077,260	75,008,438
Diluted	75,143,542	75,055,990	75,133,775	75,023,180
Earnings Per Share:				
Basic	\$ 0.16	\$ 0.13	\$ 0.36	\$ 0.65
Diluted	\$ 0.16	\$ 0.13	\$ 0.36	\$ 0.65

See accompanying notes to these consolidated financial statements.

INTREPID POTASH, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (UNAUDITED)

(In thousands, except share amounts)

	Common Stock		Additional	Accumulated	Retained	Total
	Shares	Amount	Paid-in	Other	Earnings	Stockholders'
			Capital	Loss		Equity
Balance, December 31, 2009	75,037,124	\$ 75	\$ 556,328	\$ (689)	\$ 153,508	\$ 709,222
Comprehensive income, net of tax:						
Pension liability adjustment				(39)		(39)
Unrealized gain on investments held for sale				18		18
Net income					27,108	27,108
Total comprehensive income						27,087
Stock-based compensation	11,803		3,093			3,093
Issuance of common stock upon exercise of stock options	901		19			19
Vesting of restricted common stock, net of restricted common stock used to fund employee income tax withholding due upon vesting	54,110		(727)			(727)
Balance, September 30, 2010	75,103,938	\$ 75	\$ 558,713	\$ (710)	\$ 180,616	\$ 738,694

See accompanying notes to these consolidated financial statements.

Table of Contents**INTREPID POTASH, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)****(In thousands)**

	Nine Months Ended	
	September 30, 2010	September 30, 2009
Cash Flows from Operating Activities:		
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 27,108	\$ 48,637
Deferred income taxes	19,355	26,097
Insurance reimbursements		11
Items not affecting cash:		
Depreciation, depletion, amortization, and accretion	20,086	12,017
Stock-based compensation	3,093	2,022
Unrealized derivative gain	(173)	(1,097)
Other	756	414
Changes in operating assets and liabilities:		
Trade accounts receivable	(17,870)	(15,655)
Other receivables	(1,401)	(823)
Refundable income taxes	3,074	1,369
Inventory	15,808	(19,932)
Prepaid expenses and other assets	(2,309)	1,476
Accounts payable, accrued liabilities and accrued employee compensation and benefits	10,365	1,243
Other liabilities	(1,383)	2,211
Net cash provided by operating activities	76,509	57,990
Cash Flows from Investing Activities:		
Proceeds from insurance reimbursements	1,576	1,989
Additions to property, plant, and equipment	(57,844)	(76,899)
Additions to mineral properties and development costs	(222)	(5,548)
Proceeds from liquidation of bond sinking fund		2,098
Purchases of investments	(61,909)	(7,695)
Proceeds from investments	19,498	
Other		22
Net cash used in investing activities	(98,901)	(86,033)
Cash Flows from Financing Activities:		
Restricted stock used for employee tax withholding upon vesting	(727)	(1,283)
Proceeds from exercise of stock options	19	
Net cash used in financing activities	(708)	(1,283)
Net Change in Cash and Cash Equivalents	(23,100)	(29,326)
Cash and Cash Equivalents, beginning of period	89,792	116,573
Cash and Cash Equivalents, end of period	\$ 66,692	\$ 87,247

Supplemental disclosure of cash flow information

Cash paid (received) during the period for:

Interest	\$	1,574	\$	1,306
Income taxes	\$	(4,008)	\$	7,145

See accompanying notes to these consolidated financial statements.

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1 COMPANY BACKGROUND

Intrepid Potash, Inc. (individually or in any combination with its subsidiaries, "Intrepid," "we," "us," or "our") 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 the production of 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 lake brine mine in Wendover, Utah. Intrepid has one operating segment, the extraction and production of potassium related products, and its 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, 2009, filed with the Securities and Exchange Commission on March 1, 2010. 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 September 30, 2010, 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 Intrepid Potash Moab, LLC ("Moab"), Intrepid Potash New Mexico, LLC ("NM"), Intrepid Potash Wendover, LLC ("Wendover"), Moab Pipeline LLC, and Intrepid Aviation LLC. 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 at 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, the valuation of equity awards, the valuation of derivative financial instruments, and effective tax rates utilized in the current and deferred income tax 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

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognition 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 for freight, packaging, and certain other distribution costs. Many customers, however, arrange for and pay for these costs directly.

By-product credits Intrepid records proceeds from the sale of by-products as a credit to cost of goods sold when by-product inventories are 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 periods. The assessment of normal production levels is judgmental and is unique to each quarter. 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, 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 included in the determination of an allowance for obsolescence.

INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivatives On occasion, Intrepid enters into financial derivative contracts to fix a portion of its natural gas costs when natural gas purchase transactions are probable and the significant characteristics and expected timing are identified. These derivative contracts have not been designated as hedged items and changes in their fair market values are included in the consolidated statements of operations. The realized and unrealized gains or losses resulting from the natural gas derivative contracts are recorded as a component of natural gas expense within cost of goods sold.

Intrepid also 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 items were not accounted for as hedge items; 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 over the estimated useful lives. No depreciation is taken related to 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.

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 are based on extensive drilling, sampling, mine modeling, 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 estimate utilizes 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. Proven and probable reserves are based on estimates, and no assurance can be given that the indicated levels of recovery 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

INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Annual Maintenance Each operation typically shuts down periodically for 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. Included in cash and cash equivalents at September 30, 2010, were \$0.7 million in cash and \$66.0 million in cash equivalent investments, which consisted of money market accounts or certificates of deposit with banking institutions for \$15.9 million, and U.S. Bank National Association ("U.S. Bank") overnight commercial paper of approximately \$50.1 million.

Investments Intrepid's short-term and long-term investments consist of certificates of deposit with various banking institutions, which have been classified as financial instruments, U.S. government agency, municipal and corporate taxable bonds, which have been classified as either held-to-maturity or available-for-sale debt 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

INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 investments are carried at fair value, with changes in fair value recognized through Other Comprehensive Loss. Fair value is assessed using a market based approach. As of September 30, 2010, the Company held \$4.3 million of convertible corporate bonds which are classified as available-for-sale. As of September 30, 2010, Intrepid's available-for-sale investments had gross unrealized gains of approximately \$44,000 and gross unrealized losses of \$14,000. The fair value of Intrepid's held-to-maturity investments at September 30, 2010, and December 31, 2009, approximated their carrying amounts.

Fair Value of Financial Instruments Intrepid's financial instruments include cash and cash equivalents, certificate of deposit investments, short and long term investments, restricted cash, accounts receivable, refundable income taxes, and accounts payable, all of which are carried at cost and approximate fair value due to the short-term nature of these instruments, other than the long-term certificate of deposit investments previously described. 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 are 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 consolidated statements of operations using established counterparty valuations 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 share based compensation arrangements is 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 issuances 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.

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INTREPID POTASH, INC.

NOTES TO 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 September 30, 2010, and 2009, a weighted average of 100,145 and 120,430 non-vested shares of restricted common stock and 210,017 and 174,229 stock options, respectively, were anti-dilutive and therefore were not included in the diluted weighted average share calculation. For the nine months ended September 30, 2010, and 2009, a weighted average of 119,550 and 204,385 non-vested shares of restricted common stock and 186,014 and 174,229 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		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Net income	\$ 11,659	\$ 9,520	\$ 27,108	\$ 48,637
Basic weighted average common shares outstanding	75,101	75,032	75,077	75,008
Add: Dilutive effect of non-vested restricted common stock	34	24	45	15
Add: Dilutive effect of stock options outstanding	9		12	
Diluted weighted average common shares outstanding	75,144	75,056	75,134	75,023
Earnings per share:				
Basic	\$ 0.16	\$ 0.13	\$ 0.36	\$ 0.65
Diluted	\$ 0.16	\$ 0.13	\$ 0.36	\$ 0.65

Table of Contents**INTREPID POTASH, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(UNAUDITED)****Note 5 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 September 30, 2010, and December 31, 2009, respectively (in thousands):

	September 30, 2010	December 31, 2009
Product inventory	\$ 24,082	\$ 46,916
In-process mineral inventory	10,580	6,801
Current parts inventory	11,301	8,232
Total current inventory	45,963	61,949
Long-term parts inventory	7,327	7,149
Total inventory	\$ 53,290	\$ 69,098

Parts inventories are shown net of any required reserves. No obsolescence or other reserves were deemed necessary for product or in-process mineral inventory.

Note 6 PROPERTY, PLANT, AND EQUIPMENT AND MINERAL PROPERTIES

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

	September 30, 2010	December 31, 2009
Buildings and plant	\$ 50,766	\$ 46,547
Machinery and equipment	163,176	127,792
Vehicles	7,880	7,796
Office equipment and improvements	13,062	12,896
Ponds and land improvements	5,394	5,193
Construction in progress	81,327	62,736
Land	263	230
Accumulated depreciation	(59,914)	(41,787)
	\$ 261,954	\$ 221,403
Mineral properties and development costs	\$ 40,486	\$ 41,103
Construction in progress	594	
Accumulated depletion	(8,047)	(7,174)
	\$ 33,033	\$ 33,929
Water rights in "Other Assets"	\$ 2,670	\$ 2,670
Accumulated depletion	(164)	(139)
	\$ 2,506	\$ 2,531

"Mineral properties and development costs" include accumulated costs of approximately \$1.3 million as of September 30, 2010, and December 31, 2009, associated with the presently idled

Table of Contents**INTREPID POTASH, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(UNAUDITED)****Note 6 PROPERTY, PLANT, AND EQUIPMENT AND MINERAL PROPERTIES (Continued)**

HB Mine which is being converted to a solar solution mine. "Construction in progress" related to property, plant, and equipment associated with the HB Solar Solution Mine also includes approximately \$31.3 million and \$27.2 million as of September 30, 2010, and December 31, 2009, 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. Intrepid is actively seeking the required permits and approvals from the Bureau of Land Management 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.

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		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Depreciation	\$ 6,417	\$ 3,913	\$ 18,495	\$ 10,788
Depletion	212	132	897	553
Amortization	55	55	166	166
Accretion	176	169	528	510
Total	\$ 6,860	\$ 4,269	\$ 20,086	\$ 12,017

Note 7 DEBT

Intrepid's senior credit facility, as amended, is a syndicated facility led by U.S. Bank as the agent bank and provides a revolving credit facility of \$125 million. The senior credit facility expires in March 2012. The lenders have a security interest in substantially all of the assets of Intrepid and certain of its subsidiaries. Obligations under the senior credit facility are cross collateralized between Intrepid and certain of its subsidiaries. There were no amounts outstanding under the senior credit facility as of September 30, 2010, or December 31, 2009.

The senior credit facility contains certain covenants including, without limitation, restrictions on: (i) indebtedness; (ii) the incurrence of liens; (iii) investments and acquisitions; (iv) mergers and the sale of assets; (v) guarantees; (vi) distributions; and (vii) transactions with affiliates. The senior credit facility also contains a requirement to maintain at least \$3.0 million of working capital; a ratio of adjusted earnings before income taxes, depreciation and amortization to fixed charges greater than 1.3 to 1.0; and a ratio of the outstanding principal balance of debt to adjusted earnings before income taxes, depreciation and amortization of not more than 3.5 to 1.0. The senior credit facility also contains events of default including, without limitation, failure to pay principal and interest in a timely manner, the breach of certain covenants or representations and warranties, the occurrence of a change in control, and judgments or orders of the payment of money in excess of \$1.0 million on claims not covered by insurance. Intrepid was in compliance with all covenants with respect to the senior credit facility as of September 30, 2010.

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 8 ASSET RETIREMENT OBLIGATION

Intrepid recognizes an estimated liability for future costs associated with the abandonment and reclamation of its mining properties. A liability for the 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.

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		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Asset retirement obligation beginning of period	\$ 8,981	\$ 8,666	\$ 8,619	\$ 8,138
Changes in estimated obligations			10	187
Accretion of discount	176	169	528	510
Total asset retirement obligation end of period	\$ 9,157	\$ 8,835	\$ 9,157	\$ 8,835

The undiscounted amount of asset retirement obligation is \$32.3 million as of September 30, 2010, and there are no significant payments expected to take place in the next five years.

Note 9 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. There is approximately \$3.1 million of cost accrued for the year-to-date period ended September 30, 2010.

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 September 30, 2010, there were a total of 219,324 shares of non-vested restricted common stock outstanding and 277,782 outstanding stock options. As of September 30, 2010, there were approximately 4.2 million shares of common stock available for issuance under the 2008 Plan.

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 9 COMPENSATION PLANS (Continued)

Common Stock

Under the 2008 Plan, the Compensation Committee of the Board of Directors approved the award of 11,803 shares of common stock during the nine months ended September 30, 2010 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.

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.

Through September 30, 2010, there have been multiple grants of non-vested restricted common stock. Grants made at the time of the initial public offering ("IPO") either vested in full on January 5, 2009, vest one-fourth on each of the first four anniversary dates of the grant, or, in the case of the grant made to one executive officer, vest on a graded schedule through February 2011. The grants made at the time of the IPO were, in most instances, designed to reward certain individuals for their historical service to Intrepid and for the successful completion of the IPO, as well as to retain and provide an incentive to those receiving the awards to continue to execute Intrepid's long-term business plan. Additionally, awards have been made from time to time to newly hired employees; these awards have typically had a two to four-year vesting schedule. In the first quarters of 2010 and 2009, the Compensation Committee of Intrepid's Board of Directors 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 \$0.7 million and \$0.6 million for the three months ended September 30, 2010, and 2009, respectively. For the nine months ended September 30, 2010, and 2009, total compensation expense was \$2.1 million and \$1.5 million, respectively. Such amounts were net of estimated forfeiture adjustments. As of September 30, 2010, there was \$4.6 million of total remaining unrecognized compensation expense related to non-vested restricted common stock awards that will be expensed through 2013.

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 9 COMPENSATION PLANS (Continued)

A summary of Intrepid's restricted common stock activity for awards that have not yet vested for the period from December 31, 2009, to September 30, 2010, is as follows:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested restricted common stock, at beginning of period	257,339	\$ 28.98
Granted	67,555	25.42
Vested	(81,082)	28.93
Forfeited	(24,488)	29.33
Non-vested restricted common stock, at end of period	219,324	\$ 27.87

Non-qualified Stock Options

Under the 2008 Plan, the Compensation Committee of Intrepid's Board of Directors approved the award of non-qualified stock options in the first quarters of 2010 and 2009 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. Options granted in 2010 and 2009 have exercise prices of \$25.47 and \$20.80, respectively, per share for Intrepid's common stock and a ten-year option life. 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:

	Nine months ended	
	September 30, 2010	September 30, 2009
Risk free interest rate	2.70%	1.8% 2.0%
Dividend yield		
Estimated volatility	57.0%	44%
Expected option life	6 years	5 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.

Table of Contents**INTREPID POTASH, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(UNAUDITED)****Note 9 COMPENSATION PLANS (Continued)**

For the quarters ended September 30, 2010, and 2009, Intrepid recognized stock based compensation related to stock options of approximately \$226,000 and \$121,000, respectively. For the nine months ended September 30, 2010, and 2009, total stock based compensation expense related to stock options was \$688,000 and \$265,000, respectively. As of September 30, 2010, there was \$1.9 million of total remaining unrecognized compensation expense related to unvested non-qualified stock options that will be expensed through 2013. A summary of Intrepid's stock option activity for the nine months ended September 30, 2010, 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	174,229	\$ 20.80			\$ 8.39
Granted	120,473	25.47			14.05
Exercised	(901)	20.80			8.07
Forfeited	(16,018)	23.57			11.61
Outstanding non-qualified stock options, at end of period	277,783	\$ 22.67	\$ 945,621	8.8	\$ 10.66
Vested or expected to vest, end of period	254,523	\$ 22.65	\$ 870,718	8.8	\$ 10.63
Exercisable non-qualified stock options, at end of period	57,189	\$ 20.80	\$ 301,386	8.4	\$ 8.39

(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 10 INCOME TAXES

For the three and nine months ended September 30, 2010, income tax expense was \$8.2 million and \$18.3 million and the effective tax rates were 41.3 percent and 40.4 percent, respectively. For the three and nine months ended September 30, 2009, income tax expense was \$6.4 million and \$34.6 million and the effective tax rates were 40.2 percent and 41.6 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 nine month periods ended September 30, 2010, and 2009, differ from the amounts that would be provided by applying the statutory U.S. federal income tax rate to income before income taxes

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 10 INCOME TAXES (Continued)

primarily as a result of the 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		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Current portion of income tax (benefit) expense	\$ (4,018)	\$ (1,672)	\$ (1,031)	\$ 8,514
Deferred portion of income tax expense	12,205	8,064	19,369	26,097
Total income tax expense	\$ 8,187	\$ 6,392	\$ 18,338	\$ 34,611

On September 27, 2010, the Small Business Jobs Act of 2010 was enacted. In part, this legislation provides for an additional first year depreciation deduction equal to 50 percent of the adjusted basis of qualified property placed in service during 2010. The provisions of the Small Business Jobs Act of 2010 resulted in a reduction of our current tax provision and an increase of our deferred tax provision for the 2010 periods presented. As a result of our reduced taxable income, our projected domestic production activity deduction was also reduced, which resulted in the increase in our effective tax rate for the three month period ended September 30, 2010.

At September 30, 2010, 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 11 COMMITMENTS AND CONTINGENCIES

Marketing Agreements In 2004, NM entered into 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.

In 2004, Wendover entered into 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. Wendover also participates in excess profits, as defined by the agreement, earned by ESI upon resale. Such excess profits 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 & Surety Bonds As of September 30, 2010, Intrepid had \$8.7 million of security placed principally with the State of Utah and the Bureau of Land Management ("BLM") for eventual reclamation of its various facilities. Of this total requirement, \$2.5 million consisted of

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 11 COMMITMENTS AND CONTINGENCIES (Continued)

long-term restricted cash deposits reflected in "Other" long-term assets on the consolidated balance sheets, and \$6.2 million was secured by surety bonds issued by an insurer.

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 \$1.3 million as of September 30, 2010, and \$1.0 million as of December 31, 2009.

Legal Intrepid is subject to litigation. Intrepid has determined that there are no material claims outstanding as of September 30, 2010, and 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):

2010	
For the three months ended September 30, 2010	\$ 1,596
For the nine months ended September 30, 2010	\$ 5,080
2009	
For the three months ended September 30, 2009	\$ 1,323
For the nine months ended September 30, 2009	\$ 4,340

Refundable Credit During the fourth quarter of 2009, Intrepid applied for a refundable credit of approximately \$4.5 million with a state taxing authority, and the application is currently being audited by the state. If the state does approve all, or a portion, of the credit, it is anticipated that Intrepid will record a portion as a reduction of capital costs, inventory value, and other income. No amounts associated with this potential credit, or potential cash receipt amounts related to this state filing, have been included in Intrepid's consolidated financial statements as of and for the nine months ended September 30, 2010.

Note 12 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.

Table of Contents**INTREPID POTASH, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(UNAUDITED)****Note 12 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)***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, it has not yet closed its positions in the derivative financial instruments that were also assumed from the predecessor.

A tabular presentation of the outstanding interest rate derivatives as of September 30, 2010, follows:

Termination Date	Notional Amount	Weighted Average Fixed Rate
	(In thousands)	
December 31, 2010	\$ 34,750	5.0%
December 31, 2011	\$ 29,400	5.2%
December 31, 2012	\$ 22,800	5.3%

Natural Gas

From time to time, Intrepid manages a portion of its exposure to movements in the market price of natural gas through the use of natural gas derivative contracts. Intrepid's forward purchase contracts reduce its risk from movements in the cost of natural gas consumed as gains and losses on such financial contracts offset losses and gains on its physical purchases of natural gas. Intrepid had no natural gas derivative contracts outstanding at September 30, 2010.

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

Derivatives not designated as hedging instruments	September 30, 2010		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate contracts	Other current liabilities	\$ 1,454	Other current liabilities	\$ 1,539
Interest rate contracts	Other non-current liabilities	1,332	Other non-current liabilities	1,419
Total derivatives not designated as hedging instruments	Net liability	\$ 2,786	Net liability	\$ 2,958

Table of Contents**INTREPID POTASH, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(UNAUDITED)****Note 12 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

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):

Derivatives not designated as hedging instruments	Location of gain (loss) recognized in income on derivative	Three months ended		Nine months ended	
		September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Interest rate contracts:					
Realized loss	Interest expense	\$ (406)	\$ (436)	\$ (1,364)	\$ (1,156)
Unrealized gain (loss)	Interest expense	56	(117)	173	810
Total loss	Interest expense	\$ (350)	\$ (553)	\$ (1,191)	\$ (346)
Natural gas contracts:					
Realized loss	Cost of goods sold	\$	\$	\$	\$ (448)
Unrealized gain	Cost of goods sold				287
Total loss	Cost of goods sold	\$	\$	\$	\$ (161)

Please see Note 13 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 September 30, 2010, 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 September 30, 2010.

Note 13 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 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.

Table of Contents**INTREPID POTASH, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(UNAUDITED)****Note 13 FAIR VALUE MEASUREMENTS (Continued)**

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 September 30, 2010, (in thousands):

	Fair Value at Reporting Date Using					
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)		Significant Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
	September 30, 2010					
Derivatives						
Interest rate contracts	\$	(2,786)	\$		\$	(2,786)
Investments						
Available-for-sale securities	\$	4,301	\$		\$	4,301

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.

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

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 13 FAIR VALUE MEASUREMENTS (Continued)

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 September 30, 2010, 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 14 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 \$300,000 to the Pension Plan in 2010, \$246,000 of which has been paid through September 30, 2010.

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 14 FUTURE EMPLOYEE BENEFITS (Continued)

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

	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Components of net periodic benefit cost:				
Service cost	\$	\$	\$	\$
Interest cost	50	50	151	149
Expected return on assets	(42)	(35)	(126)	(104)
Amortization of transition obligation/(asset)				
Amortization of prior service cost				
Amortization of actuarial loss	21	27	63	81
Net periodic benefit cost	\$ 29	\$ 42	\$ 88	\$ 126

Note 15 PROPERTY INSURANCE SETTLEMENTS

In April 2006, a wind-shear struck the product warehouse at the East facility in Carlsbad, New Mexico. The warehouse had an insignificant book value. Damage to the warehouse, damage to the product stored in the warehouse, and alternative handling and storage costs were covered by Intrepid's insurance policies at replacement value, less a \$1 million deductible. Through September 30, 2010, Intrepid had received \$34.1 million of insurance settlement payments on the related claim; \$11.7 million of this amount has been recorded as "Deferred insurance proceeds" on the consolidated balance sheets at September 30, 2010, pending the insurer's final agreement to the related claims. Additional insurance payments to reconstruct the warehousing facilities are still contingent upon review by the insurer and therefore will be recognized in "Insurance settlements in excess of property losses" as settlements are agreed upon. The previous receipts of \$22.4 million net of property losses were recognized as "Insurance settlements in excess of property losses" in 2008 and prior periods, as they represented final settlements with the insurer.

Note 16 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

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 16 RELATED PARTIES (Continued)

Aviation Regulation 91-501(d). The value of personal use of the airplane was calculated based on the requirements provided by IRS regulations.

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 nine months ended September 30, 2010, Intrepid incurred dry-lease charges of approximately \$57,000 and \$125,000, respectively, for BH and \$111,000 and \$442,000, respectively, for IPH. In the three and nine months ended September 30, 2009, Intrepid incurred dry-lease charges of approximately \$29,000 and \$251,000, respectively, for BH and \$24,000 and \$581,000, respectively, for IPH. As of September 30, 2010, and December 31, 2009, accounts payable balances were \$33,000 and \$67,000, respectively, due to BH and \$25,000 and \$23,000, respectively, due to IPH.

Sublease of Office Space from Intrepid Intrepid entered into an agreement with IPC and the LARRK Foundation during 2008 to sublease portions of Intrepid's headquarters office space to these entities. The LARRK Foundation is a charitable foundation of which Mr. Jornayvaz is a trustee. The subleases to IPC and the LARRK Foundation are on the same general terms and conditions as the master lease under which Intrepid leases its office space. IPC and the LARRK Foundation have paid their respective shares of the security deposit due under the master lease and paid directly for the build-out of their respective subleased space. The terms of the subleases are from February 1, 2009, to April 30, 2019, for a total of 123 months. As of September 30, 2010, and December 31, 2009, there were net related party accounts payable balances due to IPC for \$13,000 and \$16,000, respectively, due to prepayments and refundable deposits related to these arrangements. As of September 30, 2010, and December 31, 2009, there was a net related party accounts payable balance due to the LARRK Foundation for \$3,000, due to prepayments and refundable deposits related to these arrangements. The rent amounts due from IPC and the LARRK Foundation are billed on a monthly basis and recognized as a receivable due within 30 days.

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, 2011. 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.

In connection with oil and gas rights owned by IOG that exist below the surface of land owned by Moab, Moab entered into two Surface Use Easement and Water Purchase Agreements with IOG, dated July 14, 2009, and November 16, 2009, respectively. Intrepid's Audit Committee approved both agreements. In each agreement, Moab granted IOG an easement across a portion of Moab's land to access a drilling site for one of IOG's wells. The term of each easement is for three years and so long

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INTREPID POTASH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 16 RELATED PARTIES (Continued)

thereafter as oil or gas is produced in paying quantities from each well, or from any unit or communitized area that includes each well. Per the agreements, IOG is required to pay the sum of \$7,500 upon the anniversary of each agreement during the term of the easement, and Moab agreed to sell IOG water or salt brine to the extent that Moab has excess water or salt brine available that it may legally sell.

As of September 30, 2010, and December 31, 2009, there were net related party accounts payable balances due to IOG for \$24,000 and \$20,000, due to prepayments made by IOG. Intrepid's billings to IOG are on a monthly basis and are recognized as a receivable from IOG with collection due within 30 days. In the three and nine months ended September 30, 2010, Intrepid's billings to IOG were approximately \$2,000 and \$68,000, respectively. In the three and nine months ended September 30, 2009, Intrepid's billings to IOG were approximately \$60,000 and \$72,000, respectively.

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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 and the Securities Act of 1933, 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; the ability to hire and retain qualified employees; changes in demand and/or production of potash or Trio[®]/langbeinite; changes in our reserve estimates; our ability to achieve the initiatives of our business strategy, including, but not limited to, the development of the HB Solar Solution Mine and the further development of our langbeinite recovery assets; changes in the prices of our 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; competition in the fertilizer industry; declines in U.S. or world agricultural production; declines in oil and gas drilling; 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, 2009, 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 ton, which many of our international competitors use, equals 1,000 kilograms or 2,204.68 pounds.

Overview

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")

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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[®] or Intrepid 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 9.8 percent of annual U.S. consumption. We are one of two producers of langbeinite, a low-chloride fertilizer that is well-suited for chloride sensitive crops and has the added benefit of sulfur and magnesium. 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 goods sold. 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 910,000 tons of potash and 210,000 tons of langbeinite annually. We own two development assets in New Mexico the HB Solar Solution Mine, which is an idled potash mine that we are in the process of reopening as a solution mine that will utilize solar evaporation techniques in the production of potash, and the North Mine, which was operated as a traditional underground mine until the early 1980s.

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.

Our Products and Markets*Potash*

The majority of our revenues and gross margin are derived from the production and sales of potash. The percentages of our net sales, which we calculate as gross sales less freight costs, and gross margin derived from potash sales were approximately as follows for the indicated periods.

	Contribution from Potash Sales	
	Net Sales	Gross Margin
2010		
For the three months ended September 30, 2010	91%	99%
For the nine months ended September 30, 2010	88%	98%
2009		
For the three months ended September 30, 2009	84%	90%
For the nine months ended September 30, 2009	82%	87%

Our potash is marketed for sale into three primary markets which are 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 primary regional markets include agricultural areas and feed manufacturers west of the Mississippi River, as well as oil and gas drilling areas in the Rocky Mountains and the Permian Basin. We also have domestic sales in the southeastern and eastern United States. Our potash production has a geographic concentration in the western United States and is therefore affected by weather and other conditions in this region.

The agricultural demand for potash in 2010 has been much more historically normal than the demand that we experienced beginning in the fall of 2008 which persisted through most of 2009. The demand for fertilizer began to recover late in 2009 and we continue to experience a more normal market in 2010 compared to historic demand levels over the last 25 years. The third quarter of 2010 has been characterized by good demand for potash as our customers began purchasing potash for their own inventory in anticipation of the fall planting season. The fall harvest got off to an early start this year compared to the last couple of years. With much of the fall harvest occurring on time or early and the weather window still open, applications of fertilizer in the fall have been robust. While the

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deliveries have been strong, we have also seen a general strengthening of agricultural commodity prices as well as a strengthening of potash prices. In addition, crop prices have moved up significantly due to increased demand and some downward revisions in yields by the United States Department of Agriculture ("USDA"). We also believe farmers became concerned about the risk of yield losses resulting from large cuts in fertilizer applications during the prior two growing seasons. These situations, together with a smaller chance of price shocks from nitrogen which can be attributed to the relatively flat natural gas forward curve, set the stage for strong economics to the farmer. Finally, potash prices appeared to hit a low in the summer of 2010 as multiple price increases to take effect in the fall of 2010 were announced both domestically and internationally.

In the first quarter of 2010, sales volumes of potash were higher than any quarter in the last two years as dealers and retailers prepared for the spring application season. Second quarter sales contracted, as is typical after a strong spring fertilizer application season, as dealers waited to start replenishing inventories for the fall season in order to see how pricing developed. During the third quarter of 2010, we experienced strong sales volumes with potash sales of 221,000 tons and Trio[®] sales of 45,000 tons, due to strong crop economics, and an increase in demand, each of which led to announced price increases in the fourth quarter of 2010. More specifically, on the macro level, the USDA recently revised world grain stocks down from 198.8 million metric tons last year to 163.4 million metric tons this year. As a result of both macro demand and supply for potash, as well as crop price trends, notably for corn, potash prices have increased over the last several months. Over the long-term, we believe that domestic apparent consumption of fertilizers will return to 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 apparent consumption for potash has averaged approximately 9.2 million tons with annual volatility of approximately 10 percent through historical periods of low agricultural commodity prices, depressed oil and gas drilling, negative farmer margins, and a variety of other negative economic factors.

During the third quarter of 2010, potash prices began their first meaningful recovery since declining from peak levels in 2008. Our average net realized sales price for potash was \$343 per ton in the third quarter of 2010. We realized a \$33 per ton decrease in our average net realized sales price for potash in the third quarter of 2010 compared to the second quarter of 2010. The average net realized sales prices are calculated by subtracting freight costs from gross sales revenue and then dividing this result by the number of tons sold. Spot prices have increased from the summer price incentive pricing levels. We initially raised our price for red granular in Carlsbad from \$360 per ton to \$380 per ton for orders placed after October 1, 2010, and again to \$410 per ton for orders placed after November 1, 2010. Subsequent to our announcement to increase prices on November 1, 2010, we increased our red granular pricing to \$435 per ton effective October 18, 2010. Based on continued strong demand in the market and limited product availability, we again raised our price of red granular potash, effective November 1, 2010 to \$485 per ton. Our average net realized sales price per ton will likely always be less than our posted price due to a variety of factors, including, but not limited to, the different competitive markets in which we sell our products, associated customer discounts, variable pricing across our different products and that it may take approximately three months after the effective date of any given price increase for the full impact of that price increase to be realized in our financial results. As we will continue to honor rail shipments that were committed to prior to the announcement of price increases, we do not expect to realize the impact of these price increases for rail shipments until December 2010. However, we will begin to realize the increased pricing immediately for product that is delivered at our plants into the truck market. We experienced increased truck market sales activity in September 2010 as a result of our announced price increases as we believe some of our customers accelerated their purchases from October into September, in advance of the price increases taking effect in October 2010.

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Industrial demand for our standard-sized potash increased, as we sold 32 percent more in industrial sales volumes into this market in the third quarter of 2010 compared to a year ago, yet demand remains below the levels experienced during 2007 and 2008 due to continued relatively lower levels of oil and especially gas drilling in the geographic markets proximate to our mines. In addition, some drillers have switched to alternatives to standard potash or have attempted to forego the use of potash altogether in drilling and completing their wells in an effort to reduce costs. We believe that potash is the most effective clay inhibitor available, and we are promoting potash as the drilling fluid additive of choice in our traditional industrial markets and working with our key customers to find ways to stimulate demand. The market for the industrial standard potash used in fracture fluids is somewhat regional, and we have experienced differences in demand for our product with respect to the markets served by our Carlsbad operations and our Utah operations. Our Carlsbad operations, which predominately serve Texas, Oklahoma, Louisiana, and New Mexico, have experienced higher sales in comparison to the level of sales of standard potash from our Utah operations. The relatively lower natural gas prices in the Rocky Mountain region resulting in a decreased level of permitting for oil and gas wells in the Colorado, Utah, and Wyoming areas, have resulted in a significantly lower level of sales of standard-sized potash. Consequently, we have experienced an accumulation of standard-sized potash inventory at our Utah facilities.

We expect that industrial demand for our standard product will correlate over the long-term with oil and gas pricing, drilling, and well completion activity. Through industry publications, we monitor the oil and gas drilling rig count in the United States as an indicator of drilling activity. We are taking steps to increase our marketing flexibility by installing a new compaction facility in Moab that will be able to granulate all of our annual potash production at Moab. This will ensure our production mix can be modified, as needed, to meet demand in the agricultural, industrial, and feed markets that we serve. We expect the new Moab compaction facility to be placed in service in December 2010.

The tons of product sold to our feed markets declined during the third quarter of 2010 as a result of a more competitive feed market. We anticipate our feed market sales to be relatively flat during the fourth quarter of 2010 compared to the third quarter of 2010. The percentage of our overall sales mix changed when compared to the same period in 2009. This was driven, not by a decrease in feed sales, but rather by a stronger overall sales market for potash. 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
2010			
For the three months ended September 30, 2010	83%	12%	5%
For the nine months ended September 30, 2010	82%	12%	6%
2009			
For the three months ended September 30, 2009	70%	17%	13%
For the nine months ended September 30, 2009	65%	20%	15%

Trio[®]

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 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

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domestic sales. Sales of our granular-sized Trio[®] product continued to be solid during the third quarter of 2010 as we sold through our available inventory.

In May 2010, we announced a capital project to expand our production of langbeinite to meet increasing demand, particularly for the granular-sized Trio[®] product. This capital project is designed to increase our recoveries of langbeinite from approximately 30-35 percent to approximately 50 percent, while, at the same time, reducing process water usage and providing us with the flexibility to produce a smoother premium granulated, or prilled, product, thereby allowing us to sell all of our production into the granular market.

We realized an increase in the net realized sales price per ton of Trio[®] from \$162 per ton in the second quarter of 2010 to \$173 per ton in the third quarter of 2010. Our pricing for granular Trio[®] was increased to \$246 per ton effective October 15, 2010. Demand for granular Trio[®] continues to be robust and we expect Trio[®] sales demand will exceed our production capabilities for the next few quarters, resulting in the need to sell our granular product on an allocated basis. Part of the reason that we need to allocate tonnage to our Trio[®] customers is that during July 2010, we shut down our langbeinite plant at our East facility for a total of 14 days due to unusually heavy rainfall. The Carlsbad, New Mexico region received approximately nine inches of rain during late June and July 2010. For perspective, average total precipitation in Carlsbad is approximately 14 inches per year, and the July rains put Carlsbad on track to have one of the five wettest years on record since 1912. This aberrant weather in Carlsbad highlights the importance of our Langbeinite Recovery Improvement Project, which is designed to reduce our freshwater usage in the production of langbeinite, thereby reducing the risk of impacts from significant or unusual weather events like those just experienced. Production was not further impacted by rain in August and September and our storm water control systems are operating within the designed parameters as we exit the normal wet season in Carlsbad so we believe we should not experience further disruptions from rain this year. Although the underground mining operations have been delivering tons to the mill, the cost side of our East surface facility has continued to be challenging due to the nature of processing mixed ore combined with lower operating efficiencies due to older equipment at the East facility. As we actively upgrade the East surface plant, construct and improve its facilities, as part of our previously announced Langbeinite Recovery Improvement Project, we have experienced and expect to continue to experience operating inefficiencies from time to time.

Our Trio[®] product is marketed domestically and internationally. In contrast, virtually all of our potash is sold in the United States. The mix of our U.S. and export Trio[®] sales volumes has changed as domestic demand has remained strong for granular-sized Trio[®] product, while the export market for our standard-sized Trio[®] product has lagged the strong results experienced in 2007 and 2008. As the export market for granular Trio[®] has been strengthening, we have elected to take only selected opportunities of these sales as domestic product sales of granular Trio[®] yield a higher average net realized sales price. International standard Trio[®] customers are slowly converting to granular customers as the technology for spreading fertilizer develops internationally. We expect that future growth in Trio[®] demand will be primarily for granular-sized product. During the nine months ended September 30, 2010, 15 percent of our gross sales dollars were related to Trio[®], and, of that 15 percent, 30 percent were export sales, resulting in less than five percent of our overall gross sales being sold

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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		
<i>2010</i>		
For the three months ended September 30, 2010	57%	43%
For the nine months ended September 30, 2010	66%	34%
<i>2009</i>		
For the three months ended September 30, 2009	39%	61%
For the nine months ended September 30, 2009	59%	41%

Specific Factors Affecting our Results*Sales*

Our gross sales are derived from the sales of potash and Trio® and are determined by the quantities of product we sell and the sales prices we realize. We quote prices to customers both on a delivered basis and on the basis of pick-up at our plants and warehouses. Freight costs are incurred only on a portion of our sales. Many of our customers arrange and pay for their own freight directly. When we arrange and pay for freight, our quotes and billings are based on expected freight costs to the points of delivery. Our gross sales include the freight that we bill, but we do not believe that gross sales provide a representative measurement of our performance in the market due to variations caused by ongoing changes in the proportion of customers paying for their own freight, in the geographic distribution of our products, and in freight rates. We view net sales, which are gross sales less freight costs, as the key performance indicator as it conveys the sales price of the product that we realize. We manage our sales and marketing operations centrally and we work to achieve the highest average net realized sales price we can by evaluating the product needs of our customers and then determine which of our production facilities can be utilized to fill these needs.

During the third quarter of 2010, we sold more granular tons than we produced and exited the quarter with our granular inventories at low levels as we responded to strong demand for our products. As mentioned previously, the early fall demand resulted from our customers building inventory in anticipation of the fall season in response to increasing crop and potash prices and the early harvest. As we are currently experiencing demand for our granular product at levels exceeding our inventories of granular product, we are compacting product at full capacity at all of our facilities to meet existing orders and to prepare for the coming spring season. We anticipate that crop prices will remain strong at least through the next crop cycle, which would support a continuation of strong demand in the spring of 2011.

The volumes of product we sell are determined by demand for our products and by our production capabilities. We manage our production levels, as needed, in response to market demand with a view toward managing inventory levels in the near term while ensuring that our balance sheet remains strong. At the current time, we are working to produce at maximum rates relative to staffing levels, plant capacities, and regularly scheduled maintenance specifically for larger maintenance turnaround projects. We performed annual turnaround maintenance at our Carlsbad facilities in the third quarter, including work performed at our East facility, which extended approximately 10 days into the fourth quarter this year. The timing and duration of the work performed at the East facility were a result of scheduled maintenance requirements and the need to perform certain tasks in anticipation of beginning construction of our Langbeinite Recovery Improvement Project. As a result of this maintenance work, we anticipate increasing production capacity beginning in November 2010.

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Our profitability is directly linked to the sales price of our product, our production rates, and, to a lesser extent, the price of natural gas and other commodities used in the production of potash that affect our variable costs. Our current operating strategy is to build inventory for the spring season where we anticipate selling product at higher prices while producing as much product as possible, which, in turn, is intended to lower our per ton costs and improve our gross margins. Because of the location of our assets and the regional markets we serve, we see different market prices throughout the United States and actively manage our sales to take advantage of the pricing available in different regions.

To some degree, we consider international prices in determining the prices at which we sell our products. Generally, we have benefited from the weakening U.S. dollar in prior periods. The potential impact of a weaker U.S. dollar is that Canadian suppliers may adjust their sales price in U.S. dollars upward in order to retain their local currency equivalent sales price, potentially allowing for increases in the average net realized sales prices we can obtain for our products. Mitigating the impact of a weaker U.S. dollar is the fact that our sales and costs are denominated in U.S. dollars; therefore, the change in the value of the U.S. dollar against other currencies has less of an effect on us as opposed to our competitors. The strengthening we are seeing in pricing more recently however, is believed to be much more directly linked to the supply and demand fundamentals of the grain markets and the associated profitability to farmers at today's commodity prices.

Domestic pricing of our products is influenced by, among other things, the pricing established by the Canadian producers and other large world producers, the interaction of global supply and demand of potash, ocean, land and barge freight rates, and currency fluctuations. Any of these factors could have a positive or negative impact on the price of our products. The decline in third quarter net sales price was expected as summer price incentive programs were announced in July by some of our competitors. However, as disclosed above, we have subsequently announced four price increases subsequent to September 30, 2010, which has increased our pricing to \$485 per ton. We expect the full price impact of these price increases to be realized approximately three months after their effective date as we typically have amounts of product already ordered at the time we announce a price increase. We note the price of potash is currently low relative to nitrogen and phosphate fertilizers, and crop prices are at levels favorable to balanced fertilization. The table below demonstrates the progression of our average net realized sales price for potash and Trio[®] in 2009 and 2010.

Average net realized sales price for the three months ended:	Potash	Trio [®]
	(Per ton)	
September 30, 2010	\$ 343	\$ 173
June 30, 2010	\$ 376	\$ 162
March 31, 2010	\$ 354	\$ 167
December 31, 2009	\$ 408	\$ 190
September 30, 2009	\$ 458	\$ 246
June 30, 2009	\$ 674	\$ 338
March 31, 2009	\$ 727	\$ 330

Cost Associated with Abnormal Production

We periodically evaluate our production levels and costs to determine if any such items should be deemed abnormal under authoritative generally accepted accounting principles in the United States ("GAAP") with respect to inventory costing. In the first quarter of 2010, we determined that approximately \$0.5 million of production costs would have been allocated to additional tons produced, assuming Intrepid had been operating at normal production rates. There was no such adjustment made in the second or third quarters of 2010 as we believe we were producing within our normal ranges of production. When such adjustments are recorded, the result is an acceleration of the recognition of this expense and the exclusion of these costs from the accumulated inventory costs and the resulting

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cost of goods sold elements. The assessment of normal production levels requires significant management estimates and is unique to each quarter. We compared actual production relative to what we estimated could have been produced if we had not elected market related shutdowns and lower operating rates in order to determine the abnormal cost adjustment. The staffing programs at our Carlsbad mines have allowed us to produce ore at levels that we consider within a normal range. We continue to produce below capacity at our Wendover facility; however, we are doing so in response to what we believe is lower sustained demand for standard potash. Therefore, we have adjusted our assessment of normal production for the Wendover facility at the current time. We are working on options to move standard tons into other markets and grow the existing market, but, until we identify those opportunities, we consider operation of the Wendover facility below its productive capacity in order to control inventory levels as a normal response to this market. We also recognize that our Wendover facility will therefore have a higher per-unit cost of production. In addition, the Moab Compaction Project we have begun will allow us to shift more standard sales to Wendover as sales can be shipped from either location to satisfy demand. Until that project is completed or we develop a market for more standard sales, we anticipate lower operating rates and, as a result, higher costs at our Wendover facility.

Cost of Goods Sold

Our cost of goods sold reflects the transfer from inventory of the accumulated costs to produce our potash and Trio® products, less credits generated from the sale of our by-products. Many of our production costs are largely fixed, and, consequently, our costs of sales per ton move inversely with the number of tons we produce, within the context of normal production levels. Our principal production costs include direct labor and employee benefits, maintenance materials, contract labor and materials for operating or maintenance projects, natural gas, electricity, operating supplies, chemicals, depreciation and depletion, royalties, leasing costs, and plant overhead expenses. There are elements of our cost structure associated with contract labor, consumable operating supplies, and chemicals that are variable, which make up approximately 20 percent of our cost base. Our periodic production costs and costs of goods sold will not necessarily match one another from period to period based on the fluctuation of inventory levels. Inventory levels are a function of previous period ending inventories, production rates, and sales levels. In 2010, we have seen an increase in both our overall production costs and our cost of goods sold compared to 2009. As the production rates from our mines returned to higher levels in 2010 as compared to 2009, per unit costs in 2010 have begun to decrease as compared to 2009. The total production related costs increased during the quarter ended September 30, 2010, compared to the same period in 2009, resulting primarily from increased production volumes. Increased production volumes resulted in higher labor costs, natural gas costs and chemicals. The increase in cost of goods sold is a reflection of the increase in sales volumes in 2010, compared to 2009, as well as the resulting lower inventory levels in 2010, when compared to 2009.

Our production costs per ton are also impacted when our production levels change, such as for annual maintenance turnarounds, mine development, or voluntary shutdowns to manage inventory levels. Our labor and contract labor costs in Carlsbad may continue to be influenced by the demand for labor in the local potash, oil and gas, and nuclear waste storage industries.

Excluding the effects of the direct expensing of costs associated with abnormally low production rates in the third quarter of 2009, our potash cost of goods sold per ton decreased slightly in the third quarter of 2010 relative to the third quarter of 2009. There were no abnormal production costs incurred during the third quarter 2010. Our potash cost of goods sold per ton, net of \$7 per ton of by-product credits, was \$171 per ton in the quarter ended September 30, 2010, exclusive of depreciation, depletion, amortization and royalties, compared to \$177 per ton, net of \$16 per ton of by-product credits, in the same quarter of 2009 and \$206 per ton, net of \$11 per ton of by-product credits, in the second quarter of 2010. Our slightly lower cost of goods sold per ton during the third

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quarter of 2010 resulted primarily from higher operating efficiencies and the effect of reducing our potash inventories.

We pay royalties to federal, state and private lessors under our mineral leases, and such payments are typically a percentage of net sales of minerals extracted and sold under the applicable lease. In some cases, federal royalties for potash are paid on a sliding scale basis that varies with the grade of ore extracted. For the three and nine months ended September 30, 2010, our royalty rates were 3.9 percent in each period. For the three and nine months ended September 30, 2009, our royalty rates were 4.1 percent and 3.8 percent, respectively. We expect that future average rates will be relatively consistent with these rates.

Income Taxes

Intrepid is a subchapter C corporation and, therefore, is subject to federal and state income taxes on its taxable income. For the three and nine month periods ending September 30, 2010, our effective income tax rates were 41.3 percent and 40.4 percent, respectively. For the three and nine month periods ending September 30, 2009, our effective income tax rates were 40.2 percent and 41.6 percent, respectively. Our effective income tax rate is impacted primarily by the amount of taxable income associated with each state jurisdiction in which our 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.

On September 27, 2010, the Small Business Jobs Act of 2010 was enacted. In part, this legislation provides for an additional first year depreciation deduction equal to 50 percent of the adjusted basis of qualified property placed in service during 2010. The provisions of the Small Business Jobs Act of 2010 resulted in a reduction of our current tax provision and an increase of our deferred tax provision for the 2010 periods presented. As a result of our reduced taxable income, our projected domestic production activity deduction was also reduced. This reduction of our domestic production activity deduction is the predominant factor causing an increase in the estimated annual effective tax rate from 39.7 percent for the six months ended June 30, 2010, to 40.4 percent for the nine months ended September 30, 2010.

For the three and nine months ended September 30, 2010, our total tax expense was \$8.2 million and \$18.3 million, respectively. Total tax expense for the quarter ended September 30, 2010, was comprised of \$4.0 million of current income tax benefit and \$12.2 million of deferred income tax expense. There was \$1.0 million of current income tax benefit and \$19.3 million of deferred income tax expense for the nine months ended September 30, 2010. For the three and nine months ended September 30, 2009, our total tax expense was \$6.4 million and \$34.6 million, respectively. For these periods, total tax expense was comprised of \$1.7 million of tax benefit and \$8.5 million of tax expense, respectively, of current income tax (benefit) expense and \$8.1 million and \$26.1 million, respectively, of deferred income tax expense.

Operating Highlights

Three Months Ended September 30, 2010, and 2009

As a result of higher sales volumes during the third quarter of 2010 compared to the third quarter of 2009, income before income taxes was higher at \$19.8 million for the three months ended September 30, 2010, compared to \$15.9 million for the same period in 2009. Despite a decrease in our average net realized sales price per ton for both potash and Trio[®], total sales volume in 2010 increased by 99 percent for potash and 13 percent for Trio[®]. We sold 221,000 tons of potash and 45,000 tons of Trio[®] in the three months ended September 30, 2010, as compared to 111,000 tons of potash and 40,000 tons of Trio[®] in the same period of 2009. The increase in sales volumes resulted from the continuation of the same factors that contributed to higher sales in the first quarter, including more historically

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normal demand from farmers because of improved economic and weather conditions, the decline in potash prices from their high point in 2008, and the need to replace the nutrients depleted by crops in 2008 and 2009 after lower potash fertilizer application rates in those periods. Industrial grade potash sales volumes in the third quarter of 2010 also increased by approximately 32 percent from sales volumes in the third quarter of 2009. The vast majority of this increase was from standard sales into the drilling markets located in Texas, Oklahoma, Louisiana, and New Mexico that are typically serviced from our Carlsbad East facility.

Our production volume of potash in the third quarter of 2010 was 166,000 tons, or 54,000 tons more than in the third quarter of 2009. Our 2010 production was higher than in 2009 primarily due to actions we took in 2009 to slow production in order to more closely align our supply with market demand and to manage our inventory. In the third quarter of 2010, we achieved the staffing levels for our mining operations which should allow the mines in Carlsbad to increase production rates. As demand increased through the fourth quarter of 2009 and into 2010, we have increased production in Moab and in Carlsbad.

Our average net realized sales price of potash was \$343 per ton (\$378 per metric ton) for the three months ended September 30, 2010, as compared to \$458 per ton for the three months ended September 30, 2009. The decrease in our average net realized sales price was primarily the result of competitive pricing associated with summer fill programs offered by our competitors. We expect that our net realized sales price for potash will increase during the fourth quarter of 2010 compared to the third quarter of 2010 as a result of the price increases described previously that became effective subsequent to September 30, 2010. However, we do not expect the full impact of these price increases to be realized until the first part of 2011 as orders had been placed prior to the announced price increases. Excluding costs associated with abnormal production in 2009, our average potash gross margin as a percentage of net sales was 35 percent for the three months ended September 30, 2010, as compared to 50 percent in the three months ended September 30, 2009.

In the third quarter of 2010, our potash cost of goods sold was \$210 per ton, net of by-product credits, compared to cost of goods sold for potash in the third quarter of 2009 of \$214 per ton, net of by-product credits. We did not experience any costs associated with abnormal production during the three months ended September 30, 2010 and we expensed \$5.8 million of abnormal production costs during the three months ended September 30, 2009.

Our cost of goods sold for Trio[®] increased \$3 per ton in the third quarter of 2010 relative to the third quarter of 2009. The increase per ton cost in 2010 resulted primarily from the decreased productivity as we shut down our langbeinite plant at our East facility in July 2010 due to unusually heavy rainfall in addition to generally lower recoveries experienced in the quarter, coupled with slight increase in operating costs.

The annual maintenance turnaround at our East Mine began at the end of September 2010 and was successfully concluded approximately ten days into October 2010. The shutdown allowed us to complete scheduled maintenance work underground, and at our surface production facilities. In addition, certain utilities were relocated in preparation for the new langbeinite recovery improvement processing facility, which is expected to become operational in the fourth quarter of 2011. As our fixed costs during shutdowns remain at least the same and those costs are then distributed over fewer production tons during the quarter, we expect our fourth quarter per ton operating costs to be higher than the third quarter due to the East Mine maintenance turnaround operation that occurred mostly during the fourth quarter of 2010.

Selected Operations Data

The following table presents selected operations data for the periods presented below. Analysis of the details of this information is presented throughout this discussion. We present this table as a

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

	Three months ended		Change between Periods	% Change
	September 30, 2010	September 30, 2009		
Production volume (in thousands of tons):				
Potash	166	112	54	48%
Langbeinite	32	60	(28)	(47)%
Sales volume (in thousands of tons):				
Potash	221	111	110	99%
Trio®	45	40	5	13%
Gross sales (in thousands):				
Potash	\$ 81,246	\$ 54,521	\$ 26,725	49%
Trio®	10,225	11,928	(1,703)	(14)%
Total	91,471	66,449	25,022	38%
Freight costs (in thousands):				
Potash	5,396	3,598	1,798	50%
Trio®	2,435	1,995	440	22%
Total	7,831	5,593	2,238	40%
Net sales (in thousands):				
Potash	75,850	50,923	24,927	49%
Trio®	7,790	9,933	(2,143)	(22)%
Total	\$ 83,640	\$ 60,856	\$ 22,784	37%
Potash statistics (per ton):				
Average net realized sales price	\$ 343	\$ 458	\$ (115)	(25)%
Cost of goods sold, net of by-product credits* (exclusive of items shown separately below)	171	177	(6)	(3)%
Depreciation, depletion, and amortization	26	19	7	37%
Royalties	13	18	(5)	(28)%
Total potash cost of goods sold	210	214	(4)	(2)%
Warehousing and handling costs	11	13	(2)	(15)%
Average potash gross margin (exclusive of costs associated with abnormal production)	\$ 122	\$ 231	\$ (109)	(47)%
Trio® statistics (per ton):				
Average net realized sales price	\$ 173	\$ 246	\$ (73)	(30)%
Cost of goods sold (exclusive of items shown separately below)	132	131	1	1%
Depreciation, depletion and amortization	18	12	6	50%
Royalties	8	12	(4)	(33)%

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Total Trio® cost of goods sold	158	155	3	2%
Warehousing and handling costs	12	17	(5)	(29)%
Average Trio® gross margin (exclusive of costs associated with abnormal production)	\$ 3	\$ 74	\$ (71)	(96)%

*

On a per ton basis, by-product credits were \$7 and \$16 for the three month period ended September 30, 2010, and 2009, respectively. By-product credits were \$1.5 million and \$1.7 million for the three month period ended September 30, 2010, and 2009, respectively. Costs associated with abnormal production were zero and \$5.8 million for the three month period ended September 30, 2010, and 2009, respectively.

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Nine Months Ended September 30, 2010, and 2009

Income before income taxes for the nine months ended September 30, 2010, and 2009, was \$45.4 million and \$83.2 million, respectively. The decrease in the comparable periods again followed from a lower average net realized sales price per ton of both potash and Trio[®]. We sold 594,000 and 177,000 tons of potash and Trio[®] in the nine months ended September 30, 2010, as compared to 290,000 and 123,000 tons in the same period of 2009. The 105 percent increase in potash sales volumes resulted primarily from the surge in sales during the first and third quarters of 2010 which resulted from farmers' need to replace the nutrients depleted by crops in 2008 and 2009 because of lower potash fertilizer application rates in those periods, in conjunction with less volatile pricing. The fall application season has been particularly strong in 2010. Industrial grade potash sales volumes in the nine months ended September 30, 2010, also increased by approximately 20 percent from sales volumes in the comparative period of 2009. The 44 percent increase in Trio[®] sales volumes was driven largely by a continued increase in domestic sales combined with some shipments to fulfill export demand, particularly for granular product.

Our production volume of potash in the nine months ended September 30, 2010, was 503,000 tons, or 122,000 tons more than in the first nine months of 2009. Our production was primarily lower in 2009 due to actions we took to slow production in order to more closely align our supply with market demand and to manage our inventory. As demand increased through the fourth quarter of 2009 and into 2010, we have increased staffing levels at our Carlsbad facilities and following the hiring and training periods, we now have the staffing of the hourly mine and plant staff at levels that should allow us to increase production.

Our average net realized sales price of potash was \$354 per ton (\$391 per metric ton) in the nine months ended September 30, 2010, as compared to \$610 per ton in the nine months ended September 30, 2009. The decrease in our average net realized sales price was the result of price reductions we took to remain competitive. The pricing was also impacted by the actions of our international competitors following their settlements of new contracts at lower prices with large importing countries, such as China, India and Brazil. Excluding costs associated with abnormal production, our average potash gross margin as a percentage of net sales was reduced to 32 percent for the nine months ended September 30, 2010, as compared to 58 percent in the nine months ended September 30, 2009, and was largely attributable to the lower average net realized sales price.

In the first nine months of 2010, we directly expensed \$0.5 million of costs related to abnormal production, and our potash cost of goods sold was \$229 per ton, net of by-product credits. This compares to cost of goods sold for potash in the first nine months of 2009 of \$241 per ton, net of by-product credits, and the expensing of \$12.0 million of costs related to abnormal production.

Our cost of goods sold for Trio[®] decreased \$23 per ton in the first nine months of 2010 relative to the first nine months of 2009. Production decreased in the nine months ended September 30, 2010, attributable to the shut down of our langbeinite plant at our East facility in July 2010 due to unusually heavy rainfall, which was more than offset by increased tons sold in the first nine months of 2010 relative to the same period in 2009. Therefore, fixed production costs were spread over more tons in 2010, lowering the costs of goods sold per ton for Trio[®]. In the first nine months of 2009, we directly expensed \$0.2 million of costs related to abnormal production.

Selected Operations Data

The following table presents selected operations data for the 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 the elements

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

	Nine months ended		Change between Periods	% Change
	September 30, 2010	September 30, 2009		
Production volume (in thousands of tons):				
Potash	503	381	122	32%
Langbeinite	128	147	(19)	(13)%
Sales volume (in thousands of tons):				
Potash	594	290	304	105%
Trio®	177	123	54	44%
Gross sales (in thousands):				
Potash	\$ 223,522	\$ 184,602	\$ 38,920	21%
Trio®	39,627	44,140	(4,513)	(10)%
Total	263,149	228,742	34,407	15%
Freight costs (in thousands):				
Potash	13,110	7,997	5,113	64%
Trio®	10,060	6,425	3,635	57%
Total	23,170	14,422	8,748	61%
Net sales (in thousands):				
Potash	210,412	176,605	33,807	19%
Trio®	29,567	37,715	(8,148)	(22)%
Total	\$ 239,979	\$ 214,320	\$ 25,659	12%
Potash statistics (per ton):				
Average net realized sales price	\$ 354	\$ 610	\$ (256)	(42)%
Cost of goods sold, net of by-product credits* (exclusive of items shown separately below)	190	200	(10)	(5)%
Depreciation, depletion, and amortization	26	19	7	37%
Royalties	13	22	(9)	(41)%
Total potash cost of goods sold	229	241	(12)	(5)%
Warehousing and handling costs	10	14	(4)	(29)%
Average potash gross margin (exclusive of costs associated with abnormal production)	\$ 115	\$ 355	\$ (240)	(68)%
Trio® statistics (per ton):				
Average net realized sales price	\$ 167	\$ 306	\$ (139)	(45)%
Cost of goods sold (exclusive of items shown separately below)	124	143	(19)	(13)%
Depreciation, depletion and amortization	17	14	3	21%
Royalties	8	15	(7)	(47)%
Total Trio® cost of goods sold	149	172	(23)	(13)%
Warehousing and handling costs	10	14	(4)	(29)%
Average Trio® gross margin (exclusive of costs associated with abnormal production)	\$ 8	\$ 120	\$ (112)	(93)%

*

On a per ton basis, by-product credits were \$8 and \$17 for the nine month period ended September 30, 2010, and 2009, respectively. By-product credits were \$4.9 million for both the nine month periods ended September 30, 2010, and 2009, respectively. Costs associated with abnormal production were \$0.5 million and \$12.2 million for the nine month period ended September 30, 2010, and 2009, respectively.

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Outlook for the Remainder of 2010

The potash market continues to exhibit more historically normal demand trends, which has allowed producers to bring back production capacity idled in 2008 and 2009. Spring 2010 fertilizer demand was indicative of the historical market in North America and the summer slow-down was also in line with historical norms. The fall application season got off to an early start as the fall harvest started earlier than the last couple of years and the outlook for crop prices improved in response to strong grain demand along with the USDA's recent downward revision of grain stocks. Potash prices reached a low this summer when some producers offered summer price incentive programs and are presently moving higher as we enter the heart of the fall season. We expect the remainder of 2010 to be in line with historical norms with strong potash demand through the fall season. After the fall, we would expect to experience a decline in sales volumes toward the end of the year as winter weather closes the fertilizer application window.

The potash market has stabilized markedly compared to the volatility the industry experienced in 2008 and 2009. The price of corn has increased significantly for front month delivery contracts over the past several months, increasing confidence that farmers should have the economic resources to replace the nutrients drawn from the soil. In addition, the overall commodity markets for grains, sugar, cotton and other commodities has significantly improved since the end of June 2010. There is also a much more stable environment for cattle and hog prices as the impact of herd liquidations has resulted in smaller herd sizes. This overall strengthening has afforded an opportunity for farmer economics to expand significantly. As a result, we anticipate that our recently announced price increases will be accepted in the market. We will continue to monitor the market and respond to overall improvements in demand and farmer economics. We do anticipate the typical decline in sales volumes toward the end of the year as winter weather closes the fertilizer application window. This is a normal part of the fertilizer purchasing cycle by our customers and the focus will be on anticipated demand into the spring. Our key agricultural customers understand these cycles as well and, as always, are seeking to maximize their returns by strategically choosing when to replenish their inventories.

In August 2010, BHP Billiton Plc ("BHP") initiated a hostile takeover of Potash Corp of Saskatchewan, Inc. ("Potash Corp."). BHP has stated publicly that, if successful with its takeover bid, it would plan to operate Potash Corp.'s potash mines at full capacity. This statement has led to speculation regarding the future longer term price of potash due to the effect that such a strategy may have on the worldwide supply of potash. While the outcome of BHP's bid for Potash Corp. and its operating intentions, if successful in its bid, remain unclear, we remain committed to reinvesting in the business and executing on projects that are expected to increase the reliability of the operations, increase recoveries and bring on new production at incrementally lower per unit costs, which are designed to decrease our per unit production costs and increase our operating margins.

Potash Prices

The price for potash has been and will continue to be the most significant driver of profitability for our business. As discussed earlier, prices had contracted from 2008 and 2009 levels, and the \$343 per ton average net realized sales price in the third quarter of 2010 for potash was affected by our competitor's summer price incentive programs. However, prices have begun to rebound this fall in response to strong demand and favorable commodity prices for corn and other crops. We have already announced three price increases for red granular potash subsequent to September 30, 2010, with our current price quoted at \$485 per ton effective November 1, 2010. We expect these price increases to have a modest impact on our fourth quarter realized pricing before being fully realized in the first quarter of 2011.

Other factors that may impact pricing for the remainder of 2010 include the amount and price at which China will continue buying potash during 2010 and into 2011, how much demand will be satiated

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at current prices, and whether increases in crop prices and other crop nutrients can be sustained. The current uptick in demand has allowed us to sell down our granular inventories to historically normal levels for this time of year, indicating a strong likelihood that our granular sales for the remainder of 2010 will match, and in some cases exceed, our granular production rates.

We continue to have demand for our granular Trio[®] in excess of our productive capacity as the demand for this product remains strong. Trio[®] prices tend to move in relationship to potash. As a result, we raised the price on our granular Trio[®] from \$211 per ton to \$246 per ton effective October 15, 2010. We expect that the continued demand for this product and the improving agronomic understanding of the benefits of the magnesium and sulfur will provide an opportunity to continue to price this product based on the value to the farmer.

Capital Investment

We operate in a capital-intensive industry that requires consistent capital expenditures to replace assets necessary to sustain safe and reliable production. We believe that, in the long-term, demand for potash will return to, or exceed, historical levels; therefore, we have developed an investment plan at each of our facilities to maintain safe and reliable production, ensure environmental compliance, improve and modernize equipment, and increase productivity and recoveries in order to decrease per ton production costs. This focus on continuing to enhance the operational reliability of our production is particularly directed at our Carlsbad facilities with production efficiency, instrumentation, and debottlenecking projects.

As we continue to invest in our facilities, we proactively manage our projects in order to manage cash investment with the need to maintain an appropriate cash level on our balance sheet that will allow us to react strategically to market conditions. In the three and nine months ended September 30, 2010, we invested approximately \$30.9 million and \$59.7 million, respectively, in capital projects. Based on our pace of capital expenditures thus far in 2010 and our current sales forecast, we believe we will have adequate cash to execute our capital plans for the remainder of 2010.

In May 2010, we announced our Langbeinite Recovery Improvement Project, which is designed to increase our recoveries of Trio[®] from the langbeinite ore. As part of this project, we are investing in a plant to allow us the flexibility to granulate all of our standard-sized product, if market conditions warrant, and have it available for sale into the granular market. In addition, this project is designed to reduce our water usage as it relates to our langbeinite production facility and therefore reduce the need to invest additional capital in water management equipment and storage capacity. We anticipate preliminary activities will begin in the fourth quarter of 2010, and completion and operation of the project are expected by the end of 2011. The total capital investment for this project is expected to be between \$85 and \$90 million. We are committed to the expansion of our langbeinite production and to increasing our marketing efforts to educate farmers about the agronomic benefits of Trio[®].

We continue to prepare for construction of the HB Solar Solution Mine, a project to develop and build a solution mine combined with solar evaporation ponds. Project cost estimates remain in the range of \$120 and \$130 million, of which \$31.3 million has been invested to date. We expect to invest the bulk of this capital after we receive all of the necessary approvals and permits from the state and federal regulatory agencies. In July 2010, a ground water discharge permit for the HB Solar Solution Mine was approved by the New Mexico Environment Department, which represented the achievement of an important regulatory milestone. The Environmental Impact Statement ("EIS") review being undertaken by the Bureau of Land Management ("BLM") is continuing to progress. We currently anticipate that the EIS process will be completed in the fourth quarter of 2011. Once all of the necessary regulatory permits and approvals are obtained, construction will begin promptly and first production should result approximately twelve to eighteen months later, with full production anticipated approximately two years after approvals are obtained and construction begins. We have budgeted \$4 to

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\$8 million for this project in 2010 that will be used for continued permitting activities, engineering, and some advance purchases of materials.

Total capital investment in 2010 is estimated to be between \$110 and \$120 million. A breakdown of our capital investment plan includes approximately \$41 to \$45 million to replace assets needed to maintain production, \$7 to \$8 million to improve and modernize equipment, \$55 to \$59 million to increase productive capacity as described more fully below, and \$7 to \$8 million to continue the replacement of the East facility warehouse. A portion of the East facility warehouse investment has already been reimbursed, and the remainder we expect to be reimbursed by our insurer. The 2010 capital program is being funded out of cash flow and existing cash on hand.

The following are a few of the projects that are slated for investment and/or completion in 2010 to improve the overall reliability of the operations and increase productive capacity:

As mentioned previously, we announced our Langbeinite Recovery Improvement Project in May 2010. Of the total capital investment for the project, approximately \$10.7 million has been invested to date, approximately \$17 to \$22 million will be invested during the remainder of 2010, and the balance will be invested in 2011. Variability in the timing of the fabrication of materials for this project could have an impact on the timing of investment in the project during 2010. This project is a high priority due to the expected increase in langbeinite production due to higher recoveries from the same amount of ore throughput from the East facility, which is expected to result in a lower average cash cost structure at the East facility;

Expand compaction capacity through our Moab Compaction Project by installing a new compaction facility that can granulate all of our Moab production. This project will allow us to better adapt to market demand fluctuations for our standard and granular potash. The longer lead-time equipment is already on site, and the project is proceeding as planned. The project investment is approximately \$11 to \$13 million, and the Moab compaction facility is scheduled to be operational at the end of this year;

Replace the wind-damaged warehouse capacity at the Carlsbad East facility for approximately \$7 to \$8 million. In addition, new warehouse capacity is planned at Wendover to provide increased operational flexibility of which approximately \$0.3 million is planned to be invested in the fourth quarter of 2010, and approximately \$2 to \$3 million is planned in 2011;

Continue to improve our distribution control systems and overall monitoring instrumentation at our production facilities; and

Add new equipment, including miners and conveyors, to develop new mine panels at the Carlsbad mines at costs of approximately \$7 to \$8 million.

All dollar amounts for future capital spending are estimates that are subject to change as projects are further developed, modified, deferred, or canceled.

Liquidity and Capital Resources

As of September 30, 2010, we had cash, cash equivalents, and investments of \$126.5 million, we had no debt, and we had availability of \$125.0 million under our senior credit facility. Included in cash and cash equivalents were \$0.7 million in cash and \$66.0 million in cash equivalent investments. The cash equivalents consisted of approximately \$15.9 million in money market accounts or certificates of deposit with banking institutions, and approximately \$50.1 million in U.S. Bank National Association ("U.S. Bank") overnight commercial paper. We had no losses on our cash and cash equivalents during the first nine months of 2010, and all cash equivalents are invested with institutions that we believe to be financially sound. Additionally, as of September 30, 2010, we had \$33.0 million and \$26.8 million, respectively, invested in short-term and long-term certificate of deposit and U.S. government agency,

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municipal and corporate bond investments. In addition, Intrepid has invested in corporate bonds that are convertible into equity securities in the amount of \$4.3 million as of September 30, 2010, which we have classified as available-for-sale securities.

Our operations are primarily funded from cash on hand and cash generated by operations, and, if necessary, we have the ability to borrow under our senior credit facility. For the foreseeable future, we believe that our cash and investment balances, cash flow from operations, and available borrowings under our senior credit facility will be sufficient to fund our operations, our working capital requirements, and our presently planned capital investments.

	Nine months ended	
	September 30,	September 30,
	2010	2009
	(In thousands)	
Cash Flows from Operating Activities	\$ 76,509	\$ 57,990
Cash Flows from Investing Activities	\$ (98,901)	\$ (86,033)
Cash Flows from Financing Activities	\$ (708)	\$ (1,283)

Operating Activities

Total cash provided by operating activities was \$76.5 million for the nine months ended September 30, 2010, compared to \$58.0 million for the nine months ended September 30, 2009. The \$18.5 million increase in cash provided by operating activities in the first nine months of 2010 was due primarily to the sales of product early in the year which decreased product inventory balances. We have also continued to experience more robust overall sales in the third quarter of 2010 as compared to 2009, which has been a significant contributor to the higher operating cash flows. These changes were offset by lower net income and lower non-cash deferred income tax expense when comparing the first nine months of 2010 to 2009. The lower net income and decreased product inventory are reflective of the continued business conditions in our industry, as producers are selling more product than in the first nine months of 2009, although at much lower prices. For the nine months ended September 30, 2010, inventories decreased \$15.8 million compared to an increase of \$19.9 million in the same period in 2009, due to increased demand for our products reflected in sales tons after the declines in application rates for much of 2009.

Investing Activities

Total cash used in investing activities was \$98.9 million for the nine months ended September 30, 2010, compared to \$86.0 million for the nine months ended September 30, 2009. The amount of cash invested in property, plant, and equipment as well as mineral properties and development costs was \$58.0 million in the first nine months of 2010 compared to \$82.4 million in the first nine months of 2009, reflecting the continued monitoring of our capital plan and the ongoing focus on ramping up production levels. Additionally, we expect larger capital expenditures in the fourth quarter of 2010 associated with the Moab Compaction Project and the Langbeinite Recovery Improvement Project. For the nine months ended September 30, 2010, we have been investing excess cash in higher yielding corporate and government agency securities by purchasing \$61.9 million of investments. We also received \$19.5 million in proceeds from maturing investments. The maturity of these investments is expected to generally match the cash needs for our capital investments.

Table of Contents**Senior Credit Facility**

Intrepid's senior credit facility, as amended, is a syndicated facility led by U.S. Bank as the agent bank, which provides a total revolving credit facility of \$125 million. The lenders have a security interest in substantially all of the assets of Intrepid and certain of its subsidiaries. Obligations under the senior credit facility are cross collateralized between Intrepid and certain of its subsidiaries. Intrepid's \$125 million revolving credit facility has a term through March 9, 2012, and the entire amount of the revolving credit facility was available for use as of September 30, 2010.

Our senior credit facility required us to maintain interest rate derivative agreements to fix the interest rate for at least 75 percent of the projected outstanding balance of our term loan, when we had debt outstanding. Historically, we maintained derivative hedging agreements that were swaps of variable rate interest for fixed rate payments. Despite repaying the amounts outstanding under the senior credit facility, we have left the interest rate swap agreements in place taking the view that interest rates would rise and that the cost of settling the derivatives would be relatively beneficial as compared to closing out the contracts. Interest rates, however, have decreased, and the liability that we have under these derivative agreements has increased since the date of the debt repayment. We review our derivative positions from the perspective of counterparty risk when we are in an asset position and believe that we continue to transact with strong, creditworthy institutions. Notional amounts for which the rate has been fixed as of September 30, 2010, are displayed below:

Termination Date	Notional Amount	Weighted Average Fixed Rate
	(In thousands)	
December 31, 2010	\$ 34,750	5.0%
December 31, 2011	\$ 29,400	5.2%
December 31, 2012	\$ 22,800	5.3%

The weighted average notional amount outstanding for these derivatives as of September 30, 2010, and the weighted average 3-month LIBOR rate locked-in via these derivatives are \$27.0 million and 5.2 percent. The interest rate paid under our senior credit facility on any debt varies both with the change in the 3-month LIBOR rate and with our leverage ratio.

See the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q for more information relating to our financing arrangements, including our indebtedness. A more detailed description of our financing arrangements is also included in Management's Discussion and Analysis of Results of Operations and Financial Condition and the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2009.

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Contractual Obligations

As of September 30, 2010, we had contractual obligations totaling \$75.4 million on an undiscounted basis, as indicated below. Contractual commitments shown are for the full calendar year indicated unless otherwise indicated.